FirstRand

2021

annual financial statements

for the year ended 30 June

FirstRand

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

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

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Five-year review and economic impact

FIVE-YEAR REVIEW

R million	2017	2018	2019*	2020	**2021**	Compound growth %
Statement of financial position						
Total assets	1 217 707	1 532 289	1 669 062	1 926 539	**1 886 280**	12
Average assets	1 183 492	1 374 998	1 600 676	1 797 801	**1 906 410**	13
Advances	893 106	1 121 227	1 205 752	1 261 715	**1 223 434**	8
Average advances	872 256	1 007 167	1 163 490	1 233 734	**1 242 575**	9
Impairment and fair value of credit of advances	16 540	18 835	34 162	49 380	**50 618**	32
NPLs	21 905	26 947	41 349	57 281	**60 705**	29
Gross advances before impairments	909 646	1 140 062	1 239 914	1 311 095	**1 274 052**	9
Deposits	983 529	1 267 448	1 393 104	1 535 015	**1 542 078**	12
Capital and reserves attributable to equityholders of the group	113 403	126 794	140 407	147 774	**163 262**	10
Treasury shares	32	15	(29)	72	**25**	(6)
Ordinary dividends	13 294	14 921	15 931	16 716	**6 170**	(17)
Total equity before dividends and treasury shares	126 729	141 730	156 309	164 562	**169 457**	8
Total ordinary equity	108 884	121 025	129 673	137 529	**151 617**	9
Assets under administration	1 518 934	1 867 270	2 001 400	2 258 429	**2 282 511**	11
Income statement						
Net interest income before impairment of advances	44 917	49 098	60 457	62 915	**63 290**	9
Impairment and fair value of credit of advances	(8 054)	(8 567)	(10 500)	(24 383)	**(13 660)**	14
Non-interest revenue	40 922	44 193	45 808	41 691	**45 195**	3
Share of profit of associates and joint ventures after tax	1 038	909	1 230	29	**1 538**	10
Operating expenses	(44 585)	(48 462)	(54 043)	(55 276)	**(57 556)**	7
Earnings attributable to ordinary equityholders	24 572	26 546	30 211	17 021	**26 743**	2
Headline earnings	23 762	26 509	27 887	17 326	**26 950**	3
Earnings per share (cents)						
- Basic	438.2	473.3	538.6	303.5	**476.9**	2
- Diluted	438.2	473.3	538.6	303.5	**476.9**	2
Headline earnings per share (cents)						
- Basic	423.7	472.7	497.3	308.9	**480.5**	3
- Diluted	423.7	472.7	497.3	308.9	**480.5**	3

** Reclassifications of prior year numbers.*

FIVE-YEAR REVIEW continued

R million	2017	2018	2019	2020	**2021**	Compound growth %
Dividend per share (cents)	255.0	275.0	291.0	146.0	**263.0**	
Dividend cover based on headline earnings	1.7	1.7	1.7	2.1	**1.8**	
NCNR preference dividends per share (cents)						
- February	395.6	386.2	381.7	374.7	**253.6**	(11)
- August	393.6	378.3	384.2	306.0	**273.9**	(9)
Net asset value per ordinary share (cents)	1 941.2	2 157.9	2 311.9	2 453.1	**2 703.5**	9
Shares in issue (millions)	5 609.5	5 609.5	5 609.5	5 609.5	**5 609.5**	-
Weighted average number of shares in issue (millions)	5 608.0	5 608.1	5 609.0	5 608.2	**5 608.2**	-
Diluted weighted average number of shares in issue (millions)	5 608.0	5 608.1	5 609.0	5 608.2	**5 608.2**	-

FIVE-YEAR REVIEW continued

R million	2017	2018	2019*	2020	**2021**	Compound growth %
Key ratios						
Return on ordinary equity based on headline earnings (%)	22.8	23.1	22.2	13.0	**18.6**	
Price earnings ratio based on headline earnings (times)	11.1	13.5	13.8	12.3	**11.2**	
Price-to-book ratio (times)	2.4	3.0	3.0	1.6	**2.0**	
Market capitalisation (R million)	264 487	358 390	384 530	213 497	**300 612**	3
Closing share price (cents)	4 715	6 389	6 855	3 806	**5 359**	3
Cost-to-income ratio (%)	51.3	51.4	50.3	52.8	**52.3**	
Credit loss ratio (%)	0.91	0.84	0.88	1.91	**1.06**	
NPLs as a % of gross advances (%)	2.41	2.36	3.33	4.37	**4.76**	
Non-interest income as a % of total income (%)	48.3	47.9	43.8	39.9	**42.5**	
Return on average total assets based on headline earnings (%)	2.0	1.9	1.7	1.0	**1.4**	
Interest margin on average advances (%)	5.1	4.9	5.2	5.1	**5.1**	
Exchange rates						
Rand/USD						
- Closing	13.10	13.80	14.13	17.36	**14.26**	
- Average	13.58	12.82	14.17	15.51	**15.33**	
Rand/GBP						
- Closing	17.00	18.18	17.98	21.43	**19.72**	
- Average	17.21	17.27	18.33	19.57	**20.66**	
Statement of financial position (USD)*						
Total assets	92 955	111 035	118 122	110 976	**132 278**	9
Advances	68 176	81 248	85 333	72 679	**85 795**	6
Deposits	75 079	91 844	98 592	88 423	**108 140**	10
Total equity	8 657	9 188	9 937	8 512	**11 449**	7
Assets under administration	115 949	135 309	141 642	130 094	**160 064**	8
Income statement (USD)#						
Earnings attributable to ordinary equityholders	1 809	2 071	2 132	1 097	**1 744**	(1)
Headline earnings	1 750	2 068	1 968	1 117	**1 758**	0
Statement of financial position (GBP)*						
Total assets	71 630	84 284	92 829	89 899	**95 653**	7
Advances	52 536	61 674	67 061	58 876	**62 040**	4
Deposits	57 855	69 717	77 481	71 629	**78 199**	8
Total equity	6 671	6 974	7 809	6 896	**8 279**	6
Assets under administration	89 349	102 710	111 313	105 386	**115 746**	7
Income statement (GBP)#						
Earnings attributable to ordinary equityholders	1 428	1 537	1 648	870	**1 294**	(2)
Headline earnings	1 381	1 535	1 521	885	**1 304**	(1)

** Reclassification of prior year numbers*
***The statement of financial position is converted using the closing rates as disclosed*
 # The income statement is converted using the average rate as disclosed

ECONOMIC IMPACT

ECONOMIC IMPACT

	2021		2020	
	R million	**%**	R million	%
Value added				
Net interest income after impairment	**92 275**	**67.0**	97 504	70.6
Non-operating revenue	**47 186**	**34.2**	42 306	30.7
Non-operating expenses	**(1 636)**	**(1.2)**	(1 806)	(1.3)
Value added by operations	**137 825**	**100.0**	138 004	100.0
To employees				
Salaries, wages and other benefits	**34 358**	**24.9**	32 104	23.3
To providers of funding	**49 592**	**36.0**	76 833	55.7
Dividends to shareholders	**6 947**		17 861	
Interest paid	**42 645**		58 972	
To suppliers	**17 427**	**12.6**	17 373	12.6
To government	**11 777**	**8.6**	7 250	5.2
Normal tax	**10 232**		5 925	
Value added tax	**1 505**		1 330	
Capital gains tax	**-**		(24)	
Other	**40**		19	
To communities				
CSI spend	**152**	**0.1**	247	0.2
To expansion and growth	**24 519**	**17.8**	4 197	3.0
Retained income	**20 573**		305	
Depreciation and amortisation	**5 226**		4 946	
Deferred income tax	**(1 280)**		(1 054)	
Total value added	**137 825**	**100.0**	138 004	100.0

b

FirstRand group audited consolidated annual financial statements

b

FirstRand group audited consolidated annual financial statements

AUDIT COMMITTEE REPORT

The fundamental role of an audit committee is to assist the board in fulfilling its oversight responsibilities in areas such as financial reporting, internal control systems and internal and external audit functions. The committee works closely with the group's risk, capital management and compliance committee, the social, ethics and transformation committee and the information and technology risk and governance committee to identify common risk and control themes, and to achieve synergy between combined assurance processes, thereby ensuring that, where appropriate, these functions can leverage off one another.

The committee is constituted as a statutory committee of FirstRand in respect of its duties in terms of section 94(7) of the Companies Act, 71 of 2008; section 64 of the Banks Act of 1990 and as a committee of the FirstRand board concerning all other duties assigned to it by the board. The objectives and functions of the committee are set out in its charter, which was reviewed and updated during the financial year.

SUMMARY OF RESPONSIBILITIES

- reviews the quality, independence and cost-effectiveness of the statutory audit and non-audit engagements;
- reviews the appointment of the external auditor firms for recommendation to the board;
- approves the appointment of the audit lead partners after consideration of the enhanced due diligence results;
- oversees internal and external audits, including review and approval of internal and external audit plans, reviews significant audit findings and monitors progress reports on corrective actions required to rectify reported internal control shortcomings;
- assists the board in evaluating the adequacy and effectiveness of FirstRand's system of internal control (including internal financial controls), accounting practices, information systems and auditing processes;
- ensures that a combined assurance model is applied to provide a coordinated approach to assurance activities;
- oversees the Banks Act regulatory audit process and internal financial controls;
- oversees financial risks, including validity, accuracy and completeness of the annual financial statements and annual integrated report (both financial and non-financial reporting) and recommends them to the board for approval;
- receives reports on fraud and IT risks as these relate to financial reporting;
- satisfies itself with the expertise, resources and experience of the group financial director and finance function; and
- provides independent oversight of the integrity of the annual integrated report and associated external reports and recommends them to the board for approval.

The effectiveness of the committee and its individual members is assessed annually by the board.

The committee is satisfied that it has executed its duties during the past financial year in accordance with these terms of reference, relevant legislation, regulations and governance practices.

Feedback was obtained from management, external audit and internal audit in making all assessments.

COMPOSITION		**MEETING**	**NOVEMBER TRILATERAL**
GG Gelink (chairman)	Independent non-executive director	4/4	1/1
JP Burger (resigned 1 April 2021)*	Non-executive director	3/3	1/1
RM Loubser	Independent non-executive director	4/4	1/1
LL von Zeuner	Independent non-executive director	4/4	1/1
T Winterboer	Independent non-executive director	4/4	1/1

***** *Mr Johan Petrus Burger has stepped down as a member of the audit committee with effect from 1 April 2021 to ensure that the audit committee is comprised of independent members only. He will continue to serve as a non-executive director of FRB.*

ATTENDEES

CEO
COO
Financial director
Chief risk officer
Chief audit executive
Chairmen of the subcommittees and other specialist consultants
External auditors
Heads of finance, risk, internal audit and compliance

The composition of the committee is designed to include members with practical banking expertise in accordance with the Banks Act.

In addition to the audit committee, divisional audit committees have been established. The divisional audit committees are chaired by competent independent non-executives who participate in the audit committee.

The external auditors and chief audit executive meet independently with the non-executive members as and when required.

The committee is satisfied that the individual members of the committee possess appropriate qualifications and a balance of skills and experience to discharge their responsibilities.

AREAS OF FOCUS

During the year, the committee:

- reviewed the reports on internal financial controls and the going concern aspect of FirstRand, in terms of Regulation 40(4) of the Banks Act regulations;
- reviewed the report on management's self-assessment of internal financial controls, enabling the directors' attestation in terms of the JSE Listings Requirements section 3.84(k);
- considered feedback from the external auditors on the PA bilateral meeting;
- conducted quarterly financial analysis of the group's year-to-date performance;
- considered industry trend updates from the external auditors and from management;
- reviewed and recommended to the board for approval the interim results and year-end results, together with annual financial statements;
- reviewed and approved the internal audit charter;
- reviewed and approved the audit committee charter;
- attended the trilateral meeting with the PA;
- after completing a detailed tender process recommended the appointment of two new audit firms for the 30 June 2024 and 30 June 2026 financial years to meet the mandatory audit firm rotation (MAFR) requirements;
- reviewed the impact of emerging and current regulatory developments in the group;
- considered BCBS 239 updates and impact assessments;
- approved the key audit matters identified in the external audit report;
- reviewed and approved non-audit engagements undertaken by the external auditors during the year in terms of the approval policy of the group;
- reviewed the outcome of the statutory and regulatory audit;
- noted and responded to the findings of the report from the JSE on the proactive monitoring of financial statements in 2020, published in 2021;
- reviewed the adoption of Phase 1 and the early adoption of Phase 2 of the IBOR reform including related disclosure requirements; and
- received the Banks Act Regulation 39 corporate governance assessment.

EXTERNAL AUDIT

The committee has satisfied itself as to the performance and quality of external audit, and that the external auditors and lead partners were independent of the group as set out in section 94(8) of the Companies Act.

This included consideration of:

- representations made by the external auditors to the audit committee including the ISQC1 system of quality control representations;
- independence criteria specified by IRBA and international regulatory bodies as well as criteria for internal governance processes within audit firms;
- auditor suitability assessment in terms of paragraph 3.84(g)(iii) and section 22.15(h) of the JSE Listings Requirements;
- previous appointments of the auditors;
- extent of other work undertaken by the auditors for the group;
- chairman’s closed sessions with the external auditors to discuss any concerns without management present;
- tenure of the auditors and rotation of the lead partners;
- changes to management during the tenure of auditors, which mitigates the attendant risk of familiarity between the external auditor and management;
- monitoring the public conduct of audit firms, for example through media reports with follow-up sessions with the external auditors; and
- dual audit firms allowing for cross-review and audit area rotation.

- The committee nominated, for re-election at the annual general meeting, Deloitte & Touche and PricewaterhouseCoopers Inc. (PwC) as the external audit firms responsible for performing the functions of auditor for the 2022 financial year.
- The committee ensured that the appointment of the auditors complied with all required legislation.
- Deloitte & Touche and PwC have both been the group’s external auditors for 11 years.
- The committee chair met with senior leadership of the audit firms to discuss the firm’s risk and quality processes independently from what the audit team disclosed to the committee.

NON-AUDIT SERVICES

- The committee annually reviews and approves the list of non-audit services which the auditors may perform. There is an approval process where all non-audit service engagements above a certain threshold must be approved by the financial director, and above a further threshold, pre-approved by the chairman of the audit committee. If above the highest threshold, it needs to be approved by the entire committee. A maximum limit of 25% of the group’s annual audit fee is in place for non-audit services, in aggregate and individually per firm. Quarterly, the cumulative spend for the year to date is presented to the committee to keep track of the build of non-audit spend and the nature of services. The 2021 non-audit fees were 14% of the audit fees.

INTERNAL AUDIT

The internal audit function's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

The function assists executive management and the audit committee to accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the group.

The function provides assurance to the board on the adequacy and effectiveness of the group's internal control and risk management practices, and the integrity of financial reporting systems. Internal audit assists management by making recommendations for improvements to the control and risk management environment.

During the year the committee received quarterly reports from GIA on any weaknesses in controls that were identified, including financial controls, and considered corrective actions to be implemented by management.

The committee has assessed the performance of the chief audit executive and the arrangements of internal audit and is satisfied that the function is independent and appropriately resourced, and that the chief audit executive has fulfilled the obligations of that position.

The committee can confirm that the financial and risk management information contained in the annual integrated report accurately reflects information reported to the committee by management and has no reason to believe that the existing internal controls, including internal financial controls, do not form a sound basis for the preparation of reliable financial statements. The committee's opinion is supported by the reports received from the risk, capital management and compliance committee; external audit; internal audit and executive management.

The committee reviewed and approved the annual internal audit plan, which was informed by combined assurance role players and aligned to the group's strategic objectives, risks and opportunities identified by management, as well as topical issues facing the financial services industry. On a quarterly basis, the committee reviewed the status of the audit plan to ensure it remained agile to the changing risk landscape.

The committee reviewed quarterly activity reports from internal audit which covered audit plan progress, insights and opportunities for improvement, significant matters for escalation, a cumulative view on internal financial controls and risk management process maturity, and a summary of audit observations with respective status updates on remediation efforts.

The group's external auditors conducted an annual assessment of the internal audit function against International Standards on Auditing (ISA) 610 and confirmed that the work performed by internal audit was reliable for the purposes of the external audit. The international standards for the professional practice of internal auditing and the FirstRand group internal audit charter requires that the internal audit function is reviewed every five years by a qualified, independent assessor or assessment team from outside the group. This review was performed by Ernst & Young (EY) in 2020 and included all areas of the group, except Aldermore which was independently reviewed in 2017. The overall assessment is that the activities of FirstRand's internal audit function generally conform to the Institute of Internal Auditors (IIA) standards.

FINANCIAL STATEMENTS AND FINANCE FUNCTION

Having achieved its objectives for the financial year, the committee recommended the consolidated financial statements, company financial statements and annual integrated report for the year ended 30 June 2021 for approval to the board. The financial statements will be open for discussion at the forthcoming annual general meeting.

An audit committee process has been established to receive and deal appropriately with any concerns or complaints relating to:

- reporting practices and internal audit of the group;
- content or auditing of the financial statements;
- internal financial controls of the bank or controlling company; and
- any other related matter.

No complaints were received relating to accounting practices or internal audit, nor to the content or audit of the group's annual financial statements.

Key audit matters identified by the external auditors are included in their report in the group's annual financial statements. These matters have been discussed and agreed with management and were presented to the committee. The committee has considered the appropriateness of the key audit matters reported on by the external auditors and is satisfied with management's treatment thereof and audit response thereto.

The group's integrated report will be available on the group's website, www.firstrand.co.za/investors/annual-reporting/, from early October 2021 onwards.

During the year the committee considered the effectiveness of internal financial controls. Where deficiencies were identified and reported, the committee assessed the significance thereof, the existence and effectiveness of mitigating controls and reviewed the remediation actions implemented. The committee is satisfied that the group has appropriate financial reporting control frameworks and procedures in place, and that these procedures are operating effectively.

The committee reports that, based on a formal assessment process, it was satisfied as to the appropriateness of the expertise, effectiveness and experience of the group financial director during the reporting period.

In addition, the committee is satisfied with:

- the expertise, effectiveness and adequacy of resources and arrangements in the finance function; and
- the experience, effectiveness, expertise and continuous professional development of senior members of the finance function.

The committee confirms that it was able to carry out its work to fulfil its statutory mandate under normal and unrestricted conditions. The committee is satisfied that the assurance obtained during the meetings, corroborated by the review of the documentation deemed necessary and its own analyses, sustain its conclusions reached for the 2021 financial year.

RELATIONSHIP WITH OTHER GOVERNANCE COMMITTEES

The committee works closely with the group's risk, capital management and compliance committee, the social, ethics and transformation committee and the information and technology risk governance committee to identify common risk and control themes, and achieve synergy between combined assurance processes, thereby ensuring that, where appropriate, relevant information is shared, and these functions can leverage off one another.

Based on the reports received, the committee is satisfied that:

- the group has implemented appropriate processes for complying with the spirit and letter of key regulations impacting the group; and
- the group is able to effectively manage its risk, information and technology resources.

COMBINED ASSURANCE

During the year, the committee monitored alignment of all assurance providers to eliminate multiple approaches to key risk assessment assurance and reporting thereon. The combined assurance model incorporates and optimises all assurance services and functions so that, taken as a whole, these enable an effective control environment, support the integrity of information used for internal decision-making by management, the governing body and its committees; and supports the integrity of the group's external reports.

The committee is satisfied with the expertise, effectiveness and adequacy of arrangements in place for combined assurance.

The committee encouraged focus of assurance activities on key risk areas, robust discussion on emerging risks and the implication for assurance and fostered effective communication between the external and internal audit functions across assurance providers (i.e. business, risk, compliance and internal and external audit functions).

FUTURE AREAS OF FOCUS

- as part of the MAFR process, recommend to the board which of the existing audit firms should rotate 30 June 2023 and which firms should rotate in 2025, after following due process;
- overseeing the transition between the incoming and outgoing audit firms; and
- monitor the group's implementation plan for the adoption of IFRS 17.

GG Gelink
Chairman, audit committee
Sandton

15 September 2021

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

The directors of FirstRand Limited (the company or the group) are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements comprising the statement of financial position, income statement, and statements of comprehensive income, changes in equity and cash flows, and the notes to the annual financial statements as at 30 June 2021.

These annual financial statements have been prepared in accordance with International Financial Reporting Standards, including interpretations issued by the IFRS Interpretations Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements, Banks Act, no. 94 of 1990 and the requirements of the Companies Act, no. 71 of 2008.

Simonet Terblanche, CA(SA), supervised the preparation of the annual financial statements for the year.

The directors have reviewed the group and company's budgets and flow of funds forecasts and considered the group and company's ability to continue as a going concern in light of current and anticipated economic conditions. On the basis of this review the directors are satisfied that it has adequate resources to continue in business for the foreseeable future and the going concern basis has been adopted in the preparation of the annual financial statements.

Chief executive and chief financial officers' responsibility statement relating to internal financial controls

The CEO and CFO, whose names appear below, hereby confirm that -

a) the consolidated annual financial statements of the group, which appears on pages B111 to B358 and the separate annual financial statements of the company, which appear on pages B359 to B376, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS.
b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and auditors the deficiencies in the design or operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

The group's system of controls includes controls over the security of the website and specifically establishing and controlling the process for electronically distributing annual financial statements and other financial information to shareholders.

Approval of the separate and consolidated annual financial statements

The separate and consolidated annual financial statements, as set out on the pages outlined above, were approved by the board of directors on 15 September 2021.

It is the responsibility of the group's independent external auditors, Deloitte & Touche and PricewaterhouseCoopers Inc., to report on the fair presentation of the annual financial statements. These annual financial statements have been audited in terms of section 29(1) of the Companies Act, no 71 of 2008. Their unmodified report appears on page B26.

WR Jardine	**AP Pullinger**	**H Kellan**
Chairman	Chief executive officer	Chief financial officer

Sandton

15 September 2021

COMPANY SECRETARY'S CERTIFICATION

DECLARATION BY THE COMPANY SECRETARY IN RESPECT OF SECTION 88(2)(E) OF THE COMPANIES ACT

I declare that, to the best of my knowledge, the company has lodged with the Commissioner of the Companies and Intellectual Property Commission all such returns and notices as required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

C Low
Company secretary

Sandton

15 September 2021

DIRECTORS' REPORT
for the year ended 30 June 2021

NATURE OF BUSINESS

FirstRand Limited is a public company and registered bank-controlling company with a primary listing on the JSE (under Financial – Banks, share code: FSR) and a secondary listing on the Namibian Stock Exchange (NSX) (share code: FST). FirstRand Limited is the holding company of the FirstRand group of companies.

FirstRand's portfolio of integrated financial services businesses comprises FNB, RMB, WesBank and Aldermore and offers a universal set of transactional, lending, investment and insurance products and services. The FCC franchise represents group-wide functions.

Whilst the group is predominantly South Africa-based, it has subsidiaries in the United Kingdom (being Aldermore Group plc), Namibia, Botswana, Zambia, Mozambique, Tanzania, Nigeria, Eswatini, Lesotho and Ghana. The bank has branches in India, London and Guernsey, and representative offices in Kenya, Angola and China.

Refer to section C for a diagram of the simplified group structure.

The board acknowledges its responsibilities for the integrity of this report. Guidelines as provided by King IV have been adopted in preparation of this report. The board believes that this report fairly represents the performance of the group.

GROUP RESULTS

Profit after tax amounted to R28 310 (2020: R18 780 million). The operating results and the state of affairs of the company and the group are fully disclosed in the annual financial statements.

DIVIDEND DECLARATIONS

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

Dividends

ORDINARY SHARES

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

DISTRIBUTIONS ON OTHER EQUITY INSTRUMENTS

Distributions of R777 million were made on other equity instruments (2020: R1 145 million). Current tax of R147 million (2020: R222 million) relating to the AT1 instruments was recognised in the income statement.

B preference shares

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

Dividends declared and paid

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

Other distributions on the AT1 instruments and contingent convertible securities totalled R525 million (2020: R803 million).

SHARE CAPITAL

Details of FirstRand's authorised share capital as at 30 June 2021 are shown in note 28 to the group's financial statements.

Ordinary share capital

There were no changes to authorised or issued ordinary share capital during the year.

Preference share capital

There were no changes to authorised or issued preference share capital during the year.

SHAREHOLDER ANALYSIS

The following shareholders have a significant beneficial interest in FirstRand's issued ordinary shares.

%	**2021**	2020
Public Investment Corporation	**14.7**	14.1
BEE partners	**5.2**	5.2
Royal Bafokeng Holdings	**3.6**	4.1
Remgro Limited	**2.6**	3.1

A further analysis of shareholders is set out in section C.

EVENTS AFTER REPORTING PERIOD

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

BOARD CHANGES

The following changes to the board of directors took place during the 2021 financial year.

		EFFECTIVE DATE
Resignations		
MS Bomela	Independent non-executive director	2 December 2020
AT Nzimande	Independent non-executive director	2 December 2020
Appointments		
SP Sibisi	Independent non-executive director	15 April 2021

DIRECTORS' AND PRESCRIBED OFFICERS' INTERESTS IN FIRSTRAND

Closed periods commence on 1 January and 1 July and are in force until the announcement of the interim and year end results. Closed periods also include any period where the company is trading under caution or where participants have knowledge of price sensitive information. A director or prescribed officer is prohibited from using their position or confidential and price sensitive information to benefit themselves or any related party.

Under the requirements of the Companies Act. 71 of 2008 (the Act), a director must use their power and perform their functions in good faith and for a proper purpose in the best interest of the company. This includes the duty to avoid a conflict of interest. Directors' and officers' are required to notify the board of any matter in which they have a personal financial interest or in which they know that a related party has a personal financial interest in relation to particular items of business or other directorships. At the request of the chair, declarations are tabled before commencement of each board meeting and all board members are required to declare their interests and potential conflicts dealing with matters for consideration at the meeting.

In terms of the JSE Listings requirements, directors and prescribed officers are prohibited from dealing in any securities of the company during prohibited periods.

All directors' dealings require the prior approval of the chairman before trading in the company's securities, and the company secretary retains a record of all such dealings in securities and approvals. Trading in securities by employees who are exposed to price sensitive information is subject to the group's personal account trading rules. It is not a requirement of the company's memorandum of incorporation or the board charter that directors' own shares in the company.

Directors' and Prescribed Officers' interest in ordinary shares in FirstRand Limited.

	30 June 2021					
	Direct beneficial (thousands)	**Indirect beneficial (thousands)**	**Held by associates (thousands)**	**Total 2021 (thousands)**	Total 2020 (thousands)	Percentage holding %
Executive directors and prescribed officers						
A Pullinger	5 150	-	108	**5 258**	5 156	0.09
HS Kellan*	1 060	527	115	**1 702**	1 629	0.03
J Celliers	308	49	-	**357**	393	0.01
JR Formby	711	698	-	**1 409**	1 299	0.03
C de Kock**	-	-	-	**-**	836	-
Non-executive directors						
JP Burger	-	7 617	124	**7 741**	8 045	0.14
GG Gelink	102	-	-	**102**	102	0.00
WR Jardine	11	232	4	**247**	243	0.00
RM Loubser	-	1 810	2	**1 812**	1 812	0.03
Z Roscherr	659	-	-	**659**	659	0.01
T Winterboer	15	-	-	**15**	15	0.00
L von Zeuner	5	3	-	**8**	3	0.00
HL Bosman#	-	-	-	**-**	140	-
NN Gwagwa†	-	-	-	**-**	260	-
EG Matenge-Sebesho†	-	-	-	**-**	77	-
Total	8 021	10 936	353	**19 310**	**20 669**	**0.34**

* *Mr HS Kellan has 2 000 000 debt securities in FirstRand Bank Ltd which does not form part of this calculation.*
***C de Kock is no longer a Prescribed Officer of the Group with effect from 1 July 2020.*
#Resigned June 2020.
†Retired November 2019.

Directors' interests remained unchanged from the end of the financial year to the date of this report (including those of directors who have retired and resigned). None of these directors' holdings have been pledged as security, collateral or as a guarantee.

WR Jardine
Chairman

AP Pullinger
Chief executive officer

H Kellan
Chief financial officer

Sandton

15 September 2021

INDEPENDENT AUDITORS' REPORT

To the Shareholders of FirstRand Limited

Report on the audit of the consolidated and separate financial statements

Our Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of FirstRand Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

FirstRand Limited's consolidated and separate financial statements set out on pages B34 to B376 comprise:

- the consolidated and separate statements of financial position as at 30 June 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the separate statement of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated and separate financial statements section of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We communicate the key audit matters that relate to the audit of the consolidated financial statements of the Group for the current period in the table below. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Impairment of advances
Significant macroeconomic uncertainty still persists in the environment in which the Group operates. Consequently, management has continued to exercise judgement in the measurement of Expected Credit Losses (ECL) relating to advances.

Impairment of advances was considered to be a matter of most significance to our current year audit due to the following:
• The level of subjective judgement applied in determining the impairment of advances;
• The unprecedented event-driven uncertainty and the impact it has on the ECL assessment; and
• The magnitude of advances in relation to the consolidated financial statements.

This key audit matter relates to the following advances:
• Wholesale advances; and
• Retail and commercial advances.

We have set out below the Wholesale advances and Retail and commercial advances separately given the unique nature of the exposures.</td><td>Our audit addressed the key audit matter as follows:

With the assistance of our economic, credit and actuarial experts we performed the following procedures:
• Across all significant portfolios we assessed the associated impairment methodologies and practices applied by management against the requirements of IFRS 9 - Financial Instruments (IFRS 9); and
• We assessed the Group’s probability-weighted macroeconomic scenario estimates and evaluated the outlined methodology, scenario views and associated probabilities in terms of the principles of IFRS 9, including the review of the approval of these macroeconomic variables through the appropriate governance structures. This was performed through discussion with management and comparison to our own and benchmarked economic forecasts and independent market data.</td></tr>
<tr><td>Wholesale advances*:

Wholesale advances are individually significant and the ECL calculations are inherently judgemental in nature and require the use of statistical models incorporating data and assumptions which are not always observable.

The areas of significant management judgement used in the ECL calculations include modelling methodology applied to Stage 1 and Stage 2 exposures include:
• Input assumptions and methodologies applied to estimate the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) within the ECL calculations;
• Assessing the impact of macroeconomic uncertainty on the forward-looking econometric information incorporated into the respective models;</td><td>Wholesale advances:

With the assistance of our economic, credit and actuarial experts, we reperformed the models based on management’s methodologies, and conducted an independent assessment at an industry level. The following procedures on the ECL for wholesale advances were performed:

• Through discussions with management and inspection of policy documents we confirmed our understanding of the methodologies used by management with reference to actual experience, industry practice and assumptions used in the various ECL model components (PD, LGD, EAD) and how these were calibrated by using historical information to estimate future cash flows;
• Assessed the design, implementation and operating effectiveness of the relevant financial reporting</td></tr>
</table>

- Determining and weighting of assumptions used in the forward-looking economic model to account for this uncertainty;
- Incorporation of Forward-Looking Information (FLI) and macroeconomic inputs into the Significant Increase in Credit Risk (SICR) assessment and ECL calculations; and
- The assessment of whether there has been a SICR event since the origination date of the exposure to the reporting date (i.e. a trigger event that has caused a significant deterioration in credit risk and result in migration of the loan from Stage 1 to Stage 2), taking the impact of the event-driven uncertainty into account.
- Where there is uncertainty in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates and macroeconomic events. Additional provisions are recognised as post-model adjustments.

For Stage 3 exposures, the assumptions used for estimating the recoverable amounts and timing of future cash flows of individual exposures which have been classified as non-performing.

* *This applies to wholesale advances apparent in RMB corporate and investment banking and Rest of Africa, as well as Group Treasury and other.*

controls as well as the general and application computer controls relating to the processes used to calculate impairments, and tested controls relating to data and model governance;

- Tested controls over the credit risk management and governance processes when advancing new facilities or restructuring existing facilities;
- Assessed the appropriateness of the ECL methodology, including any refinements against actual experience and industry practice through benchmarking and alignment with the principles of IFRS 9;
- Assessed the quality of the data used in credit management, reporting and modelling for completeness and accuracy. This was done through data analytics, and for a sample of advances, we agreed the model input data to underlying supporting documentation;
- On a sample basis through independent reperformance we assessed the appropriateness of assumptions made by management in determining the applicable macroeconomic inputs, credit ratings, PDs, LGDs, EADs and valuation of collateral in the current economic climate;
- As part of our model reperformance, we confirmed that the approved FLI has been appropriately incorporated;
- Developed an independent ECL on the performing book as a sense check to quantify the impact of the event-driven uncertainty at an industry level by applying our own independent inputs to management's model;
- Selected a sample of advances with no indicators of SICR and determined if this was reasonable by forming an independent view based on publicly available information and management's annual credit reviews;
- To supplement our model reperformance and independent view, we performed industry analysis, and assessed a sample of individual counterparties based on publicly available information to confirm appropriateness over the SICR assessment, assumptions applied and post-model adjustments raised; and
- In respect to Stage 3 advances, tested the key controls around the valuation of collateral (where applicable) for operating effectiveness, including

	inspecting a sample of legal agreements and supporting documentation to assess the legal right to and existence of collateral and expected timing of future cash flows.
Retail and commercial advances:** Retail and commercial advances are higher in volume and lower in value and therefore a significant portion of credit impairments are calculated on a portfolio basis. This requires the use of statistical models incorporating data and assumptions which are not always observable. Management applies professional judgement in developing the credit impairment models, analysing data and determining the most appropriate assumptions and estimates. The inputs into the modelling process require significant management judgement, which include: • The input assumptions and methodologies applied to estimate the PD, LGD and EAD within the ECL calculations; • The assessment of whether there has been a SICR event since the origination date of the exposure to the reporting date, taking the impact of the event-driven uncertainty; • Determining the expected value to be realised from collateral and the time this collateral will take to realise; • The determination of the write-off point and application of the cure definition; • The incorporation of FLI and macroeconomic inputs into the SICR assessment and ECL calculations; • The addition of a temporary forward-looking scenario to account for event-driven uncertainty; • Determining and weighting of assumptions used in the forward-looking economic model to account for this uncertainty; and • Where there is uncertainty in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling	**Retail and commercial advances:** With the assistance of our economic, credit and actuarial experts, we performed the following procedures, based on the applicable methodologies and inputs: • Through discussions with management and inspection of policy documents, we confirmed our understanding of the methodologies used by management with reference to actual experience, industry practice and assumptions used in the various ECL model components (PD, LGD, EAD) and how these were calibrated by using historical information to estimate future cash flows; • Through reperformance of management's methodology, we identified changes to assumptions and definitions; • Considered the design, implementation and, where appropriate, operating effectiveness of relevant controls over model governance and approval; • Independently recalculated the ECL by considering management's ECL calculation, adjusting component inputs based on our independent assessment and compared the result to management's result; • Through applying the assumptions and data included in management's model, including the performance of cured accounts, we assessed the reasonableness of SICR classifications; • Tested the SICR thresholds applied and the resultant transfer into Stage 2 for SICR. This included benchmarking of the volume of up to date accounts transferred to Stage 2 based on historical movements from performing into arrears and forward-looking expectation of default risk; • Tested the model ranking ability and model stability by testing the performance of client behavioural

based on past performance, the timing of model updates and macroeconomic events, additional provisions are recognised as post-model adjustments. ** This applies to retail and commercial advances apparent in total retail secured and unsecured, FNB Commercial, WesBank corporate, UK operations and Rest of Africa. The related disclosures in the consolidated financial statements are included in: • Sections 4 and 9.4 - Accounting policies; • Note 11 - Advances; • Note 12 - Impairment of advances; and • Note 37 - Financial and Insurance risk - Credit risk	scores and other client behavioural data that drives the PD estimates and SICR triggers; • Assessed the potential impact of reduced collateral values, a delayed recovery process and reduced cure from default for secured exposures by separately considering individually significant collateral, historically stressed collateral values and by quantifying the impact of potentially longer collateral realisations; • Assessed the potential impact on recoveries and cure from default for unsecured exposures by comparing estimates to historic experience of defaulted accounts; • Considered historical post write-off recoveries to evaluate management's assessment which indicates that the current write-off point is still the point at which there was no reasonable expectation of further recovery. Through recalculation, we tested the application of the write-off policy, including the exclusion of post write-off recoveries from the LGD and the application of the curing rules; • Considered the assumptions used in the forward-looking economic model, the macroeconomic variables selected and the sensitivity of ECL components to each variable by comparing it to our own actuarial analysis and statistics; • As part of our reperformance of the forward-looking economic model we confirmed that the approved FLI has been appropriately incorporated; • Where applicable, developed an independent view to assess management's addition of a temporary forward-looking scenario by using our own challenger model and associated credit index; • Tested the performance and sensitivity of the FLI model in order to evaluate whether the chosen macroeconomic factors and model design provide a reasonable representation of the impact of macroeconomic changes on the ECL results; and • Assessed, recalculated and performed a sensitivity analysis on management's post-model adjustments relating to the impact on ECL of additional relevant information not catered for in models.

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Valuation of complex financial instruments which are subject to significant judgements

The valuation of complex financial instruments was considered to be a matter of most significance to the current year audit due to the significant judgement applied relating to the complex valuation methodologies as well as in the determination of key assumptions relating to the inputs into the valuations.

Significant judgement is required in respect of unobservable inputs and the consideration of developments in valuation methodologies due to the impact of funding costs, and counterparty credit spreads as well as the related fair value disclosures. These methodologies continue to evolve in line with developing market practices and trends.

The complex financial instruments impacted by management judgements include:

- Advances carried at fair value (level 3); and
- Derivative financial instruments (level 2 and 3).

The related disclosures in the consolidated financial statements are included in:

Note 34 - Fair value measurements.

</td>
<td>

With the assistance of our valuation experts, we performed the following procedures over the valuation of the complex financial instruments:

- Tested the design, implementation and operating effectiveness, as appropriate, of the relevant financial reporting controls, the existence of key governance structures and the general and application computer controls relating to the relevant IT systems supporting valuations;
- Performed a risk assessment on key components of fair value, based on complexity, risk and sensitivity in order to direct our testing. The risk assessment was performed on curves, volatility surfaces, fair value models and valuation adjustments;
- Evaluated the technical appropriateness and accuracy of valuation methodologies (including key assumptions made and modelling approaches adopted) applied by management with reference to market practice, compliance with IFRS and for consistency with prior periods;
- Assessed the appropriateness of the significant inputs into management’s valuations, including funding costs and counterparty credit spreads against reasonable factors which impact the reported exit values;
- For a sample of complex financial instruments, we independently recalculated the fair values;
- Assessed the appropriateness and sensitivity of unobservable market rates, projected cash flows and valuation adjustments with reference to the best available independent information; and
- Assessed the appropriateness of the fair value hierarchy classification due to lower levels of observability and liquidity with reference to the requirements of IFRS 13 - Fair Value Measurement.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled “FirstRand 2021 Annual Financial Statements”, which includes the Directors’ Report, the Audit Committee Report and the Company Secretary’s Certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditors’ report, and the document titled “FirstRand 2021 Annual Integrated Report”, which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditors’ report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors’ report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche and PricewaterhouseCoopers Inc. have been the joint auditors of FirstRand Limited for 11 years. Prior to the commencement of the joint audit relationship PricewaterhouseCoopers Inc. were the sole auditors of FirstRand Limited for 14 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per partner: Kevin Black
Johannesburg, South Africa
15 September 2021

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Registered Auditor
Director: Johannes Grosskopf
Johannesburg, South Africa
15 September 2021

ACCOUNTING POLICIES

1 INTRODUCTION AND BASIS OF PREPARATION

The group's consolidated and separate annual financial statements have been prepared in accordance with IFRS, including interpretations issued by the IFRS Interpretations Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, JSE Listings Requirements, the Banks Act and requirements of the Companies Act no 71 of 2008.

These financial statements comprise the statements of financial position (also referred to as the balance sheet) as at 30 June 2021, the income statement; and statement of other comprehensive income, statements of changes in equity and statements of cash flows for the year ended; as well as the notes, which comprise a summary of significant accounting policies and other explanatory notes.

The group prepares consolidated financial statements which include the assets, liabilities and results of the operations of FirstRand Limited, its subsidiaries and its share of earnings of associates and joint ventures. To compile the consolidated financial statements the following information is used:

- Audited information about the financial position and results of operations at 30 June each year for all significant subsidiaries in the group. For insignificant private equity subsidiaries that have a year end that differs by less than three months to that of the group, the latest audited financial statements are used.
- The most recent audited annual financial statements of associates and joint ventures. These are not always drawn up to the same date as the financial statements of the group. Where the reporting date is different from that of the group, the group uses the most recently available financial statements of the investee and reviews the investee's management accounts for material transactions during the intervening period. In instances where significant events occurred between the last reporting date of an investee and the reporting date of the group, the effect of such events is adjusted for.

Accounting policies of subsidiaries, associates and joint ventures have been changed at acquisition, where necessary, to ensure consistency with the accounting policies adopted by the group.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are outlined in note 9 of the accounting policies.

Covid-19 impact

Since the outbreak of the coronavirus (Covid-19) pandemic, South Africa and the rest of the world have experienced both a first and second wave of infections. The impact of the spread of Covid-19 continues to be felt across the global economy, with many governments across the world reinstating national lockdowns. These have resulted in extensive travel restrictions and quarantine measures being maintained, all of which impact on the current state of the global economy.

Although the successful rollout of vaccines is expected to boost global economic growth, it is still not possible to accurately predict the full extent and duration of the Covid-19 pandemic and its economic impact.

Application of the going concern principle

The directors reviewed the group and company's budgets and flow of funds forecasts for the next three years and considered the group and company's ability to continue as a going concern in light of current and anticipated economic conditions. These budgets and flow of funds forecasts took the impact of the Covid-19 pandemic as well as the impact of social and political unrest into consideration, including projections of the impact on the group's capital, funding and liquidity requirements, all of which have remained within internal targets and above regulatory requirements.

As part of this assessment, the directors considered the sufficiency of the group's financial resources throughout the pandemic. The management of the group's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of the group's stated growth and return targets and is driven by the group's overall risk appetite. Forecast growth in earnings and balance sheet risk weighted assets (RWA) is based on the group's macroeconomic outlook and is evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested, and the group sets targets through different business cycles and scenarios.

On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the group has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES				
2	**Subsidiaries, associates and joint arrangements**	Consolidation and equity accounting (section 2.1)	Related party transactions (section 2.2)	
3	**Income, expenses and taxation**	Income and expenses (section 3.1)	Taxation (section 3.2)	
4	**Financial instruments**	Classification and measurement (section 4.1)	Impairment (section 4.2)	Derivatives and hedge accounting (section 4.5)
		Transfers, modifications and de-recognition (section 4.3)	Offset and collateral (section 4.4)	
5	**Other assets and liabilities**	Property and equipment (section 5.1)	Investment properties (section 5.1)	Intangible assets (section 5.1)
		Commodities (section5.1)	Provisions (section 5.1)	
		Non-current assets held for sale (section 5.2)	Leases (section 5.3)	
6	**Capital and reserves**	Share capital and treasury shares	Dividends and non-cash distributions	Other reserves
7	**Transactions with employees**	Employee liabilities (section 7.1)	Share-based payment transactions (section 7.2)	
8	**Non-banking activities**	Insurance activities (section 8.1)	Investment management activities (section 8.2)	

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES				
9	**Critical judgements**	Introduction (section 9.1)	Subsidiaries, associates and joint arrangements (section 9.2)	Taxation (section 9.3)
		Impairment of financial assets (section 9.4)	Provisions (section 9.5)	Transactions with employees (section 9.6)
		Insurance and investment management activities (section 9.7)		

New standards adopted in the current year

None of the new or amended IFRS which became effective for the year ended 30 June 2021 impacted the group's reported earnings, financial position or reserves, or the accounting policies. Additional disclosures have been provided relating to the Interest Rate Benchmark Reform – Phase 1 and Phase 2.

New/ revised IFRS	Description of change	Impact on FirstRand group
Conceptual framework	The amendments revise the definitions of an asset and liability, updating the recognition criteria for including assets and liabilities in financial statements. They provide additional clarification of the following principles: prudence, stewardship, measurement uncertainty and substance over form. Minor amendments have also been made to various other standards as a result of the amendments to the conceptual framework.	The amendments did not have a significant impact on the group's accounting policies.
IFRS 3	**Business combinations – amendments to clarify the definition of a business** The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.	This amendment will be applied by the group for any future business combination transaction.
IAS 1 and IAS 8	**Amendments regarding the definition of material** The amendments align the definition of material across the IFRS standards and clarify certain aspects of the definition.	The amendments did not have a significant impact on the group's accounting policies.

<table>
<tr><th>New/
revised IFRS</th><th>Description of change</th><th>Impact on FirstRand group</th></tr>
<tr><td></td><td>The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendment must be applied prospectively.</td><td></td></tr>
<tr><td>Interest Rate Benchmark Reform Phase 1, (amendments to IFRS 9, IAS 39 and IFRS 7)</td><td>Phase 1
The International Accounting Standards Board (IASB) issued amendments to the following standards as part of the Interest Rate (Interbank Offered Rates or IBOR) Benchmark Reform that has a direct impact on the bank's hedging relationships. These impacts are
➢ The highly probable requirement under IFRS 9 and IAS 39 – when a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. When determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.
➢ Prospective assessments – when performing prospective assessments for effectiveness, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument is based is not altered as a result of the interest rate benchmark reform.
➢ Separately identifiable risk components – IFRS 9 and IAS 39 require a risk component (or a portion) to be separately identifiable to be eligible for hedge accounting. The amendment allows for hedges of a non-contractually specified benchmark component of interest rate risk. A company shall apply the separately identifiable requirement only at the inception of such hedging relationships.
These reliefs are essential to mitigate the hedge accounting issues that could arise during the period of uncertainty before IBOR contracts are amended to new alternative risk-free rates (ARRs).</td><td>The reliefs provided by the amendments that apply to the group are:
➢ The bank does not apply cash flow hedge accounting to any hedged items that are referenced to an IBOR rate.
➢ The bank assumed that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk is based is not altered by the reform. This means that the relief enables that the prospective tests still be based on the old benchmark interest rate and not the new benchmark interest rate which may still result in the hedge meeting the risk management objective. The bank has macro hedges which are still held under IAS 39, and the relief will enable that when performing retrospective testing using the new benchmark interest rate, and the result falls outside the 80%-125% range, that the hedge will not fail or need to be discontinued. The hedge ineffectiveness would be accounted for.
➢ The hedging items in the fair value hedges are all contractually specified and thus there is no risk that is a LIBOR risk component which could not be separately identifiable.</td></tr>
</table>

New/ revised IFRS	Description of change	Impact on FirstRand group
Interest Rate Benchmark Reform Phase 2, (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	**Phase 2** The amendments provide temporary reliefs which address the financial reporting effects when an IBOR is replaced with an alternative nearly risk-free interest rate (RFR). These include: ➢ Practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Fundamental to allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred. Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed separately. If the other changes result in substantial modification, the instrument is derecognised. If derecognition is not achieved, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognised in profit or loss. ➢ The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Permitted changes include redefining the hedged risk to reference an RFR and redefining the description of the hedging instruments and/or the hedged items to reflect the RFR. Entities are allowed until the end of the reporting period, during which a modification required by IBOR reform is made, to complete the changes.	Although the amendments are effective for periods beginning on or after 1 January 2021, the group elected to adopt the Phase 2 amendments early. In doing so, the practical expedients were applied to advances where changes in the movement in a market rate of interest impacted by IBOR were treated as a change in a floating interest rate and not as a modification in terms of IFRS 9. Any other changes to the interest rate made at the same time were assessed to determine if they were substantial enough to warrant a derecognition event or, if not deemed significant, then to update the EIR and recognise the resultant modification gain or loss. The other temporary relief measures provided under Phase 2 relate to hedge accounting under IFRS 9. The group has evaluated the relief provided against the current hedges in place and noted that no adjustment was necessary. Furthermore, it was noted that no comparative information required restatement and as such, there was no impact on the current period opening reserves balance upon early adoption. Early adoption required the group to provide the following disclosure: ➢ how the group is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to the IBOR reform;

New/ revised IFRS	Description of change	➢ Impact on FirstRand group
	The amendments provide entities temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. The relief allows entities upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months.	➢ disaggregated by each significant IBOR benchmark, quantitative information about financial instruments that have yet to transition to RFRs; and ➢ if the IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes. Refer to note 37.4.1 for these disclosures.
Covid-19 Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16	The IASB issued amendments to *IFRS 16 – Leases* to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic. The amendment does not apply to lessors. ➢ As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee who makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. ➢ The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met: ○ The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.	The amendment did not have a significant impact on the group's accounting policies.

New/ revised IFRS	Description of change	Impact on FirstRand group
	○ Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2022 and increased lease payments that extend beyond 30 June 2022). ○ There is no substantive change to other terms and conditions of the lease. Lessees will apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied.	

Presentation of financial statements, functional and foreign currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Presentation	The group presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, the group offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position, the income statement or the statement of comprehensive income.
Materiality	IFRS is only applicable to material items. Management applies judgement and considers both qualitative and quantitative factors in determining materiality.
Functional and presentation currency of the group	South African rand (R)
Level of rounding	All amounts are presented in millions of rands. The group has a policy of rounding up in increments of R500 000. Amounts less than R500 000 will therefore round down to Rnil and are presented as a dash.
Foreign operations with a different functional currency from the group presentation currency	The financial position and results of the group's foreign operations are translated at the closing or average exchange rate, as required per IAS 21. Upon consolidation, exchange differences arising on the translation of the net investment in foreign operations are recognised as a separate component of other comprehensive income (the foreign currency translation reserve) and are reclassified to profit or loss on disposal or partial disposal of the foreign operation. The net investment in a foreign operation includes any monetary items for which settlement is neither planned nor likely in the foreseeable future.
Foreign currency transactions of the group	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.
Translation and treatment of foreign denominated balances	Translated at the relevant exchange rates, depending on whether it is a monetary item (in which case the closing spot rate is applied) or non-monetary items. For non-monetary items measured at cost the rate applied is the rate on transaction date. For non-monetary items measured at fair value the rate at the date the fair value is determined (reporting date) is applied. Foreign exchange gains or losses are recognised in profit or loss in fair value gains or losses. To the extent that foreign exchange gains or losses relate to financial assets held at fair value through other comprehensive income (FVOCI) the following applies: ➢ Equity instruments are recognised in other comprehensive income as part of the fair value movement. ➢ Debt instruments are allocated between profit or loss (those that relate to changes in amortised cost) and other comprehensive income (those that relate to changes in the fair value).

2 SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS

2.1 Basis of consolidation and equity accounting

	Subsidiaries and other structured entities	Associates	Joint ventures
Typical shareholding in the assessment of entities that are not structured entities	Greater than 50%	Between 20% and 50%	Between 20% and 50%
When an entity is a structured entity and control of it is not evidenced through shareholding, the group considers the substance of the arrangement and the group's involvement with it to determine whether the group has control, joint control or significant influence over the significant decisions that impact its relevant activities.			
Nature of the relationship between the group and the investee	Entities over which the group has control, as defined in IFRS 10, are consolidated. These include certain investment funds managed by the group, securitisation structures or other entities used for the purpose of buying or selling credit protection.	Entities over which the group has significant influence as defined in IAS 28. These include investment funds not consolidated, but which the group has significant influence over.	A joint arrangement in terms of which the group and the other contracting parties have joint control, as defined in IFRS 11. Joint ventures are those joint arrangements where the group has rights to the net assets of the arrangement.

Separate financial statements
The company measures investments in the above entities at cost less impairment (in terms of IAS 36), with the exception of investments acquired and held exclusively with the view to dispose of them in the near future (within 12 months). These investments are measured at fair value less cost to sell in terms of IFRS 5.

Consolidated financial statements		
	Consolidation	**Equity accounting**
Initial recognition in the consolidated financial statements	Subsidiaries acquired are accounted for by applying the acquisition method of accounting to business combinations. The excess (shortage) of the sum of the consideration transferred, the value of non-controlling interest, the fair value of any existing interest, and the fair value of identifiable net assets are recognised	Associates and joint ventures are initially recognised at cost (including goodwill) and subsequently equity accounted. The carrying amount is increased or decreased to recognise the group's share of profit or loss from the investee after the date of acquisition.

Consolidated financial statements		
	Consolidation	**Equity accounting**
	as goodwill or a gain on bargain purchase, as set out further below. Transaction costs are included in operating expenses within profit or loss, when incurred.	Items that impact the investee's net asset value that don't impact other comprehensive income are recognised directly in gains less losses from investing activities within non-interest revenue.
Intercompany transactions and balances	Intercompany transactions are all eliminated on consolidation, including unrealised gains. Unrealised losses on transactions between group entities are also eliminated unless the transaction provides evidence of impairment of the transferred asset, in which case the transferred asset will be tested for impairment in accordance with the group's impairment policies.	Unrealised gains on transactions are eliminated to the extent of the group's interest in the entity. Unrealised losses are also eliminated to the extent of the group's interest in the entity, unless the transaction provides evidence of an impairment of the transferred asset.
Common control transaction	There is currently no guidance under IFRS for the accounting treatment of business combinations under common control. In terms of IAS 8, the group developed an accounting policy that requires that business combinations under common control use the predecessor values of the acquiree without the restatement of comparatives. Therefore, any difference between the net asset value and the amount paid (i.e. the purchase consideration) is recorded directly in equity.	

Consolidated financial statements		
	Consolidation	**Equity accounting**
Impairment	In the consolidated financial statements either the cash generating unit (CGU) is tested, i.e. a grouping of assets no higher than an operating segment of the group, or, if the entity is not part of a CGU, the individual assets of the subsidiary and goodwill are tested for impairment in terms of IAS 36.	The group applies the indicators of impairment in IAS 28 to determine whether a loss event exists which would constitute objective evidence of impairment. Objective evidence of impairment for an investment in the associate or joint venture includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate or joint venture operates. This indicates that the cost of the investment in associate may not be recovered. A significant or prolonged decline in the fair value of an associate investment below its cost is also considered objective evidence of impairment. The entire carrying amount of the investment, including other long-term interests, is tested for impairment. Certain loans and other long-term interests in associates and joint ventures are considered to be, in substance, part of the net investment in the entity when settlement is neither planned nor likely to occur in the foreseeable future. Such items may include preference shares and long-term receivables or loans, but do not include trade receivables or any long-term loans for which adequate collateral exists. These loans and other long-term interests in associates and joint ventures are included in advances on the face of the statement of financial position and are measured in terms of IFRS 9. The value of such loans after any expected credit losses raised for IFRS 9 where such loans are measured at amortised cost is, however, included in the carrying amount of the investee for purposes of determining the share of losses of the investee attributable to the group and for impairment testing purposes. Any resulting impairment losses are recognised as part of the share of profits or losses from associates or joint ventures.

Consolidated financial statements		
	Consolidation	**Equity accounting**
Goodwill	Goodwill on the acquisition of businesses and subsidiaries represents excess consideration transferred and is recognised as an intangible asset at cost less accumulated impairment losses. If this amount is negative, as in the case of a bargain purchase, the difference is immediately recognised in gains less losses from investing activities within non-interest revenue. Goodwill is tested annually for impairment by the group in March, or earlier if there are objective indicators of impairment. For subsidiaries acquired between March and June, a goodwill impairment test is performed in June in the year of acquisition and thereafter annually in March. For testing purposes, goodwill is allocated to a suitable CGU. Impairment losses in respect of goodwill are not subsequently reversed.	Notional goodwill on the acquisition of associates and joint ventures is included in the equity accounted carrying amount of the investment. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that that the investment's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.
Non-controlling interest	Non-controlling interests in the net assets of subsidiaries are separately identified and presented from the group's equity. All transactions with non-controlling interests, which do not result in a loss of control, are treated as transactions with equity-holders. Partial disposals and increases in effective shareholding between 50% and 100% are treated as transactions with equity-holders. Non-controlling interest is initially measured either at the proportional share of net assets or at fair value. The measurement distinction is made by the group on a case-by-case basis.	Transactions with other shareholders are not equity transactions and the effects thereof are recognised in profit or loss as part of gains less losses from investing activities in non-interest revenue.

Disposals

In a disposal transaction where the group loses control of the subsidiary, joint control of a joint venture or significant influence over an associate, and the group retains an interest in the entity after disposal, for example an investment in associate or investment security, the group measures any retained investment in the entity at fair value at the time of the disposal. Thereafter the remaining investment is accounted for in accordance with the relevant accounting requirements.

When a foreign operation is sold or partially disposed of, and control, joint control or significant influence is lost, the group's portion of the cumulative amount of the exchange differences relating to the foreign operation which were recognised in the foreign currency translation reserve (FCTR) are reclassified from other comprehensive income to profit or loss when the gain or loss on disposal is recognised. Dividends received that do not constitute a return of capital are not deemed to represent a disposal or partial disposal of a foreign operation.

For partial disposals where control is retained, the group reattributes the proportionate share of the cumulative translation differences recognised in other comprehensive income to the non-controlling interests of the foreign operation.

Gains or losses on all other disposals are recognised in gains less losses from investing activities in non-interest revenue.

The group may lose control of a subsidiary in a transaction where an interest in the investee is retained through an associate or joint venture. The group eliminates the group share of profits on these transactions in accordance with IAS 28.

Interests in unconsolidated structured entities

Interests in unconsolidated structured entities may expose the group to variability in returns from the structured entity. However, because of a lack of power over the structured entity it is not consolidated. Normal customer or supplier relationships, where the group transacts with the structured entity on the same terms as other third parties, are not considered to be interests in the entity.

From time to time the group also sponsors the formation of structured entities primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions and for buying and selling credit protection.

Where the interest or sponsorship does not result in control, disclosures of these interests or sponsorships are made in the notes in terms of IFRS 12.

2.2 Related party transactions

Related parties of the group, as defined, include:

Subsidiaries	Associates	Joint ventures	Post-employment benefit funds (pension funds)
Entities that have significant influence over the group, and subsidiaries of these entities	Key management personnel (KMP)	Close family members of KMP	Entities controlled, jointly controlled or significantly influenced by KMP or their close family members

The principal shareholder of the FirstRand Limited group was RMB Holdings Limited, incorporated in South Africa, until 27 June 2020, on which date it unbundled its investment.

Key management personnel of the group are the FirstRand Limited board of directors and prescribed officers, including any entities which provide key management personnel services to the group. Their close family members include spouse/domestic partner and dependent children, domestic partner's dependent children and any other dependants of the individual or their domestic partner. Children over the age of 25 are no longer considered dependent.

3 INCOME, EXPENSES AND TAXATION

3.1 Income and expenses

Net interest income recognised in profit or loss
Interest income includes: ➢ Interest on financial instruments measured at amortised cost and debt instruments measured at fair value through other comprehensive income, including the effect of qualifying hedges for interest rate risk. ➢ Interest on financial asset debt instruments measured at fair value through profit or loss that are held by and managed as part of the group's funding or insurance operations. ➢ Interest income is calculated using the effective interest rate, which includes origination fees. The original effective interest rate is applied to: ○ the gross carrying amount of financial assets which are not credit impaired; and ○ the amortised cost of financial assets which represents the net carrying amount, from the month after the assets become credit-impaired (refer to section 4.2 of the accounting policies). ➢ Modified advances (derecognition not achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. The interest income on the modified financial asset (refer to accounting policy 4.3) is calculated by applying the original effective interest rate to the asset's modified gross carrying amount. ➢ Modified advances (derecognition is achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. New fees or costs charged on the new advance which are integral to the new asset recognised are capitalised to the new loan. Interest expense includes: ➢ interest on financial liabilities measured at amortised cost; ➢ interest on financial liabilities measured at fair value through profit or loss that are held by and managed as part of the group's funding or insurance operations; and ➢ the difference between the purchase and resale price in repurchase and reverse repurchase agreements where the related advances or deposit is measured at amortised cost, because the amount is in substance interest. The total interest expense is reduced by the amount of interest incurred in respect of liabilities used to fund the group's fair value activities. This amount is reported in fair value income within non-interest revenue.

<table>
<tr><th colspan="2">Non-interest and financial instrument revenue recognised in profit or loss</th></tr>
<tr><th colspan="2">Non-interest revenue from contracts with customers</th></tr>
<tr><td colspan="2">Under IFRS 15, where a five-step analysis is required to determine the amount and timing of revenue recognition, the group assesses contracts and determines whether the fees identified in the contract relate to revenue as defined in IFRS 15. The revenue is recognised only if the group can identify the contract and the performance obligation (i.e. the different services) and can determine the transaction price, which is required to be allocated to the identifiable performance obligations.

Unless specifically stated otherwise, the group is the principal in its revenue arrangements as the group controls the goods and services before transferring them to the customer.</td></tr>
<tr><td>Fee and commission income</td><td>Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers.

Fee and commission income is earned by the group by providing customers with a range of services and products, and consists of the following main categories:
➢ banking fee and commission income;
➢ knowledge-based fee and commission income;
➢ management, trust and fiduciary fees;
➢ fee and commission income from service providers; and
➢ other non-banking fee and commission income.

The bulk of fee and commission income is earned on the execution of a single performance obligation and, as such, it is not necessary to make significant judgements when allocating the transaction price to the performance obligation. As such, fee and commission income, which typically includes transactional banking fees such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees and knowledge-based fee and commission income, is recognised at a point in time.

Where the distinct performance obligation is satisfied over a period of time, the fees are recognised as follows:
➢ Fees for services rendered are recognised on an accrual basis as the service is rendered and the group’s performance obligation is satisfied, e.g. annual card fees and asset management and related fees.
➢ Commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis.

Commitment fees for unutilised funds made available to customers in the past are recognised as revenue at the end of the contract period. Commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the group, are recognised as revenue on a straight-line basis over the period for which the funds are promised to be kept available.</td></tr>
</table>

Non-interest and financial instrument revenue recognised in profit or loss	
Non-interest revenue from contracts with customers	
Fee and commission income	Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking, insurance and asset management operations. This includes fee and commission income earned from providing services on behalf of third-party service providers, in effect acting as an agent. The revenue is recognised at a point in time and includes commission earned from the sale of prepaid airtime, data vouchers and electricity, and traffic fines paid through FNB channels, as well as insurance commission. The group operates a customer loyalty programme, known as eBucks, in terms of which it undertakes to provide reward credits to qualifying customers to buy goods and services, which results in the recognition of a performance obligation which the group needs to fulfil. The supplier of the goods or services to be acquired by customers can either be the group or an external third party. The group recognises a contract liability referred to as the customer loyalty programme liability, which represents the deferred amount of revenue resulting from providing these reward credits to customers. The amount deferred is equal to the maximum cash flow that could be required in order to settle the liability with the customer, as the supplier of goods and services could either be the bank itself or independent third parties. The deferred revenue in respect of which the eBucks liability is raised is recognised in the period in which the customer utilises their reward credits. When the group is acting as an agent, amounts collected and incurred on behalf of the principal are not recognised on a gross basis. Only the net commission retained by the group is recognised in fee and commission income.
Fee and commission expenses	Fee and commission expenses are expenses that are incremental and directly attributable to the generation of fee and commission income and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received. Expenses relating to the provision of the customer loyalty reward credits are recognised as fee and commission expenses as incurred.
Insurance income – non-risk-related	Where the group is acting as an agent, commissions and brokerage earned on the sale of insurance products to customers of the group on behalf of an insurer are recognised at the point that the significant obligation has been fulfilled. Income arising from third-party insurance cell captives and profit share agreements, where there is not a significant transfer of insurance risk, are executory contracts. Revenue is recognised when both parties have fulfilled their obligations.
Insurance income – risk-related	Insurance-related income represents the premiums written on short-term, long-term and vehicle-related warranty products which transfer significant insurance risk to the group, where the earned portion of the premium received is recognised as revenue. Reinsurance premiums are accounted for as expenses in the same accounting period as the premiums to which the reinsurance relates. Commissions payable, together with insurance benefits, claims and movements in insurance liabilities, provide the resultant insurance risk-related income.

<table>
<tr><th colspan="2">Non-interest and financial instrument revenue recognised in profit or loss</th></tr>
<tr><th colspan="2">Non-interest revenue from contracts with customers</th></tr>
<tr><td>Other non-interest revenue</td><td>The group, through its various operating businesses and subsidiaries, sells value-added products, services and goods to customers.

Revenue is recognised from products sold by the eBucks online store at a point in time when control of the goods transfers to the customer. For telecommunication products and services which consist of smart devices, as well as data, airtime contracts and bundled products (SIM services), revenue is recognised at a point in time when the smart device has been delivered to the customer, whereas revenue from SIM services are recognised over time, as and when the service is consumed by the customer (i.e. over the contract term).</td></tr>
<tr><th colspan="2">Fair value gains or losses</th></tr>
<tr><td colspan="2">Fair value gains or losses of the group recognised in non-interest revenue include the following:
➢ fair value adjustments and interest on financial instruments at fair value through profit or loss, including derivative instruments that do not qualify for hedge accounting;
➢ fair value adjustments that are not related to credit risk on advances designated at fair value through profit or loss;
➢ a component of interest expense that relates to interest paid on liabilities which fund the group's fair value operations. Interest expense is reduced by the amount that is included in fair value income;
➢ fair value adjustment on financial instruments designated at fair value through profit or loss in order to eliminate an accounting mismatch, except for such instruments relating to the group's insurance and funding operations, for which the interest component is recognised in net interest income. The change in the fair value of a financial liability designated at fair value through profit or loss attributable to changes in its credit risk is presented in other comprehensive income, unless this would cause or enlarge an accounting mismatch in profit or loss. The total fair value adjustment on policyholder liabilities and non-recourse liabilities (including movements due to changes in credit risk) is included in profit or loss, since the fair value movements on these liabilities are directly linked to fair value movements on the underlying assets;
➢ ordinary and preference dividends on equity instruments at fair value through profit or loss;
➢ any difference between the carrying amount of the liability and the consideration paid, when the group repurchases debt instruments that it has issued; and
➢ fair value gains or losses on policyholder liabilities under investment contracts.</td></tr>
</table>

Non-interest and financial instrument revenue recognised in profit or loss
Gains less losses from investing activities
The following items are included in gains less losses from investing activities: ➢ any gains or losses on disposals of investments in subsidiaries, associates and joint ventures; ➢ any gains or losses on the sale of financial assets measured at amortised cost; ➢ impairments and reversal of impairments of investment securities measured at amortised cost and debt instruments measured at fair value through other comprehensive income; ➢ any amounts recycled from other comprehensive income in respect of debt instruments measured at fair value through other comprehensive income; ➢ dividend income on any equity instruments that are considered long-term investments of the group, including non-trading equity instruments measured at fair value through other comprehensive income; and ➢ fair value gains or losses on investment property held at fair value through profit or loss.
Dividend income
The group recognises dividend income when the group's right to receive payment is established. This is the last day to trade for listed shares and on the date of declaration for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares, except to the extent that the scrip dividend is viewed as a bonus issue with no cash alternative and the transaction lacks economic significance.

Expenses	
Expenses of the group, apart from certain fee and commission expenses included in net fee and commission income, are recognised and measured in terms of the accrual principle and presented as operating expenses in profit or loss.	
Indirect tax expense	Indirect tax includes other taxes paid to central and local governments and also includes value-added tax and securities transfer tax. Indirect tax is disclosed separately from income tax and operating expenses in the income statement.

3.2 Income tax expenses

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

Current income tax
The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date, in each particular jurisdiction within which the group operates. Current income tax arising from distributions made on other equity instruments is recognised in the income statement as the distributions are made from retained earnings arising from profits previously recognised in the income statement.

Deferred income tax	
Recognition	On temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.
Typical temporary differences for which deferred tax is provided	➢ Provision for loan impairment. ➢ Instalment credit assets. ➢ Revaluation (including ECL movements) of certain financial assets and liabilities, including derivative contracts. ➢ Provisions for pensions and other post-retirement benefits. ➢ Share-based payment liabilities. ➢ Investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the difference will not reverse in the foreseeable future. ➢ Cash flow hedges.
Measurement	The liability method under IAS 12 is used, which means applying tax rates and laws applicable at the reporting date which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. For temporary differences arising from the fair value adjustments on investment properties and investment securities, deferred income tax is provided at the rate that would apply to the sale of the assets, i.e. the capital gains tax rate.
Presentation	Deferred income tax is presented in profit or loss unless it relates to items recognised directly in equity or other comprehensive income. Items recognised directly in equity or other comprehensive income relate to: ➢ the issuance or buy-back of share capital; ➢ fair value remeasurement of financial assets measured at fair value through other comprehensive income; ➢ remeasurements of defined benefit post-employment plans; and ➢ derivatives designated as hedging instruments in effective cash flow hedge relationships. Tax in respect of share transactions is recognised directly in equity. Tax in respect of the other items is recognised directly in other comprehensive income and subsequently reclassified to profit or loss (where applicable) at the same time as the related gain or loss.
Deferred tax assets	The group recognises deferred income tax assets only if it is probable that future taxable income will be available, against which the unused tax losses can be utilised, based on management’s review of the budget and forecast information. The group reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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

4 FINANCIAL INSTRUMENTS

4.1 Classification and measurement

4.1.1 Initial measurement

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

Immediately after initial recognition, an expected credit loss allowance is recognised for newly originated financial assets measured at amortised cost or fair value through other comprehensive income debt instruments.

4.1.2 Classification and subsequent measurement of financial assets

Classification and subsequent measurement of financial assets
Management determines the classification of its financial assets at initial recognition, based on: ➢ the group's business model for managing the financial assets; and ➢ the contractual cash flow characteristics of the financial asset.

Classification and subsequent measurement of financial assets
Business model

The group distinguishes three main business models for managing financial assets:

- holding financial assets to collect contractual cash flows;
- managing financial assets and liabilities on a fair value basis or selling financial assets; and
- a mixed business model of collecting contractual cash flows and selling financial assets.

The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment is done for each legal reporting entity at least at a franchise level, although franchises will perform the assessment on a portfolio or subportfolio level, depending on the manner in which groups of financial assets are managed in each franchise.

The main consideration in determining the different business models across the group is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets, by managing assets and liabilities on a fair value basis, or through a combination of these activities.

In considering whether the business objective of holding a group of financial assets is achieved primarily through collecting contractual cash flows, among other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the group only considers a transaction a sale if the asset is derecognised for accounting purposes. For example, a repurchase transaction where a financial asset is sold with the commitment to buy back the asset at a fixed price at a future date is not considered a sale transaction because substantially all the risks and rewards relating to the ownership of the asset have not been transferred and the asset is not derecognised from an accounting perspective. Where the group participates in a National Treasury switch, where the participation is voluntary, this transaction will be executed at fair value. When there is a business rationale documented as to why the group has elected to participate in the National Treasury switch, this will not be considered a sale transaction for purposes of the business model assessment.

If sales of financial assets are infrequent, the significance of these sales is considered by comparing the carrying amount of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these sales will not impact the conclusion that the business model for holding financial assets is to collect contractual cash flows. In addition, where the issuer initiates a repurchase of the financial assets which was not anticipated in the terms of the financial asset, the repurchase is not seen as a sale for the purposes of assessing the business model of that group of financial assets.

Determining whether sales are significant or frequent requires management to use its judgement. The significance and frequency of sales are assessed on a case-by-case basis at the business model level. The frequency is assessed on an annual basis and sales of assets that take place once or less per annum is considered to be infrequent. If sales take place more than once per annum it doesn't mean that the business models are not to collect contractual cash flows, but rather that the reasons for the sales need to be more carefully considered. Management will consider both the volume and number of sales relatives to the total assets in the business model to determine whether it is significant.

A change in business model only occurs on the rare occasion when the group changes the way in which it manages financial assets. Any change in business models would result in a reclassification of the relevant financial assets from the start of the next reporting period

Classification and subsequent measurement of financial assets

Cash flow characteristics

In order for a debt instrument to be measured at amortised cost or fair value through other comprehensive income, the cash flows on the asset have to be solely payments of principal and interest (SPPI), i.e. consistent with those of a basic lending agreement.

The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardised. This includes the consideration of any prepayment penalties that are limited by consumer credit regulation. They can therefore be considered reasonable compensation, which would not cause these assets to fail the SPPI test.

For wholesale advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset. Wholesale advances that do not pass the SPPI test and that have to be measured at fair value through profit or loss include advances with equity participation features, convertible bonds and payments linked to commodity or other prices. If the contract contains prepayment penalties, the amount of the prepayment penalty is compared to the present value of the margin that will be earned if the loan is not prepaid. If the amount of the prepayment penalty is lower than or equal to the margin lost due to prepayment, this is considered reasonable compensation and the loan passes the SPPI test.

Amortised cost

Financial assets are measured at amortised cost using the effective interest method when they are held to collect contractual cash flows which are solely payments of principal and interest, and sales of such assets are not significant or frequent. These include the majority of the retail, corporate and commercial advances of the group, as well as certain investment securities utilised for liquidity risk management of the group. For purchased or originated credit-impaired financial assets, the group applies the credit-adjusted effective interest rate. This interest rate is determined based on the amortised cost and not the gross carrying amount of the financial asset, and incorporates the impact of expected credit losses in the estimated future cash flows of the financial asset.

Cash and cash equivalents

Cash and cash equivalents comprise coins and bank notes, money at call and short notice, and balances with central banks. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition. Money at call and short notice constitutes amounts withdrawable in 32 days or less. Cash and cash equivalents are measured at amortised cost.

Retail advances

	Business model	**Cash flow characteristics**
Retail advances	The FNB, WesBank and Aldermore businesses hold retail advances to collect contractual cash flows. Their business models focus on growing these advances within acceptable credit appetite limits and maintaining strong collection practices. The products included under this business model include: ➢ residential mortgages; ➢ vehicle and asset finance; ➢ personal loans; ➢ credit cards; and ➢ other retail products such as overdrafts.	The cash flows on retail advances are solely payments of principal and interest. Interest charged to customers compensates the group for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.

<table>
<tr><th colspan="3">Classification and subsequent measurement of financial assets</th></tr>
<tr><th colspan="3">Corporate and commercial advances</th></tr>
<tr><td rowspan="3">Corporate and commercial advances</td><td>Business model</td><td>Cash flow characteristics</td></tr>
<tr><td>The business models of FNB Commercial, WesBank Corporate, RMB Corporate and Aldermore are also focused on collecting contractual cash flows on advances and growing these advances within acceptable credit appetite limits.
The products included in this business model include:
➢ trade and working capital finance;
➢ specialised finance;
➢ commercial property finance; and
➢ asset-backed finance.
These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return. Although the intention is to collect cash flows, not all of the instruments are held to maturity as some financial assets are sold through syndication. These sales are, however, either insignificant in value in relation to the value of advances held to collect cash flows or infrequent, and therefore the held-to-collect business model is still appropriate.</td><td>The cash flows on corporate and commercial advances are solely payments of principal and interest. Interest charged to customers compensates the group for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.</td></tr>
<tr><td>Within RMB, debt for large corporates and institutions is structured. These advances are held primarily to realise the related contractual cash flows over the life of the instruments, and earn a lending margin in return. Although the intention is to collect cash flows, not all of the instruments are held to maturity as some financial assets are sold in the secondary market to facilitate funding. These sales are, however, insignificant in value in relation to the value of RMB advances held to collect cash flows and therefore the held to collect business model is still appropriate. In other portfolios, RMB originates advances with the intention to distribute. These advances are included under a different business model and are measured at fair value through profit or loss (as set out further below).</td><td>The cash flows on these advances are considered to be solely payments of principal and interest if the loan contract does not contain equity upside features, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract. Any advances that do contain such features are mandatorily measured at fair value through profit or loss.</td></tr>
<tr><td>Marketable advances</td><td>Advances also include marketable advances representing corporate bonds and certain debt investment securities qualifying as high-quality liquid assets that are under the control of the group treasurer, held by RMB. These assets are primarily held to collect the contractual cash flows over the life of the asset.</td><td>The cash flows on these advances are solely payments of principal and interest.</td></tr>
</table>

Classification and subsequent measurement of financial assets		
	Business model	**Cash flow characteristics**
Investment securities		
Investment securities	Group Treasury holds investment securities with lower credit risk (typically government bonds and treasury bills). These investment securities are held in a business model with the objective of collecting contractual cash flows.	The cash flows on these investment securities are solely payments of principal and interest.
Cash and cash equivalents		
Cash and cash equivalents	Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. These assets are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.
Other assets		
Other assets	Other assets are short-term financial assets that are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.

Mandatory at fair value through profit or loss		
Financial assets of the group are mandatorily measured at fair value through profit or loss when they are held for trading, managed on a fair value basis, held to sell/distribute, or are held to collect contractual cash flows which are not solely payments of principal and interest.		
Corporate advances	In certain instances, RMB originates advances with the mandate of distributing an identified portion of the total advances in the secondary market within an approved time frame. The reason for originating these advances is not to collect the contractual cash flows, but rather to realise the cash flows through the sale of the assets.	Any advances which are originated to be distributed or managed on a fair value basis, or are held to collect contractual cash flows but include cash flows related to equity upside features, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract, will be included in this category.
Marketable advances	RMB occasionally invests in notes issued by special purpose vehicles (SPV), with the intention of selling these notes to external parties. These include notes issued by SPV to which it sells a portion of corporate and commercial advances that it originates to distribute (detailed above). The collection of contractual cash flows on these notes are merely incidental.	Advances which are acquired to distribute are included in this category.

<table>
<tr><th colspan="3">Mandatory at fair value through profit or loss</th></tr>
<tr><td rowspan="2">Investment securities</td><td colspan="2">RMB Global Markets holds portfolios of investment securities (including corporate and government bonds) to hedge risks or for short-term profit realisation. These securities are managed on a fair value basis.</td></tr>
<tr><td colspan="2">All equity investments of the group are managed on a fair value basis, either through profit or loss (FVTPL) or designated at fair value through other comprehensive income.</td></tr>
<tr><td>Derivative assets</td><td colspan="2">Derivatives are either held for trading or to hedge risk. These instruments are managed on a fair value basis.</td></tr>
<tr><th colspan="3">Designated at fair value through profit or loss</th></tr>
<tr><td colspan="3">The group has exercised the option to designate financial assets at fair value through profit or loss, as doing so eliminates or significantly reduces a measurement of recognition inconsistency that would otherwise arise from measuring these assets on a different basis.
The assets that the group are designating at fair value through profit or loss are the following:
➢ advances; and
➢ investment securities.</td></tr>
<tr><td>Advances</td><td colspan="2">Certain advances with fixed interest rates in RMB have been designated at fair value through profit or loss in order to eliminate an accounting mismatch that would otherwise result from measuring these assets on a different basis. The cash flows on these advances are considered to be solely payments of principal and interest.</td></tr>
<tr><td>Investment securities</td><td colspan="2">Group Treasury holds investment securities (typically treasury bills) for liquidity purposes. The portfolio is managed on a fair value basis.</td></tr>
<tr><th colspan="3">Debt instruments at fair value through other comprehensive income</th></tr>
<tr><td>Investment securities</td><td>The treasury division of the group holds certain investment securities for liquidity management purposes. Local regulators require that the bank/branch prove liquidity of its assets by way of periodic outright sales. Therefore, the business model for these investment securities is both collecting contractual cash flows and selling these financial assets.</td><td>The cash flows on these investment securities are solely payments of principal and interest.</td></tr>
<tr><th colspan="3">Equity investments at fair value through other comprehensive income</th></tr>
<tr><td>Investment securities</td><td colspan="2">The group has elected to designate certain equity investments not held for trading to be measured at fair value through other comprehensive income.</td></tr>
</table>

4.1.3 Classification and subsequent measurement of financial liabilities and compound instruments

Financial liabilities and compound financial instruments

The group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. Tier 2 instruments which have write-down or conversion features are classified based on the nature of the instrument and the definitions. Tier 2 and other funding liabilities are presented in separate lines on the statement of financial position of the group. Compound instruments are those financial instruments that have components of both financial liabilities and equity, such as issued convertible bonds. At initial recognition the instrument and the related transaction costs are split into their separate components and accounted for as a financial liability or equity in terms of the definitions and criteria of IAS 32.

Financial liabilities measured at amortised cost

The following liabilities are measured at amortised cost using the effective interest rate method, unless they have been designated as measured at fair value through profit or loss:

- deposits;
- creditors;
- Tier 2 liabilities; and
- other funding liabilities.

Financial liabilities measured mandatory at fair value through profit or loss

The following held for trading liabilities are measured at fair value through profit or loss:

- derivative liabilities; and
- short trading positions.

These liabilities are measured at fair value at reporting date as determined under IFRS 13, with fair value gains or losses recognised in profit or loss.

Financial liabilities designated at fair value through profit or loss

A financial liability other than one held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial liabilities, which is managed, and its performance evaluated on a fair value basis, in accordance with the group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated at FVTPL.

The financial liabilities that the group designated at fair value through profit or loss are the following:

- deposits; and
- other funding liabilities.

Both types of liabilities satisfied the above-mentioned conditions of IFRS 9 for such designation. These financial liabilities are measured at fair value at reporting date as determined under IFRS 13, with any

Financial liabilities designated at fair value through profit or loss
gains/losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedge accounting relationship. However, for non-derivative financial liabilities that are designated at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (OCI), unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability.

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

This policy applies to:

- financial assets measured at amortised cost, including other financial assets and cash;
- debt instruments measured at fair value through other comprehensive income;
- loan commitments;
- financial guarantees; and
- finance lease debtors where the group is the lessor.

Refer to accounting policy note 9.4 where all risk parameters, scenarios and sources of estimation are detailed more extensively.

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

Advances	
SICR since initial recognition	In order to determine whether an advance has experienced a significant increase in credit risk, the PD of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined as the most recent date at which the group has repriced an advance/facility. Where a change in terms is significant and is deemed to be a substantial modification, it results in derecognition of the original advance/facility and recognition of a new advance/facility. SICR test thresholds are reassessed and, if necessary, updated, on at least an annual basis. Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a significant increase in credit risk. In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a significant increase in credit risk. One such qualitative consideration is the appearance of wholesale and commercial small and medium-sized enterprise (SME) facilities on a credit watch list. Any up-to-date facility that has undergone a distressed restructure (i.e. a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a significant increase in credit risk, and will be disclosed within stage 2 at a minimum. The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred. No standard minimum period for transition from stage 2 back to stage 1 is applied across all advances, with the exception of cured distressed restructured exposures that are required to remain in stage 2 for a minimum period of six months before re-entering stage 1, as per the requirements of *SARB Directive 7 of 2015*.
Low credit risk	The group does not apply the low credit risk exemption.
Credit impaired financial assets	Advances are considered credit-impaired if they meet the definition of default. The group's definition of default applied to calculating provisions under IFRS 9 has been aligned to the definition applied to regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes. Exposures are considered to be in default when they are more than 90 days past due or, in the case of amortising products, are more than three instalments in arrears.

Advances	
Credit impaired financial assets	In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the group to actions such as the realisation of security. Indicators of unlikeliness to pay are determined based on the requirements of Regulation 67 of the Banks Act. Examples include application for bankruptcy or obligor insolvency. Any distressed restructures of accounts which have experienced a significant increase in credit risk since initial recognition are defined as default events. Retail accounts are considered to no longer be in default if they meet the stringent cure definition, which has been determined at portfolio level based on analysis of re-defaulted rates. Curing from default within wholesale is determined judgementally through a committee process.
Purchased or originated credit impaired	Financial assets that meet the above-mentioned definition of credit-impaired at initial recognition and remain classified as such for the duration of the agreement.
Write-offs	Write-off must occur when it is not economical to pursue further recoveries, i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised): ➢ By implication, in both retail and wholesale, for secured as well as unsecured exposures, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account. ➢ Within retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries. The result of this is that retail secured loans are written off on perfection of collateral, and retail unsecured loans are written off when observation of post-default payment behaviour indicates that further material recoveries are unlikely. Write-off points within retail unsecured portfolios are defined on a per-portfolio basis with reference to cumulative delinquency and/or payment recency. ➢ Within wholesale portfolios, a judgemental approach to write-off is followed, based on case-by-case assessment by a credit committee. ➢ Partial write-offs are not performed within credit portfolios except in limited circumstances within the wholesale portfolio where it is assessed on a case-by-case basis. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.
Collection and enforcement activities post write-off	For unsecured advances, post write-off collection strategies include outsourcing of the account to external debt collections (EDCs). In addition, settlement campaigns are run to encourage clients to settle their outstanding debt. For secured advances, any residual balance post the realisation of collateral and post write-off is outsourced to EDCs.

Other financial assets	
Cash and cash equivalents	All physical cash is classified as stage 1. Other exposures are classified as stage 1 unless specific evidence of impairment exists, in which case, due to the nature of these assets, they are classified immediately as stage 3. ECL for physical cash is zero. ECL for cash equivalents is calculated using the loss rate approach.
Other assets	ECL for other assets, i.e. financial accounts receivable and where applicable, contract assets, are calculated using the simplified approach. This results in a lifetime ECL being recognised.
Investment securities	Impairment parameters for investment securities (PD, LGD and EAD) are determined using appropriate models, with the models to be applied determined with reference to the issuer of the security and the nature of the debt instrument. The tests for a significant increase in credit risk and default definitions are then applied and the ECL calculated in the same way as for advances. The significant increase in credit risk thresholds applied for investment securities are the same as those applied within the wholesale credit portfolio, to ensure consistency in the way that a significant increase in credit risk is identified for a particular counterparty and for similar exposures. The group does not use the low credit risk exemption for investment securities, including government bonds.

4.3 Transfers, modifications and derecognition

Financial instruments are derecognised when:

- the contractual rights or obligations expire or are extinguished, discharged or cancelled, for example an outright sale or settlement;
- they are transferred and the derecognition criteria of IFRS 9 are met; or
- the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

Financial assets are derecognised when the group has either transferred the contractual right to receive cash flows from the asset or it has assumed an obligation to pay over all the cash flows from the asset to another entity (i.e. pass-through arrangement).

If the contractual cash flows of a financial asset measured at amortised cost are modified (changed or restructured, including distressed restructures), the group determines whether this is a substantial modification, which could result in the derecognition of the existing asset and the recognition of a new asset. If the change is simply a non-substantial modification of the existing terms it would not result in derecognition.

A modification of a financial asset is substantial and will thus result in derecognition of the original financial asset where the modified contractual terms are priced to reflect current conditions on the date of modification, and are not merely an attempt to recover outstanding amounts. Where the modification does not result in an accounting derecognition the original asset continues to be recognised.

Derecognition of financial liabilities includes a situation of substantial modification of the terms and conditions of an existing financial liability. A substantial modification of the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

4.3 Transfers, modifications and derecognition continued

The following transactions are entered into by the group in the normal course of business, in terms of which it transfers financial assets directly to third parties or structured entities, or modifies the contractual terms of the asset and either achieves derecognition or continues to recognise the asset:

Transaction type	Description	Accounting treatment
Transfers without derecognition		
Traditional securitisations and other structured transactions	Specific advances or investment securities are transferred to a structured entity, which then issues liabilities to third-party investors, for example variable rate notes or investment grade commercial paper. The group's obligations toward the third-party note holders is limited to the cash flows received on the underlying securitised advances or non-recourse investment securities i.e. the note holders only have a claim to the ring-fenced assets in the	The transferred assets continue to be recognised by the group in full. Such advances and investment securities are disclosed separately in the relevant notes. The group recognises an associated liability for the obligation towards third-party note holders as a separate category of deposits. These deposits are usually measured at amortised cost.

Transaction type	Description	Accounting treatment
	structured entity, and not to other assets of the group. The group consolidates these securitisation and SPVs as structured entities, in terms of IFRS 10.	
Repurchase agreements	Investment securities and advances are sold to an external counterparty in exchange for cash and the group agrees to repurchase the assets at a specified price at a specified future date. The counterparty's only recourse is to the transferred investment securities and advances that are subject to the repurchase agreement. The group remains exposed to all the underlying risks on the assets including counterparty, interest rate, currency, prepayment and other price risks.	The transferred assets continue to be recognised by the group in full. Such advances and investment securities are disclosed separately in the relevant notes. The group recognises an associated liability for the obligation for the cash received as a separate category of deposits.
Securities lending	Investment securities are lent to external counterparties in exchange for cash collateral as security for the return of the securities. The group's only recourse in respect of the return of the securities it has lent is to the cash collateral held and as such, the group generally requires cash collateral in excess of the fair value of the securities lent.	

Transfers with derecognition		
Where the group purchases its own debt	The debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value gains or losses within non-interest revenue.	
Modification without derecognition		
Modification of contractual cash flows	Debt restructuring is a process that is applied to accounts whereby the new terms of the contract (such as a lower interest rate) are mandated by law and do not have the same commercial terms as a new product that the group would be willing to offer a customer with a similar risk profile.	Existing asset is not derecognised. The gross carrying amount of the financial asset is recalculated as the present value of the estimated future cash receipts through the expected life of the renegotiated or modified financial asset, discounted at the financial asset's original effective interest rate. Distressed modifications are included in ECL.
Modifications with derecognition (i.e. substantial modifications)		
Retail advances	The process for modifying an advance (which is not part of a debt restructuring) is substantially the same as the process for raising a new advance, including reassessing the customer's credit risk, repricing the asset and entering into a new legal agreement.	Existing asset is derecognised and a new asset is recognised at fair value based on the modified contractual terms.
Neither transferred nor derecognised		
Synthetic securitisation transactions	Credit risk related to specific advances is transferred to a structured entity through credit derivatives. The group consolidates these securitisation vehicles as structured entities, in terms of IFRS 10.	The group continues to recognise the advances and recognises associated credit derivatives which are measured at fair value through profit or loss.

4.4 Offsetting of financial instruments and collateral

Where the requirements of IFRS are met, the group offsets financial assets and financial liabilities and presents the net amount. Financial assets and financial liabilities subject to master netting arrangements (MNAs) or similar agreements are not offset, if the right of set-off under these agreements is only enforceable in the event of default, insolvency and bankruptcy.

Details of the offsetting and collateral arrangements of the group are set out in the following table.

Derivative financial instruments	The group's derivative transactions that are not transacted on an exchange are entered into under International Swaps and Derivatives Association (ISDA) MNAs. Generally, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, e.g. when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions (close-out netting). Financial collateral (mostly cash) is also obtained, often daily, for the net exposure between counterparties to mitigate credit risk.
Repurchase and reverse repurchase agreements, and securities lending and borrowing transactions	These transactions by the group are covered by master agreements with netting terms similar to those of the ISDA MNAs. Where the group has entered into a repurchase and reverse repurchase or securities borrowing and lending transaction, with the same counterparty, the advance and liability balances are offset in the statement of financial position only if they are due on a single day, denominated in the same currency and the group has the intention to settle these amounts on a net basis. The group receives and accepts collateral for these transactions in the form of cash and other investment securities.
Other advances and deposits	The advances and deposits that are offset relate to transactions where the group has a legally enforceable right to offset the amounts and the group has the intention to settle the net amount.

It is the group's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, either through physical inspection or indexation methods, as appropriate. For wholesale and commercial portfolios, the value of collateral is reviewed as part of the annual facility review. For mortgage portfolios, collateral valuations are updated on an ongoing basis through statistical indexation models. However, in the event of default, more detailed reviews and valuations of collateral are performed, which yield a more accurate financial effect. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

4.5 Derivative financial instruments and hedge accounting

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at fair value through profit or loss with movements in fair value recognised in fair value gains or losses within non-interest revenue in the consolidated income statement. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

Derivative instruments are classified either as held for trading or formally designated as hedging instruments. The group elected to adopt IFRS 9 for cash flow and fair value hedges. IAS 39 will continue to be applied to portfolio hedges, which the group refers to as macro-hedges, to which fair value hedge accounting has been applied.

Hedge accounting

Derivatives held for risk management purposes are classified either as fair value hedges or cash flow hedges depending on the nature of the risk being hedged, where the hedges meet the required documentation criteria under IFRS 9/IAS 39 and are calculated to be effective.

The group extensively hedges with interest rate swaps which will be impacted by the Financial Stability Board's undertaking to fundamentally review and reform major interest rate benchmarks used globally and locally by financial market participants. This review seeks to replace existing global and local IBORs with ARRs to improve market efficiency and mitigate systemic risk across financial markets. The group is monitoring and evaluating developments in the market and the impact thereof on accounting.

Fair value hedge accounting

Fair value hedge accounting does not change the recording of gains or losses on derivatives, but it does result in recognising changes in the fair value of the hedged item attributable to the hedged risk that would otherwise not be recognised in the income statement. The change in the fair value of the hedged item is taken to non-interest revenue under fair value gains or losses. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued. The cumulative adjustment to the carrying amount of the hedged item is amortised to the income statement based on a recalculated effective interest rate, unless the hedged item has been derecognised, in which case it is recognised in the income statement immediately.

Cash flow hedge accounting

For derivatives used in cash flow hedges, the effective portion of changes in the fair value of the hedging derivatives is recognised in the cash flow hedge reserve in other comprehensive income and reclassified to profit or loss in the periods in which the hedged item affects profit or loss. The ineffective portion is recognised immediately in profit or loss as part of fair value gains or losses within non-interest revenue.

The accumulated gains and losses recognised in other comprehensive income are reclassified to the income statement in the same periods in which the hedged item affects profit or loss. When a hedge relationship is discontinued, or partially discontinued, any cumulative gain or loss recognised in other comprehensive income remains in equity until the hedged item affects the income statement.

5 OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement

Classification	Measurement
Property and equipment (owned and right of use)	
Information regarding land and buildings is kept at the group's registered office and is open for inspection in terms of section 26 of the Companies Act.	
Property and equipment of the group include: ➢ assets utilised by the group in the normal course of operations to provide services, including freehold property and leasehold premises and leasehold improvements (owner-occupied properties); ➢ assets which are owned by the group and leased to third parties under operating leases as part of the group's revenue-generating operations; ➢ capitalised leased assets; and ➢ other assets utilised by the group in the normal course of operations, including computer and office equipment, motor vehicles and furniture and fittings.	Historical cost less accumulated depreciation and impairment losses, except for land, which is not depreciated. Depreciation is recognised on the straight-line basis over the useful life of the asset, except for assets capitalised under leases where the group is the lessee, in which case it is depreciated per the leases accounting policy 5.3. Freehold property and property held under leasing agreements: - Buildings and structures* 40 - 50 years - Mechanical and electrical* 14 - 20 years - Components* 14 - 20 years - Sundries 3 – 5 years - Computer equipment 3 – 5 years - Other equipment 3 – 10 years **During the current year, the estimated useful live was reassessed, resulting in a change in the range disclosed in the prior year. The impact of the change is estimate was immaterial.*
Investment properties	
Properties held to earn rental income and/or for capital appreciation that are not occupied by the companies in the group. When investment properties become owner-occupied, the group reclassifies them to property and equipment, using the fair value at the date of reclassification as the cost.	The fair value gains or losses are adjusted for any potential double counting arising from the recognition of lease income on the straight-line basis, compared to the accrual basis normally assumed in the fair value determination.

Classification	Measurement
Intangible assets	
Intangible assets of the group include: ➢ Internally generated intangible assets (including computer software and other assets such as trademarks or patents) are capitalised when the requirements of IAS 38 relating to the recognition of internally generated assets have been met. ➢ External computer software development costs are capitalised when they can be clearly associated with a strategic and unique system which will result in a benefit to the group exceeding the costs incurred for more than one financial period. ➢ Material acquired trademarks, patents and similar rights are capitalised when the group will receive a benefit from these intangible assets for more than one financial period. All other costs related to intangible assets are expensed in the financial period incurred.	Cost less accumulated amortisation and any impairment losses. Amortisation is on a straight-line basis over the useful life of the asset. The useful life of each asset is assessed individually. The benchmarks used when assessing the useful life of the individual assets are: Software development costs: 3 years Trademarks: 10 – 20 years Other: 3 – 10 years
Goodwill arising from business combinations is recognised as an intangible asset.	Refer to accounting policy 2.1.
Commodities	
Commodities acquired for short-term trading purposes include the following: ➢ commodities acquired with the intention of resell in the short term or if they form part of the trading operations of the group; and ➢ certain commodities subject to option agreements whereby the counterparty may acquire the commodity at a future date where the risk and rewards of ownership are deemed to have transferred to the group in terms of IFRS 15.	Fair value less costs to sell with changes in fair value being recognised as fair value gains or losses within non-interest revenue.
Forward contracts to purchase or sell commodities where net settlement occurs, or where physical delivery occurs and the commodities are held to settle a further derivative contract, are recognised as derivative instruments.	Fair value through profit or loss.

Classification	Measurement
Provisions	
The group will only recognise a provision measured in terms of IAS 37 when there is uncertainty around the amount or timing of payment. Where there is no uncertainty the group will recognise the amount as an accrual. The most significant provisions are related to litigation and claims, as well as provisions for intellectual property fees that arise because of the use of dealer platforms, databases, systems, brands and trademarks when marketing and promoting motor warranty products as part of the motor value-added products and services business. The group recognises a provision when a reliable estimate of the outflow required can be made and the outflow is probable (i.e. more likely than not).	

Other assets that are subject to depreciation, and intangible assets other than goodwill acquired as part of a business combination (refer to accounting policy 2.1) are reviewed for impairment whenever objective evidence of impairment exists. Impairment losses are recognised in profit or loss as part of operating expenses. The assets are impaired if the carrying amount is more than the recoverable amount, which is the higher of the assets' value in use and fair value less cost to sell. The impairment loss is calculated as the difference between the assets' carrying amount and their recoverable amounts.

Other assets are derecognised when they are disposed of or, in the case of intangible assets, when no future economic benefits are expected from their use. Gains or losses arising on derecognition are determined as the difference between the carrying amount of the asset and the net proceeds received, and are recorded in profit or loss as part of non-interest revenue.

5.2 Non-current assets and disposal groups held for sale

Assets and liabilities are classified and separately presented as held for sale by the group when the specific conditions for classification as held for sale under IFRS 5 are met.

Upon classification as non-current assets and disposal group held for sale, the non-current assets and disposal groups are remeasured to the lower of their carrying amounts and fair value less costs to sell, with any remeasurements being recognised as an impairment loss within operating expenses or as part of equity accounted earnings in the case of investments in associates or joint ventures. If a disposal group contains assets that are outside of the measurement scope of IFRS 5, those assets are remeasured in terms of the relevant IFRS's and any impairment loss on the disposal group is allocated only to those non-current assets in the disposal group that are within the measurement scope of IFRS 5, until the assets are reduced to zero. The group has elected to recognise any excess impairment on the disposal group that remains after impairing the assets within the measurement scope of IFRS 5 as excess impairment within operating expenses with a corresponding adjustment to the assets whose measurement is outside of the scope of IFRS 5, until those assets are reduced to zero. Any subsequent increases in fair value less costs to sell are recognised in non-interest revenue when realised.

When there is a change in intention to sell, any non-current assets and disposal groups held for sale are immediately reclassified back to their original line items. They are remeasured in terms of the relevant IFRS, with any adjustment being taken to profit or loss depending on the underlying asset to which it relates, e.g. operating expenses for property and equipment or intangible assets, and equity accounted earnings for associates and joint ventures.

5.3 Leases

The group leases a variety of properties and equipment. Rental agreements typically include fixed periods over which the item is leased, which are individually negotiated and contain a wide range of different terms and conditions. The group assesses whether a contract is or contains a lease at inception of a contract.

Qualifying leases are recognised as a right of use asset (ROUA) and a corresponding liability at the date at which the leased asset is made available for use by the group.

	Group company is the lessee	Group company is the lessor
At inception	The group recognises a ROUA and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined as lease assets with a replacement value of R100 000 or less at the inception of the lease). The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the individual group lessee uses its own incremental borrowing rate, being the rate that it can borrow funds from the Group Treasury function. The ROUAs are measured at cost consisting of the sum of the initial measurement of the lease liability plus any initial direct costs and restoration costs. Where applicable, any lease payments made at or before the commencement date less any lease incentives received are deducted from the cost. Post initial recognition, ROUAs are treated in line with other property and equipment. Variable payments that do not depend on an index or rate are not included in the measurement of the lease liability and the ROUA. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line operating expenses in the consolidated income statement.	Where the group company is the lessor under a finance lease, the group recognises assets sold under a finance lease as finance lease receivables included in advances and impair the advances, as required, in line with the impairment of financial assets accounting policy in section 4.2. No practical expedients are applied, and the general model under IFRS 9 is used for impairment calculations on lease receivables.

	Group company is the lessee	Group company is the lessor
Over the life of the lease	Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses. The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term. If ownership is transferred at the end of the lease term, the asset is depreciated over the shorter of the lease term or useful life. The group applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss.	Unearned finance income is recognised as interest income over the term of the lease using the effective interest method. Finance lease receivables are assessed for impairment in terms of IFRS 9, as set out in the impairment of financial assets policy section 4.2. Interest on finance lease receivables that are credit-impaired (stage 3), is recognised and calculated by applying the original effective interest rate to the net carrying amount.
Presentation	The lease liability is presented in other liabilities in the consolidated statement of financial position. The ROUAs are not presented as a separate line in the consolidated statement of financial position, but rather disclosed as ROUA in the property and equipment note.	Finance lease receivables are presented as part of advances in the consolidated statement of financial position.
Operating leases	For short-term and low-value leases, which the group has defined as all other leases except for property and vehicle leases, the lease payments are recognised as an operating expense, spread on a straight-line basis over the term of the lease.	Assets held under operating leases are included in property and equipment and depreciated – refer to accounting policy 5.1. Rental income is recognised as other non-interest revenue on a straight-line basis over the lease term.
Finance lease agreements (including hire purchases) where the group is the lessor	The group regards finance lease agreements (including hire purchases) as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, in advances. The group calculates finance charges using the effective interest rates as detailed in the contracts and credit finance charges to interest revenue in proportion to capital balances outstanding.	

6 CAPITAL AND RESERVES

Transaction	Liability	Equity
Shares issued and issue costs	Preference shares, where the group does not have the unilateral ability to avoid repayments, are classified as other liabilities.	The group’s equity includes ordinary shares, contingently convertible securities, Additional Tier 1 notes and non-cumulative non-redeemable (NCNR) preference shares. Contingently convertible securities, Additional Tier 1 notes and NCNR preference shares are classified as other equity instruments in the financial statements. Any incremental costs directly related to the issue of new shares or options, net of any related tax benefit, are deducted from the issue price.
Dividends paid/declared	Recognised as interest expense on the underlying liability.	Dividends on equity instruments are recognised against equity. A corresponding liability is recognised when the dividends have been approved by the company’s shareholders and distribution is no longer at the discretion of the entity.
Distribution of non-cash assets to owners	The liability to distribute non-cash assets is recognised as a dividend to owners at the fair value of the asset to be distributed. The difference between the carrying amount of the assets distributed and the fair value of the assets on the date of distribution is recognised as non-interest revenue in profit or loss for the period.	The carrying amount of the dividend payable is remeasured at the end of each reporting period and on settlement date. The initial carrying amount and any subsequent changes are recognised in equity.
Treasury shares, i.e. where the group purchases its own equity share capital	If the group reacquires its own equity instruments, those instruments are deducted from the group’s equity.	The consideration paid, including any directly attributable incremental costs, is deducted from total shareholders’ equity as treasury shares until they are reissued or sold. Where the shares are subsequently sold or reissued, any consideration received net of any directly attributable incremental costs is included in shareholders’ equity.
Other reserves	Not applicable	Other reserves recognised by the group include general risk reserves, required to be held by some of the group’s African operations capital redemption reserve funds and insurance contingency reserves. These reserves are required by in-country legislation governing these subsidiaries and are calculated based on the requirements outlined in the relevant legislation applicable in the specific jurisdiction.

7 TRANSACTIONS WITH EMPLOYEES

7.1 Employee benefits

The group operates defined benefit and defined contribution schemes, the assets of which are held in separate trustee administered funds. These funds are registered in terms of the Pension Funds Act, 1956, and membership of the pension fund is compulsory for all group employees. The defined benefit plans are funded by contributions from employees and the relevant group companies, taking into account the recommendations of independent qualified actuaries.

Defined contribution plans	
Determination of purchased pension on retirement from defined contribution plan	**Recognition** Contributions are recognised as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.
	Measurement Upon retirement of current and active defined contribution members, the fund provides a pension that can be purchased with the member's share. The pension so purchased is determined based on the purchasing member's demographic details (age, gender and age of spouse), the pension structure (guarantee period, spouse's reversion and pension increase target) and the economic assumptions at the time of purchase (inflation-linked bond yields available). On the date of the purchase, the defined benefit liability and the plan assets will increase for the purchase amount and thereafter the accounting treatment applicable to defined benefit plans will be applied to the purchased pension. It should be noted that the purchase price for the new retiree would be slightly higher than the liability determined on the accounting valuation, as the purchase price allows for a more conservative mortality assumption based on the solvency reserves of the fund. A benefit on withdrawal and retrenchment is determined in terms of the prevailing legislation and is equivalent to the value of the actuarial reserve held in the fund.

Defined benefit plans		
Defined benefit obligation liability	**Recognition** The liabilities and assets of these funds are reflected as a net asset or liability in the statement of financial position, i.e. the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.	
	Measurement The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The discount rate used is the rate of nominal and inflation-linked government-issued bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.	
Plan assets	The plan assets are carried at fair value. Where the plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits under the plan, the fair value is deemed to be the present value of the related obligation. If the qualifying insurance policy has a limit of indemnity, the fair value of the insurance policy is limited to that amount.	
Profit or loss	Included as part of staff costs: ➢ current and past service costs calculated using the projected unit credit method; ➢ gains or losses on curtailments and settlements that took place in the current period; ➢ net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability; and ➢ actuarial gains or losses on long-term employee benefits.	
Other comprehensive income	All other remeasurements in respect of the obligation and plan assets are included in other comprehensive income and never reclassified to profit or loss.	
Termination benefits		
The group recognises termination benefits as a liability in the statement of financial position and as an expense, included in staff costs, in profit or loss when it has a present obligation relating to termination. The group has a present obligation at the earlier of the following two occurrences: when the group can no longer withdraw the offer of the termination benefit or when the group recognises any related restructuring costs.		
Liability for short-term employee benefits		
Leave pay	The group recognises a liability for employees' rights to annual leave in respect of past service. The amount recognised by the group is based on the current salary of employees and the contractual terms between employees and the group. The expense is included in staff costs.	
Bonuses	The group recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid, and the amount can be reliably measured. The expense is included in staff costs.	

7.2 Share-based payment transactions

The group operates a cash-settled and an immaterial equity-settled share-based incentive plan for employees.

Awards granted under cash-settled plans result in a liability being recognised and measured at fair value until settlement. An expense is recognised in profit or loss for employee services received over the vesting period of the plans.

Awards granted under equity-settled plans result in an expense to be recognised in profit or loss at the fair value of the employee services received in exchange for the grant of the options over the vesting period of the options. A corresponding credit to a share-based payment reserve in the statement of changes in equity is recognised when the expense is recognised.

8 NON-BANKING ACTIVITIES

8.1 Insurance activities

Insurance activities include contracts issued by the group, which transfer significant insurance risk or financial risk. Furthermore, the group has entered into reinsurance contracts.

Insurance contracts are contracts under which the group, as the insurer, accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more (at least 10%) than the benefits payable if the insured event did not occur. The group issues insurance contracts in terms of the Insurance Act 18 of 2017 (Insurance Act) as well as the Short-term Insurance Act 53 of 1998 (Short-term Act).

Investment contracts which are linked-fund policies falling within the scope of the Insurance Act are viewed as a form of long-term insurance from a legal perspective. However, as investment contracts do not convey insurance risk upon the company, they are scoped out of IFRS 4 and are accounted for in terms of IFRS 9. Investment contracts are classified as financial liabilities, measured at fair value through profit or loss.

The group obtains reinsurance in the ordinary course of business for the purpose of limiting its net loss potential through the diversification of its risks on certain long-term and short-term insurance contracts. Reinsurance arrangements do not relieve the group from its direct obligations to policyholders.

Insurance contracts	
Definitions	Contracts that transfer significant insurance risk to the group and are within the scope of IFRS 4
Recognition	Insurance policies are recognised when contracts are concluded between the policyholder and the group.
Premiums	Premiums on insurance contracts are recognised when due. Premiums are recognised gross of commission payable to intermediaries and reinsurance premiums, before the deduction of acquisition costs but net of taxes and levies and are recognised in profit or loss as part of premium income in non-interest revenue.

	Short-term insurance contracts	Long-term insurance contracts
Claims and benefits paid	Claims and benefits paid consist of claims and claims handling expenses paid during the financial year and are determined by the market value of the indemnification received by the policyholder. Salvages and third-party recoveries are also included here. The salvage amount is the amount received by the company from the sale of the policyholder's property which is damaged beyond economic repair. The insurer will purchase new property for the policyholder, while the damaged property will be sold by the insurance company. The income received from the sale of the damaged property will be netted off against the claims paid, which represents the cost of the new property.	Claims and benefits paid are recognised when the amounts are paid over to the customers and are determined with reference to the contract entered into with the policyholder.
Policyholder liability	In terms of IFRS 4, insurance contracts may be measured under existing local practice. The provision for the outstanding claims reserve (OCR) comprises the group's estimate of settling all claims reported (notified claims) but unpaid at year end, and claims incurred but not reported (IBNR). For OCR, each notified claim relating to one of the group's policies is assessed on a case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. Standardised policies and procedures are applied to claims assessments. The provision for each notified claim includes an estimate of the associated claim handling costs. The ultimate cost of incurred claims may vary as a result of future developments or better information becoming available about the current circumstances. Adjustments to the quantum of claims provisions established in prior years are reflected in the annual financial statements for the period in which the	In terms of IFRS 4, measurement of policyholder liabilities arising from insurance contracts are measured using existing local practices. The group utilises the Standards of Actuarial Practice (SAPs) 104 issued by the Actuarial Society of South Africa (ASSA) to determine the policyholder liabilities that are classified as long-term insurance contracts. Policyholder liabilities are measured either on a discounted or undiscounted basis, depending on the features of the contracts. *Discounted liabilities* The valuation is performed on a policy-by-policy basis by discounting the best estimate of future expected premiums, risk benefits, reinsurance and expenses at the risk-free rate. These calculations are performed using best estimate assumptions (lapse, expenses, premium collection, mortality, morbidity, retrenchment, inflation and yield curve) adjusted by compulsory margins as specified in SAP-104 and further discretionary margins where appropriate. Where the policyholder liability calculated above results in an asset, the group elects to zerorise the policyholder liability and as a result, there is no discounted policyholder liability recognised on the statement of financial position.

	Short-term insurance contracts	Long-term insurance contracts
	adjustments are made and disclosed separately, if material. A provision is raised for claims incurred but not yet reported (IBNR) based on historical experience. The group determines the IBNR by using actuarial modelling.	*Undiscounted liabilities* Undiscounted policyholder liabilities under insurance contracts comprise a provision for claims IBNR and OCR. IBNR and OCR liabilities are measured at the best estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not. The IBNR is a retrospective forward-looking insurance liability, taking into account incurred but not yet reported events, using historical data as the main driver in determining the best estimate for the IBNR. OCR is calculated by reviewing individual claims and the effect of both internal and external foreseeable events, such as changes in claims-handling procedures, inflation, judicial trends, legislative changes and past experience and trends. The group does not discount its OCR.
Changes in the policyholder liabilities	Adjustments to the amounts of policyholder liabilities for policies established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately, if material.	Any differences between valuation assumptions and actual experience, and any change in liabilities resulting from changes in valuation assumptions, are recognised in profit or loss as part of insurance income in non-interest revenue over the life of the contract. If future experience under a policy contract is exactly in line with the assumptions employed at the initial recognition of the contract, the valuation margins will emerge as profits over the duration of a policy contract. This is known as the unwinding of margins.
Liability adequacy test	The insurance liability is tested for adequacy by calculating current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional liability and the related expense are recognised.	Liabilities are calculated in terms of the financial soundness valuation (FSV) basis as described in SAP 104. Since the FSV basis meets the minimum requirement of the liability adequacy test, it is not necessary to perform additional adequacy tests on the liability component. In respect of the IBNR, tests are performed to ensure that the liability is sufficient to cover historical run-off profiles and growth in the volume of business.

	Short-term insurance contracts	Long-term insurance contracts
Acquisition costs	Acquisition costs include all commission and expenses directly related to acquiring new business. Acquisition costs are expensed as they are incurred.	
Insurance premium receivables and payables	Amounts due from policyholders relate to insurance premiums receivable from policyholders whose payments were not received on the due date, due to technical collection issues, and are included in other assets. Insurance creditors and accruals include sundry creditors as well as the reinsurer premium due and are included in creditors, accruals and provisions. These are measured using existing local practices. Collection rates, applicable to the product arrears rules, are applied to amounts that are not successfully collected from premium debtors to determine the amount that is recoverable. In the current year, an overall collection rate of 60% was assumed. The recoverable amount is excluded from amounts that are not successfully collected. The unrecoverable amount is then included in the measurement of the impairment provision. The collection rates are determined using historical information and trends available to the company. The unrecoverable amount is determined on a product level.	

Reinsurance contracts held	
Definitions	Contracts that give rise to a significant transfer of insurance risk from the group to another insurance entity.
Premiums/insurance claims recovered	Premiums paid to reinsurers are recognised as a deduction against premium income at the undiscounted amounts due in terms of the contract when they become due for payment. Insurance claims recovered from reinsurers are recognised in profit or loss in the same period as the related claim at the undiscounted amount receivable in terms of the contract.
Profit share from reinsurer	The entity is party to profit-sharing arrangements with its reinsurers which enable the entity to receive an experience refund. The experience refund is a percentage of the entity's eligible reinsurance premium, claims paid, and reinsurance claims received (reinsurance profit or loss). The percentages applied to the reinsurance profit or loss are stated and specific to each profit-sharing arrangement. The payment terms of the experience refund are specific to the reinsurance profit-sharing arrangements.
Reinsurance assets	The benefits to which the group is entitled under its reinsurance contracts are recognised as assets including: ➢ short-term balances due from reinsurers on settled claims (included in other assets); and ➢ receivables that are dependent on the expected claims and benefits arising under the related insurance contracts (classified as reinsurance assets). Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

Reinsurance contracts held	
	IFRS 4 requires reinsurance assets to be reduced to the extent of the impairment of such reinsurance assets and specifies the conditions for impairment – objective evidence, the result of an event, and reliably measurable impacts on the amounts that the cedant may not receive from the reinsurer. This is an in accordance with the incurred loss model specified in IAS 39, i.e. an event must have occurred in order for the impairment to be recognised. Whilst IFRS 4 does not include specific guidance as to what types of events would trigger an impairment test, the guidance in IAS 39 for objective evidence of impairment is used.
Changes in reinsurance assets	Any difference between the carrying amount of the reinsurance asset and the recoverable amount is recognised in profit or loss as an adjustment to premium income included in non-interest revenue.
Related reinsurance payables	Liabilities relating to reinsurance comprising premiums payable for reinsurance contracts are included in accounts payable and are recognised as an expense when they fall due in terms of the contract.
Investment contracts	
Definitions	Contracts that only transfer financial risk with no significant insurance risk and are within the scope of IFRS 9. These comprise linked-fund policies.
Premiums	Premiums received are recorded as an increase in investment contract liabilities.
Claims paid	Claims incurred are recorded as withdrawals from investment contract liabilities.
Policyholder liabilities	These are recognised within policyholder liabilities in the statement of financial position when the group becomes party to the contractual provisions of the contract. These liabilities are designated at fair value through profit or loss on initial recognition. The fair value of the financial liability recognised is never less than the amount payable on surrender, discounted for the required notice period, where applicable.

Investment contracts	
Income statement impact of movements in policyholder liabilities	The movement in the liability for policyholder liabilities under investment contracts is recognised as adjustments in long term policyholder liabilities under investment contracts.

8.2 Investment management activities

Certain divisions within the group engage in investment management activities that result in the managing of assets on behalf of clients. The group excludes assets related to these activities from the statement of financial position as these are not assets and liabilities of the group, but of the client and are held in a fiduciary capacity. However, the group discloses the value of the assets in its notes.

The fee income earned and fee expenses incurred by the group relating to these activities are recognised in fee and commission income and expenses within non-interest revenue in the period to which the service relates.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

9.1 Introduction

In preparing the financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise, the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the group, except those related to fair value measurement, which are included in note 34.

9.2 Subsidiaries, associates and joint arrangements

<table>
<tr><th colspan="2">Subsidiaries</th></tr>
<tr><td colspan="2">Only one party can have control over a subsidiary. In determining whether the group has control over an entity, consideration is given to any rights the group has that result in the ability to direct the relevant activities of the investee, and the group’s exposure to variable returns.
In operating entities, shareholding is most often the clearest indication of control. However, for structured entities and investment management funds, judgement is often needed to determine which investors have control of the entity or fund. Generally, where the group’s shareholding is greater than 50%, the investment is accounted for as a subsidiary.</td></tr>
<tr><td>Decision-making power</td><td>Some of the major factors considered by the group in making this determination include the following:
➢ the purpose and design of the entity;
➢ what the relevant activities of the entity are;
➢ who controls the relevant activities and whether control is based on voting rights or contractual agreements. This includes considering:
o what percentage of voting rights is held by the group and the dispersion and behaviour of other investors;
o potential voting rights and whether these increase/decrease the group’s voting powers;
o who makes the operating and capital decisions;
o who appoints and determines the remuneration of the key management personnel of the entity;
o whether any investor has any veto rights on decisions;
o whether there are any management contracts in place that confer decision-making rights;
o whether the group provides significant funding or guarantees to the entity; and
o whether the group’s exposure is disproportionate to its voting rights;
➢ whether the group is exposed to any downside risk or upside potential that the entity was designed to create;
➢ to what extent the group is involved in the setup of the entity; and
➢ to what extent the group is responsible to ensure that the entity operates as intended.</td></tr>
</table>

<table>
<tr><th colspan="3">Subsidiaries</th></tr>
<tr><td>Exposure to variable returns</td><td colspan="2">Factors considered include:
➢ the group’s rights in respect of profit or residual distributions;
➢ the group’s rights in respect of repayments and return of debt funding;
➢ whether the group receives any remuneration from servicing assets or liabilities of the entity;
➢ whether the group provides any credit or liquidity support to the entity;
➢ whether the group receives any management fees and whether these are market-related; and
➢ whether the group can obtain any synergies through the shareholding not available to other shareholders. Benefits could be non-financial in nature, such as employee services etc.</td></tr>
<tr><td>Ability to use power to affect returns</td><td colspan="2">Factors considered include:
➢ whether the group is acting as an agent or principal;
➢ if the group has any de facto decision-making rights;
➢ whether the decision-making rights the group has are protective or substantive; and
➢ whether the group has the practical ability to direct the relevant activities.</td></tr>
<tr><th colspan="2">Associates</th><th>Joint arrangements</th></tr>
<tr><td colspan="2">Determining whether the group has significant influence over an entity:
➢ Significant influence may arise from rights other than voting rights, for example management agreements.
➢ The group considers both the rights that it has as well as currently exercisable rights that other investors have when assessing whether it has the practical ability to significantly influence the relevant activities of the investee.</td><td>Determining whether the group has joint control over an entity:
➢ The group considers all contractual arrangements to determine whether unanimous consent is required in all circumstances.
➢ A joint arrangement is classified as a joint venture when it is a separate legal entity, and the shareholders share in the net assets of the separate legal entity. In order to determine whether the shareholders share in the net assets of the entity the group considers the practical decision-making ability and management control of the activities of the joint arrangement.</td></tr>
<tr><th colspan="3">Structured entities</th></tr>
<tr><td colspan="3">Structured entities are those where voting rights generally relate to administrative tasks only and the relevant activities are determined only by means of a contractual arrangement.

When assessing whether the group has control over a structured entity specific consideration is given to the purpose and design of the structured entity, and whether the group has power over decisions that relate to activities that the entity was designed to conduct.</td></tr>
</table>

Investment funds

The group acts as fund manager to a number of investment funds. In terms of a mandate the group is required to make active investment management decisions in respect of the fund.

Determining whether the group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the group in the fund (comprising any direct interests in the fund and expected management fees), as well as the investors' right to remove the group as fund manager.

If the other investors are able to remove the group as fund manager easily or the group's aggregate interest is not deemed to be significant, the group does not consolidate the funds as it is merely acting as an agent for other investors. Other investors are considered to be able to remove the fund manager easily if it is possible for a small number of investors acting together to appoint a new fund manager in the absence of misconduct. Where the group has a significant investment and an irrevocable fund management agreement, the fund is consolidated.

Where such funds are consolidated, judgement is applied in determining if the non-controlling interests in the funds are classified as equity or financial liabilities. Where the external investors have the right to put their investments back into the fund, these non-controlling interests do not meet the definition of equity and are classified as financial liabilities.

Where such funds are not consolidated or equity accounted, the group accounts for the investments in the funds as investment securities in terms of IFRS 9.

Where investments in funds managed by the group meet the criteria for consolidation but are considered to be financially inconsequential both individually and in aggregate with other inconsequential investments in funds, they are not consolidated by the group, and are recognised as marketable advances.

As decisions related to the relevant activities are based on a contractual agreement (mandate) as opposed to voting or similar rights, investment funds that are managed by the group are considered to be structured entities as defined in IFRS 12, except where other investors can easily remove the group as fund manager without cause as this represents rights similar to voting rights.

The group receives investment management fees from the funds for investment management services rendered. These fees are typical of supplier-customer relationships in the investment management industry.

Where the group provides seed funding or has any other interests in investment funds that it manages, and does not consolidate, the investment is considered to represent a typical customer-supplier relationship. The group does not sponsor investment funds that it manages, as it does not provide financial support to these funds.

Impairment of goodwill

The carrying amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. Goodwill is considered to be impaired when its recoverable amount is less than its carrying amount. The recoverable amount of the CGU is determined as the higher of the value in use or fair value less costs to sell. For impairment testing purposes, goodwill is allocated to CGUs at the lowest level of operating activity to which it relates and is therefore not combined at group level. The group's goodwill impairment test is performed on the balances as at 31 March annually. However, for the current year, as in the prior year, balances for Aldermore were tested at 30 June.

The goodwill balance as at 30 June is allocated to the following significant CGUs:

R million	Segment the goodwill is allocated to	2021	2020
Aldermore	Aldermore	**7 021**	7 571
WesBank	WesBank	**405**	405
African operations	FNB rest of Africa	**172**	268
Other	Various	**127**	142
Total		**7 725**	8 386

The recoverable amount relating to CGUs was negatively impacted by declining profitability, resulting in an impairment charge being recognised.

R million	2021	2020
African operations	**-**	212
Other	**112**	-

Value in use

The recoverable amount of all CGUs to which goodwill is allocated was determined using the value in use methodology. The value in use is calculated as the net present value of the discounted cash flows of the CGU. This is determined by discounting the estimated future pre-tax cash flows (cash flow projections) to its present value using a pre-tax weighted average cost of capital discount rate.

Management's judgement in estimating the value in use of a CGU

The cash flow projections for each CGU are based on budgets and forecasts approved by the board as part of the annual budget and forecast process undertaken in April and May each year. The budgets and forecasts are based on historical data adjusted for management's expectation of future performance. Expected future performance is determined using both internal and external sources of information. The board challenges and endorses planning assumptions in light of internal capital allocation decisions necessary to support the strategy, current market conditions and macroeconomic outlook.

For the impairment test, all cash flow projections were based on approved budgets and forecasts. Cash flow projections up to 2026 were prepared for Aldermore, whereas the cash flows projections until 2024 were considered for other CGUs.

The terminal cash flows are calculated from the final cash flow period which is extrapolated into perpetuity, using the estimated growth rates stated below. These growth rates are consistent with economic reports specific to the country in which each CGU operates.

To determine the net present value, the cash flows of the CGU are discounted using the weighted average cost of capital for the specific CGU, adjusted for specific risks relating to the CGU.

The table below shows the discount rates and the growth rates used in calculating the value in use for the CGUs.

	Discount rates		Growth rates	
R million	**2021**	2020	**2021**	2020
Aldermore*	**14.77**	13.98	**2.00**	2.00
WesBank	**20.83 – 23.83**	19.44	**3.00 – 4.40**	1.40
African operations	**11.80 – 22.00**	12.35 – 27.45	**(2.00) – 3.00**	(5.00) – 5.60
Other	**20.83**	19.44	**3.00**	1.40

*In the prior year, the post-tax discount rate of 11.47% was inadvertently disclosed. The discount rate reflected in the comparative is the pre-tax discount rate

Impairment results

Other than those CGUs where goodwill has been impaired, a reasonably possible change in projected cash flows, the discount rate or growth rate of the above-mentioned CGUs results in their recoverable amount being sufficiently in excess of the carrying amount resulting in changes to the assumptions not changing the final outcome of the test. In the prior period, goodwill attributable to Aldermore's CGU was sensitive to changes in assumptions supporting the recoverable amount. In the current year, this sensitivity was no longer observable, as the recoverable amount calculated was materially higher than the carrying amount attributable to Aldermore.

Foreign operations
Management has reviewed the economies of countries where the group's foreign operations are actively conducted and has not identified any hyperinflationary economies in terms of the requirements of IFRS. The group operates in South Africa, Namibia, Botswana, Eswatini, Mozambique, Zambia, Lesotho, Tanzania, Ghana, Nigeria, Mauritius, Wales, the United Kingdom, Guernsey and India. The group has representative offices in Kenya, Angola and Shanghai. The office in Angola has no lending or deposit-taking activities at this point.

9.3 Taxation

The group is subject to direct tax in a number of jurisdictions. As such there may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business.

The group recognises liabilities for uncertain tax positions in accordance with the criteria defined within IAS 12 and IFRIC 23, based on objective estimates of the amount of tax that may be due, which is calculated, where relevant, with reference to expert advice received. Where payment is determined to be possible but not probable, the tax exposure is disclosed as a contingent liability. The group recognises probable liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Within South Africa, changes in tax rates are regarded as substantially enacted from the time they are announced in terms of the Finance Minister's budget statement. However, this principle only applies when the change in tax rates is not inextricably linked to other changes in the tax laws. Where changes in the tax rate are explicitly aligned to other changes in the tax law, then the change in tax rate is regarded to be substantially enacted when it has been approved by parliament and signed by the President.

The Finance Minister's budget speech, which indicated the lowering of the corporate tax rate to 27% for years of assessment commencing on or after 1 April 2022, has not been substantially enacted as the change in the tax rate is inextricably linked to other changes in the tax laws, namely that the reduction in income tax is linked to the assessed loss and interest limitation changes, which have not been promulgated to date. As such, deferred tax assets and liabilities have been calculated at the current corporate tax rate of 28%.

Furthermore, deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the entities in the group in order to utilise the deferred tax assets.

9.4 Impairment of financial assets

Impairment of advances
In determining whether an impairment loss should be recognised, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans. The objective of the measurement of an impairment loss is to produce a quantitative measure of the group's credit risk exposure. The group adopts the PD/LGD approach to calculate ECL for advances. The ECL is based on a weighted average of the macroeconomic scenarios selected, weighted by the probability of occurrence.

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

Forward-looking information

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

Macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for various scenarios. Development of these scenarios is overseen by the FirstRand macro forum, which is responsible for oversight and is independent from credit and modelling functions.

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

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

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

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

Within retail and commercial portfolios, forward-looking ECL is modelled using regression-based techniques that determine the relationship between key macroeconomic factors and credit risk parameters (with industry considerations further applied in the case of commercial portfolios) based on historically observed correlations. Modelled correlations and macroeconomic variable weightings are adjusted on the basis of expert judgment to ensure that the relationships between macroeconomic forecasts and risk parameters are intuitive and that ECL is reflective of forward-looking expectations of credit performance.

The approach applied within Aldermore is aligned with the approach applied within domestic retail portfolios, with FLI-adjusted ECL estimates determined on the basis of a combination of regression-based modelling and expert judgement.

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

For the group's South African and rest of Africa operations, three macroeconomic scenarios are utilised, namely a base scenario, an upside scenario and a downside scenario. However, given the unprecedented event-driven uncertainty in South Africa’s already fragile economy and the inability of economic forecasts and existing statistical models to adequately capture short-term shocks such as the third and future waves of the Covid-19 pandemic together with increased risk of social and political unrest, an additional stress scenario was added to the macroeconomic scenarios applied to the retail and commercial portfolios as at 30 June 2021. The inclusion of this forward-looking scenario is a temporary measure to capture this extreme uncertainty. The reason for including the temporary stress scenario to only these portfolios is that the RMB corporate and investment portfolio already incorporates stressed scenarios for high risk industries and the impact within rest of Africa was not found to be material. The group's expectation is that the temporary stress scenario will not permanently form part of the core scenarios utilised by the group.

Aldermore, from July 2019 to 28 February 2021 had utilised the IFRS 9 scenario service from Oxford Economics to provide the probability weighted forward-looking macroeconomic scenarios for inclusion in the ECL. This function has been moved in-house in Aldermore. As such, the decision was taken to reduce the number of scenarios from six to four, assisting the Group in having greater control over the shape and severity of the forecasts and also creating an alignment between provisioning and scenario information used for budgeting. Due to different structural and political vulnerabilities that Aldermore is exposed to, the inclusion of a temporary stress scenario similar to that applied to the retail and commercial portfolios was considered unnecessary.

Forward-looking information

The table below sets out the scenarios and the probabilities assigned to each scenario at 30 June 2021 for the group's South African and African operations. The probabilities assigned to the macro scenarios were adjusted slightly towards the baseline and upside regimes in comparison to the prior year. These adjustments were made to cater for the change in the perceived balance of risk to the domestic economy resulting from the ongoing effectiveness of global policy measures to support the global economy, and the effectiveness of domestic policy measures to manage the economic impact of the pandemic.

Scenario	Probability	Description
Baseline regime	58% (2020: 56%)	Assumes that global growth experiences a significant rebound in 2021 and recovers gradually thereafter. Developed market (DM) inflation lifts but remains low by historical standards and global interest rates remain accommodative. The South African domestic economy experiences a technical rebound in 2021 and a slow recover thereafter. Inflation begins to lift but remains contained within the SARB's target band. The outlook is characterised by a slow recovery in income and a slight improvement in policy uncertainty.
Upside regime	13% (2020: 12%)	Assumes that global growth experiences a significant rebound in 2021 and recovers gradually thereafter. DM inflation lifts but remains low by historical standards and global interest rates remain accommodative. The South African domestic economy experiences a significant lift in economic activity and inflation remains low by historical standards. Policy certainty is gradually restored, and confidence-boosting economic reforms are implemented.
Downside regime	29% (2020: 32%)	Assumes that global growth experiences a significant rebound in 2021 and recovers gradually thereafter. DM inflation lifts but remains low by historical standards and global interest rates remain accommodative. The South African domestic economy experiences ongoing contractions in economic activity, which are compounded by policy mistakes and extremely low confidence which prevent the economy from recovering from the Covid-19 induced shock.

Temporary stress scenario

Despite recent improvements in the country's balance of payments it remains evident that the loss of economic activity, tax revenue and household and corporate income as a result of the pandemic has left the economy structurally weakened relative to an already weak position before the pandemic. Therefore significant uncertainty persists, which is non-linear to the developments in the known macroeconomic environment noted in the scenario descriptions above. This remains a key risk to the macroeconomic outlook in the short term, which is captured by the temporary stress scenario. The ECL impact of the temporary stress scenario as well as its impact on staging of the GCA has been tracked separately for classes of advances within the retail and commercial portfolios, where the stress scenario had a material impact. Therefore, for the retail and commercial portfolios a weighting of 11% has been attributed to both the temporary scenario and the upside scenario, 26% attributed to the downside and 52% to the baseline scenario.

The table sets out the scenarios and the probabilities assigned to each scenario at 30 June 2021, for the UK operations:

Forward-looking information		
Scenario	**Probability**	**Description**
Base	50% (2020: 45%)	Global growth experiences a significant rebound in 2021 and recovers gradually thereafter. The economy grows rapidly as it unlocks while government support continues, enabling the release of pent-up demand. GDP returns to pre-pandemic levels but continues to grow more slowly. Government support comes to an end, demand falls and unemployment edges upwards.
Upside	10% (2020: 10%)	Global growth continues to bounce-back, driven by the Covid-19 vaccine and/or significant fading of the pandemic and trade becomes significantly more efficient following Brexit. Global inflation remains low but doesn't fall towards a deflationary environment, and major Central Banks (G3) and governments are successful in lifting potential growth. The UK services sector achieves an efficient and beneficial outcome for the trade relationship with the EU while health risks fade considerably. Fiscal austerity continues to be relaxed further to boost economic activity and wage growth picks up along with labour productivity, while a combination of higher consumer and business confidence and pent-up productive capacity lift economic activity to pre-GFC levels.
Downside	25% (2020: 10%)	Global Growth recovers slowly into 2021 while China's economy continues to rebalance gradually, and trade tensions escalate in bouts. Global inflation remains extremely low and risks falling into deflation, and G3 continue to ease monetary policy to cushion their economies into the global slowdown, risking getting stuck near-zero rates. In the UK further rounds of Covid-19 infections result in ongoing iterations of lockdown and social distancing. Brexit legacy issues continue to hamper services sector confidence and activity. Consumer and investor sentiment remains extremely low while spare capacity in the economy persists.
Severe downside	15% (2020: 15%)	After an initial and severe shock, geopolitical risk and trade tensions push global growth into a deep recession. The US and EU economies fail to recover from the Covid-19 shocks, sustaining further deep recessions, pushing consumer and investor confidence to levels last seen in the global financial crisis (GFC). Global inflation remains low and falls towards deflation in large developed economies. G3 ease monetary policy to cushion the global slowdown but risk broadening the base of debt-yielding negative interest rates. In the UK new variants of Covid-19 and/or a vaccine programme failure result in ongoing iterations of lockdown and social distancing. Brexit legacy issues continue to plague services sector confidence and activity. Consumer and investor sentiment falls further and spare capacity in the economy increases significantly.
Stagnation	- (2020: 10%)	Removed as a scenario in 2021 as UK operations moved from using six macroeconomic scenarios to four.
Mild upside	- (2020: 10%)	Removed as a scenario in 2021 as UK operations moved from using six macroeconomic scenarios to four.

Forward-looking information

Overview of forward-looking information included in the 30 June 2021 provisions

The reopening of major economies continues to lay the foundation for a rebound in global economic activity. As a result, supply chain pressures in some sectors are still adding to short-term inflation pressures in most large economies. Due to concerns about lingering demand weakness after this initial bout of inflation, DM central banks have said that they would "look-through" any temporary increase in the consumer price index (CPI) and maintain supportive monetary policy. US fiscal stimulus is likely to keep pushing the US economy ahead in the global recovery while creating uncertainty about potential long run inflation overshoots. This uncertainty has led some central banks to begin signalling slightly tighter monetary policy, while being careful to reassure market participants that policy is likely to stay accommodative overall, notwithstanding small recalibrations of interest rates as economies reopen. Despite financial market volatility this environment should continue to support financial conditions, commodity prices and certain risk assets, while demand for safe-haven assets, such as the US dollar, should gradually drift lower.

South Africa

After an initial and severe contraction in gross domestic product (GDP) in the first half of the calendar year of 2020, the gradual recovery in global demand continues for South Africa's export sectors which, combined with a gradual recovery in domestic activity, is helping to lift GDP. Inflation has bottomed and is now lifting slightly, but should remain low by historical standards. Low inflation and accommodative global policy rates will allow the Monetary Policy Committee to maintain low short-term interest rates and implement small-scale bond purchase programmes to stem liquidity constraints if required. Although the group believes that the repo rate will remain low by historical standards, the group forecast shows a slight lift in the repo rate to account for expectations of slightly higher global interest rates and a smaller output gap. Industry data shows that while transactional volumes have normalised considerably in aggregate, there were material variations across industries. Card spend in sectors such as travel and hospitality has been at historical lows but this has to some degree been offset by relative outperformances in industries exposed to online and IT services, groceries, hardware, small freight transport, and essential goods and services. With an unemployment rate above 30% it is increasingly important to differentiate between households with secure employment and irregular or unstable employment. Industry-level data shows that employment remains under considerable strain in industries that are sensitive to Covid-19 disruptions such as hospitality and tourism.

The impact of Covid-19 remains extremely deep, with ongoing uncertainty about the risk of ongoing waves of infection and new strains of the virus. Notwithstanding these developments in the known macroeconomic risk environment, it must be noted that significant uncertainty persists, which could pose unpredictable risks to the South African economy. The economy has been structurally weakened by the pandemic and its ability to deal with further shocks is substantially impaired as a result.

United Kingdom

Following the deep contractions experienced in 2020, the UK economy is steadily recovering, resulting in significant volatility driven by base effects relative to a year ago. However, as the economy rebases it remains apparent that the distribution of economic activity is likely to remain somewhat unequal across industries and regions. Microeconomic idiosyncrasies are particularly notable in employment markets, affected by the availability of migrant workers, and in the property market where suburban and rural areas have benefited more than urban areas. The rolling back of fiscal stimulus towards the end of 2021 is also likely to result in reduced tailwinds for the economy overall. With the unemployment scheme tapering off before being fully removed by the end of September, some workers will be made redundant, especially in sectors that may not fully recover, such as transport and tourism. As a result, unemployment is still expected to lift as economic activity normalises

Forward-looking information

relative to 2020. With inflation beginning to lift, the Bank of England (BoE) is also expected to gradually reduce monetary policy support, starting towards the end of 2023 and with a preference for reducing quantitative easing gradually before implementing rate hikes. The BoE has demonstrated a willingness to look through transitory inflation, but has highlighted the risk of complacency should there be a persistent overshoot of the 2% target.

Other Africa

General

The outlook for the rest of Africa is largely driven by the recovery in commodity prices and the overall recovery in economic activity domestically, further supported by the recovery in global demand. An important determinant of and risk to the outlook is the impact of subsequent waves of Covid-19 infections and the slow pace of vaccination in a number of countries. Additionally, the rises in administered prices, prices of basic foodstuffs and fuel prices should be noted, with the latter affecting all countries in the region. Structural weaknesses in the bulk of the countries pre-date the pandemic and will continue to constrain the recovery in the medium term, e.g. Zambia's debt distress position and further fiscal pressures in Southern African Customs Union (SACU) countries. A key concern is the insecurity in Mozambique, which has blighted the outlook for the liquefied natural gas sector and thereby delayed the expected positive impact of that sector on the economy.

Namibia

The Namibian economy contracted in nine of the last ten quarters since December 2018, with GDP growth lagging far behind population growth. The Covid-19 pandemic and associated lockdown measures exacerbated this weakness in GDP growth, with the country posting its largest contraction in real GDP on record at -8.00% for 2020. With the rebound in the current year expected to be significant due to base effects, this clouds the weak domestic demand backdrop, which continues to disappoint its rebound to significantly higher levels as consumer and investor confidence remains low. Finally, the government faces significant funding constraints and is unable to provide enough fiscal support to lift activity meaningfully and attract investment. With inflation lifting and low growth likely in the medium term, the expected rise in policy rates by the bank of Namibia in 2022 may further constrain a full recovery in consumption, given the high household indebtedness ratios in the country.

Botswana

Botswana experienced a significant contraction in GDP in 2020. Weaker demand has resulted in lower global diamond prices and weaker local production. The tourism sector continues to be severely affected by the pandemic, with travel bans limiting anticipated growth within the local hospitality and aviation industries. Botswana's trade sector, which has been a key driver of growth in recent years, is also expected to contract significantly as a result of disruptions in global trade patterns due to lockdown measures implemented. The spill-over effect of these disruptions was evident in manufacturing and construction, as local businesses continue to face difficulties procuring critical inputs for their production processes. In order to mitigate the impact of Covid-19 on the economy, the government drafted an economic recovery and transformation plan aimed at supporting businesses and the economy through this pandemic. The fiscal package proposes several interventions and projects that span most industries with the hope of transforming Botswana from a mineral-led, public-sector dominated economy to a more diversified, export-oriented economy. Implementation challenges however have been noted with regards to similar development plans in the past. With the government having raised various administered prices and taxes to address its revenue declines, coupled with higher oil prices, the group expects inflation to lift meaningfully into the latter part of 2021 and into 2022, with overshoots outside the target band of the Bank of Botswana limiting the scope for rate cuts to support the economy.

Significant macroeconomic factors

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

30 June 2021

South Africa	Upside scenario			Baseline scenario			Downside scenario		
(%)	2022	2023	2024	2022	2023	2024	2022	2023	2024
Applicable across all portfolios									
Real GDP growth	4.20	4.70	4.20	3.10	1.70	1.20	(1.90)	(5.00)	(2.90)
CPI inflation	3.10	3.60	4.10	4.10	4.60	5.00	7.20	7.60	8.10
Repo rate	3.25	2.75	2.50	3.50	3.75	3.75	6.35	6.50	6.50
Retail-specific									
Retail real growth	4.20	4.70	4.20	1.10	1.30	0.80	(1.90)	(5.00)	(2.90)
House price Index growth*	3.50	7.50	10.90	2.60	2.80	3.10	(1.60)	(8.00)	(7.50)
Household debt to income	75.90	76.00	76.00	75.80	75.80	75.80	76.20	76.50	76.50
Employment growth	0.60	1.00	1.30	0.45	0.39	0.36	(0.30)	(1.10)	(0.90)
Wholesale-specific									
Fixed capital formation	0.90	7.10	10.90	0.70	2.60	3.10	(0.40)	(7.50)	(7.50)
Foreign Exchange rate (USD/ZAR)	12.00	11.90	12.00	15.20	15.90	16.60	19.70	22.00	23.00

** Applicable to the secured portfolio.*

(%)	South Africa – significant macroeconomic factors relevant to the temporary stress scenario						
	Real GDP growth	CPI inflation	Repo rate	Retail real growth	House price Index growth*	Household debt to income	Employment growth
2022	(1.20)	7.60	3.50	(0.40)	(1.00)	75.90	(0.20)
2023	(5.10)	10.30	6.00	(3.80)	(8.20)	76.00	(1.90)
2024	(6.20)	11.80	8.50	(4.10)	(16.00)	76.00	(1.10)

** Applicable to the secured portfolio.*

Significant macroeconomic factors

UK (%)	Upside scenario			Baseline scenario			Downside scenario			Severe scenario		
	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
Real GDP growth	10.78	4.18	3.29	7.73	2.08	1.46	3.09	0.75	2.37	(6.13)	(1.53)	1.06
Household Disposable Income growth	2.63	1.60	2.07	(0.81)	1.94	1.18	(3.69)	0.04	0.95	(1.03)	0.09	(1.18)
House price Index growth*	3.38	2.30	8.64	(0.57)	(2.25)	0.54	(2.75)	(7.50)	(2.43)	(8.12)	(17.76)	(11.75)
Employment growth	1.63	2.21	0.45	(0.26)	0.30	0.51	0.06	(0.20)	0.44	(2.54)	0.49	1.06

** Applicable to the secured portfolio.*

Other Africa

Namibia (%)	Upside scenario			Baseline scenario			Downside scenario		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Real GDP growth	3.25	3.75	4.50	1.40	2.30	2.00	(3.00)	(1.50)	(1.00)
CPI inflation	3.00	3.00	3.00	3.80	4.00	4.10	5.92	6.75	7.00
Repo rate	2.75	2.50	2.50	3.75	4.00	4.00	6.25	6.50	6.50

Botswana (%)	Upside scenario			Baseline scenario			Downside scenario		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Real GDP growth	8.00	7.00	6.30	5.10	4.10	3.70	2.34	2.30	2.20
CPI inflation	3.90	2.80	2.60	5.50	4.00	3.60	6.40	5.50	5.30
Repo rate	3.25	3.00	3.00	3.75	3.75	3.75	5.50	5.50	5.50

Significant macroeconomic factors

30 June 2020

South Africa (%)	Upside scenario			Baseline scenario			Downside scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Applicable across all portfolios									
Real GDP growth	(0.6)	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 income 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	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.*

UK (%)	Upside scenario			Baseline scenario			Downside scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Real GDP growth	5.52	7.06	3.00	1.04	7.31	2.35	(11.73)	10.95	3.17
CPI inflation	2.23	2.27	1.94	0.49	1.65	1.76	(1.78)	(0.26)	2.24
House price index growth*	0.16	5.03	13.95	(4.99)	(0.26)	6.03	(14.17)	(13.68)	(7.09)
Employment growth	2.60	0.80	(1.96)	1.87	0.51	(6.04)	2.08	1.34	(1.45)

** Applicable to the secured portfolio.*

Significant macroeconomic factors

Other Africa

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

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

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

	R million	% change on total IFRS 9 provision
IFRS 9 impairment provision at 30 June 2021	**22 237**	
Scenarios		
Baseline	**21 388**	**(4)**
Upside	**19 485**	**(12)**
Downside*	**25 424**	**14**
IFRS 9 impairment provision at 30 June 2020	23 903	
Scenarios		
Baseline	23 766	(1)
Upside	21 626	(10)
Downside	26 505	11

** Due to the non-linearity of the temporary stress scenario, the scenario increases to R29 818 million when a probability weighting of 100% to the temporary stress scenario is added to the downside scenario.*

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

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

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

EAD parameter estimates are based on product characteristics and historical drawdown and payment behaviour.

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

The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within the historical data will continue to be relevant in the future.</td><td>Parameters are determined based on the application of statistical models that produce estimates based on counterparty-specific financial information and transaction characteristics. These characteristics include the nature of available collateral.

Due to the specialised nature of these exposures, parameters produced by models are taken through a robust review and challenge process before being applied to calculate expected credit losses, and are required to be signed off by a committee of wholesale and commercial credit experts who can motivate adjustments to modelled parameters.</td></tr>
<tr><td colspan="2">Parameters are calibrated for the calculation of 12-month and lifetime ECL using term structures that consider borrower risk, account age, historical behaviour, transaction characteristics and correlations between parameters.

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

Expected credit losses on open accounts are discounted from the expected date of default to the reporting date using the asset’s original effective interest rate or a reasonable approximation thereof.</td></tr>
</table>

<table>
<tr><th>Judgement</th><th>Retail and retail SME</th><th>Wholesale and commercial SME</th></tr>
<tr><td>Determination of whether the credit risk of financial instruments have increased significantly since initial recognition (SICR)</td><td>SICR triggers continue to be based on client behaviour, client-based behaviour scores and judgemental factors. Additional judgemental triggers that arose due to the impact of Covid-19, such as employment in industries in distress have been calibrated into the current year's SICR triggers. Additional enhancements incorporated in the current year, include SICR rules that cater for behaviour that had not been previously captured. For example, customers using savings and supporting or relying on family members to assist them in making payments to their debt providers. These updates specifically cater for performing customers, given the uncertainty of the length and severity of the third and future waves, and the fact that many customers, particularly in the most severely impacted sectors, have already utilised their emergency savings over the last year and therefore any safety buffers that the customer may have had would be exhausted or close to exhausted. The strain of this would not yet have been observable at 30 June 2021 but would become evident shortly after year end.</td><td>SICR triggers continue to be determined based on client behaviour, client internal FirstRand rating or risk score, as well as judgemental factors, which includes triggers for industries in distress, which may result in the client being added to the watch list through the group’s ongoing risk management process. These triggers are determined at a deal and client level and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk.</td></tr>
<tr><td>Prior and current year:
Sensitivity staging</td><td colspan="2">The move from 12-month expected credit loss (stage 1) to lifetime expected credit loss (stage 2) can result in a substantial increase in ECL. The sensitivity information provided in the table below details the additional ECL charge to the income statement that the group would need to recognise if 5% of the gross carrying amount of advances suffered a SICR and were moved from stage 1 to stage 2 as at 30 June 2021. A 5% increase in advances categorised as stage 2 can be viewed as a reasonably possible alternative based on the current economic conditions.

<table>
<tr><th></th><th colspan="2">30 June 2021</th></tr>
<tr><th>R million</th><th>5% increase in gross carrying amount of exposure</th><th>Increase in the loss allowance</th></tr>
<tr><td>Retail</td><td>28 705</td><td>2 006</td></tr>
<tr><td>Wholesale, commercial and other (including Group Treasury)</td><td>26 392</td><td>3 986</td></tr>
<tr><td>Total increase in stage 2 advances and ECL</td><td>55 097</td><td>5 992</td></tr>
</table>
</td></tr>
</table>

Judgement	Retail and retail SME	Wholesale and commercial SME

R million	30 June 2020 5% increase in gross carrying amount of exposure	 Increase in the loss allowance
Retail	30 010	2 529
Wholesale, commercial and other (including Group Treasury)	26 565	3 069
Total increase in stage 2 advances and ECL	56 575	5 598

Judgement	
Government – Guaranteed Loan Scheme	In the prior period, an arrangement facilitated by the Banking Association of South Africa (BASA), between the SARB and participating banks in South Africa was concluded whereby the SARB committed to provide dedicated funding at the repo rate to the banks who elected to participate in the SME Government – Guaranteed Loan Scheme (the scheme). The group is a participant in the scheme. In terms of the scheme, the group will utilise the dedicated funding obtained from the SARB to on lend to qualifying SME customers who would be charged the prime interest rate on the advance (ring-fenced portfolio). The loans are repayable up to a maximum of seven years, with no early settlement penalties applied. As part of the scheme, the group would share up to a maximum loss of 6% suffered if the advances in the portfolio were to default. The SARB would compensate the group for all other credit losses suffer (limited guarantee) on the ring-fenced portfolio. The SARB is compensated for accepting such credit risk exposure by receiving a credit loss protection premium from the group, the terms of which are identical for all participants in the scheme. The group is acting as principal in the overall structure and as such has recognised loans advanced to customers (note 11). The limited guaranteed arrangement entered into with the SARB is viewed as a credit enhancement integral to the loans advanced, and the cost of the limited guarantee is adjusted to the effective interest rate of the loans advanced under the scheme. The group considers credit enhancements that are obtained from a third party at approximately the same time as the loan agreement is entered into with the customer, so as to mitigate the credit risk associated specifically with customers as integral to the loan agreement. The ECL on the loans advanced under this scheme factor in the maximum credit loss.
Prior year: **Determination of whether the credit risk of financial instruments have increased significantly since initial recognition**	Although Covid-19 had a negative impact on the economies in which the group operated, in isolation Covid-19 initially reflected a liquidity constraint more than an inherent increase in credit risk for the entire portfolio of advances held by the group. As such the group did not impose a blanket downgrade on all ECL stages in the prior year. A more systematic and targeted approach to the impact of Covid-19 on the group's customer base was undertaken, following the group's existing credit framework, which allowed for well-balanced and consistent decision-making that considered not only the impact of Covid-19, but existing economic trends as well. As such, the group did not view requests for payment deferrals and liquidity assistance as the sole indicator that a SICR had occurred for performing advances.

Judgement	Retail and retail SME	Wholesale and commercial SME
	IFRS 9 contains a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. This means that where payments are 30 days past due, the financial asset needs to migrate from stage 1 to stage 2. Instead of rebutting this presumption, the group's view was that where the customer and the group have agreed to a deferral of payment for a specified period, such an extension would not trigger the counting of days past due.	
Prior year: **SICR assessment of Covid-19 relief exposures**	For customers to have qualified for Covid-19 relief in the prior year, their credit agreements had to be current as at 29 February 2020 (pre-Covid-19). Subsequent provision of Covid-19 relief was not defined as an automatic SICR trigger. On relief provision, an assessment was first performed to classify the relief provision as either distressed or not. In retail and SME retail the assessment was largely automated, whereas in wholesale and commercial SME it was performed on a case-by-case basis. Classification as distressed implied a high assessed likelihood of not sustaining payments post relief. Cases defined as distressed were therefore flagged as a SICR trigger. Non-distressed cases were ring-fenced in stage 1 for application of Covid-19 relief scaling factors, until post relief probation periods were met. Cases where additional extension was provided post the initial Covid-19 relief, were defined as distressed and flagged as a SICR trigger.	
Prior year: **Post-model adjustment**	In the prior period, post-model adjustments for Covid-19 were made on the basis of constrained expert judgement to allow for macroeconomic impacts that were not adequately captured by the then existing statistical models. Furthermore, adjustments were made to the coverage held for Covid-19 relief to allow for the impact of delayed arrears recognition, which resulted from an inability to observe normal arrears behaviour and therefore provide accordingly where payment relief was offered. Such adjustments were not made in the current year.	
Prior year: **Covid-19 sensitivities**	In the prior period, the group applied two specific judgements in determining the ECL, namely: ➢ the group did not apply a blanket downgrade to all ECL stages to advances that qualified and received a form of Covid-19 relief; and ➢ the group applied a post-model adjustment against advances where Covid-19 relief had been provided, to allow for the impact of delayed arrears recognition, which resulted from an inability to observe normal arrears behaviour. The sensitivity provided below, indicates what the additional impairment charge would have been if a blanket downgrade has been applied at 30 June 2020.	

Judgement	Retail and retail SME	Wholesale and commercial SME

R million	30 June 2020	
	Stage 2	**Stage 3**
Additional impairment charge recognised if the exposures reported in stage 1 at year end had moved into stage 2	4 697	-
Additional impairment charge if the exposures reported in stage 2 at year end moved into stage 3	-	4 346

Furthermore, the table below sets out the additional ECL charge to the income statement if the post-model adjustment for Covid-19 was stressed and increased by 10% in the prior period. A 10% increase in post-model adjustment was viewed as a reasonably possible alternative based on the economic conditions at that reporting date.

R million	30 June 2020		
	Stage 1	**Stage 2**	**Stage 3**
Additional provisions	123	71	73

Judgement	
Prior year: Determination of whether a financial asset is credit impaired	Exposures are classified as stage 3 if there are qualitative indicators that the obligor is unlikely to repay their credit obligations in full without any recourse action by the group, such as the realisation of security. Distressed restructures of accounts in stage 2 are also considered to be default events. For a retail account to cure from stage 3 to either stage 2 or stage 1 the account needs to meet a stringent cure definition. Cure definitions are determined on a portfolio level with reference to suitable analysis and are set such that the probability of a previously cured account re-defaulting is equivalent to the probability of default for an account that has not defaulted in the past. In most retail portfolios curing is set at 12 consecutive payments. For wholesale exposures, cures are assessed on a case-by-case basis, subsequent to an analysis by the relevant debt restructuring credit committee. A default event is a separate default event only if an account has met the portfolio-specific cure definition prior to the second or subsequent default. Default events that are not separate are treated as a single default event when developing LGD models and the associated term structures.

Fair value movement due to the credit risk of financial liabilities
The fair value movement on financial liabilities designated at fair value through profit or loss that is attributable to changes in the credit risk of the liability is considered and where applicable accounted for in other comprehensive income. If this fair value movement is due to changes in credit risk, which are offset by a corresponding movement in the fair value of a linked asset measured at fair value, this movement is included in profit or loss rather than other comprehensive income.

9.5 Provisions

Provisions for litigation
The group has a policy and process in place to determine when to recognise provisions for potential litigation and claims. The recognition of such provisions are linked to the ranking of the legal risk of potential litigation on the bank's litigation database.

9.6 Transactions with employees

Employee benefits – defined benefit plans	
Determination of required funding levels	Funding levels are monitored on an annual basis and the current agreed contribution rate in respect of the defined benefit pension fund is 21% of pensionable salaries (in excess of the minimum recommended contribution rate set by the fund actuary). The group considers the recommended contribution rate as advised by the fund actuary with each actuarial valuation. In addition, the trustees of the fund target a funding position on pensioner liabilities that exceeds the value of the best estimate actuarial liability. The funding position is also considered in relation to a solvency reserve basis, which makes allowance for the discontinuance cost of outsourcing the pensions. As at the last statutory actuarial valuation of the pension fund (during June 2020), all categories of liabilities were at least 100% funded. If the member chooses to buy into the fund, the fair value of plan assets and the value of the plan liabilities on the defined benefit plan are increased by the amount of the initial contribution on the date of the purchase.

Employee benefits – defined benefit plans	
Determination of present value of defined benefit plan obligations	The cost of the benefits and the present value of the defined benefit pension funds and post-employment medical obligations depend on a number of factors that are determined annually on an actuarial basis, by independent actuaries, using the projected unit credit method which incorporates a number of assumptions. The key assumptions used in determining the charge to profit or loss arising from these obligations include the expected long-term rate of return on the relevant plan assets, discount rate and expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.
Cash-settled share-based payment plans	
Determination of fair value	The liability is determined using a Black Scholes option pricing model with a zero strike price. The following estimates are included in the model to determine the value: ➢ management's estimate of future dividends; ➢ the risk-free interest rate; and ➢ staff turnover and historical forfeiture rates as indicators of future conditions.
Equity-settled share-based payment plans	
Determination of fair value	The total value of the services received is calculated with reference to the fair value of the options on grant date. The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest.

9.7 Insurance and investment management activities

Long-term insurance contracts	
Determination/ valuation of policyholder liability for long-term insurance contracts – FSV method	Policyholder liabilities under long-term insurance contracts are valued in terms of the FSV method as is required by professional guidance note SAP 104 issued by the ASSA. This methodology is applied to each product type depending on the nature of the contract and the associated risks. Under this method, the liability is determined as the best estimate of the future cash flows relating to the insurance contracts plus certain compulsory and discretionary margins. A repudiation factor is applied when calculating the liability based on historical claim repudiation rates.
Best estimate of future cash flows	The best estimate of future cash flows considers certain assumptions i.e., expected future experience as well as revised expectations of future income, claims and expenditure. Differences between the assumptions used at the start and end of the period give rise to revised liability quantification. The expected level of terminations is incorporated into the liabilities, irrespective of whether this leads to an increase or a decrease in the liabilities.
Discretionary margins	The main discretionary margins utilised in the valuation are as follows: ➢ additional prospective margins are held in respect of decrement assumptions and asset-related fees on certain product lines to avoid the premature recognition of profits that may give rise to future losses if claims experience turns out to be worse than expected; and ➢ where the present value of expected future inflows are greater than the value of expected future outflows, the resulting asset at a portfolio level is set to zero.
Liabilities for claims	Outstanding claims reported (OCR) represent claims where the incident giving rise to a claim has occurred and has been reported to the insurer for settlement, but has not yet been finalised and paid by the insurer. The liability is measured at the value assessed for the claim and a repudiation factor is applied when calculating the liability based on historical claim repudiation rates. IBNR claims are claims incurred but not yet reported or paid. The liability is estimated by assuming that future trends in reporting of claims will be similar to the past. The profile of claims run-off (over time) is modelled by using historical data of the group and chain-ladder techniques. The profile is then applied to actual claims data of recent periods for which the run-off is believed not to be complete.

Key assumptions to which the estimation of liabilities is particularly sensitive	
Material judgement is required in determining liabilities and in the choice of assumptions. Assumptions in use are based on experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continual basis in order to ensure realistic and reasonable valuations. The key assumptions to which the estimation of liabilities is particularly sensitive are as follows (assumptions have been adjusted for the expected impact of Covid-19 where appropriate):	
Mortality, retrenchment and morbidity rates	Assumptions are based on standard industry tables, national tables, reinsurer tables or internal tables where sufficient data is available, according to the type of contract written and the factors underlying the risk profiles of the insured person. They reflect recent historical experience and are adjusted when appropriate to reflect the group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future trends. Assumptions are differentiated by gender, underwriting class and contract types. An increase in actual mortality rates will lead to an increase in claims and related expenditure and reduce profits for the shareholders.
Expenses	Operating expense assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in expenses would result in an increase in expenditure thereby reducing profits for shareholders.
Lapse and cancellation rates	Lapses relate to the termination of policies due to non-payment of premiums. Cancellations relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the group's experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.
Discount rate	Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected contractual premiums that would be required to meet these future cash outflows. Discount rates are based on risk-free rates published by the Prudential Authority for the calculation of solvency assessment and management returns. A decrease in the discount rate will increase the asset.

Investment contracts	
Valuation of policyholder liability under investment contracts	The fair value of investment contracts without fixed benefits and unit-linked contracts is calculated using the current unit price that reflects the fair values of the underlying financial assets and/or derivatives. For unit-linked contracts, the unitised investment funds linked to the financial liability are multiplied by the number of units attributed to the policyholder at the statement of financial position date. For investment contracts with fixed and guaranteed terms, a valuation model is used to establish the fair value at inception and at each reporting date. The valuation model values the liabilities as the present value of the maturity values, using appropriate market-related yields to maturity. For investment contracts with no guaranteed returns, the return is derived from the performance of the underlying unit trust or share portfolio and is valued at fair value at each reporting date.

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June

R million	Notes	2021	2020
Interest income calculated using effective interest rate		**103 912**	121 046
Interest on other financial instruments and similar income		**2 023**	841
Interest and similar income	1.1	**105 935**	121 887
Interest expense and similar charges	1.2	**(42 645)**	(58 972)
Net interest income before impairment of advances		**63 290**	62 915
Impairment and fair value of credit of advances		**(13 660)**	(24 383)
- Impairment on amortised cost advances	12	**(13 400)**	(23 823)
- Fair value of credit on advances	12	**(260)**	(560)
Net interest income after impairment of advances		**49 630**	38 532
Non-interest revenue	2	**45 195**	41 691
- net fee and commission income	2.1	**31 686**	30 058
- fee and commission income		**37 462**	36 244
- fee and commission expense		**(5 776)**	(6 186)
- insurance income	2.2	**3 335**	3 941
- fair value income	2.3	**6 574**	4 084
- fair value gains and losses		**10 900**	8 869
- interest expense on fair value activities		**(4 326)**	(4 785)
- gains less losses from investing activities	2.4	**271**	561
- other non-interest income	2.5	**3 329**	3 047
Income from operations		**94 825**	80 223
Operating expenses	3	**(57 556)**	(55 276)
Net income from operations		**37 269**	24 947
Share of profit of associates after tax	16	**1 133**	24
Share of profit of joint ventures after tax	17	**405**	5
Income before indirect tax		**38 807**	24 976
Indirect tax	4.1	**(1 516)**	(1 348)
Income before income tax		**37 291**	23 628
Income tax expense	4.2	**(8 981)**	(4 848)
Profit for the year		**28 310**	18 780
Attributable to			
Ordinary equityholders		**26 743**	17 021
Other equity instrument holders		**777**	1 145
Equityholders of the group		**27 520**	18 166
Non-controlling interests		**790**	614
Profit for the year		**28 310**	18 780
Earnings per share (cents)			
- Basic	5	**476.9**	303.5
- Diluted	5	**476.9**	303.5

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	2021	2020
ASSETS			
Cash and cash equivalents	7	**135 059**	136 002
Derivative financial instruments	8	**82 728**	147 515
Commodities	9	**18 641**	21 344
Investment securities	10	**368 187**	297 469
Advances	11	**1 223 434**	1 261 715
- Advances to customers		**1 152 956**	1 191 281
- Marketable advances		**70 478**	70 434
Other assets	13	**9 216**	11 256
Current tax asset		**409**	598
Non-current assets and disposal groups held for sale	14	**565**	3 065
Reinsurance assets	15	**387**	240
Investments in associates	16	**8 644**	6 882
Investments in joint ventures	17	**2 116**	1 749
Property and equipment	18	**20 190**	21 369
Intangible assets	19	**9 932**	11 638
Investment properties	20	**659**	722
Defined benefit post-employment asset	21	**9**	-
Deferred income tax asset	22	**6 104**	4 975
Total assets		**1 886 280**	1 926 539
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	23	**18 945**	5 062
Derivative financial instruments	8	**84 436**	162 193
Creditors, accruals and provisions	24	**22 765**	21 038
Current tax liability		**1 280**	499
Liabilities directly associated with disposal groups held for sale	14	**613**	1 427
Deposits	25	**1 542 078**	1 535 015
Employee liabilities	21	**11 319**	8 820
Other liabilities	26	**7 741**	8 203
Policyholder liabilities	15	**7 389**	6 430
Tier 2 liabilities	27	**20 940**	24 614
Deferred income tax liability	22	**887**	1 318
Total liabilities		**1 718 393**	1 774 619
Equity			
Ordinary shares	28	**56**	56
Share premium	28	**7 973**	8 008
Reserves		**143 588**	129 465
Capital and reserves attributable to equityholders of the group		**151 617**	137 529
Other equity instruments	29	**11 645**	10 245
Non-controlling interests		**4 625**	4 146
Total equity		**167 887**	151 920
Total equity and liabilities		**1 886 280**	1 926 539

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

R million	Ordinary share capital and ordinary equityholders' funds: Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2019	56	8 023	**8 079**	(952)	841
Net proceeds of issue of share capital	-	-	**-**	-	-
Additional Tier 1 capital issued during the year	-	-	**-**	-	-
Additional Tier 1 capital redeemed during the year	-	-	**-**	-	-
Movement in other reserves	-	-	**-**	-	-
Ordinary dividends	-	-	**-**	-	-
Distributions on other equity instruments	-	-	**-**	-	-
Transfer (to)/from general risk reserves	-	-	**-**	-	-
Changes in ownership interest of subsidiaries	-	-	**-**	-	-
Movement in treasury shares	-	(15)	**(15)**	-	-
Total comprehensive income for the year	-	-	**-**	532	1 154
- Profit for the year	-	-	**-**	-	-
- Other comprehensive income for the year	-	-	**-**	532	1 154
Vesting of share-based payments	-	-	**-**	-	-
Balance as at 30 June 2020	56	8 008	**8 064**	(420)	1 995
Net proceeds of issue of share capital	-	-	**-**	-	-
Disposal of subsidiaries	-	-	**-**	-	-
Additional Tier 1 capital issued during the year	-	-	**-**	-	-
Additional Tier 1 capital redeemed during the year	-	-	**-**	-	-
Movement in other reserves	-	-	**-**	-	-
Ordinary dividends	-	-	**-**	-	-
Distributions on other equity instruments	-	-	**-**	-	-
Transfer from/(to) general risk reserves	-	-	**-**	-	-
Changes in ownership interest of subsidiaries	-		**-**	-	-
Movement in treasury shares	-	(35)	**(35)**	-	-
Total comprehensive income for the year#	-	-	**-**	(177)	(640)
- Profit for the year	-	-	**-**	-	-
- Other comprehensive income for the year	-	-	**-**	(177)	(640)
Balance as at 30 June 2021	56	7 973	**8 029**	(597)	1 355

** Refer to note 28.2 for a breakdown of other reserves.*

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Notes	2021	2020
Cash flows from operating activities			
Interest and fee commission receipts*		**131 715**	153 420
- Interest received		**97 326**	119 421
- Fee and commission received		**37 462**	36 975
- Insurance income received		**2 703**	3 210
- Fee and commission paid		**(5 776)**	(6 186)
Trading and other income		**3 238**	3 340
Interest payments		**(36 499)**	(57 696)
Other operating expenses		**(43 677)**	(45 895)
Dividends received		**2 929**	2 208
Dividends paid		**(6 947)**	(17 861)
Dividends paid to non-controlling interest		**(489)**	(736)
Taxation paid		**(10 698)**	(8 669)
Cash generated from operating activities		**39 572**	28 111
Movements in operating assets and liabilities		**(30 434)**	11 741
- Liquid assets and trading securities		**(75 198)**	(45 030)
- Advances		**(44 458)**	(17 961)
- Deposits		**82 663**	74 964
- Other assets		**2 472**	(763)
- Creditors		**864**	(1 357)
- Employee liabilities		**(4 079)**	(7 033)
- Total other liabilities**		**7 302**	8 921
- Other operating liabilities#		**6 490**	7 798
- Reinsurance assets		**(147)**	(44)
- Policyholder liabilities		**959**	1 167
Net cash generated from operating activities		**9 138**	39 852
Cash flows from investing activities			
Acquisition of investments in associates	16	**(93)**	(551)
Proceeds on disposal of investments in associates	16	**37**	594
Acquisition of investments in joint ventures	17	**(45)**	(257)
Proceeds on disposal of investments in joint ventures	17	**-**	109
Acquisition of investments in subsidiaries	30.1	**(31)**	(366)
Proceeds on disposal of subsidiaries	30.2	**(2)**	-
Acquisition of property and equipment	18	**(3 160)**	(5 510)
Proceeds on disposal of property and equipment	18	**539**	752
Acquisition of intangible assets and investment properties	19,20	**(257)**	(454)
Net cash outflow from investing activities		**(3 012)**	(5 683)

CONSOLIDATED STATEMENT OF CASH FLOWS continued

for the year ended 30 June

R million	Notes	2021	2020
Cash flows from financing activities			
Proceeds on the issue of other financing liabilities	26.1	**1 306**	4 583
Redemption of other financing liabilities	26.1	**(1 110)**	(5 174)
Principal payments towards lease liabilities	26.1	**(1 053)**	(884)
Proceeds from issue of Tier 2 liabilities	27.1	**3 111**	275
Capital repaid on Tier 2 liabilities	27.1	**(4 903)**	(2 186)
Acquisition of additional interest in subsidiaries from non-controlling interest	30.1.1	**(139)**	(6)
Disposal of additional interest in subsidiaries to non-controlling interest	30.2.2	**-**	6
Proceeds from issue of AT1 equity instruments	29	**1 400**	761
Redemption of AT1 equity instruments	29	**-**	(1 250)
Net cash inflow/(outflow) from financing activities		**(1 388)**	(3 875)
Net increase in cash and cash equivalents		**4 738**	30 294
Cash and cash equivalents at the beginning of the year		**136 002**	102 518
Effect of exchange rate changes on cash and cash equivalents		**(5 594)**	3 604
Transfer to non-current assets held for sale		**(87)**	(414)
Cash and cash equivalents at the end of the year	7	**135 059**	136 002

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

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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE

1.1 Interest and similar income

R million	2021	2020
Analysis of interest and similar income		
Debt instruments at fair value through other comprehensive income	**1 037**	522
Instruments at fair value through profit and loss	**1 979**	829
Instruments at amortised cost	**102 874**	120 524
Non-financial instruments	**45**	12
Interest and similar income	**105 935**	121 887
Advances	**85 292**	106 675
- Overdrafts and cash management accounts	**6 089**	8 524
- Term loans	**4 374**	5 710
- Card loans	**4 013**	5 002
- Instalment sales and hire purchase agreements	**17 167**	20 333
- Lease payments receivable	**708**	919
- Property finance	**25 821**	31 520
- Home loans	**21 990**	26 903
- Commercial property finance	**3 831**	4 617
- Personal loans	**10 234**	11 749
- Preference share agreements	**2 575**	3 510
- Assets under agreement to resell	**582**	412
- Investment bank term loans	**8 081**	11 121
- Long-term loans to group associates and joint ventures	**75**	84
- Other customer advances	**1 729**	2 410
- Invoice finance	**476**	516
- Marketable advances	**3 368**	4 865
Cash and cash equivalents	**1 136**	2 028
Investment securities	**11 961**	11 246
Accrued on off-market advances	**40**	43
Other*	**7 506**	1 895
Interest and similar income	**105 935**	121 887

* R7 445 million (2020: R1 880 million) included in other relates to interest on derivatives qualifying as hedging instruments.

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE continued

1.2 Interest expense and similar charges

R million	2021	2020
Analysis of interest expense and similar charges		
Instruments at fair value through profit or loss	**-**	(61)
Instruments at amortised cost	**(42 483)**	(58 737)
Non-financial instruments	**(162)**	(174)
Interest expense and similar charges	**(42 645)**	(58 972)
Deposits	**(38 714)**	(59 710)
Deposits from customers	**(27 398)**	(39 399)
- Current accounts	**(2 901)**	(5 190)
- Savings deposits	**(577)**	(737)
- Call deposits	**(8 954)**	(13 281)
- Fixed and notice deposits	**(13 783)**	(19 487)
- Other deposits	**(1 183)**	(704)
Debt securities	**(9 900)**	(17 773)
- Negotiable certificates of deposit	**(1 761)**	(4 313)
- Fixed and floating rate notes	**(8 139)**	(13 460)
Securitisation issuances	**(549)**	(1 021)
Repurchase agreements	**(449)**	(854)
Securities lending	**(90)**	(175)
Cash collateral and credit-linked notes	**(328)**	(488)
Other funding liabilities	**(193)**	(160)
Lease liabilities	**(162)**	(181)
Tier 2 liabilities	**(1 479)**	(2 097)
Other*	**(6 423)**	(1 609)
Gross interest expense and similar charges	**(46 971)**	(63 757)
Less: interest expense on fair value activities reallocated	**4 326**	4 785
Interest expense and similar charges	**(42 645)**	(58 972)

* R6 262 million (2020: R1 463 million) included in other relates to interest on derivatives qualifying as hedging instruments.

2 NON-INTEREST REVENUE

R million	Notes	2021	2020
Analysis of non-interest revenue			
Fee and commission income		**37 462**	36 244
- Instruments at amortised cost		**30 751**	29 646
- Instruments at fair value through profit or loss		**10**	14
- Non-financial instruments		**6 701**	6 584
Fee and commission expenses		**(5 776)**	(6 186)
Net fee and commission income	2.1	**31 686**	30 058
Insurance income	2.2	**3 335**	3 941
- Instruments mandatory at fair value through profit or loss		**8 669**	2 908
- Instruments designated at fair value through profit or loss		**(155)**	(1 412)
- Translation gains or losses on instruments not held at fair value through profit or loss		**(1 940)**	2 588
Fair value income	2.3	**6 574**	4 084
- Instruments at fair value through profit or loss		**496**	(96)
- Designated fair value through profit or loss		**273**	69
- Mandatory fair value through profit or loss		**223**	(165)
- Instruments at amortised cost		**(323)**	48
- Instruments at fair value through other comprehensive income		**46**	5
- Non-financial instruments		**52**	604
Gains less losses from investing activities	2.4	**271**	561
Other non-interest revenue	2.5	**3 329**	3 047
Total non-interest revenue		**45 195**	41 691

2 NON-INTEREST REVENUE continued

2.1 Net fee and commission income

R million	2021	2020
Banking fee and commission income	**32 853**	31 696
- Card commissions	**5 069**	4 943
- Cash deposit fees	**1 798**	1 720
- Commitment fees	**1 500**	1 466
- Electronic transaction fees*	**1 272**	905
- Exchange commissions	**2 115**	1 912
- Brokerage income	**121**	145
- Bank charges	**20 978**	20 605
- Transaction and service fees	**6 952**	6 679
- Documentation and administration fees	**10 058**	10 013
- Cash handling fees	**2 949**	2 859
- Other	**1 019**	1 054
Knowledge-based fee and commission income	**1 118**	1 161
Management, trust and fiduciary fees	**2 526**	2 472
Fee and commission income from service providers	**515**	521
Other non-banking fee and commission income	**450**	394
Fee and commission income**	**37 462**	36 244
Transaction processing fees	**(1 218)**	(1 230)
Transaction-based fees	**(151)**	(200)
Commission paid	**(236)**	(262)
Customer loyalty programmes	**(1 874)**	(2 160)
Cash sorting, handling and transportation charges	**(1 090)**	(1 074)
Card and cheque book-related	**(485)**	(445)
ATM commissions paid	**(66)**	(58)
Other	**(656)**	(757)
Fee and commission expenses	**(5 776)**	(6 186)
Net fee and commission income	**31 686**	30 058

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

*** Revenue from contracts with customers.*

2.2 Insurance income

R million	2021	2020
Commissions, brokerage and profit share from third-party cells*	**1 478**	1 626
Insurance risk-related income	**1 857**	2 315
- Insurance premiums received	**4 848**	4 411
- Reinsurance expenses	**(368)**	(206)
- Insurance benefits and claims paid	**(2 387)**	(1 404)
- Reinsurance recoveries	**217**	100
- Transfers to policyholder liabilities (gross)	**(631)**	(640)
- Transfers from policyholder liabilities (reinsurance)	**178**	54
Insurance income	**3 335**	3 941

** Revenue from contracts with customers.*

2 NON-INTEREST REVENUE continued

2.3 Fair value gains or losses

R million	2021	2020
Dividend income on preference shares held	**1 115**	982
Other fair value income	**5 459**	3 102
Fair value gains or losses	**6 574**	4 084

2.4 Gains less losses from investing activities

R million	Notes	2021	2020
Gains on disposal of investment activities		**39**	108
- Gains on disposal of debt instruments at amortised cost		**35**	108
- Gains on investment activities of a capital nature		**4**	-
Impairment (losses)/reversal of impairment of debt investment securities at amortised cost		**(152)**	7
Reclassification from other comprehensive income on the derecognition/sale of assets FVOCI		**34**	(3)
Preference share dividends from unlisted investments		**31**	49
Other dividends received		**49**	37
Loss on disposal of investments in subsidiaries		**(3)**	-
Gains on disposal of investments in associates		**40**	461
Loss on disposal of investments in joint ventures		**(7)**	23
Gains on bargain purchase		**1**	-
Fair value remeasurements on investment properties	20	**(89)**	26
Rental income from investment properties		**106**	110
Other (losses)/gains from investing activities		**222**	(257)
Gains less losses from investing activities		**271**	561

2 NON-INTEREST REVENUE continued

2.5 Other non-interest revenue

R million	**2021**	2020*
Revenue from contracts with customers**	**1 337**	1 062
- Sales	**2 187**	1 941
- Cost of sales	**(1 659)**	(1 468)
- Other income	**809**	589
Losses on disposal of property and equipment	**(17)**	(14)
Rental income	**1 836**	1 848
Other operating lease transactions	**173**	151
Other non-interest revenue	**3 329**	3 047

** The order of other non-interest revenue has been represented to more clearly reflect revenue from contracts with customers versus income from other sources. The comparative information has also been updated. The other non-interest revenue as previously reported (2020: R3 047 million) has not changed.*

*** Revenue from contracts with customers.*

3 OPERATING EXPENSES

R million	Notes	2021	2020
Auditors' remuneration		**(545)**	(480)
- Audit fees		**(467)**	(435)
- Fees for other services		**(68)**	(43)
- Prior year under accrual		**(10)**	(2)
Non-capitalised lease charges		**(472)**	(530)
- Short-term leases charge		**(335)**	(357)
- Low-value lease charge		**(132)**	(117)
- Variable lease charge		**(5)**	(56)
Staff costs		**(34 358)**	(32 104)
- Salaries, wages and allowances		**(26 038)**	(25 331)
- Contributions to employee benefit funds		**(468)**	(459)
- Defined contribution schemes		**(323)**	(325)
- Defined benefit schemes	21.1	**(145)**	(134)
- Social security levies		**(586)**	(561)
- Share-based payments	32	**(1 158)**	(556)
- Movement in short-term employee benefit liabilities		**(5 002)**	(4 010)
- Other staff costs		**(1 106)**	(1 187)
Other operating costs		**(22 181)**	(22 162)
- Amortisation of intangible assets	19	**(916)**	(836)
- Depreciation of property and equipment	18	**(4 310)**	(4 110)
- Impairments incurred		**(415)**	(617)
- Impairments reversed		**22**	11
- Insurance		**(109)**	(91)
- Advertising and marketing		**(1 566)**	(1 871)
- Maintenance		**(1 313)**	(1 320)
- Property		**(1 126)**	(1 146)
- Computer		**(4 296)**	(3 334)
- Stationery, storage and delivery		**(266)**	(331)
- Telecommunications		**(621)**	(569)
- Professional fees		**(2 335)**	(2 421)
- Donations		**(258)**	(309)
- Assets costing less than R7 000		**(306)**	(346)
- Business travel		**(108)**	(414)
- Profit share expenses		**24**	(508)
- Bank charges		**(276)**	(465)
- Legal fee expenses		**(933)**	(618)
- Entertainment		**(116)**	(219)
- Subscriptions and memberships		**(239)**	(244)
- Training expenses		**(241)**	(367)
- Other operating expenditure		**(2 477)**	(2 037)
Total operating expenses		**(57 556)**	(55 276)

3 OPERATING EXPENSES continued

Notable impairments incurred during 2021

Goodwill

The carrying amount of two CGUs within the group has been reduced to its recoverable amount through the recognition of an impairment against goodwill of R112 million. This impairment is included in the FNB segment.

Other

Impairment of R208 million was recognised on the Tanzania disposal group and included in the FNB Africa reportable segment. Refer to note 14. Furthermore, a R52 million ECL impairment has been raised on non-advances.

Notable impairments incurred during 2020

Goodwill

The carrying amount of the two CGUs within the African operations has been reduced to its recoverable amount through the recognition of an impairment against goodwill of R212 million. The impairment is included in the FNB Africa reportable segment.

Property and equipment

Equipment held under leasing arrangements was impaired by R122 million, to its recoverable amount of R39 million. The recoverable amount is based on fair value less cost to sell and the impairment is as a result of the current economic environment and Covid-19-related trade restrictions. The fair value less cost to sell was determined by an independent valuation done by aviation experts and is a valuation within level 3 of the fair value hierarchy. The impairment is included in the RMB reportable segment.

Other

Impairment of R202 million was recognised on the Tanzania disposal group. Refer to note 14. Furthermore, a R70 million ECL impairment has been raised on non-advances.

3 OPERATING EXPENSES

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

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

Non-executive directors' remuneration

	2021			2020		
	Services as directors			Services as directors		
R thousand	**FirstRand**	**Group**	**Total**	FirstRand	Group	Total
Independent non-executive directors						
WR Jardine	**7 060**	**289**	**7 349**	6 282	273	6 555
MS Bomela (resigned at 2020 AGM)	**649**	**-**	**649**	1 142	-	1 142
G Gelink	**2 630**	**1 814**	**4 444**	2 690	1 595	4 285
NN Gwagwa (resigned at 2019 AGM)	**-**	**-**	**-**	672	-	672
RM Loubser	**3 051**	**2 407**	**5 458**	2 670	1 892	4 562
PJ Makosholo (resigned 30 June 2020)	**-**	**-**	**-**	1 407	541	1 948
TS Mashego	**1 403**	**348**	**1 751**	1 064	133	1 197
EG Matenge-Sebesho (resigned at 2019 AGM)	**-**	**-**	**-**	632	663	1 295
AT Nzimande (resigned at 2020 AGM)	**871**	**-**	**871**	1 369	-	1 369
L Von Zeuner (appointed 1 February 2019)	**2 655**	**608**	**3 263**	1 533	173	1 706
T Winterboer	**1 758**	**642**	**2 400**	1 451	490	1 941
Z Roscherr (appointed 1 April 2020)	**1 672**	**886**	**2 558**	763	750	1 513
SP Sibisi (appointed 1 April 2021)	**196**	**-**	**196**	-	-	-
Non-executive directors						
HL Bosman (resigned 30 June 2020)	**-**	**-**	**-**	1 262	33	1 295
JP Burger (appointed 1 September 2018)	**2 287**	**1 053**	**3 340**	2 105	1 007	3 112
JJ Durand (resigned at 2019 AGM)	**-**	**-**	**-**	277	-	277
F Knoetze	**1 559**	**823**	**2 382**	1 272	749	2 021
Total non-executive directors	**25 791**	**8 870**	**34 661**	26 591	8 299	34 890

3 OPERATING EXPENSES

Directors' and prescribed officers' emoluments

Single figure

Cash package, retirement contributions and other allowances reflect what was paid to the prescribed officers during the year ended 30 June 2021 with the FirstRand annual remuneration cycle running from 1 August to 31 July.

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

The following analysis provides two amounts per individual to accommodate the King IV alternative single figure view. For King IV single figure reporting, the value presented is the LTI settled in the financial year at original award value, whereas the other view provided reflects the LTI allocated in the financial year at original award value. As part of the reporting transition, both views have been provided.

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

3 OPERATING EXPENSES continued

R thousand	2021	2020
AP Pullinger (group CEO)[1]		
Cash package paid during the year	**8 995**	8 971
Retirement contributions paid during the year	**177**	179
Other allowances	**278**	264
Guaranteed package	**9 450**	9 414
Performance-related STI:		
Cash	**7 031**	5 825
- Within 6 months[2]	**4 905**	-
- Within 1 year	**2 126**	5 825
Share linked- deferred 2 and 3 years (BCIP)[3]	**5 032**	3 825
Variable pay	**12 063**	9 650
Total guaranteed and variable pay	**21 513**	19 064
Value of LTI awards allocated during the financial year under the CIP[4]	**24 000**	20 046
Total reward including LTIs	**45 513**	39 110
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**19 273**	-
Single figure reporting		
Total guaranteed and variable pay	**21 513**	19 064
Value of LTI awards settled during the financial year under the CIP[6]	**-**	14 630
Total reward including LTIs (Single figure)	**21 513**	33 694
M Vilakazi (group COO)[1]		
Cash package paid during the year	**6 849**	6 816
Retirement contributions paid during the year	**124**	132
Other allowances	**182**	173
Guaranteed package	**7 155**	7 121
Performance-related STI:		
Cash	**5 325**	4 025
- Within 6 months[2]	**3 767**	-
- Within 1 year	**1 558**	4 025
Share linked- deferred 2 and 3 years (BCIP)[3]	**3 325**	2 025
Variable pay	**8 650**	6 050
Total guaranteed and variable pay	**15 805**	13 171
Value of LTI awards allocated during the financial year under the CIP[4]	**11 184**	10 775
Total reward including LTIs	**26 989**	23 946
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**16 638**	-
Single figure reporting		
Total guaranteed and variable pay	**15 805**	13 171
Value of LTI awards settled during the financial year under the CIP[6]	**-**	-
Total reward including LTIs (Single figure)	**15 805**	13 171

3 OPERATING EXPENSES continued

R thousand	2021	2020
HS Kellan (group financial director)[1]		
Cash package paid during the year	**7 548**	7 526
Retirement contributions paid during the year	**61**	61
Other allowances	**182**	173
Guaranteed package	**7 791**	7 760
Performance-related STI:		
Cash	**5 750**	4 300
- Within 6 months[2]	**4 050**	-
- Within 1 year	**1 700**	4 300
Share linked- deferred 2 and 3 years (BCIP)[3]	**3 750**	2 300
Variable pay	**9 500**	6 600
Total guaranteed and variable pay	**17 291**	14 360
Value of LTI awards allocated during the financial year under the CIP[4]	**13 950**	13 440
Total reward including LTIs	**31 241**	27 800
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**12 720**	-
Single figure reporting		
Total guaranteed and variable pay	**17 291**	14 360
Value of LTI awards settled during the financial year under the CIP[6]	**-**	8 600
Total reward including LTI (Single figure)	**17 291**	22 960
J Celliers (CEO FNB)[1]		
Cash package paid during the year	**7 765**	7 742
Retirement contributions paid during the year	**138**	138
Other allowances	**182**	173
Guaranteed package	**8 085**	8 053
Performance-related STI:		
Cash	**7 850**	6 150
- Within 6 months[2]	**5 450**	-
- Within 1 year	**2 400**	6 150
Share linked- deferred 2 and 3 years (BCIP)[3]	**5 850**	4 150
Variable pay	**13 700**	10 300
Total guaranteed and variable pay	**21 785**	18 353
Value of LTI awards allocated during the financial year under the CIP[4]	**16 100**	15 515
Total reward including LTIs	**37 885**	33 868
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**15 008**	-
Single figure reporting		
Total guaranteed and variable pay	**21 785**	18 353
Value of LTI awards settled during the financial year under the CIP[6]	**-**	11 943
Total reward including LTI (Single figure)	**21 785**	30 296

3 OPERATING EXPENSES continued

R thousand	2021	2020
C de Kock (CEO WesBank)[1,16]		
Cash package paid during the year	**-**	5 331
Retirement contributions paid during the year	**-**	43
Other allowances	**-**	169
Guaranteed package	**-**	5 543
Performance-related STI:		
Cash	**-**	3 062
- Within 6 months[2]	**-**	-
- Within 1 year	**-**	3 062
Share linked- deferred 2 and 3 years (BCIP)[3]	**-**	1 063
Variable pay	**-**	4 125
Total guaranteed and variable pay	**-**	9 668
Value of LTI awards allocated during the financial year under the CIP[4]	**-**	10 435
Total reward including LTIs	**-**	20 103
Single figure reporting		
Total guaranteed and variable pay	**-**	9 668
Value of LTI awards settled during the financial year under the CIP[5]	**-**	9 200
Total reward including LTIs (Single figure)	**-**	18 868
J Formby (CEO RMB)[1]		
Cash package paid during the year	**6 281**	4 644
Retirement contributions paid during the year	**98**	74
Other allowances	**225**	190
Guaranteed package	**6 604**	4 908
Performance-related STI:		
Cash	**9 775**	8 375
- Within 6 months[2]	**6 733**	-
- Within 1 year	**3 042**	8 375
Share linked- deferred 2 and 3 years (BCIP)[3]	**7 775**	6 375
Variable pay	**17 550**	14 750
Total guaranteed and variable pay	**24 154**	19 658
Value of LTI awards allocated during the financial year under the CIP[4]	**12 150**	9 100
Total reward including LTIs	**36 304**	28 758
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**8 700**	-
Single figure reporting		
Total guaranteed and variable pay	**24 154**	19 658
Value of LTI awards settled during the financial year under the CIP[6]	**-**	7 500
Total reward including LTIs (Single figure)	**24 154**	27 158

3 OPERATING EXPENSES continued

£ thousand	2021	2020
P Monks[1, 7]		
Cash package paid during the year	**861**	831
Retirement contributions paid during the year	**49**	48
Other allowances	**20**	24
Guaranteed package	**930**	903
Performance-related STI:		
Cash	**512**	-
- Within 6 months[11]	**512**	-
- Within 1 year	**-**	-
Share linked- deferred over 3 years[11]	**-**	-
Variable pay	**512**	-
Total guaranteed and variable pay	**1 442**	903
Value of LTI awards allocated during the financial year under the CIP[4, 13]	**689**	649
Total reward including LTIs	**2 131**	1 552
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**689**	-
Single figure reporting		
Total guaranteed and variable pay	**1 442**	903
Pre-acquisition cash deferral settled during the financial year[12]	**198**	679
Total reward including LTIs (Single figure)	**1 640**	1 582
S Cooper[1, 7]		
Cash package paid during the year	**143**	-
Retirement contributions paid during the year	**10**	-
Other allowances	**2**	-
Guaranteed package	**155**	-
Performance-related STI:		
Cash	**65**	-
- Within 6 months[9]	**65**	-
- Within 1 year	**-**	-
Share linked- deferred over 3 years[10]	**32**	-
Variable pay	**97**	-
Total guaranteed and variable pay	**252**	-
Value of LTI awards allocated during the financial year under the CIP[4,13]	**-**	-
Total reward including LTIs	**252**	-
Buy-out award paid in cash[8]	**997**	
Single figure reporting		
Total guaranteed and variable pay	**252**	-
Value of LTI awards settled during the financial year under the CIP[6]	**-**	-
Total reward including LTIs (Single figure)	**252**	-

3 OPERATING EXPENSES continued

R thousand	2021	2020
JP Burger[1, 14]		
Cash package paid during the year	-	-
Retirement contributions paid during the year	-	-
Other allowances	-	-
Guaranteed package	-	-
Performance-related STI:		
Cash	-	-
- Within 6 months[2]	-	-
- Within 1 year	-	-
Share linked- deferred 2 and 3 years (BCIP)[3]	-	-
Variable pay	-	-
Total guaranteed and variable pay	-	-
Value of LTI awards allocated during the financial year under the CIP[4]	-	-
Total reward including LTIs	-	-
Single figure reporting		
Total guaranteed and variable pay	-	-
Value of LTI awards settled during the financial year under the CIP[6]	-	18 350
Retiree ex-gracia payment[15]	6 454	-
Total reward including LTIs (Single figure)	6 454	18 350

3 OPERATING EXPENSES continued

1. *FirstRand defines its prescribed officers as the group's executive directors and the CEOs of the group's Retail and Commercial and Corporate and Institutional segments and CEO of the Aldermore Group. These officers are members of the group strategic executive committee and attend board meetings. This definition changed from prior years as it now excludes the WesBank CEO. WesBank is a product house within the Retail and Commercial Segment.*
2. *Variable compensation (STI) paid in cash in respect of the year ended June, is paid in three tranches, during the following year ending on 30 June. i.e. August, December and June (with interest on the deferred payments). The prior year STI cash component was fully deferred for all material risk takers and paid in one tranche in June 2021, in accordance with 2020 Prudential Authority guidance.*
3. *A portion of variable compensation is deferred as share-linked awards and vests after two years.*
4. *Long-term incentive awards are made annually under the CIP and vesting is subject to performance conditions and targets on a cumulative basis over three years. The value presented in the table is the LTI allocated in the financial year and is reflected at award value at grant date. Refer to note 32.*
5. *The Covid-19 retention instrument was awarded in September 2020. The award is linked to the FirstRand share price and vests in three equal proportions (tranches) over the next three years (September 2021, 2022 and 2023), if performance conditions are met. In September 2021 the first Covid-19 tranche will vest as the 2018 LTI award has failed. In 2022 in the event that the 2019 LTI awards vests, the higher of the Covid-19 instrument vesting tranche or the outstanding LTI awards will vest (not both).*
6. *For King IV single figure reporting, the value presented in the table is the LTI vested and settled in the financial year at original award value, or zero if conditions not met and awards are forfeited.*
7. *Phillip Monks retired as Aldermore CEO effective April 2021 and Steven Cooper was Aldermore CEO effective May 2021.*
8. *A buy-out bonus was paid in cash to Steven Cooper to compensate his forfeited incentives from his previous employer.*
9. *The Aldermore performance related STI cash component is paid in full in August.*
10. *The Aldermore performance related STI share-linked component is released in equal annual tranches over three years from grant date.*
11. *For Phillip Monks his whole STI, cash and deferred share-linked component, was paid as a lumpsum on retirement.*
12. *Aldermore pre-acquisition cash award deferred and settled in the financial year.*
13. *Aldermore LTIP allocated amount is the on- target value assumed at 95% of maximum (67% in prior years).*
14. *JP Burger became a non-executive director effective 1 September 2018. This disclosure shows the payment of LTI linked awards allocated to him when he was an executive director.*
15. *Due to the failure of the 2017 LTIs and in recognition of retirees' historical contribution to the success of the business, retirees with outstanding LTIs, were awarded an ex-gratia payment. These payments were approximately 50% of the 2017 LTI awarded value adjusted for the decline in share price.*
16. *Chris de Kock was no longer a prescribed officer effective 1 July 2020, therefore the disclosure is not applicable for the current year.*

3 OPERATING EXPENSES continued

All executive directors and prescribed officers in South Africa have a notice period of one month, Steven Cooper has a notice period of 6 months. Non-executive directors are appointed for a period of three years and are subject to the Companies Act, 71 of 2008 provision relating to removal.

Ownership of FirstRand Bank Limited

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

Covid-19 Instrument for executive directors and prescribed officers

The Covid-19 health crisis and the resulting economic impact has been evident in FirstRand's results. This impact has resulted in the 2017 and 2018 LTI not vesting and increases the risk of the 2019 LTIs not vesting. In response, last year Remco introduced an once-off Covid-19 instrument that caters for the retention of employees considered critical to the ongoing sustainability of the business. The value of the Covid instrument was struck at half of the original value of the 2018 and 2019 LTIs.

For senior employees, including the FirstRand executive directors and prescribed officers, the retention condition is for three years (rolling every 12 months) in the form of an LTI. In response to shareholder feedback Remco introduced performance conditions for executive directors and prescribed officers for all three tranches of the instrument, including both financial and risk elements. The financial conditions are linked to the group's ROE being within the target range. These changes are detailed further in the remuneration report.

The Covid-19 retention instrument was awarded in September 2020. The award is linked to the FirstRand share price and vests in three equal proportions (tranches) over the next three years (September 2021, 2022 and 2023), if performance conditions are met. In September 2021 the first Covid-19 tranche will vest as the 2018 LTI award has failed. In 2022 in the event that the 2019 LTI awards vests, the higher of the Covid-19 instrument vesting tranche or the outstanding LTI awards will vest (not both).

Should an employee who receives this award resign within 12 months of a tranche of the award vesting, they will be required to repay the full amount of the vested tranche. Thereby the instrument represents up to a four year retention period.

Covid-19 instrument

R thousand	2020
AP Pullinger	19 273
M Vilakazi	16 638
HS Kellan	12 720
J Celliers	15 008
C De Kock	10 139
J Formby	8 700
P Monks (£ thousand)	689

3 OPERATING EXPENSES continued

Co-investment scheme

In addition to contractual and performance remuneration, previously eligible prescribed officers were entitled to participate in the co-investment scheme. Profit share, as shown in the table below, is based on a capital contribution placed at risk by participants. There is no cost to the group associated with the co-investment scheme as all capital invested and all risk related are for the account of the individuals.

R thousand	**2021**	2020
JR Formby	**6 073**	2 011
AP Pullinger	**3 442**	1 160

Long-term executive management retention scheme

LTEMRS[1] participation award made in December 2016	
Designation	**Awards (thousand)**
Executive directors	
AP Pullinger	188
HS Kellan	563
Prescribed officers	
J Celliers	469
J Formby	938
Previous executive directors and prescribed officers[2]	
JP Burger	188
C de Kock	938

1. *In addition to the group's existing long-term incentive plan, and in order to better align executive interest with those of the group's shareholders, the group introduced a long-term executive management retention scheme ("LTEMRS") in December 2016. The scheme is a five-year scheme, where members of the group's strategic committee are eligible to participate, on a voluntary basis, by purchasing a predetermined fixed amount of participation awards. Participants paid an upfront cash deposit of ten percent for their predetermined fixed amount of participation awards, with the balance being funded through a facilitated mechanism by the group. The fixed amount for each participant was converted into a number of participation awards, determined by the share price of R53.33, being the three-day volume weighted average price of the FirstRand share price at the date of award, being 15 December 2016.*
   The scheme and the funding mechanism, ensures that participants have full risk and potential reward of their participation awards (downside risk and upside potential). Continued employment is a condition for vesting of the cash settled scheme. Early termination before the expiry of three full years of service carry the full cost of early termination, including a full forfeit of any potential benefit, with a sliding scale of forfeiture being applied in years four and five. There is no cost to the group associated with the LTEMRS as the scheme is economically hedged. Last year, Remco approved the extension of the scheme for two years from original vesting date of September 2021 to September 2023. If the participant leaves after September 2020 but before the amended vesting date of September 2023, the participant will forfeit 20% of the upside of the scheme. The extension of the scheme is considered an amendment of terms and therefore an increased rate, linked to the real interest rate, has been applied to the outstanding funding.
2. *JP Burger was CEO until 2018. C de Kock was a prescribed officer until 2020.*

Prescribed officers' outstanding incentives

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

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
AP Pullinger				
Deferred share-linked STI awards				
2018	September 2018	10 200	September 2020	
2019 (2-year deferral)	September 2019	5 100	September 2021	
2019 (3-year deferral)	September 2019	5 100	September 2022	
2020 (2-year deferral)	September 2020	1 912	September 2022	
2020 (3-year deferral)	September 2020	1 913	September 2023	
2021 (2-year deferral)	September 2021	5 032	September 2023	
Balance deferred share-linked STIs		**29 257**		
LTI awards under the CIP[5, 6]				
2017	September 2017	15 550	September 2020	
2018	September 2018	18 500	September 2021	
2019	September 2019	20 046	September 2022	
2020	September 2020	24 000	September 2023	
Balance LTIs		**78 096**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	**6 424**	September 2021	
2020	September 2020	**6 424**	September 2022	
2020	September 2020	**6 425**	September 2023	
Balance Covid-19 award		**19 273**		
M Vilakazi				
Deferred share-linked STI awards				
2019 (2-year deferral)	September 2019	1 937	September 2021	
2019 (3-year deferral)	September 2019	1 938	September 2022	
2020 (2-year deferral)	September 2020	1 012	September 2022	
2020 (3-year deferral)	September 2020	1 013	September 2023	
2021 (2-year deferral)	September 2021	3 325	September 2023	
Balance deferred share-linked STIs		**9 225**		
LTI awards under the CIP[5, 6]				
2018 (buy-out award)	September 2018	14 000	September 2020	
2018 (annual allocation)	September 2018	8 500	September 2021	
2019	September 2019	10 775	September 2022	
2020	September 2020	11 184	September 2023	
Balance LTIs		**44 459**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	**5 546**	September 2021	
2020	September 2020	**5 546**	September 2022	
2020	September 2020	**5 546**	September 2023	
Balance Covid-19 award		**16 638**		

	Units						
	Opening balance	Awards made during year[1]	Number of awards settled in year	Number of awards forfeited in year	No longer meets definition	Closing number of awards[2, 3] 30 Jun 2021	Value on settlement in 2021[4] R thousand
	153 103	-	(153 103)	-	-	-	7 297
	78 221	-	-	-	-	78 221	-
	78 221	-	-	-	-	78 221	-
	48 738	-	-	-	-	48 738	-
	48 738	-	-	-	-	48 738	-
	-	-	-	-	-	-	-
	407 021	-	(153 103)	-	-	253 918	7 297
	289 410	-	-	(289 410)	-	-	-
	277 688	-	-	(277 688)	-	-	-
	307 455	-	-	-	-	307 455	-
	-	611 621	-	-	-	611 621	-
	874 553	611 621	-	(567 098)	-	919 076	-
	-	163 719	-	-	-	163 719	-
	-	163 719	-	-	-	163 719	-
	-	163 719	-	-	-	163 719	-
	-	491 157	-	-	-	491 157	-
	29 716	-	-	-	-	29 716	-
	29 716	-	-	-	-	29 716	-
	25 802	-	-	-	-	25 802	-
	25 802	-	-	-	-	25 802	-
	-	-	-	-	-	-	-
	111 036	-	-	-	-	111 036	-
	210 142	-	-	(210 142)	-	-	-
	127 586	-	-	(127 586)	-	-	-
	165 261	-	-	-	-	165 261	-
	-	285 015	-	-	-	285 015	-
	502 989	285 015	-	(337 728)	-	450 276	-
	-	141 331	-	-	-	141 331	-
	-	141 331	-	-	-	141 331	-
	-	141 331	-	-	-	141 331	-
	-	423 993	-	-	-	423 993	-

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
HS Kellan				
Deferred share-linked STI awards				
2018	September 2018	4 000	September 2020	
2019 (2-year deferral)	September 2019	2 083	September 2021	
2019 (3-year deferral)	September 2019	2 084	September 2022	
2020 (2-year deferral)	September 2020	1 150	September 2022	
2020 (3-year deferral)	September 2020	1 150	September 2023	
2021 (2-year deferral)	September 2021	3 750	September 2023	
Balance deferred share-linked STIs		**14 217**		
LTI awards under the CIP[5, 6]				
2017	September 2017	9 500	September 2020	
2018	September 2018	12 000	September 2021	
2019	September 2019	13 440	September 2022	
2020	September 2020	13 950	September 2023	
Balance LTIs		**48 890**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	4 240	September 2021	
2020	September 2020	4 240	September 2022	
2020	September 2020	4 240	September 2023	
Balance Covid-19 award		**12 720**		
J Celliers				
Deferred share-linked STI awards				
2018	September 2018	6 000	September 2020	
2019 (2-year deferral)	September 2019	3 143	September 2021	
2019 (3-year deferral)	September 2019	3 144	September 2022	
2020 (2-year deferral)	September 2020	2 075	September 2022	
2020 (3-year deferral)	September 2020	2 075	September 2023	
2021 (2-year deferral)	September 2021	5 850	September 2023	
Balance deferred share-linked STIs		**22 287**		
LTI awards under the CIP[5, 6]				
2017	September 2017	12 850	September 2020	
2018	September 2018	14 500	September 2021	
2019	September 2019	15 515	September 2022	
2020	September 2020	16 100	September 2023	
Balance LTIs		**58 965**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	5 003	September 2021	
2020	September 2020	5 003	September 2022	
2020	September 2020	5 002	September 2023	
Balance Covid-19 award		**15 008**		

	Units						
	Opening balance	Awards made during year[1]	Number of awards settled in year	Number of awards forfeited in year	No longer meets definition	Closing number of awards[2,3] 30 Jun 2021	Value on settlement in 2021[4] R thousand
	60 041	-	(60 041)	-	-	-	2 862
	31 959	-	-	-	-	31 959	-
	31 959	-	-	-	-	31 959	-
	29 306	-	-	-	-	29 306	-
	29 306	-	-	-	-	29 306	-
	-	-	-	-	-	-	-
	182 571	-	(60 041)	-	-	122 530	2 862
	176 809	-	-	(176 809)	-	-	-
	180 122	-	-	(180 122)	-	-	-
	206 136	-	-	-	-	206 136	-
	-	355 530	-	-	-	355 530	-
	563 067	355 530	-	(356 931)	-	561 666	-
	-	108 053	-	-	-	108 053	-
	-	108 053	-	-	-	108 053	-
	-	108 053	-	-	-	108 053	-
	-	324 159	-	-	-	324 159	-
	90 061	-	(90 061)	-	-	-	4 292
	48 217	-	-	-	-	48 217	-
	48 217	-	-	-	-	48 217	-
	52 880	-	-	-	-	52 880	-
	52 880	-	-	-	-	52 880	-
	-	-	-	-	-	-	-
	292 255	-	(90 061)	-	-	202 194	4 292
	239 158	-	-	(239 158)	-	-	-
	217 647	-	-	(217 647)	-	-	-
	237 961	-	-	-	-	237 961	-
	-	410 296	-	-	-	410 296	-
	694 766	410 296	-	(456 805)	-	648 257	-
	-	127 485	-	-	-	127 485	-
	-	127 485	-	-	-	127 485	-
	-	127 484	-	-	-	127 484	-
	-	382 454	-	-	-	382 454	-

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
J Formby				
Deferred share-linked STI awards				
2018	September 2018	11 000	September 2020	
2019 (2-year deferral)	September 2019	5 500	September 2021	
2019 (3-year deferral)	September 2019	5 500	September 2022	
2020 (2-year deferral)	September 2020	3 187	September 2022	
2020 (3-year deferral)	September 2020	3 188	September 2023	
2021 (2-year deferral)	September 2021	7 775	September 2023	
Balance deferred share-linked STIs		**36 150**		
LTI awards under the CIP[5, 6]				
2017	September 2017	7 900	September 2020	
2018	September 2018	8 300	September 2021	
2019	September 2019	9 100	September 2022	
2020	September 2020	12 150	September 2023	
Balance LTIs		**37 450**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	**2 900**	September 2021	
2020	September 2020	**2 900**	September 2022	
2020	September 2020	**2 900**	September 2023	
Balance Covid-19 award		**8 700**		
P Monks (£ thousand)				
Deferred share-linked STI awards[8]				
2018 (2-year deferral)	September 2018	38	September 2020	
2018 (3-year deferral)	September 2018	38	September 2021	
2019 (1-year deferral)	September 2019	62	September 2020	
2019 (2-year deferral)	September 2019	63	September 2021	
2019 (3-year deferral)	September 2019	63	September 2022	
2020 (1, 2, and 3-year deferral)	September 2020	-	September 2021/2/3	
2021 (1, 2, and 3-year deferral)	September 2021	-	September 2022/3/4	
Balance deferred share-linked STIs		**264**		
LTI awards under the CIP[5, 6]				
2018	September 2018	633	September 2021	
2019	September 2019	649	September 2022	
2020	September 2020	689	September 2023	
Balance LTIs		**1 971**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	**230**	September 2021	
2020	September 2020	**230**	September 2022	
2020	September 2020	**229**	September 2023	
Balance Covid-19 award		**689**		

	Units[9]						Value on settlement in 2021[4] R thousand
	Opening balance	Awards made during year[3]	Number of awards settled in year	Number of awards forfeited in year	No longer meets definition	Closing number awards[2,3] 30 Jun 2021	
	165 112	-	(165 112)	-	-	-	7 869
	84 356	-	-	-	-	84 356	-
	84 356	-	-	-	-	84 356	-
	81 230	-	-	-	-	81 230	-
	81 230	-	-	-	-	81 230	-
	-	-	-	-	-	-	-
	496 284	-	(165 112)	-	-	331 172	7 869
	147 031	-	-	(147 031)	-	-	-
	124 584	-	-	(124 584)	-	-	-
	139 571	-	-	-	-	139 571	-
	309 633	-	-	-	-	309 633	-
	720 819	-	-	(271 615)	-	449 204	-
	-	73 904	-	-	-	73 904	-
	-	73 904	-	-	-	73 904	-
	-	73 905	-	-	-	73 905	-
	-	**221 713**	**-**	**-**	**-**	**221 713**	**-**
	-	-	-	-	-	-	22
	-	-	-	-	-	-	-
	-	-	-	-	-	-	38
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	60
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
S Cooper (£ thousand)				
Deferred share-linked STI awards[8]				
2021 (1-year deferral)	September 2021	11	September 2022	
2021 (2-year deferral)	September 2021	11	September 2023	
2021 (3-year deferral)	September 2021	10	September 2024	
Balance deferred share-linked STIs		**32**		
LTI awards under the CIP				
2020	September 2020	-	September 2023	
Balance LTIs		**-**		
JP Burger (R thousand)				
Deferred share-linked STI awards				
2018	September 2018	12 674	September 2020	
Balance deferred share-linked STIs		**12 674**		
LTI awards under the CIP				
2017	September 2017	19 500	September 2020	
Balance LTIs		**19 500**		
C De Kock[10]				
Deferred share-linked STI awards				
2018	September 2018	2 750	September 2020	
2019 (2-year deferral)	September 2019	1 375	September 2021	
2019 (3-year deferral)	September 2019	1 375	September 2022	
2020 (2-year deferral)	September 2020	531	September 2022	
2020 (3-year deferral)	September 2020	532	September 2023	
2021 (2-year deferral)	September 2021	-	September 2023	
Balance deferred share-linked STIs		**6 563**		
LTI awards under the CIP[5, 6]				
2017	September 2017	9 844	September 2020	
2018	September 2018	9 844	September 2021	
2019	September 2019	10 435	September 2022	
2020	September 2020	-	September 2023	
Balance LTIs		**30 123**		

	Units[9]						
	Opening balance	Awards made during year[3]	Number of awards settled in year	Number of awards forfeited in year	No longer meets definition	Closing number of awards[2, 3] 30 Jun 2021	Value on settlement in 2021[4] R thousand
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	190 329	-	(190 329)	-	-	-	9 067
	190 329	-	(190 329)	-	-	-	9 067
	362 925	-	-	(362 925)	-	-	-
	362 925	-	-	(362 925)	-	-	-
	41 278	-	-	-	(41 278)	-	-
	21 089	-	-	-	(21 089)	-	-
	21 089	-	-	-	(21 089)	-	-
	-	-	-	-		-	-
	-	-	-	-		-	-
	-	-	-	-		-	-
	83 456	-	-	-	(83 456)	-	-
	183 212	-	-	-	(183 212)	-	-
	147 760	-	-	-	(147 760)	-	-
	160 041	-	-	-	(160 041)	-	-
	-	-	-	-		-	-
	491 013	-	-	-	(491 013)	-	-

3 OPERATING EXPENSES continued

1. *FirstRand share-linked schemes are determined on a monetary value and not on the number of shares. The deferred shared-linked STI awards' allocation is determined after year end, using the average three-day volume weighted average price (VWAP) eight days after results announcement, therefore the number of deferred shared-linked STI award units allocated in 2021 are only calculated after the annual financial statements are issued.*
2. *Deferred share-linked STI awards vesting depends on continued employment over two years. Previously for the executive directors and prescribed officers (2019 and 2020) vesting was equally split over two and three years.*
3. *FirstRand does not apply graded vesting to LTI awards allocated before September 2019, with awards thereafter having graded vesting. For these incentive schemes, LTI vesting depends on performance conditions and targets being met on a cumulative basis over three years. The group does not apply a probability of vesting to the unvested awards and the assumption is 100% vesting up until the final remuneration committee decision, given the current environment and uncertainty in quantifying the probability of vesting. For information purposes, the maximum possible value of the unvested awards as at June 2021 is the market value of the total number of shares at R53.59 per share on the last trading day of the financial year (30 June 2021).*
4. *The values at settlement date include share price growth and interest earned (Deferred share-linked STI awards) from grant date.*
5. *The 2018 LTIs failed based on the performance conditions not being met on a cumulative three-year basis, up to 30 June 2021, as such the first tranche of the Covid-19 instrument will vest and be settled in September 2021 with the performance conditions being tested as at June 2022 and clawback could be applicable if the Covid-19 award performance conditions are not met.*
6. *Based on prevailing conditions, the vesting of the 2019 LTIs awards are at risk and if forfeited next year the second tranche of the Covid-19 award will vests in September 2022 with the performance conditions being tested as at June 2023 and clawback could be applicable if the Covid-19 award performance conditions are not met.*
7. *The Covid-19 retention instrument was awarded in September 2020. The value was converted to share-linked instruments on the award date and will vest in equal proportions (tranches) over the next three years (September 2021, 2022 and 2023) if the performance conditions are met. In the event that the 2018 and 2019 LTI awards do vest, only the higher of the Covid-19 instrument vesting tranche or the outstanding LTI awards will vest (not both).*
8. *The Aldermore performance related STI share linked component is released in equal annual tranches over three years from grant date.*
9. *Aldermore incentive awards are not convertible into units.*
10. *Chris de Kock was no longer a prescribed officer effective 1 July 2020, therefore the disclosure is not applicable for the current year.*

4 INDIRECT AND INCOME TAX EXPENSE

R million	2021	2020
4.1 Indirect tax		
Value-added tax (net)	**(1 505)**	(1 330)
Securities transfer tax	**(9)**	(15)
Other	**(2)**	(3)
Total indirect tax	**(1 516)**	(1 348)
4.2 Income tax expense		
South African income tax		
Current	**(8 160)**	(4 622)
- Current year	**(8 142)**	(4 627)
- Prior year adjustment	**(18)**	5
Deferred income tax	**911**	923
- Current year	**919**	1 005
- Prior year adjustment	**(8)**	(82)
Total South African income tax	**(7 249)**	(3 699)
Foreign company and withholding tax		
Current	**(2 073)**	(1 303)
- Current year	**(2 104)**	(1 283)
- Prior year adjustment	**31**	(20)
Deferred income tax	**373**	180
- Current year	**365**	209
- Prior year adjustment	**8**	(29)
Total foreign company and withholding tax	**(1 700)**	(1 123)
South African capital gains tax	**(4)**	(25)
- Current	**-**	24
- Deferred capital gains tax	**(4)**	(49)
Total capital gains tax	**(4)**	(25)
Customer tax adjustment account	**-**	(27)
Deferred tax rate adjustment	**(26)**	26
Withholding tax on dividends	**(2)**	-
Total income tax expense	**(8 981)**	**(4 848)**

4 INDIRECT AND INCOME TAX EXPENSE continued

Tax rate reconciliation

%	2021	2020
Standard rate of income tax	**28.0**	28.0
Total tax has been affected by:		
Dividend and other exempt income	**(3.6)**	(5.6)
Other non-taxable income*	**0.8**	(2.5)
Rate difference	**(1.8)**	(0.9)
Prior year adjustments	**-**	0.6
Effect of capital gains tax rate	**0.1**	(0.5)
Tax difference on associates	**(0.9)**	(0.5)
Tax difference on joint ventures	**(0.2)**	(0.2)
Disallowed expenditure**	**1.9**	2.1
Other	**(0.2)**	-
Effective rate of tax	**24.1**	20.5

** Non-taxable translation losses on preference shares.*

*** Most of the disallowed expense relates to non-deductible translation losses.*

5 HEADLINE EARNINGS, EARNINGS AND DIVIDENDS PER SHARE

		Earnings attributable R million		Cents per share	
	Notes	2021	2020	2021	2020
Headline earnings					
- Basic	5.2	**26 950**	17 326	**480.5**	308.9
- Diluted	5.2	**26 950**	17 326	**480.5**	308.9
Earnings attributable to ordinary equityholders					
- Basic	5.2	**26 743**	17 021	**476.9**	303.5
- Diluted	5.2	**26 743**	17 021	**476.9**	303.5
Dividends – ordinary					
- Interim				**110.0**	146.0
- Final declared/paid				**153.0**	-
Dividends – preference					
- Interim				**253.6**	374.7
- Final declared/paid				**273.9**	306.0

5 HEADLINE EARNINGS, EARNINGS AND DIVIDENDS PER SHARE continued

5.1 Weighted average number of shares

	2021	2020
Weighted average number of shares before treasury shares	**5 609 488 001**	5 609 488 001
Less: treasury shares	**(1 249 055)**	(1 327 218)
- Shares for client trading	**(1 249 055)**	(1 327 218)
Weighted average number of shares in issue	**5 608 238 946**	5 608 160 783
Diluted weighted average number of shares in issue	**5 608 238 946**	5 608 160 783

The same weighted average number of shares was used for the basic and diluted headline earnings per share (HEPS) and basic and diluted earnings per share (EPS) as there are no potential dilutive ordinary shares in issue.

5.2 Headline earnings reconciliation

	2021		2020	
R million	**Gross**	**Net**	Gross	Net
Earnings attributable to ordinary equityholders	**-**	**26 743**	-	17 021
Adjusted for:				
Transfer from foreign currency translation reserve	**8**	**8**	(17)	(15)
Gains on disposal of non-private equity associates	**(40)**	**(40)**	-	-
Impairment of non-private equity associates	**1**	**1**	66	47
Loss on disposal of investments in joint ventures	**7**	**7**	1	1
Loss on disposal of investments in subsidiaries	**3**	**3**	-	-
Loss on disposal of property and equipment	**17**	**11**	14	11
Impairment of goodwill	**112**	**112**	212	190
Fair value movement on investment properties	**89**	**76**	(26)	(19)
Impairment of assets in terms of IAS 36	**43**	**34**	129	91
Gain on bargain purchase	**(1)**	**(1)**	-	-
Other	**(4)**	**(4)**	(1)	(1)
Headline earnings attributable to ordinary equityholders		**26 950**		17 326

6 ANALYSIS OF ASSETS AND LIABILITIES

6.1 Analysis of assets

The following table analyses the assets in the statement of financial position per category of financial instrument, according to measurement basis and in order of when the assets are expected to be realised.

		2021			
			At fair value through profit or loss		
	Notes	Amortised cost	Mandatory	Designated	
ASSETS					
Cash and cash equivalents	7	**135 059**	**-**	**-**	
Derivative financial instruments	8	**-**	**72 936**	**-**	
Investment securities*	10	**137 615**	**175 784**	**8 233**	
Advances	11	**1 128 110**	**87 080**	**8 244**	
Other assets	13	**5 945**	**-**	**-**	
Non-current assets and disposal groups held for sale	14	**540**	**-**	**-**	
Non-financial assets		**-**	**-**	**-**	
Total assets		**1 407 269**	**335 800**	**16 477**	

**All non-recourse investments are included in the investment securities balance held at mandatory fair value through profit or loss.*

		2020			
			At fair value through profit or loss		
	Notes	Amortised cost	Mandatory	Designated	
ASSETS					
Cash and cash equivalents	7	136 002	-	-	
Derivative financial instruments	8	-	135 059	-	
Investment securities*	10	134 921	106 589	8 441	
Advances	11	1 192 212	62 055	7 448	
Other assets	13	6 943	-	-	
Non-current assets and disposal groups held for sale	14	3 007	58	-	
Non-financial assets		-	-	-	
Total assets		1 473 085	303 761	15 889	

** All non-recourse investments are included in the investment securities balance held at mandatory fair value through profit or loss.*

2021						
At fair value through other comprehensive income		**Derivatives designated as hedging instruments**	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current and non-contractual**
Debt	**Equity**					
-	**-**	**-**	**-**	**135 059**	**135 059**	**-**
-	**-**	**9 792**	**-**	**82 728**	**73 243**	**9 485**
46 215	**340**	**-**	**-**	**368 187**	**218 194**	**149 993**
-	**-**	**-**	**-**	**1 223 434**	**383 469**	**839 965**
	-	**-**	**3 271**	**9 216**	**4 718**	**4 498**
-	**-**	**-**	**25**	**565**	**565**	**-**
-	**-**	**-**	**67 091**	**67 091**	**19 155**	**47 936**
46 215	**340**	**9 792**	**70 387**	**1 886 280**	**834 403**	**1 051 877**

2020						
At fair value through other comprehensive income		Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current and non-contractual
Debt	Equity					
-	-	-	-	136 002	136 002	-
-	-	12 456	-	147 515	135 728	11 787
46 823	695	-	-	297 469	147 185	150 284
-	-	-	-	1 261 715	382 931	878 784
-	-	-	4 313	11 256	6 646	4 610
-	-	-	-	3 065	3 065	-
-	-	-	69 517	69 517	22 030	47 487
46 823	695	12 456	73 830	1 926 539	833 587	1 092 952

6 ANALYSIS OF ASSETS AND LIABILITIES continued

6.2 Analysis of liabilities

The following table analyses the liabilities in the statement of financial position per category of financial instrument, according to measurement basis and in order of when the liabilities are expected to be settled.

		2021			
			At fair value through profit or loss		
	Notes	**Amortised cost**	**Mandatory**	**Designated**	
LIABILITIES					
Short trading positions	23	**-**	**18 945**	**-**	
Derivative financial instruments	8	**-**	**75 629**	**-**	
Creditors, accruals and provisions	24	**12 382**	**-**	**-**	
Liabilities directly associated with disposal groups held for sale	14	**598**	**1**	**-**	
Deposits	25	**1 487 555**	**35 203**	**19 320**	
Other liabilities	26	**4 808**	**-**	**52**	
Policyholder liabilities	15	**-**	**-**	**5 378**	
Tier 2 liabilities	27	**20 940**	**-**	**-**	
Non-financial liabilities		**-**	**-**	**-**	
Total liabilities		**1 526 283**	**129 778**	**24 750**	

		2020			
			At fair value through profit or loss		
	Notes	Amortised cost	Mandatory	Designated	
LIABILITIES					
Short trading positions	23	-	5 062	-	
Derivative financial instruments	8	-	149 660	-	
Creditors, accruals and provisions	24	12 196	-	-	
Liabilities directly associated with disposal groups held for sale	14	1 393	2	-	
Deposits	25	1 480 124	37 693	17 198	
Other liabilities*	26	4 735	-	302	
Policyholder liabilities	15	-	-	4 960	
Tier 2 liabilities	27	24 614	-	-	
Non-financial liabilities		-	-	-	
Total liabilities		1 523 062	192 417	22 460	

*Comparative information has been represented to reflect lease liabilities as non-financial liabilities

	2021				
	Derivatives designated as hedging instruments	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current and non-contractual**
	-	**-**	**18 945**	**18 945**	**-**
	8 807	**-**	**84 436**	**76 060**	**8 376**
	-	**10 383**	**22 765**	**18 432**	**4 333**
	-	**14**	**613**	**613**	**-**
	-	**-**	**1 542 078**	**1 320 966**	**221 112**
	-	**2 881**	**7 741**	**1 616**	**6 125**
	-	**2 011**	**7 389**	**2 817**	**4 572**
	-	**-**	**20 940**	**2 823**	**18 117**
	-	**13 486**	**13 486**	**7 492**	**5 994**
	8 807	**28 775**	**1 718 393**	**1 449 764**	**268 629**

	2020				
	Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current and non-contractual
	-	-	5 062	5 062	-
	12 533	-	162 193	150 451	11 742
	-	8 842	21 038	16 362	4 676
	-	32	1 427	1 427	-
	-	-	1 535 015	1 281 809	253 206
	-	3 166	8 203	1 786	6 417
	-	1 470	6 430	2 144	4 286
	-	-	24 614	4 783	19 831
	-	10 637	10 637	5 530	5 107
	12 533	24 147	1 774 619	1 469 354	305 265

7 CASH AND CASH EQUIVALENTS

R million	2021	2020
Coins and bank notes	**10 556**	10 231
Money at call and short notice	**67 410**	79 930
Balances with central banks*	**57 093**	45 841
Mandatory reserve balances with central banks	**39 627**	31 193
Other balances with central banks	**17 466**	14 648
Total cash and cash equivalents**	**135 059**	136 002

**Balances with central banks has been disaggregated into mandatory reserves and other balances. The total balances with central banks previously reported has not changed.*

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

Banks are required to deposit a minimum average balance, calculated monthly, with the central bank, which is available for use by the group subject to certain restrictions and limitations levelled by the central banks within the countries of operation. These deposits bear little or no interest.

8 DERIVATIVE FINANCIAL INSTRUMENTS

Use of derivatives

The group transacts in derivatives for two purposes: to create risk management solutions for clients and to manage and hedge the group's own risk. The group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels, with offsetting deals being utilised to achieve this where necessary.

For further details on the valuation of derivatives refer to note 34.

Qualifying for hedging accounting

Where all required criteria are met, derivatives are classified as qualifying for hedge accounting. Hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying hedged item. All qualifying hedging relationships are designated as either fair value or cash flow hedges. The group applies hedge accounting in respect of specified interest rate risk and equity price risk detailed in this note.

The group defines interest rate risk in the banking book (IRRBB) as the sensitivity of the statement of financial position and income statement to unexpected adverse movements in interest rates. IRRBB and equity price risk is managed by Group Treasury and the FirstRand asset, liability and capital committee (ALCCO) under approved policies. Aldermore manages its own interest rate risk through its own treasury department and ALCCO. For further details on the group's approach to managing interest rate risk and market risk, refer to note 37.

IRRBB is expected within a banking operation and can be an important source of profitability and shareholder value and is therefore managed from an earnings approach, with the aim to protect and enhance net interest income (NII). Therefore, both fair value and cash flow hedge accounting are applied to provide a better reflection of how IRRBB is managed in profit or loss.

The group is exposed to equity price risk through its obligation under its employee share incentive schemes, the future cash outflows of which are directly impacted by changes in FirstRand Limited's share price. This equity price risk is managed by purchasing equity derivatives which mitigate the exposure to variability in cash outflows as a result of FirstRand's share price. Cash flow hedge accounting is employed to provide a better reflection of how equity price risk is managed in profit or loss.

Held for trading activities

Most of the group's derivative transactions relate to sales activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take on, transfer, modify or reduce current or expected risks.

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

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Derivative financial instruments – assets

R million	2021 Notional	2021 Fair value	2020 Notional	2020 Fair value
Qualifying for hedge accounting	**316 411**	**9 792**	379 717	12 456
Fair value hedge accounting	**106 183**	**855**	52 471	671
- Interest rate derivatives	**106 183**	**855**	52 471	671
Cash flow hedge accounting	**210 228**	**8 937**	327 246	11 785
- Interest rate derivatives	**208 955**	**8 272**	327 109	11 783
- Equity derivatives	**1 273**	**665**	137	2
Held for trading	**6 979 970**	**72 936**	10 491 528	135 059
- Currency derivatives	**272 558**	**9 266**	313 793	18 449
- Interest rate derivatives	**6 602 868**	**60 424**	10 078 237	113 283
- Equity derivatives	**59 493**	**2 758**	66 445	2 251
- Commodity derivatives	**27 159**	**280**	18 039	754
- Energy derivatives	**3 688**	**119**	799	175
- Credit derivatives	**14 204**	**89**	14 215	147
Total derivative assets	**7 296 381**	**82 728**	10 871 245	147 515
Exchange traded	**27 307**	**41**	80 609	50
Over the counter	**7 269 074**	**82 687**	10 790 636	147 465
Total derivative assets	**7 296 381**	**82 728**	10 871 245	147 515

Derivative financial instruments – liabilities

R million	2021 Notional	2021 Fair value	2020 Notional	2020 Fair value
Qualifying for hedge accounting	**409 462**	**8 807**	356 233	12 533
Fair value hedge accounting	**138 241**	**1 470**	143 320	3 201
- Interest rate derivatives	**138 241**	**1 470**	143 320	3 201
Cash flow hedge accounting	**271 221**	**7 337**	212 913	9 332
- Interest rate derivatives	**268 890**	**6 900**	210 317	8 047
- Equity derivatives	**2 331**	**437**	2 596	1 285
Held for trading	**7 128 971**	**75 629**	10 628 778	149 660
- Currency derivatives	**219 151**	**11 509**	305 008	28 469
- Interest rate derivatives	**6 829 781**	**60 828**	10 224 155	114 470
- Equity derivatives	**60 115**	**2 630**	65 899	4 198
- Commodity derivatives	**13 634**	**478**	27 423	2 017
- Energy derivatives	**2 697**	**94**	477	114
- Credit derivatives	**3 593**	**90**	5 816	392
Total derivative liabilities	**7 538 433**	**84 436**	10 985 011	162 193
Exchange traded	**39 966**	**41**	21 353	292
Over the counter	**7 498 467**	**84 395**	10 963 658	161 901
Total derivative liabilities	**7 538 433**	**84 436**	10 985 011	162 193

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Fair value hedges

Interest rate risk

The group defines interest rate risk for which fair value hedge accounting is applied, as the potential variations in NII due to the group issuing portfolios of fixed-rate long-dated term financial liabilities and holding investment securities, as well as fixed rate advances, which may result from:

- mismatching in the repricing of assets and liabilities;
- increases or decreases in the absolute levels of interest rates and/or changes in the shape of the term structure of interest rates when applied to the group's balance sheet; and
- behavioural uncertainties of the underlying hedged item, for example increased defaults, prepayments or early deposit withdrawals.

Where a hedging relationship involves government bonds classified at FVOCI designated as the hedged item, the hedged risk is the change in the fair value due to changes in the benchmark interest rate. However, only the benchmark interest rate component of the coupon cash flows plus the principal is designated as the hedged item. Due to liquidity and other assessments made, the interest rate swap curve is regarded as the best indicator of the interest rate risk and as such the benchmark interest rate is obtained from the interest rate swap curve denominated in the exposure's currency. The swap curve enables the measurement of the benchmark interest rate component on designation. The difference between the benchmark rate and the base rate is therefore excluded from the hedge risk designated.

As such, the benchmark interest rate risk is the component being hedged, while other risks such as credit risk are managed but not hedged by the group. This benchmark interest rate risk comprises the majority of the hedged items fair value risk.

For all other hedged items, the complete cash flow of the underlying financial asset or financial liability is designated as the hedged item, where the credit risk is proven not to dominate the fair value movements as a result of this risk.

The following are the identified hedged items subject to fair value interest rate risk hedge accounting and the related hedging instrument:

- Specified long-term fixed rate investment securities and other funding liabilities measured at amortised cost, as well as investment securities measured at FVOCI. To manage the interest rate risk associated with such risk exposures, the group uses a variety of cash collateralised vanilla fixed-for-floating interest rate swap derivatives.
- Interest rate exposure on portfolios of fixed-rate advances measured at amortised cost, where the bank has entered into interest rate swaps on a monthly basis. The exposure from this portfolio changes due to contractual repayments and early repayments made by customers in each period, as well as sales to securitisation vehicles. As a result, the bank has adopted a dynamic hedging strategy (macro-hedging) to hedge the exposure profile by de-designating and re-designating interest rate swap agreements at each month end based on the updated positions. The bank recognises the fair value movements related to changes in the interest rate risk in the advances portfolio in non-interest revenue (NIR), reducing the NIR volatility that would otherwise arise from changes in the fair value of the interest rate swaps alone. In the prior year, the macro-hedge accounting relationships did not pass the hedge effectiveness requirements in order to apply hedge accounting. The bank continually assesses whether macro-hedge accounting can be applied to failed macro-hedge accounting relationships, which resulted in these hedge accounting relationships being reinstated in the current year.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

- Interest rate exposure on a portfolio of fixed rate high-quality liquid assets (HQLA) measured at amortised cost and FVOCI; and advances and deposits measured at amortised cost in Aldermore, where Aldermore enters into interest rate swaps on a monthly basis. The exposure from these portfolios frequently changes due to new advances, deposits and HQLA being entered into, as well as contractual repayments and early repayments made by or to customers. As a result, the group has adopted a dynamic hedging strategy (macro hedging), to hedge the exposure profile by de-designating and re-designating interest rate swaps agreements at each month-end to reach offsetting positions.

  In the prior period, Aldermore held fair value hedge accounting relationships for its contractually specified fixed-rate advances using swaps referencing GBP London Interbank Offered Rate (LIBOR). As part of Aldermore's transition from GBP LIBOR, Aldermore de-designated these GBP LIBOR referenced swaps and re-designated Sterling Overnight Index Average (SONIA) referenced swaps as part of its macro hedge accounting process.

The designated hedged items attract fixed interest cash flows, which expose the group to the risk of changes in the hedged item's fair value attributable to changes in the benchmark interest rate embedded in the hedge item.

The group enters into a variety of collateralised fixed-for-floating vanilla interest rate swaps. As such there is an expectation that the changes in fair value of the hedged item would move in the opposite direction to changes in the interest rate swaps as a result of movements in the benchmark interest rate swap curve. The swap prices off the swap curve denominated in the exposure's currency, which is regarded as the best indicator of the interest rate risk present in the hedged item.

In certain circumstances, the economic relationship is evident due to the critical terms such as the denominated currency, nominal amount, duration and either the fixed-rate on the hedged item or the benchmark rate component of the hedged item and the interest rate swap matching. In other instances, the hedge accounting relationship is designated based on matching the PV01 of the hedging instrument to the hedged item. In these instances, the economic relationship is proven quantitively through the use of regression testing and other statistical models.

The outcome of this is that for most hedge accounting relationships, a 1:1 hedge ratio is maintained throughout the duration of the hedge relationship. Some hedge accounting relationships do not have 1:1 hedge ratios as the designations are not based on matching notional amounts, but rather matching the PV01 associated with the hedged item to that of the hedging instrument.

The group uses the regression analysis approach to assess the effectiveness of the hedge relationship in achieving an economic relationship prospectively.

One of the parameters used to test effectiveness is to evaluate whether the effectiveness ranges between 80% and 125%. Even though this quantitative measure is not required under IFRS 9, the group believes this is a benchmark which has been extensively used in the past and is a prudent approach to determine the effectiveness of the hedge relationship in line with the group's risk management strategy.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

- the designated fixed interest rate on the hedged item differs to the offsetting rate of the interest rate swap;
- the unwinding of the time value of money element contained within the fair value of the hedging instrument on designation date;
- prepayment risk on macro-hedging portfolios on the date of designating the hedge relationship;
- day 1 gains or losses on the hedging instrument at the inception of the hedge;
- differences in maturities of the interest rate swap and the hedged item; and
- where applicable, the effects of the reforms to IBOR, as the amendments to the terms of the hedging instrument and the related hedged item could take effect at different times.

The group adopted the amendments to IFRS 9, IAS 39 and IFRS 7 relating to Interest Rate Benchmark Reform (Phase 1 and Phase 2) in the current year. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the financial period or were designated thereafter.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedge accounting relationships directly affected by an IBOR reform. The relief has the effect that the IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness would continue to be recognised in the income statement. Furthermore, the amendments set out triggers that determine when the relief will end, which include the uncertainty arising from IBOR reforms no longer being present.

The reliefs provided by the amendments that apply to the group are as follows:

- in assessing whether an economic relationship exists between the hedged item and the hedging relationship, the group assumes that the IBOR interest rate in the hedge relationship is not altered by its corresponding IBOR reform; and
- the group only assesses whether the designated IBOR risk component is separately identifiable on designation date and not on an ongoing basis.

The total notional amount of the derivatives impacted by the IBOR reform are set out below:

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

These derivatives will be transitioned via ISDA protocols. Refer to Note 37.4.1 (Interest rate risk in the banking book) for a detailed explanation on how FirstRand is managing the transition to alternative risk-free rates.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

The following table discloses the maturity of the hedging instruments included in fair value hedging relationships excluding the maturity of the macro-hedging portfolios.

	2021	2020
	Interest rate risk	Interest rate risk
R million	**Notional amount**	Notional amount
Derivative assets		
4 – 12 months	**-**	-
> 12 months	**12 533**	9 997
Total	**12 533**	9 997
Derivative liabilities		
4 – 12 months	**456**	-
> 12 months	**12 185**	17 694
Total	**12 641**	17 694

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

	2021	2020
	Average interest rate risk (%)	Average interest rate risk (%)
Derivative asset		
4 — 12 months	**-**	-
> 12 months	**6**	5
Derivative liability		
4 — 12 months	**3**	-
> 12 months	**4**	5

8 DERIVATIVE FINANCIAL INSTRUMENTS

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

	2021		
R million	**Advances***	**Investment securities**	**Funding liabilities****
Interest rate risk — hedged items			
Carrying amount excluding fair value hedge adjustments	**161 678**	**35 786**	**61 719**
Accumulated fair value hedge adjustments for instruments that are actively hedged	**274**	**624**	**250**
Total carrying amount of hedged items	**161 952**	**36 410**	**61 969**
Accumulated fair value hedge adjustments for items that have ceased to be adjusted for fair value hedge gains and losses	**-**	**(64)**	**-**

* *All amounts in advances relate to the macro-hedging strategy that the group applies.*

** *Funding liabilities are included in the deposit and Tier 2 liability lines in the statement of financial position.*

	2020		
R million	Advances*	Investment securities	Funding liabilities**
Interest rate risk — hedged items			
Carrying amount excluding fair value hedge adjustments	134 134	36 462	45 790
Accumulated fair value hedge adjustments for instruments that are actively hedged	1 244	1 700	607
Total carrying amount of hedged items	135 378	38 162	46 397
Accumulated fair value hedge adjustments for items that have ceased to be adjusted for fair value hedge gains and losses	-	-	(11)

* *All amounts in advances relate to the macro-hedging strategy applied. In the prior year, a portion of the fair value macro-hedges failed to qualify for hedge accounting. The on-balance sheet accumulated fair value adjustment related to these failed macro-hedges was R9 million and was disclosed in other assets.*

** *Funding liabilities are included in the deposit and Tier 2 liability lines in the statement of financial position.*

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

The following amounts were recognised in NIR for the year in respect of fair value hedging relationships (single hedge relationships and macro hedging portfolios).

R million	2021	2020
Interest rate risk		
Changes in fair value for the year arising on hedging instruments	**1 379**	(2 045)
- Interest rate derivatives	**1 379**	(2 045)
Changes in fair value on the hedge items attributable to the hedged risk	**(1 275)**	2 177
- Advances	**(768)**	1 047
- Investment securities — amortised cost*	**(622)**	866
- Investment securities — FVOCI*	**(269)**	570
- Funding liabilities**	**384**	(306)
Ineffectiveness recognised in NIR	**104**	132

**The investment securities line has been disaggregated into balances measured at amortised cost and at FVOCI. The total for investment securities previously reported has not changed.*
***Funding liabilities are included in the deposit and Tier 2 liabilities lines in the statement of financial position.*

Cash flow hedges

The group employs cash flow hedge accounting to mitigate against changes in future cash flows on variable rate financial instruments with the objective of mitigating against variability in future cash flows resulting from changes in market rates. The following are the identified hedged items subject to cash flow hedge accounting:

- variable Johannesburg Interbank Average Rate-linked (JIBAR-linked) advances (cash flow interest rate risk);
- variable overnight financial liabilities (cash flow interest rate risk); and
- the group’s share incentive scheme (cash flow equity price risk).

Interest rate risk

Cash flow hedges of interest rate risk relate to exposures to the variability in future interest cash flows due to the movement of benchmark interest rates on recognised financial assets and financial liabilities. The change in the interest cash flows attributable to the change in benchmark rate is designated as the hedged risk for hedge accounting purposes. This variability in cash flows is hedged by cash collateralised vanilla interest rate swaps, fixing the hedged cash flows.

The variable interest rate on JIBAR assets and overnight financial liabilities exposes the group to volatility in interest cash flows as the variable benchmark interest rate varies over time. To manage the cash flow risk, the group enters into interest rate swaps that have similar critical terms as the hedged items, such as reference rates, reset dates, payment dates, maturities and notional amounts. Variable rate assets are hedged with float-for-fixed interest rate swaps, and variable rate liabilities are hedged with fixed-for-float interest rate swaps. The changes in the cash flows on the hedging instruments are therefore expected to offset the changes in the cash flows on hedged items, resulting in an economic relationship.

A 1:1 hedge ratio is applied as the nominal amount of the hedging instruments and the designated hedged item is the same.

The group uses the regression analysis approach (utilising a hypothetical derivative as a proxy for the hedged item) to assess the effectiveness of the hedge relationship in achieving an economic relationship prospectively.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

One of the parameters used to test effectiveness is to evaluate whether the effectiveness ranges between 80% and 125%. Even though this quantitative measure is not required under IFRS 9, the group believes this is a benchmark which has been extensively used in the past and is a prudent approach to determine the effectiveness of the hedge relationship in line with the group's risk management strategy.

In the cash flow hedge of interest rate risk, the main sources of ineffectiveness are:

- day 1 gains or losses on the hedging instrument at the inception of the hedge;
- benchmark rate differences (basis risk) arising from the use of JIBAR-linked swaps to hedge overnight financial liabilities; and
- designation of JIBAR-linked advances between JIBAR fixing dates.

Equity price risk

Equity price risk exists within the group's employee share incentive schemes that enable key management personnel and employees to benefit from the performance of FirstRand's share price. Refer to note 32 for further details. These share incentive schemes, which are accounted for as cash-settled share-based payments in terms of IFRS 2, expose the group to cash equity price risk due to volatility in FirstRand's share price.

The fair value of the IFRS 2 liability, which is predominantly driven by movements in the FirstRand share price, is economically hedged with total return swaps (TRS). When the share price increases/decreases, the share-based payment (SBP) expense increases/decreases in line with the share price movement. Similarly, the fair value of the TRS will increase/decrease for the share price component of the derivative in line with the increase/decrease in share price. Critical terms such as notional amounts and maturity dates are matched, resulting in a hedge ratio of 1:1. Changes in the cash flows of the hedged item and the hedging instrument are expected to offset each other, resulting in an economic relationship being present between the SBP expense and the TRS.

The group uses the regression analysis approach (utilising a hypothetical derivative as a proxy for the hedged item) to assess the effectiveness of the hedge relationship in achieving an economic relationship prospectively.

One of the parameters used to test effectiveness is to evaluate whether the effectiveness ranges between 80% and 125%. Even though this quantitative measure is not required under IFRS 9, the group believes this is a benchmark which has been extensively used in the past and is a prudent approach to determine the effectiveness of the hedge relationship in line with the group's risk management strategy.

In cash flow hedging for equity price risk hedge relationships, the main sources of ineffectiveness are:

- mismatches in the critical terms (including differences between the notional amount of the hedging instrument and the actual number of grants vested or expected to vest) of the hedged item and the hedging instrument;
- actual number of shares that vest versus the vesting probabilities used in the calculation of the cash-settled share-based payment;
- funding costs associated with the hedging instrument; and
- the complete fair value of the hedging instrument at inception as well as the unwinding of the time value of money element contained within the fair value of the hedging instrument on designation date.

Due to the IFRS 2 award not vesting in the current and prior financial year, the hedging relationship for the relevant schemes no longer qualified for hedge accounting.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

	2021		2020	
	Notional amount		Notional amount	
R million	**Interest rate risk**	**Equity price risk**	Interest rate risk	Equity price risk
Derivative assets				
1 — 3 months	**5 048**	**-**	19 274	-
4 — 12 months	**39 209**	**1 273**	126 079	-
>12 months	**164 698**	**-**	181 756	137
Total	**208 955**	**1 273**	327 109	137
Derivative liabilities				
1 — 3 months	**10 354**	**341**	11 630	-
4 — 12 months	**88 633**	**299**	56 686	-
>12 months	**169 903**	**1 691**	142 001	2 596
Total	**268 890**	**2 331**	210 317	2 596

The following table discloses the average interest rate and share price which the hedging instruments included in cash flow hedging relationships are based on, according to their respective maturity buckets.

	2021		2020	
	Average rate/share price		Average rate/share price	
	Interest rate risk (%)	**Equity price risk (ZAR)**	Interest rate risk (%)	Equity price risk (ZAR)
Derivative assets				
1 — 3 months	**7**	**-**	7	-
4 — 12 months	**5**	**35**	6	-
>12 months	**6**	**-**	7	34
Derivative liabilities				
1 — 3 months	**6**	**14**	7	-
4 — 12 months	**5**	**9**	7	-
>12 months	**7**	**51**	8	59

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

The following amounts were recorded in NIR and operating expenses for the year in respect of cash flow hedging relationships.

	2021			2020		
R million	**Interest rate risk**	**Equity price risk**	**Total**	Interest rate risk *	Equity price risk	Total
Changes in fair value for the year						
On the hedging instruments:	**(1 318)**	**232**	**(1 086)**	2 346	1 014	3 360
- Interest rate derivative	**(1 318)**	**-**	**(1 318)**	2 346	-	2 346
- Equity derivatives	**-**	**232**	**232**	-	1 014	1 014
On the hedged item subject to the hedged risk	**1 350**	**(258)**	**1 092**	(2 333)	(1 405)	(3 738)
- Advances	**4**	**-**	**4**	(1 930)	-	(1 930)
- Other funding liabilities	**1 346**	**-**	**1 346**	(403)	-	(403)
- Share based payment	**-**	**(258)**	**(258)**	-	(1 405)	(1 405)
Ineffectiveness in NIR and operating expenses	**32**	**(26)**	**6**	13	(391)	(378)

* In the prior period, for interest rate risk the net amount of the hedged item was reflected in advances. The comparative has been expanded in line with the current year to reflect the gross amount of the hedged items subject to interest rate risk hedge accounting. The net amount of R2 333 million was presented in the prior period.

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

	2021		
R million	**Interest rate risk**	**Equity price risk***	**Total**
Cash flow hedge reserve – opening balance	**2 629**	**(634)**	**1 995**
Gains/(losses) recognised in reserves in the current year	**(517)**	**1 485**	**968**
Deferred tax on reserve movement	**558**	**(275)**	**283**
Transfers to NII and operating expenses (staff costs)	**(1 474)**	**(417)**	**(1 891)**
- Hedged item affects profit or loss	**(1 266)**	**(412)**	**(1 678)**
- Hedged future cash flows no longer expected to occur	**(208)**	**(5)**	**(213)**
Cash flow hedge reserve – closing balance	**1 196**	**159**	**1 355**
Cash flow hedge reserve relating to continuing hedges	**1 093**	**159**	**1 252**
Cash flow hedge reserve relating to discontinued hedges	**103**	**-**	**103**
Cash flow hedge reserve – closing balance	**1 196**	**159**	**1 355**

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

	2020		
R million	Interest rate risk	Equity price risk*	Total
Cash flow hedge reserve – opening balance	568	274	842
Gains/(losses) recognised in reserves in the current year	2 961	(2 369)	592
Deferred tax on reserve movement	(802)	328	(474)
Transfers to NII and operating staff costs	(98)	1 134	1 036
- Hedged item affects profit or loss	144	1 128	1 272
- Hedged future cash flows no longer expected to occur	(242)	6	(236)
Cash flow hedge reserve – closing balance	2 629	(633)	1 996
Cash flow hedge reserve relating to continuing hedges	2 631	(633)	1 998
Cash flow hedge reserve relating to discontinued hedges	(2)	-	(2)
Cash flow hedge reserve – closing balance	2 629	(633)	1 996

*Due to the IFRS 2 award not vesting in the current and prior financial year, the hedging relationship for these relevant schemes no longer qualified for hedge accounting. The TRS derivative designated as part of this hedging relationship was therefore classified as held for trading, with fair value movements being recognized in NIR, and the portion of the cashflow hedge reserve which related to this hedge relationship was released to profit or loss.

9 COMMODITIES

R million	**2021**	2020
Agricultural commodities	**4 838**	1 553
Gold	**12 839**	19 695
Platinum group metals	**964**	96
Total commodities	**18 641**	21 344

10 INVESTMENT SECURITIES

R million	**2021**	2020
Negotiable certificates of deposit	**153**	558
Treasury bills	**104 628**	51 755
Other government and government-guaranteed stock	**206 158**	194 026
Other dated securities	**30 469**	25 682
Other undated securities	**423**	420
Non-recourse investments	**9 017**	8 611
Equities	**13 089**	12 502
Other	**4 508**	4 034
Total gross carrying amount of investment securities	**368 445**	**297 588**
Loss allowance on investment securities	**(258)**	(119)
Total investment securities	**368 187**	**297 469**

Analysis of impairment stages on investment securities

	2021			
	Amortised cost		**FVOCI (debt)**	
R million	**Carrying amount**	**ECL allowance**	**Carrying amount**	**ECL allowance**
Stage 1	**136 822**	**240**	**46 215**	**-**
Stage 2	**1 051**	**18**	**-**	**-**
Total investment securities	**137 873**	**258**	**46 215**	**-**

There were no movements between impairment stages during the current and prior financial year. ECL for FVOCI debt instruments are calculated using a loss rate approach and is immaterial.

	2020			
	Amortised cost		FVOCI (debt)	
R million	Carrying amount	ECL allowance	Carrying amount	ECL allowance
Stage 1	133 724	95	46 823	-
Stage 2	1 316	24	-	-
Total investment securities	135 040	119	46 823	-

10 INVESTMENT SECURITIES continued

Non-recourse investments at fair value through profit or loss

The group entered into the following transactions with its consolidated structured entities over the course of many years.

SPV	Type of SPV	Instruments
iNkotha Investment Limited	Call bond programme	Overnight high credit quality
iVuzi Investment Limited	Asset-backed commercial paper programme	Short-dated high credit quality
iNguza Investments Limited	Repack programme	Debentures or notes linked to underlying credit exposure

The performance on the commercial paper is directly linked to the performance and risk of the underlying portfolio of the SPV. The group has no obligations towards other investors beyond the amount already invested. Information regarding other investments is kept at the group's registered offices.

Repurchase agreements and securities lending transactions

The table below sets out the details of investment securities that have been transferred in terms of repurchase agreements.

	Investment securities (carrying amount)		Associated liabilities recognised in deposits (carrying amount)	
R million	**2021**	2020	**2021**	2020
Repurchase agreements	**18 040**	19 894	**16 361**	19 500

Both the transferred investments and related deposits under repurchase agreements are either measured at amortised cost or fair value through profit or loss.

The fair value of the investment securities transferred under repurchase agreements are R17 446 million (2020: R19 931 million) and that of the associated liabilities is R16 453 million (2020: R19 575 million).

Equity investments designated at fair value through other comprehensive income

The fair value of strategic equity investments of the group which have been classified as non-trading equity instruments designated on initial recognition as measured at FVOCI is R339 million (2020: R695 million). These strategic investments mainly relate to the group's investments in African Bank Holdings Limited and CLS Group Holdings Limited. The FVOCI measurement was deemed more appropriate because these are strategic investments that the group does not plan on selling. The fair value of the group's investment in African Bank Holdings Limited declined in the current and prior year.

11 ADVANCES

11.1 Category analysis of advances

R million	Notes	2021	2020
Overdrafts and cash management accounts		**67 798**	81 129
Term loans		**66 714**	73 658
Card loans		**35 025**	33 106
Instalment sales, hire purchase agreements and lease payments receivable		**233 533**	246 989
Property finance		**449 012**	461 876
Personal loans		**53 281**	56 658
Preference share agreements		**48 097**	48 739
Assets under agreements to resell		**65 584**	26 964
Investment bank term loans		**143 230**	164 792
Long-term loans to group associates and joint ventures		**2 508**	2 975
Other		**38 792**	43 775
Total customer advances		**1 203 574**	1 240 661
Marketable advances		**70 478**	70 434
Gross value of advances		**1 274 052**	1 311 095
Impairment and credit of fair value advances	12	**(50 618)**	(49 380)
Net advances		**1 223 434**	1 261 715

11 ADVANCES continued

11.2 Analysis of hire purchase and lease payments receivable

R million	**2021**	2020*
Within 1 year	**68 487**	70 818
Between 1 and 2 years	**62 772**	63 661
Between 2 and 3 years	**55 070**	52 409
Between 3 and 4 years	**36 984**	38 668
Between 4 and 5 years	**18 436**	20 900
More than 5 years	**10 616**	9 662
Total gross amount**	**252 365**	256 118
Unearned finance charges	**(40 072)**	(31 112)
Net amount of hire purchase and lease payments receivable	**212 293**	225 006
Instalment sales	**21 240**	21 983
Total instalment sales, hire purchase agreements and lease payments receivable	**233 533**	246 989

** The prior year amounts have been restated. Previously, the maturity analysis included instalment sales receivable of R21 983 million. The balances have been restated to only reflect the maturity analysis of hire purchase and lease payments receivable which meet the definition of a finance lease receivable. The maturity period between one and five years has been disaggregated in the current period to reflect the undiscounted lease payments receivable on an annual basis for each of the first five years.*

***The decline in the gross amount is attributable to reduction of lease originations in WesBank due to a weaker economy and reduced approval rates as credit scores declined. Although there was an 8% growth in pound terms in lease originations in MotoNovo, due to the rand strengthen against the pound, the growth was reduced to 1% in rand terms.*

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

	2020 – as previously reported					
	Gross cash flows			Unearned finance charges		
	Instalment sale, hire purchase and lease payments receivable	Instalment sale	Restated gross amount	Less: unearned finance charges	Instalment sale	Restated net amount
Within 1 year	78 724	(7 906)	70 818	(9 568)		
Between 1 and 5 years	190 732	(15 094)	175 638	(22 319)		
More than 5 years	11 264	(1 602)	9 662	(1 844)		
Total	280 720	(24 602)	256 118	(33 731)	2 619	(31 112)

11 ADVANCES continued

11.3 Securitisation transactions

The following bankruptcy remote structured entities were created over the course of many years to facilitate traditional securitisation transactions for WesBank retail instalment sale advances (Nitro 6, Nitro Programme and FAST) and for MotoNovo retail hire purchase advances (Turbo Finance 8, MotoFirst, MotoPark, MotoMore and MotoWay) and for Aldermore residential mortgage advances (Oak 2 and 3). These structured entities are consolidated by the FirstRand group. The table below discloses the carrying amount of advances and related assets held by the structured entities at 30 June as well as the financial liabilities incurred to fund the initial acquisitions and other related liabilities. Some structured entities' financial assets have early settled and the cash held by the structured entities will be utilised to purchase additional advances post year end. The current financial year has seen the Turbo Finance 9 executed at £583 million, raising £469 million in new funding for the FirstRand group. The remaining transactions are in run down with no expected extensions.

Name of securitisation	Established	Initial transaction value	Carrying value of assets R million		Carrying value of liabilities R million	
			2021	2020	**2021**	2020
FAST	July 2016	R6.8 billion	**9 883**	10 727	**9 164**	10 251
MotoFirst	October 2017	£400 million	**4 821**	11 766	**4 873**	11 781
MotoPark	January 2018	£540 million	**2 919**	7 555	**2 835**	7 620
Nitro 6	April 2018	R2 billion	**379**	745	**305**	677
Oak 2	October 2018	£390 million	**1 938**	2 744	**1 954**	2 989
Turbo Finance 8	November 2018	£400 million	**1 283**	3 665	**1 325**	3 705
Nitro Programme	May 2019	R2 billion	**861**	1 391	**808**	1 362
Oak 3	September 2019	£344million	**4 341**	6 507	**4 354**	6 956
MotoMore*	September 2019	£117 million	**5 188**	5 582	**5 188**	5 582
MotoWay	September 2019	£583 million	**5 351**	12 622	**5 590**	12 779
Turbo Finance 9	October 2020	£583 million	**10 216**	-	**10 216**	-

** The comparative has been restated by R357 million (assets) and R220 million (liabilities) to include all assets and liabilities held by the structured entities.*

11 ADVANCES continued

11.4 Analysis of advances per class

Basis of preparation of the analysis of advances per class

Temporary stress scenario

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

RMB corporate and investment banking

In determining classes of advances, the type of customer is used as a primary indicator, and then the type of loan provided to that type of customer is reflected as sub-classes. In the current year, due to a change in the internal structures, the group no longer sees a distinction between RMB corporate and RMB investment banking and concluded that a single class of customer will be shown.

The group has therefore combined RMB corporate and RMB investment banking, which had been presented separately in the prior period, and presents it as a single class in the current year. The group has voluntarily updated the comparative information and presented totals of the two classes combined.

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

11 ADVANCES continued

11.4 Analysis of advances per class continued

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

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

11 ADVANCES continued

11.4 Analysis of advances per class continued

	2020			
R million	Total	Amortised cost	Fair value through profit or loss	Loss allowance
Residential mortgages	220 488	224 404	-	(3 916)
WesBank VAF	98 153	104 014	-	(5 861)
Total retail secured	318 641	328 418	-	(9 777)
FNB card	26 009	30 210	-	(4 201)
Personal loans	33 177	41 874	-	(8 697)
Retail other	13 593	16 732	-	(3 139)
Total retail unsecured	72 779	88 816	-	(16 037)
FNB commercial	101 888	107 889	27	(6 028)
- FNB commercial excluding scheme	101 591	107 544	27	(5 980)
- Government-guaranteed loan scheme	297	345	-	(48)
WesBank corporate	26 608	27 114	-	(506)
RMB corporate and investment banking*	342 810	280 204	69 111	(6 505)
RMB corporate banking	67 242	68 318	127	(1 203)
RMB investment banking	275 568	211 886	68 984	(5 302)
Total corporate and commercial	471 306	415 207	69 138	(13 039)
Rest of Africa	61 747	66 070	310	(4 633)
Group Treasury and other*	35 991	35 902	988	(899)
UK operations	301 251	306 246	-	(4 995)
- Retail**	231 076	234 529	-	(3 453)
- Commercial	70 175	71 717	-	(1 542)
Total advances	1 261 715	1 240 659	70 436	(49 380)

* *Voluntary movement in classes of advances. Refer to note 38.*

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

11 ADVANCES continued

11.5 Reconciliation of the gross advances and loss allowance on total advances

Basis of preparation of the reconciliation

- The reconciliation of the gross carrying amount and ECL has been prepared using a year-to-date view. This means that the group reports exposures based on the impairment stage at the end of the reporting period. The reconciliation distinguishes between the back book and new business as this provides meaningful information to the user in gaining an understanding of the performance of advances overall. The current year movement in ECL is split between new business and back book and the temporary stress scenario.
- The group transfers opening balances (back book) at the value as at 1 July, based on the impairment stage at the end of the reporting period. Any change in exposure and additional ECL raised or released is included in the impairment stage as at the end of the reporting period. Exposures that are in the back book can move directly from stage 3 to stage 1 if the curing requirements have been met in a reporting period. The opening balances as at 1 July are transferred to the impairment stage at 30 June in the transfers section. The current year movements of the back book is included in changes in exposure and net movement on gross carrying amount (GCA) and ECL provided/(released) are reflected separately in the reconciliation. The current year movement in the ECL for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime ECL and other changes.
- 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 year, the transfers between stages of the new origination and any settlements.
- Current year ECL provided/(released) relates to:
  - an increase/(decrease) in the carrying amount of the back book during the current financial year, as well as the increase/(decrease) in the risk associated with the opening balance of the back book; and
  - includes interest on stage 3 advances for stage 3 exposures in the back book and new business.
- New business is broadly defined as any new product issued to a new or existing customer during the current financial year, including any increase or decrease during the current financial year. All new business is included in the change in exposure due to new business in the current year based 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.
- The majority of the fair value advances is originated within the RMB corporate and investment banking portfolio.
- The decrease in the advance as a result of a write-off is equal to the decrease in the ECL (bad debts written off), as exposures are 100% provided for before being written off. There is however an exception in the RMB corporate and investment banking portfolio, where partial write-offs are permitted on a case-by-case basis.

11 ADVANCES continued

11.5 Reconciliation of the gross advances and loss allowance on total advances continued

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

The total amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is R14 921 million.

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

11 ADVANCES continued

11.5 Reconciliation of the gross advances and loss allowance on total advances continued

Changes in the gross carrying amount of advances – 30 June 2021

Pandemic-related risk cuts resulted in a slowdown in asset origination, but improved the overall risk profile of the group. Advances growth was impacted by potential new business not concluded where returns did not compensate for increased risk and specifically in corporate, not meeting the group's hurdle rates. Whilst elevated risk remains in specific industries, general consumer and business income continues to recover, with certain industries reflecting positive economic activity and recovery. The group continues to follow a targeted approach to origination, with data analytics providing improved insights into customer income sources and industry sectors. Credit risk appetite refinements continue to be made accordingly to support responsible growth.

FNB SA advances increased marginally with 1% growth in residential mortgages offset by a 2% decline in unsecured advances, specifically the personal loans portfolio, excluding the Covid-19 relief portfolio. This was primarily due to the cautious underwriting approach maintained through most of the financial year. The personal loans book run-down outpaced the more cautious origination approach given the backdrop of unemployment and income uncertainty. In the direct marketing channel, lower response rates also contributed to the decline. Card advances grew 3%, as consumer card spending recovered. Retail other contracted due to lower overdrafts.

WesBank VAF were down 4% as the rate at which the book ran down (including higher levels of write-offs related to Covid-19 arrears), exceeded new business inflows.

FNB commercial advances grew 2%, excluding the government's loan guarantee scheme for SMEs, which reflects strain in the economy and lower risk appetite. There was generally low demand for working capital and a switch to the SME government-guaranteed scheme, which grew R1.3 billion.

RMB's corporate and investment banking advances declined 2% year-on-year. This reflects the stabilisation of clients' liquidity needs during the current financial year following significant Covid-19 related support provided to clients after the first lockdown in March 2020. In addition, large settlements were received from various local and cross-border exposures during the year and the rand appreciated 18% against the dollar, contributing to the RMB corporate and investment banking cross-border advances book declining. RMB continued its deliberate cautious approach to new origination, in part reflecting the slow structural economic recovery from the pandemic, the ongoing pressure in sectors of the economy hardest hit by the pandemic and the ongoing focus on protecting the return profile from new business origination given significant market-driven margin pressure experienced.

Rest of Africa advances contracted 9%, impacted by the devaluation of local currencies, continued low risk appetite and higher write-offs.

Advances grew 1% in the UK operations (7% contraction in rand terms).

11 ADVANCES continued

11.5 Reconciliation of the gross advances and loss allowance on total advances continued

Changes in the gross carrying amount of advances – 30 June 2021 continued

The table below provides a breakdown of the movement in the gross carrying amount of advances across the group's classes and the resulting impact on the ECL provisions. The ECL charge for the period is further analysed into the key drivers of the movement in note 12.2.3. The comparative period information has not been updated in line with the information presented below. As IFRS 9 is refined and embedded in the group's reporting process, changes and additional disclosure is included.

R million	Total change GCA	% change in GCA	Total change ECL	% change in ECL	GCA related to new business	ECL related to new business
Residential mortgages	1 262	1	(388)	10	31 889	(116)
WesBank VAF	(3 912)	(4)	11	-	35 344	(943)
Total retail secured	(2 650)	(3)	(377)	10	67 233	(1 059)
FNB card	1 039	3	(482)	11	2 443	(148)
Personal loans	(2 165)	(5)	67	(1)	15 485	(1 448)
Retail other	(1 020)	(6)	20	(1)	1 757	(150)
Total retail unsecured	(2 146)	(2)	(395)	2	19 685	(1 746)
Temporary stress scenario	-	-	(335)	-	-	-
Total retail secured and unsecured	(4 796)	(1)	(1 107)	4	86 918	(2 805)
FNB commercial	3 205	3	(282)	5	22 151	(364)
- FNB commercial excluding scheme	1 951	2	(78)	1	21 211	(307)
- Government-guaranteed loan scheme	1 254	>100	(56)	>100	940	(57)
Temporary stress scenario	-	-	(148)	-	-	-
WesBank corporate	(128)	-	(49)	10	5 359	(78)
RMB corporate and investment banking	(6 007)	(2)	(900)	14	74 541	(471)
Total corporate and commercial	(2 930)	(1)	(1 231)	9	102 051	(913)
Rest of Africa	(6 027)	(9)	732	(16)	13 647	(284)
Group Treasury and other	(660)	(2)	276	(31)	1 096	(91)
UK operations	(22 630)	(7)	92	(2)	84 275	(707)
- Retail	(13 341)	(6)	(118)	3	62 317	(570)
- Commercial	(9 289)	(13)	210	(14)	21 958	(137)
Total advances	(37 043)	(3)	(1 238)	3	287 987	(4 800)

Included in the gross carrying amount is advances of R2 413 million for which no ECL is raised due to over collateralisation. These advances are originated in FNB commercial and RMB corporate and investment banking.

11 ADVANCES continued

11.5 Reconciliation of the gross advances and loss allowance on total advances continued

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

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

11 ADVANCES continued

11.5 Reconciliation of the gross advances and loss allowance on total advances continued

Changes in the gross carrying amount of advances – 30 June 2020

In the prior period, the growth in gross advances of 6%, coupled with the increase in levels of total ECL provisions of 45% was due to the strained macroeconomic environment which had been further weakened by the Covid-19 pandemic and resulting lockdown.

The following changes in the gross carrying amount of advances contributed in part to the change in ECL in the prior financial year:

- Residential mortgages increased by R7 240 million reflecting a 3% increase from the prior year. This mainly relates to growth in premium residential mortgages, benefiting from new client acquisition, up-sell initiatives and strong demand in private bank mortgage lending.
- WesBank VAF declined in the current year by R2 128 million, reflecting the impact of the lockdown on motor vehicle sales, in addition to the lengthening of customer's vehicle replacement cycles, further risk cuts in origination and increased competition.
- FNB card advances increased by R2 095 million, as a result of targeted client acquisition, client migration and the shift to card transactional accounts (Fusion product) away from more traditional transactional products included in retail other.
- Personal loans increased by R2 505 million driven by the Covid-19 emergency relief loan offering. Excluding the emergency loans, personal loan growth was negatively impacted by reduced risk appetite and lower customer demand.
- The decline in retail other advances of R1 176 million reflects the lower usage of transactional banking accounts (primarily overdrafts) and the move to card transactional accounts (Fusion product).
- The increase in FNB commercial advances of R 2 785 million was largely driven by targeted new client acquisition in the business segment. R345 million of the growth in advances relates to loans granted under the SME government guaranteed loan scheme.
- RMB corporate bank grew advances by R10 513 million, largely driven by higher corporate bank utilisation. Included in the RMB corporate bank growth was originated credit impaired advances of R127 million following a distressed restructure.
- RMB investment bank experienced a net decrease of R5 151 million, reflecting an increase of amortised cost advances of R 5 012 million and a decrease in fair value advances of R10 163 million. The decrease in fair value advances is mainly driven by a decrease in advances under reverse repurchase agreements, which carry no ECL, as well as the decrease in investment bank term loans at fair value. RMB investment bank originated credit impaired assets of R901 million following distressed restructures, which did not result in ECL being recognised as these amounts are initially recognised net of impairments. In the current year and additional impairments of R120 million was recognised on credit impaired advances originated in the previous financial year.

11 ADVANCES continued

11.5 Reconciliation of the gross advances and loss allowance on total advances continued

- Advances in the rest of Africa portfolio experienced a net increase of R 1 823 million. The growth in this portfolio was muted due to modest economic growth in many jurisdictions, with growth mainly attributable to Nigeria.
- The UK operations portfolio growth of 24% (4% in pound terms) is as a result of strong new business levels in owner-occupied mortgages and targeted invoice and asset finance origination. Pre-pandemic and resulting lockdown, new business volumes in MotoNovo asset-based finance business experienced growth due to more competitive funding rates obtained from the Aldermore platform.

The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is R12 935 million. The gross carrying amount in advances for which no ECL was raised because of over collateralisation was R2 219 million.

11 ADVANCES continued

11.6 Analysis of the gross advances and loss allowance on total advances per class

	2021				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
Residential mortgages	225 666	196 375	15 935	13 356	-
WesBank VAF	100 102	77 514	12 677	9 911	-
Total retail secured	325 768	273 889	28 612	23 267	-
FNB card	31 249	24 553	2 662	4 034	-
Personal loans	39 709	25 176	6 987	7 546	-
Retail other	15 712	11 680	1 540	2 492	-
Total retail unsecured	86 670	61 409	11 189	14 072	-
Temporary stress scenario	-	(1 212)	1 212	-	-
Total retail secured and unsecured	412 438	334 086	41 013	37 339	-
Total FNB commercial	111 121	94 518	10 225	6 378	-
- FNB commercial	111 121	94 617	10 126	6 378	-
-Temporary stress scenario	-	(99)	99	-	-
WesBank corporate	26 986	24 174	1 998	814	-
RMB corporate and investment banking	343 308	311 340	28 289	2 781	898
Total corporate and commercial	481 415	430 032	40 512	9 973	898
Rest of Africa	60 353	49 976	6 850	3 527	-
Group Treasury and other	36 230	36 179	51	-	-
UK operations	283 616	251 676	22 972	8 968	-
Retail	221 188	198 513	15 803	6 872	-
Commercial	62 428	53 163	7 169	2 096	-
Total advances	1 274 052	1 101 949	111 398	59 807	898

2021				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
4 304	646	841	2 817	-
5 850	743	1 081	4 026	-
10 154	1 389	1 922	6 843	-
4 683	861	654	3 168	-
8 630	1 611	1 722	5 297	-
3 119	718	575	1 826	-
16 432	3 190	2 951	10 291	-
335	131	160	44	-
26 921	4 710	5 033	17 178	-
6 310	1 157	1 548	3 605	-
6 162	1 033	1 524	3 605	-
148	124	24	-	-
555	108	122	325	-
7 405	1 800	3 915	1 518	172
14 270	3 065	5 585	5 448	172
3 901	992	941	1 968	-
623	464	159	-	-
4 903	1 220	973	2 710	-
3 571	805	685	2 081	-
1 332	415	288	629	-
50 618	10 451	12 691	27 304	172

11 ADVANCES continued

11.6 Analysis of the gross advances and loss allowance on total advances per class continued

Breakdown of temporary stress scenario

	2021				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
Residential mortgages	-	(735)	735	-	-
WesBank VAF	-	(111)	111	-	-
Total retail secured	-	(846)	846	-	-
FNB card	-	(88)	88	-	-
Personal loans	-	(248)	248	-	-
- FNB and DirectAxis	-	(248)	248	-	-
- Covid-19 relief	-	-	-	-	-
Retail other	-	(30)	30	-	-
Total retail unsecured	-	(366)	366	-	-
FNB commercial	-	(99)	99		
Total temporary stress scenario impact	-	(1 311)	1 311	-	-

2021				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
96	20	39	37	-
71	25	40	6	-
167	45	79	43	-
68	37	31	-	-
66	29	37	-	-
58	24	34	-	-
8	5	3	-	-
34	20	13	1	-
234	86	81	1	-
148	124	24	-	-
483	255	184	44	-

11 ADVANCES continued

11.6 Analysis of the gross advances and loss allowance on total advances per class continued

	2020				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
Residential mortgages	224 404	197 845	14 897	11 662	-
WesBank VAF	104 014	82 179	11 581	10 254	-
Total retail secured	328 418	280 024	26 478	21 916	-
FNB card	30 210	24 352	2 183	3 675	-
Personal loans	41 874	28 371	6 079	7 424	-
Retail other	16 732	12 879	1 646	2 207	-
Total retail unsecured	88 816	65 602	9 908	13 306	-
FNB commercial	107 916	92 641	8 245	7 030	-
WesBank corporate	27 114	24 385	1 855	874	-
RMB corporate and investment banking*	349 315	309 802	36 378	2 107	1 028
- RMB corporate banking	68 445	59 847	7 745	726	127
- RMB investment banking	280 870	249 955	28 633	1 381	901
Total corporate and commercial	484 345	426 828	46 478	10 011	1 028
Rest of Africa	66 380	57 210	4 973	4 197	-
Group Treasury and other*	36 890	36 702	45	143	-
UK operations	306 246	265 147	34 419	6 680	-
Retail	234 529	206 982	22 429	5 118	-
Commercial	71 717	58 165	11 990	1 562	-
Total advances	1 311 095	1 131 513	122 301	56 253	1 028

* Voluntary movement in classes of advances. Refer to note 38.

2020				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
3 916	731	777	2 408	-
5 861	575	1 308	3 978	-
9 777	1 306	2 085	6 386	-
4 201	917	562	2 722	-
8 697	1 812	1 653	5 232	-
3 139	782	701	1 656	-
16 037	3 511	2 916	9 610	-
6 028	1 394	1 339	3 295	-
506	114	111	281	-
6 505	1 758	4 169	458	120
1 203	323	647	113	120
5 302	1 435	3 522	345	-
13 039	3 266	5 619	4 034	120
4 633	1 007	981	2 645	-
899	565	152	182	-
4 995	1 680	1 619	1 696	-
3 453	1 116	1 148	1 189	-
1 542	564	471	507	-
49 380	11 335	13 372	24 553	120

11 ADVANCES continued

11.6 Analysis of the gross advances and loss allowance on total advances per class continued

Voluntary changes to the classes previously reported at 30 June 2020

	Gross advances		
R million	As previously reported	Movement	Updated amount
Residential mortgages	224 404	-	224 404
WesBank VAF	104 014	-	104 014
Total retail secured	328 418	-	328 418
FNB card	30 210	-	30 210
Personal loans	41 874	-	41 874
Retail other	16 732	-	16 732
Total retail unsecured	88 816	-	88 816
FNB commercial	107 916	-	107 916
WesBank corporate	27 114	-	27 114
RMB corporate and investment banking*		123	349 315
- RMB corporate banking	68 445	-	68 445
- RMB investment banking	280 747	123	280 870
Total corporate and commercial	484 222	123	484 345
Rest of Africa	66 380	-	66 380
Group Treasury and other*	37 013	(123)	36 890
UK operations	306 246	-	306 246
Retail	234 529	-	234 529
Commercial	71 717	-	71 717
Total advances	1 311 095	-	1 311 095

* The group reclassified advances between classes and elected to voluntarily restate its comparative information both in note 11 (Advances), note 12 (Impairment of Advances) and note 37 (Financial and Insurance Risk Management). Refer to note 38 for detail around voluntary movements in classes of advances.

Loss allowance		
As previously reported	Movement	Updated amount
3 916	-	3 916
5 861	-	5 861
9 777	-	9 777
4 201	-	4 201
8 697	-	8 697
3 139	-	3 139
16 037	-	16 037
6 028	-	6 028
506	-	506
	-	6 505
1 203	-	1 203
5 302	-	5 302
13 039	-	13 039
4 633	-	4 633
899	-	899
4 995	-	4 995
3 453	-	3 453
1 542	-	1 542
49 380	-	49 380

12 IMPAIRMENT OF ADVANCES

12.1 Analysis of the loss allowance closing balance

	2021				
	Loss allowance				
R million	Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
Amount as at 30 June	**50 618**	**10 451**	**12 691**	**27 304**	**172**
Included in the total loss allowance					
- On- and off-balance sheet exposure*	**50 444**	**10 309**	**12 686**	**27 300**	**149**
- Letters of credit and guarantees	**174**	**142**	**5**	**4**	**23**
Components of total loss Allowance as at 30 June					
- Forward-looking information**	**4 262**	**2 429**	**1 615**	**218**	**-**
- Changes in models#	**576**	**413**	**55**	**108**	**-**
- Interest on stage 3 advances†	**3 541**	**-**	**-**	**3 541**	**-**

* *Includes committed undrawn facilities as the credit risk of the undrawn component is managed and monitored with the drawn component as a single EAD. The EAD on the entire facility is used to calculate the ECL and is therefore included in the ECL allowance.*

** *This represents the total ECL closing balance as at 30 June that is attributable to incorporating FLI macro information into the ECL calculations. For more detail on the process of incorporating FLI into the ECL calculation refer to the accounting policy note 9.4.*

\# *This represents the total ECL closing balance as at 30 June that is attributable to significant model changes, such as model recalibrations or changes in the impairment methodology used that has been approved by a governance body. The amount reflected is the additional ECL recognised at the point/date that the model change was implemented.*

† *Cumulative balance of interest on stage 3 advances as at 30 June.*

2020				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
49 380	11 335	13 372	24 553	120
48 931	11 129	13 217	24 465	120
449	206	155	88	-
5 479	2 557	2 202	720	-
368	86	451	(169)	-
2 754	-	-	2 754	-

12 IMPAIRMENT OF ADVANCES continued

12.2 Reconciliation of the loss allowance on total advances per class

Amortised cost

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

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

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

Corporate and commercial						UK operations		
FNB commercial	**Temporary stress scenario**	**WesBank corporate**	**RMB corporate and investment banking**	**Rest of Africa**	**Group Treasury and other**	**Retail**	**Commer-cial**	**Total**
3 812	-	338	3 553	3 961	770	1 511	582	33 614
733	-	92	1 155	805	398	532	213	7 614
776	-	67	1 783	804	186	378	109	7 702
2 303	-	179	615	2 352	186	601	260	18 298
-	-	-	(10)	-	-	-	-	(100)
	-		-					
	-							
-	-	-	-	(223)	(42)	-	-	(265)
-	-	-	123	208	-	504	216	1 051
(1 286)	-	(114)	(713)	(1 282)	(196)	(842)	(350)	(14 168)
3 502	-	282	2 864	1 969	122	2 280	1 094	28 315
489	-	10	222	212	(58)	453	249	2 550
1 070	-	64	2 150	182	(14)	699	346	7 323
1 943	-	208	492	1 575	194	1 128	499	18 442
6 028	-	506	5 817	4 633	654	3 453	1 542	48 447
1 394	-	114	1 611	1 007	320	1 116	564	10 943
1 339	-	111	3 758	981	152	1 148	471	12 961
3 295	-	281	448	2 645	182	1 189	507	24 543
-	**-**	**1**	**(4)**	**-**	**-**	**-**	**-**	**(44)**
-	**-**	**-**	**-**	**-**	**(116)**	**-**	**-**	**-**
-	-		-					-
	-							-
-	**-**	**-**	**-**	**(9)**	**(35)**	**-**	**-**	**(44)**
-	**-**	**-**	**(210)**	**(581)**	**(5)**	**(319)**	**(138)**	**(1 253)**
(1 686)	**-**	**(84)**	**(306)**	**(1 369)**	**-**	**(591)**	**(412)**	**(16 048)**
1 820	**148**	**132**	**1 213**	**1 227**	**14**	**1 028**	**340**	**18 554**
(947)	**124**	**(18)**	**(271)**	**86**	**44**	**(352)**	**(209)**	**(1 601)**
1 003	**24**	**27**	**729**	**286**	**-**	**(186)**	**(66)**	**3 654**
1 764	**-**	**123**	**755**	**855**	**(30)**	**1 566**	**615**	**16 501**
6 162	**148**	**555**	**6 510**	**3 901**	**512**	**3 571**	**1 332**	**49 612**
1 033	**124**	**108**	**1 636**	**992**	**360**	**805**	**415**	**10 183**
1 524	**24**	**122**	**3 285**	**941**	**152**	**685**	**288**	**12 054**
3 605	**-**	**325**	**1 589**	**1 968**	**-**	**2 081**	**629**	**27 375**

12 IMPAIRMENT OF ADVANCES continued

12.2 Reconciliation of the loss allowance on total advances per class continued

Fair value

R million	RMB corporate and investment banking	Rest of Africa	Group Treasury and other	Total
Reported as at 1 July 2019	368	2	178	548
- Stage 1	124	2	176	302
- Stage 2	47	-	2	49
- Stage 3	197	-	-	197
Exchange rate differences	19	-	-	19
Bad debts written off	(194)	-	-	(194)
Current period provision created/(released)	495	(2)	67	560
- Stage 1	46	(2)	67	111
- Stage 2	320	-	-	320
- Stage 3	129	-	-	129
Amount as at 30 June 2020	688	-	245	933
Stage 1	147	-	245	392
Stage 2	411	-	-	411
Stage 3	130	-	-	130
Exchange rate differences	**(39)**	**-**	**-**	**(39)**
Bad debts written off	**-**	**-**	**(148)**	**(148)**
Current period provision created/(released)	**246**	**-**	**14**	**260**
- Stage 1	**6**	**-**	**7**	**13**
- Stage 2	**268**	**-**	**7**	**275**
- Stage 3	**(28)**	**-**	**-**	**(28)**
Amount as at 30 June 2021	**895**	**-**	**111**	**1 006**
Stage 1	**164**	**-**	**104**	**268**
Stage 2	**630**	**-**	**7**	**637**
Stage 3	**101**	**-**	**-**	**101**

12 IMPAIRMENT OF ADVANCES continued

12.2 Reconciliation of the loss allowance on total advances per class continued

RMB corporate and investment banking

Amortised cost and fair value

	RMB corporate and investment banking					
	Amortised cost			Fair value		
R million	RMB corporate banking	RMB investment banking	RMB corporate and investment banking	RMB corporate banking	RMB investment banking	RMB corporate and investment banking
Reported as at 1 July 2019	688	2 865	3 553	-	368	368
- Stage 1	231	924	1 155	-	124	124
- Stage 2	364	1 419	1 783	-	47	47
- Stage 3	93	522	615	-	197	197
Acquisition/(disposal) of advances	-	(10)	(10)	-		-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	- -	-	-	- -
Exchange rate differences	10	113	123	-	19	19
Bad debts written off	(141)	(572)	(713)	-	(194)	(194)
Current period provision created/(released)	526	2 338	2 864	120	375	495
- Stage 1	71	151	222	-	46	46
- Stage 2	347	1 803	2 150	-	320	320
- Stage 3	108	384	492	120	9	129
Amount as at 30 June 2020	1 083	4 734	5 817	120	568	688
Stage 1	323	1 288	1 611	-	147	147
Stage 2	647	3 111	3 758	-	411	411
Stage 3	113	335	448	120	10	130

12 IMPAIRMENT OF ADVANCES continued

12.3 Breakdown of ECL created in the reporting period

12.3.1 Breakdown of ECL created in the reporting period per impairment charge

R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Current year ECL provided	18 814	(1 565)	3 906	16 421	52
ECL on new business and back book	18 331	(1 820)	3 722	16 377	52
Temporary stress scenario	483	255	184	44	-
Interest on stage 3 advances	(3 369)	-	-	(3 369)	-
Current year change in ECL provided after interest on stage 3 advances	15 445	(1 565)	3 906	13 052	52
Post write-off recoveries	(2 427)	-	-	(2 427)	-
Modification losses	642	18	76	548	-
Impairment recognised in the income statement at 30 June 2021	13 660	(1 547)	3 982	11 173	52
Current year ECL provided	28 875	2 661	7 643	18 451	120
Interest on stage 3 advances	(3 125)	-	-	(3 125)	-
Current year change in ECL provided after interest on stage 3 advances	25 750	2 661	7 643	15 326	120
Post write-off recoveries	(2 374)	-	-	(2 374)	-
Modification losses	1 007	189	121	697	-
Impairment recognised in the income statement at 30 June 2020	24 383	2 850	7 764	13 649	120

12.3.2 Breakdown of ECL created in the reporting period per measurement category

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

12 IMPAIRMENT OF ADVANCES

12.3 Breakdown of ECL created in the reporting period continued

12.3.3 Breakdown of ECL created in the reporting period per key driver

The table below provides a breakdown of the change in the ECL impairment recognised in the current period based on the key drivers. The key components of the ECL impairment recognised in the current period are as follows:

- **Volume change in stage 1** – This represents the change in the impairment on stage 1 advances assuming that the coverage ratio has remained unchanged from the prior period. This column therefore represents the change in volume of stage 1 advances due to new business stage migration, loans commencing in the period in stage 1 subsequently written off or curing. The volume change in stage 1 reflects the low origination in stage 1 advances and higher rolls into stage 2 in SA retail and the rest of Africa. This was offset by increased stage 1 advances in corporate and commercial and the UK operations.
- **Change in stage 1 coverage** – This represents the change in the impairment on stage 1 advances due to a change in the coverage ratio for stage 1 advances. The increase was largely due to the decline in existing and forward-looking macroeconomic indicators impacting various model inputs and judgemental out-of-model adjustments. Stage 1 coverage decreased in total, with increased coverage in SA retail and the rest of Africa to capture the increased uncertain environment offset by lower stage 1 coverage in commercial and the UK operations as FLIs improve, with the UK in particular driven by the improving forward-looking macros.
- **Volume change in stage 2** – This represents the change in the impairment on stage 2 advances assuming that the coverage ratio remained unchanged from the prior period. This column therefore represents the change in volume of stage 2 advances due to stage migration, loans commencing the period in stage 2 subsequently migrating to stage 3 or curing. The volume change in stage 2 advances is driven by the increasing roll rates due to the expiration of relief periods, the application of the refined SICR indicators and the stress scenario impacting the SA retail, commercial and rest of Africa, offset by large stage 2 settlements and cure in corporate.
- **Change in stage 2 coverage** – This represents the change in the impairment on stage 2 advances due to a change in the coverage ratio for stage 2 advances. The change in stage 2 reflects lower coverage for the SA retail, commercial and rest of Africa portfolios as the enhancements to the SICR rules and application of the stress scenario does not fully offset the improved FLI, however corporate retained conservative coverage to address specific high risk industries.
- **Stage 3** – This represents the change in the impairment on stage 3 advances due to a change in the coverage ratio and volume changes due to loans commencing in the period in stage 3 subsequently written off or curing. The increase is a consequence of the growth in NPLs with coverage increasing in all portfolios other than the rest of Africa, which reflects significant write-off during the year.
- **Modification gains or losses** are recognised on modified exposures that are not derecognised. During the current period modification gains or losses reduced as the number of distressed restructures decline, particularly as the Covid-19 relief measures cease.
- **Write-offs and other charges** include advances written off in the current period, exchange rate differences and ECL changes due to acquisition or disposal transactions. Write-off reflects the gross advances written off excluding ECL. Gross advances written off increased R3.7 billion (35%) to R14.2 billion (June 2020:R10.53 billion). The increase is due to the backlog from the court process starting to clear and an earlier write-off point is applied to the Covid-19 relief loans (R395 million) and a clean-up of long-outstanding NPLs in the rest of Africa.

The comparative period information has not been updated in line with the information presented below.

12 IMPAIRMENT OF ADVANCES continued

12.3 Breakdown of ECL created in the reporting period continued

12.3.3 Breakdown of ECL created in the current period per key driver continued

	2021			
R million	**Change in volume stage 1***	**Change in coverage stage 1****	**Change in volume stage 2#**	**Change in coverage stage 2^**
Total retail secured	(38)	121	178	(341)
Total retail unsecured	(268)	(53)	176	(141)
Temporary stress scenario	-	131	-	160
Total retail secured and unsecured	**(306)**	**199**	**354**	**(322)**
Total FNB commercial	190	(427)	308	(99)
- FNB commercial	190	(551)	308	(123)
- Temporary stress scenario	-	124	-	24
- WesBank corporate	(1)	(5)	9	2
- RMB corporate and investment banking	34	8	(1 275)	1 021
Total corporate and commercial	**223**	**(424)**	**(958)**	**924**
Rest of Africa	(128)	113	381	(421)
Group Treasury and other	27	(128)	20	(13)
UK operations	79	(539)	(626)	(20)
Total	**(105)**	**(779)**	**(829)**	**148**

** Calculated as the movement in the gross carrying amount of stage 1 advances (30 June 2021 less 30 June 2020) multiplied by the prior year stage 1 coverage ratio.*

*** Calculated as the gross carrying amount of stage 1 advances at 30 June 2021 multiplied by the difference in the current year and prior year stage 1 coverage ratio.*

 # Calculated as the movement in the gross carrying amount of stage 2 advances (30 June 2021 less 30 June 2020) multiplied by the prior year stage 2 coverage ratio.

^ Calculated as the gross carrying amount of stage 2 advances 30 June 2021 multiplied by the difference in the current year and prior year stage 2 coverage ratio.

	2021					
	Change in stage 3 provisions	**Credit provision increase**	**Modification loss**	**Gross write-off and other**	**Post write-off recoveries**	**Total**
	457	**377**	169	2 240	(312)	**2 474**
	681	**395**	441	6 850	(1 620)	**6 066**
	44	**335**	-	-	-	**335**
	1 182	**1 107**	**610**	**9 090**	**(1 932)**	**8 875**
	310	**282**	(8)	1 119	(86)	**1 307**
	310	**134**	(8)	1 119	(86)	**1 159**
	-	**148**	-	-	-	**148**
	44	**49**	-	66	(9)	**106**
	1 112	**900**	-	534	(6)	**1 428**
	1 466	**1 231**	**(8)**	**1 719**	**(101)**	**2 841**
	(677)	**(732)**	-	1 761	(144)	**885**
	(182)	**(276)**	-	303	2	**29**
	1 014	**(92)**	40	1 334	(252)	**1 030**
	2 803	**1 238**	**642**	**14 207**	**(2 427)**	**13 660**

12 IMPAIRMENT OF ADVANCES

12.4 Modified advances measured at amortised cost

The following table provides information on advances that were modified while they had a loss allowance measured at an amount equal to lifetime expected credit losses and the modification resulted in a modification gain or loss being recognised.

Where the modification did not result in a modification gain or loss being recognised, these modifications are not disclosed below.

	2021			
	Stage 2 and stage 3			
R million	Gross carrying amount before modification	Loss allowance before modification	Amortised cost before modification	Modification gain/(loss)
Residential mortgages	292	(23)	269	(31)
WesBank VAF	1 309	(252)	1 057	(138)
Total retail secured	1 601	(275)	1 326	(169)
FNB card	386	(243)	143	(50)
Personal loans	2 374	(1 032)	1 342	(358)
Retail other	924	(531)	393	(33)
Total retail unsecured	3 684	(1 806)	1 878	(441)
FNB commercial	563	(40)	523	8
Total corporate and commercial	563	(40)	523	8
Rest of Africa	-	-	-	-
Group Treasury and other	-	-	-	-
UK operations	3 396	(516)	2 880	(21)
- Retail	1 630	(145)	1 485	(22)
- Commercial	1 766	(371)	1 395	1
Total	9 244	(2 637)	6 607	(623)

The gross carrying amount in stage 2 or stage 3 of advances that previously had been modified but not derecognised, and whose improvement in credit risk has moved, amounted to R320 million (2020: R1 664 million) into stage 1.

12 IMPAIRMENT OF ADVANCES

12.4 Modified advances measured at amortised cost continued

The following table provides information on advances that were modified while they had a loss allowance measured at an amount equal to lifetime expected credit losses and the modification resulted in a modification gain or loss being recognised.

	2020			
	Stage 2 and stage 3			
R million	Gross carrying amount before modification	Loss allowance before modification	Amortised cost before modification	Modification gain/(loss)
Residential mortgages	1 676	(109)	1 567	(40)
WesBank VAF	1 269	(364)	905	3
Total retail secured	2 945	(473)	2 472	(37)
FNB card	460	(274)	186	(90)
Personal loans	2 714	(1 379)	1 335	(486)
Retail other	817	(489)	328	(143)
Total retail unsecured	3 991	(2 142)	1 849	(719)
FNB commercial	338	(24)	314	-
Total corporate and commercial	338	(24)	314	-
Rest of Africa	89	(21)	68	(19)
Group Treasury and other	-	-	-	-
UK operations	5 076	(692)	4 384	(43)
- Retail	2 194	(647)	1 547	(5)
- Commercial	2 882	(45)	2 837	(38)
Total	12 439	(3 352)	9 087	(818)

13 OTHER ASSETS

R million	Notes	2021	2020
Items in transit		**1 362**	1 051
Interest and commission accrued		**19**	44
Prepayments		**2 093**	2 171
Properties in possession	37.1.5	**100**	61
Sundry debtors		**1 178**	1 097
Fair value hedge asset*		**284**	1 253
Dividends receivable		**216**	319
- Profit share receivable on insurance cells		**202**	319
- Other dividends receivable		**14**	-
Variation margin		**992**	2 614
Other accounts receivable**		**3 194**	2 803
Total gross carrying amount of other assets		**9 438**	11 413
- Financial		**6 167**	7 100
- Non-financial		**3 271**	4 313
Loss allowance on other financial assets#		**(222)**	(157)
Total other assets		**9 216**	11 256

**The balance reflected relates to the fair value of the interest rate risk component of the hedged items designated in the group's fair value macro hedge accounting relationship.*

*** In the prior period, the group as a lessor had granted lease concessions on operating leases to its customers in the form of payment holidays. The lease payments amounting to R28 million (2020: R82 million) are deferred and included in other accounts receivable and are tested for ECL. This account also includes variation margin debtors and trade debtors*

#No further information is provided on the loss allowance on other assets, as it is insignificant.

14 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

R million	**Total June 2021**	**Tanzania June 2021**	**Other June 2021**	Total June 2020	Tanzania June 2020	Discovery June 2020
ASSETS						
Cash and cash equivalents*	**501**	**501**	**-**	414	414	-
Investment securities*	**-**	**-**	**-**	225	225	-
Advances*	**38**	**38**	**-**	2 394	836	1 558
Other assets	**-**	**-**	**-**	32	32	-
Property and equipment	**20**	**-**	**20**	-	-	-
Investment in associates	**6**	**-**	**6**			
Total assets classified as a disposal group held for sale	**565**	**539**	**26**	3 065	1 507	1 558
LIABILITIES						
Derivative financial instruments*	**1**	**1**	**-**	2	2	-
Creditors, accruals and provisions*	**-**	**-**	**-**	29	29	-
Current tax liability	**1**	**1**	**-**	11	11	-
Deposits*	**541**	**541**	**-**	1 243	1 158	85
Other liabilities*	**70**	**70**	**-**	142	142	-
Total liabilities classified as a disposal group held for sale	**613**	**613**	**-**	1 427	1 342	85
Net assets of disposal group held for sale	**(48)**	**(74)**	**26**	1 638	165	1 473

** Carrying amount approximates fair value.*

14.1 Tanzania disposal group held for sale

During the prior financial year, the group took a decision to dispose of its operations in Tanzania, which are conducted through FNB Tanzania and form part of the Other Africa geographical segment. The group continues to actively market the sale of FNB Tanzania with an expectation that a sale will be realised by 30 June 2022. An impairment loss was recognised in operating expenses for the write-down of the disposal group to its fair value less cost to sell (see note 3).

The fair value less cost to sell was calculated using a discounted cash flow model, using budgeted earnings based on a weighted probability of scenarios ranging from upside to a severe downside. A discount rate of 9% was used to discount the expected future cash flows. Due to the extensive incorporation of entity specific inputs, the disposal group is a non-recurring fair value categorised as level 3 in the fair value hierarchy.

14.2 Discovery disposal group held for sale

During the prior year, advances, facilities and related deposits that were previously originated by the group relating to Discovery branded credit cards were disposed of as part of the Discovery card transaction. These advances and facilities were transferred at their net book value, resulting in no gain or loss being recognised. The remaining disposal group of advances with a gross carrying amount of R1 600 million and an impairment allowance of R42 million at 30 June 2020, as well as deposits with a carrying amount of R85 million, was transferred during July 2020 and is included in the segment report under FCC and other.

15 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS

R million	Notes	**2021**	2020
Policyholder liabilities under insurance contracts	15.1	**2 011**	1 470
Policyholder liabilities under investment contracts	15.2	**5 378**	4 960
Total gross policyholder liabilities		**7 389**	6 430
Reinsurance assets	15.1	**(387)**	(240)
Total net policyholder liabilities		**7 002**	6 190

15.1 Policyholder liabilities under insurance contracts and reinsurance assets

		2021		
R million	Notes	**Gross**	**Reinsurance asset**	**Net**
Short-term insurance contracts		**466**	**(98)**	**368**
Claims outstanding and claims incurred but not reported	15.1.1	**431**	**(98)**	**333**
Unearned premiums	15.1.2	**35**	**-**	**35**
Long-term insurance contracts	15.1.3	**1 545**	**(289)**	**1 256**
Total policyholder liabilities under insurance contracts and reinsurance assets		**2 011**	**(387)**	**1 624**

		2020		
R million	Notes	Gross	Reinsurance asset	Net
Short-term insurance contracts		411	(86)	325
Claims outstanding and claims incurred but not reported	15.1.1	377	(86)	291
Unearned premiums	15.1.2	34	-	34
Long-term insurance contracts	15.1.3	1 059	(154)	905
Total policyholder liabilities under insurance contracts and reinsurance assets		1 470	(240)	1 230

15 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS continued

15.1.1 Reconciliation of outstanding claims, claims incurred but not reported and similar items

R million	2021 Gross	2021 Reinsurance asset	2021 Net
Opening balance	**377**	**(86)**	**291**
Increase in current year claims outstanding	**327**	**59**	**386**
Decrease from prior year claims outstanding	**(184)**	**(102)**	**(286)**
Claims settled in the year	**(89)**	**31**	**(58)**
Acquisition of portfolios	**-**	**-**	**-**
Closing balance	**431**	**(98)**	**333**

R million	2020 Gross	2020 Reinsurance asset	2020 Net
Opening balance	318	(123)	195
Increase in current year claims outstanding	146	3	149
Decrease from prior year claims outstanding	(66)	24	(42)
Claims settled in the year	(46)	10	(36)
Acquisition of portfolios	25	-	25
Closing balance	377	(86)	291

15.1.2 Reconciliation of unearned premiums and similar items

R million	2021 Gross	2021 Reinsurance asset	2021 Net
Opening balance	**34**	**-**	**34**
Increase in unearned premiums and similar items	**1**	**-**	**1**
Acquisition of portfolios	**-**	**-**	**-**
Closing balance	**35**	**-**	**35**

R million	2020 Gross	2020 Reinsurance asset	2020 Net
Opening balance	29	-	29
Increase in unearned premiums and similar items	2	-	2
Acquisition of portfolios	3	-	3
Closing balance	34	-	34

15 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS continued

15.1.3 Reconciliation of gross long-term insurance contracts

	2021		
R million	Gross	Reinsurance asset	Net
Opening balance	1 059	(154)	905
Transfer to policyholder liabilities	486	(135)	351
- Claims incurred but not yet reported	278	(117)	161
- Outstanding claims	208	(18)	190
- Reinsurance	-	-	-
Closing balance	1 545	(289)	1 256

	2020		
R million	Gross	Reinsurance asset	Net
Opening balance	501	(73)	428
Transfer to policyholder liabilities	558	(81)	477
- Claims incurred but not yet reported	340	-	340
- Outstanding claims	218	-	218
- Reinsurance	-	(81)	(81)
Closing balance	1 059	(154)	905

15.2 Policyholder liabilities under investment contracts

R million	2021	2020
Opening balance	4 960	4 415
Premiums received	684	931
Fees deducted from account balances	(44)	(43)
Policyholder benefits on investment contracts	(661)	(491)
Fair value adjustments recognised in fair value	439	148
Closing balance	5 378	4 960

16 INVESTMENTS IN ASSOCIATES

R million	2021	2020
Analysis of the carrying value of associates		
Shares at cost less impairment	**5 066**	3 971
Share of post-acquisition reserves	**3 578**	2 911
Total investments in associates	**8 644**	6 882
Movement in the carrying value of associates		
Opening balance	**6 882**	6 369
Share of profit of associates after tax	**1 133**	24
- Income before tax for the year	**1 695**	765
- Impairments of associates (incurred)	**(143)**	(466)
- Tax for the year	**(419)**	(275)
Net movement resulting from acquisitions, disposals and transfers	**1 251**	855
- Acquisition of associates	**1 254**	987
- Cash consideration	**93**	551
- Non-cash consideration*	**1 161**	436
- Disposal of associates	**3**	(132)
- Transfer to non-current assets and disposal groups held for sale	**(6)**	-
Movement in other reserves	**1**	9
Exchange rate differences	**(15)**	21
Dividends received for the year	**(608)**	(396)
Closing balance	**8 644**	6 882

**There has been a reclassification from marketable advances in the current year.*

During the current year R251 million (2020: R101 million) in losses were not recognised. The cumulative share of losses from associates not recognised is R491 million (2020: R127 million).

The group has no exposure to contingent liabilities as a result of its relationships with associates.

16 INVESTMENTS IN ASSOCIATES continued

Financial information of significant associates

	Toyota Financial Services Proprietary Limited		Primedia Holdings Proprietary Limited		Volkswagen Financial Services SA Proprietary Limited	
Nature of business	Vehicle finance		Broadcasting		Vehicle finance	
Place of business	South Africa		South Africa		South Africa	
% ownership	33		22		49	
% voting rights	33		22		49	
R million	**2021**	2020	**2021**	2020	**2021**	2020
Amounts recognised in profit or loss and other comprehensive income of the investee						
Dividends received	**-**	80	**-**	-	**-**	-
Revenue	**4 433**	5 018	**1 433**	1 839	3 813	4 512
Profit or loss from continuing operations after tax	**18**	397	**(127)**	(49)	**74**	126
Total comprehensive income	**11**	397	**(127)**	(49)	**74**	126
Amounts recognised on the statement of financial position of the investee						
Total assets	**38 845**	43 351	**5 747**	5 706	**36 976**	37 367
- Current assets	**11 707**	13 809	**763**	636	**17 032**	16 196
- Non-current assets	**27 138**	29 542	**4 984**	5 070	**19 944**	21 171
Total liabilities	**(34 940)**	(39 457)	**(3 182)**	(3 127)	**(34 798)**	(35 262)
- Current liabilities	**(11 574)**	(10 715)	**(534)**	(427)	**(13 099)**	(13 953)
- Non-current liabilities	**(23 366)**	(28 742)	**(2 648)**	(2 700)	**(21 699)**	(21 309)
Net asset value	**3 905**	3 894	**2 565**	2 579	**2 178**	2 105
Group's share of net asset value	**1 289**	1 285	**564**	567	**1 067**	1 031
Other adjustments to net asset value	**40**	(77)	**(378)**	(295)	**96**	(48)
Carrying value of investments	**1 329**	1 208	**186**	272	**1 163**	983
Acquisitions of associates						
Total consideration transferred	**-**	-	**-**	-	**-**	-
- Discharged by cash	**-**	-	**-**	-	**-**	-

16 INVESTMENTS IN ASSOCIATES continued

Financial information of individually immaterial associates

	RMB private equity associates		Other individually immaterial associates	
R million	**2021**	2020	**2021**	2020
Carrying amount	**3 551**	3 305	**2 415**	1 114
Group's share of profit or loss after tax from continuing operations	**854**	520	**91**	(132)
Group's share of other comprehensive income/(loss)	**(27)**	35	**(3)**	(5)
Group's share of total comprehensive income	**827**	555	**88**	(137)
Acquisitions of associates				
Acquisition date	**Various**	Various	**Various**	Various
Interest acquired (%)	**Various**	Various	**Various**	Various
Total consideration transferred	**13**	780	**1 241**	207
- Discharged by cash	**13**	551	**80**	-
- Non-cash consideration and other purchases	**-**	229	**1 161**	207
Disposal of associates				
Disposal date	**Various**	Various	**Various**	Various
Interest disposed (%)	**Various**	Various	**Various**	Various
Total consideration received	**-**	580	**37**	14
- Discharged by cash	**-**	580	**37**	14
Carrying value of the associate on disposal	**-**	(119)	**3**	(14)
Gains/(loss) on disposal of associates	**-**	461	**40**	-

Significant acquisition, disposal and impairment of associates 2021

Reclassification of investment fund

The group applies significant judgement in assessing which investment funds the group both manages and holds investments in, would result in the group having significant influence over the investment fund. At the end of the year, as part of the group's bi-annual assessment, one of the group's investment in an investment fund was found to meet this criteria. The investment previously reflected in marketable advances was reclassified as an investment in associate, included under other individually immaterial associates.

Impairment in associates

Further impairment of the group's investment in Primedia and other individually immaterial associates was recognised in the current year, evidencing continued economic stress as a result of Covid-19 and the onging lockdown. The carrying value of the investments is based on their fair value less costs to sell and was determined using earnings multiples, with the key assumptions being the earnings multiples and sustainable earnings. The fair value less costs to sell is a level 3 of the fair value hierarchy.

16 INVESTMENTS IN ASSOCIATES continued

Signficant acquisition, disposal and impairment of associates 2020

Private equity associates

In the prior year, additional capital injections were made to private equity associates. These capital injections were made in cash and did not result in a change in shareholding.

In the prior year, the group disposed of 22.36% shareholding in a private equity associate. The group has retained significant influence and recognised a gain of R366 million on dilution. The remaining disposal gains relate to the disposals of various individually immaterial private equity associates.

Impairment of associates

The impairment of the investment in Primedia and other individually immaterial associates were primarily due to depressed market spending as a result of the adverse economic impact of Covid-19. The carrying value of the investments is based on their fair value less costs to sell and was determined using earnings multiples, with the key assumptions being the earnings multiples. The fair value less costs to sell is a level 3 of the fair value hierarchy.

17 INVESTMENTS IN JOINT VENTURES

R million	**2021**	2020
Analysis of carrying value of joint ventures		
Shares at cost less impairment	**598**	449
Share of post-acquisition reserves	**1 518**	1 300
Carrying value of investments in joint ventures	**2 116**	1 749
Movement in the carrying value of joint ventures		
Opening balance	**1 749**	1 769
Share of profit of joint ventures after tax	**405**	5
- Income before tax for the year	**404**	198
- Impairments of joint ventures (incurred)/reversed*	**102**	(94)
- Tax for the year	**(101)**	(99)
Net movement resulting from acquisitions and disposals	**38**	171
- Acquisition of joint ventures	**45**	257
- Disposal of joint ventures	**(7)**	(86)
Movement in other reserves	**89**	24
Exchange rate differences	**5**	3
Dividends received for the year	**(170)**	(223)
Closing balance	**2 116**	1 749

*In the current year, the previously recognised impairments on various individually immaterial joint ventures were reversed.

17 INVESTMENTS IN JOINT VENTURES continued

Financial information of significant joint ventures

	RMB Morgan Stanley	
Nature of business	Equity sales, trading and research	
Place of business	South Africa	
% ownership	50	
% voting rights	50	
R million	**2021**	2020
Amounts recognised in profit or loss and other comprehensive income of the investee		
Dividends received	**77**	73
Revenue	**816**	811
Profit or loss from continuing operations after tax	**233**	214
Total comprehensive income	**233**	214
Amounts recognised in the statement of financial position of the investee		
Total assets	**30 208**	17 537
- Current assets	**29 518**	17 212
- Non-current assets	**690**	325
Total liabilities	**(28 987)**	(16 394)
- Current financial liabilities	**(25 504)**	(14 399)
- Current non-financial liabilities	**(2 790)**	(1 659)
- Non-current financial liabilities	**(616)**	(279)
- Non-current non-financial liabilities	**(77)**	(57)
Net asset value	**1 221**	1 143
Group's share of net asset value	**611**	572
Other adjustments to net asset value	**27**	(80)
Carrying value of investment	**638**	492
Included in total assets, liabilities and comprehensive income		
Cash and cash equivalents	**(1 709)**	(1 441)
Depreciation and amortisation	**(3)**	-
Interest income	**27**	29
Interest expense	**(540)**	(875)
Income tax	**(82)**	(83)

17 INVESTMENTS IN JOINT VENTURES continued

Financial information of individually immaterial joint ventures

	RMB private equity joint ventures		Other	
R million	**2021**	2020	**2021**	2020
Carrying amount	**1 309**	1 178	**169**	79
Group's share of profit or loss after tax from continuing operations	**116**	231	**66**	(221)
Group's share of other comprehensive income	**88**	26	**1**	-
Group's share of total comprehensive income/(loss)	**204**	257	**67**	(221)
Acquisition of joint ventures				
Acquisition date	**Various**	Various	**Various**	Various
Interest acquired (%)	**Various**	Various	**Various**	Various
Total consideration transferred	**-**	226	**45**	31
- Discharged by cash	**-**	226	**45**	31
Disposal of joint ventures				
Disposal date	**Various**	Various	**Various**	Various
Interest disposed of (%)	**Various**	Various	**Various**	Various
Total consideration received	**-**	109	**-**	-
- Discharged by cash	**-**	109	**-**	-
Carrying value of the joint venture on disposal date	**-**	(86)	**(7)**	-
Gain/(loss) on disposal of joint ventures	**-**	23	**(7)**	-

During the current year losses of R246 million (2020: R211 million) were not recognised as the balance of the investment in the joint venture was Rnil. The cumulative share of losses from joint ventures not recognised is R759 million (2020: R402 million).

The group has exposure to contingent liabilities of R175 million (2020: R175 million) as a result of its relationships with its joint ventures.

Impairment of joint ventures in 2020

The impairment of private equity joint ventures and other joint ventures was mainly due to a primary customer of one of the joint ventures being placed into business rescue as well as depressed spending and suspended trading due to Covid-19.

The recoverable amount of private equity joint ventures was based on fair value less costs to sell and was determined using earnings multiples, with the key assumptions being the earnings multiples. The recoverable amount of other joint ventures was based on fair value less costs to sell and was determined using quoted prices adjusted for illiquidity as well as net asset values, with the key assumptions being liquidity assumptions and the net realisable values of the assets of the joint ventures. The fair value less costs to sell is a level 3 of the fair value hierarchy.

18 PROPERTY AND EQUIPMENT

R million	Freehold property	Right of use property	Right of use equip-ment	Assets held under leasing agree-ments	Computer equipment	Other equip-ment	Total
Net book value at 1 July 2019	8 301	1 931	-	217	2 852	4 499	17 800
Cost	11 019	4 224	-	416	8 521	8 820	33 000
Accumulated depreciation	(2 718)	(2 293)	-	(199)	(5 669)	(4 321)	(15 200)
IFRS 16 opening balance adjustment	(998)	3 223	535	-	-	(5)	2 755
Reclassification of property held under finance lease	(998)	998	-	-	-	-	-
ROUA recognised on transition	-	2 225	535	-	-	(5)	2 755
Movement for the year	(109)	183	(35)	(114)	210	679	814
Acquisitions*	121	1 072	136	33	1 551	2 597	5 510
Disposals	(16)	(12)	-	(1)	(143)	(594)	(766)
Acquisitions of subsidiaries	-	71	-	-	25	15	111
Exchange rate difference	57	185	(1)	(6)	16	4	255
Depreciation charge for the year	(271)	(1 092)	(176)	(18)	(1 221)	(1 332)	(4 110)
Impairments recognised	-	-	-	(122)	-	-	(122)
Early terminations/modification of leases	-	(14)	6	-	-	-	(8)
Transfer to non-current asset and disposal groups held for sale	-	(27)	-	-	(18)	(11)	(56)
Net book value at 30 June 2020	**7 194**	**5 337**	**500**	**103**	**3 062**	**5 173**	**21 369**
Cost	**9 807**	**9 033**	**671**	**448**	**9 583**	**10 111**	**39 653**
Accumulated depreciation	**(2 613)**	**(3 696)**	**(171)**	**(345)**	**(6 521)**	**(4 938)**	**(18 284)**
Movement for the year	**(195)**	**(204)**	**(55)**	**83**	**(421)**	**(387)**	**(1 179)**
Acquisitions*	**351**	**1 334**	**182**	**203**	**790**	**1 441**	**4 301**
Disposals	**(22)**	**(14)**	**-**	**(7)**	**(22)**	**(505)**	**(570)**
Acquisitions of subsidiaries	**1**	**-**	**-**	**-**	**3**	**1**	**5**
Exchange rate difference	**(69)**	**(183)**	**(5)**	**(7)**	**(35)**	**(35)**	**(334)**
Depreciation charge for the year	**(456)**	**(1 186)**	**(167)**	**(55)**	**(1 157)**	**(1 289)**	**(4 310)**
Impairments recognised	**-**	**-**	**-**	**(32)**	**-**	**-**	**(32)**
Early terminations/modification of leases	**-**	**(155)**	**(65)**	**-**	**-**	**-**	**(220)**
Transfer to non-current asset and disposal groups held for sale	**-**	**-**	**-**	**(19)**	**-**	**-**	**(19)**
Net book value at 30 June 2021	**6 999**	**5 133**	**445**	**186**	**2 641**	**4 786**	**20 190**
Cost	**10 043**	**9 145**	**755**	**343**	**9 444**	**9 563**	**39 293**
Accumulated depreciation	**(3 044)**	**(4 012)**	**(310)**	**(157)**	**(6 803)**	**(4 777)**	**(19 103)**

** Includes capitalised improvements to property leases of R375 million (2020: R239 million).*

19 INTANGIBLE ASSETS

R million	Goodwill	Broker relation-ship	Software and develop-ment costs	Trade-marks	Other	Total
Net book value as at 1 July 2019	7 247	1 949	965	98	232	10 491
Cost	7 810	2 373	1 985	324	412	12 904
Accumulated amortisation and impairment	(563)	(424)	(1 020)	(226)	(180)	(2 413)
Movement for the year	1 140	(31)	68	(30)	-	1 147
Acquisitions and capitalisations	-	-	417	-	30	447
Acquisitions of subsidiaries	238	-	-	-	39	277
Transfer to non-current asset and disposal groups held for sale	-	-	-	-	-	-
Exchange rate differences	1 114	338	21	1	4	1 478
Amortisation for the year	-	(369)	(363)	(31)	(73)	(836)
Impairments recognised	(212)	-	(7)	-	-	(219)
Impairments reversed	-	-	-	-	-	-
Net book value as at 30 June 2020	**8 387**	**1 918**	**1 033**	**68**	**232**	**11 638**
Cost	**9 165**	**2 827**	**2 354**	**264**	**480**	**15 090**
Accumulated amortisation and impairment	**(778)**	**(909)**	**(1 321)**	**(196)**	**(248)**	**(3 452)**
Movement for the year	**(661)**	**(594)**	**(387)**	**(10)**	**(54)**	**(1 706)**
Acquisitions and capitalisations	**-**	**-**	**202**	**-**	**29**	**231**
Derecognised	**-**	**-**	**(192)**	**-**	**-**	**(192)**
Acquisitions of subsidiaries	**99**	**-**	**-**	**-**	**-**	**99**
Transfer to non-current asset and disposal groups held for sale	**-**	**-**	**-**	**-**	**-**	**-**
Exchange rate differences	**(596)**	**(131)**	**(11)**	**-**	**(15)**	**(753)**
Amortisation for the year	**-**	**(463)**	**(375)**	**(10)**	**(68)**	**(916)**
Impairments recognised	**(112)**	**-**	**(11)**	**-**	**-**	**(123)**
Impairments reversed	**-**	**-**	**-**	**-**	**-**	**-**
Measurement period adjustment	**(52)**	**-**	**-**	**-**	**-**	**(52)**
Net book value as at 30 June 2021	**7 726**	**1 324**	**646**	**58**	**178**	**9 932**
Cost	**8 603**	**2 602**	**2 269**	**259**	**479**	**14 212**
Accumulated amortisation and impairment	**(877)**	**(1 278)**	**(1 623)**	**(201)**	**(301)**	**(4 280)**

Acquisitions in 2021

Goodwill was recognised as part of an acquisition of an immaterial subsidiary in the FNB reportable segment. The capitalisation of software and development costs was incurred by Aldermore in the current year.

Acquisitions in 2020

Intangible assets acquired as part of acquisitions of subsidiaries result from the acquisition of GHL Bank, disclosed in note 30.1.

20 INVESTMENT PROPERTIES

R million	Notes	**2021**	2020
Opening balance		**722**	689
Fair value remeasurements	2.4	**(89)**	26
Additions		**26**	7
Closing balance		**659**	722

The following amounts have been disclosed in profit or loss with respect to investment property.

R million	Notes	**2021**	2020
Rental income from investment property		**106**	110
Direct operating expenses on investment property that generated rental income		**32**	(43)

As at 30 June 2021, the group has no contractual obligations to purchase, construct or develop investment property (2020: R29 million). Cost incurred for repairs, maintenance and enhancements of investment property are Rnil million (2020: Rnil million).

The latest valuation was performed during the 2020 year. Valuations are performed every two years. The next valuation is scheduled to be performed during the 2022 financial year or in the event that there has been an expectation of a significant change in the fair value of investment properties.

Refer to note 34 for the significant inputs used to determine the fair value of investment properties.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS

R million	Notes	2021	2020
Liability for short-term employee benefits		**7 822**	6 703
Share-based payment liability		**2 212**	1 055
Defined benefit post-employment liability	21.1	**1 220**	1 018
Other long-term employee benefit liability		**65**	44
Defined contribution post-employment liability	21.2	**-**	-
Total employee liabilities		**11 319**	8 820
Defined benefit post-employment asset	21.1	**(9)**	-
Net amount due to employees		**11 310**	8 820

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

21.1 Defined benefit post-employment liability

The group has financial liabilities in respect of two defined benefit arrangements in South Africa – a plan that provides defined post-retirement medical benefits to retired employees, and a defined benefit pension plan. In terms of these plans, the group is liable to the employees for specific payments on retirement and for any deficit in the provision of these benefits from the plan assets. The liabilities and assets of these plans are reflected as an asset or liability on the statement of financial position.

<table>
<tr><th colspan="2">Nature of benefits</th></tr>
<tr><th>Pension</th><th>Medical</th></tr>
<tr><td>The pension plan (FirstRand Retirement Fund) provides retired employees with a pension benefit after service.

A separate account (the fund) has been established. The account holds assets that are used solely to pay pension benefits. For current pensioners the fund pays a pension to the members and a dependants' pension to the spouse and eligible children on death of the pensioner.

There is also a small number of active members whose benefit entitlement will be determined on a defined benefit basis as prescribed by the rules of the fund.

For the small number of defined benefit contributing members in the pension plan (16 members), the group is liable for any deficit in the value of accrued benefits exceeding the assets in the fund earmarked for these liabilities.

The liability of the plan in respect of defined contribution members is equal to the member's share of the fund, which is determined as the accumulation of the member's contributions (net of deduction for fund expenses and cost of death benefits) as well as any amounts transferred into the fund by the member, increased with the net investment returns earned (positive or negative) on the member's assets. The fund provides a pension that can be purchased with the member's fund credit (equal to member contributions at retirement should the member so choose).</td><td>The medical scheme provides retired employees with medical benefits after service.

The employer's post-employment healthcare liability consists of a commitment to pay a portion of the members' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member. Members employed on or after 1 December 1998 do not qualify for a post-employment medical subsidy.</td></tr>
</table>

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Nature of benefits	
Pension	**Medical**
In terms of the existing pensioners in the pension plan, the trustees are responsible for setting the pension increase policy and for granting pension increases subject to the ring-fenced pensioner assets of the fund supporting such increases. Should the pension account in the fund be in deficit to the extent that current pensions in payment cannot be maintained, the group is liable to maintain the nominal value of pensions in payment. The fund also provides death, retrenchment and withdrawal benefits.	

Governance	
Pension	**Medical**
The pension plan is regulated by the Financial Sector Conduct Authority in South Africa. Responsibility for governance of the plans, including investment decisions, lies with the board of trustees. Contribution categories available to members are jointly determined by the group and board of trustees. The board of trustees must be composed of representatives of the group and plan participants in accordance with the plans' regulations. The board consists of four representatives of the group and four representatives of the plan participants in accordance with the plans' regulations. The trustees serve on the board for four years and may be re-elected a number of times. An external auditor performs an audit of the fund on an annual basis and such annual financial statements are submitted to the Registrar of Pension Funds (i.e. to the Financial Sector Conduct Authority). A full actuarial valuation of the pension fund for submission to the Financial Sector Conduct Authority is performed every three years, with the last valuation in 2020. Annual interim actuarial valuations are performed for the trustees and for IAS 19 purposes. At the last valuation date the fund was financially sound.	The medical plan is regulated by the registrar of Council for Medical Schemes in South Africa. Governance of the post-employment medical aid subsidy policy lies with the group. The group has established a committee that meets regularly to discuss and review the management of the medical plan scheme and the subsidy. This committee is managed and governed by the FirstRand group financial resources management executive committee and FirstRand group asset, liability and capital committee. The committee also considers administration and data management issues and analyses demographic and economic risks inherent in the subsidy policy.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Asset-liability matching strategies
The group ensures that the investment positions are managed within an asset and liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the schemes. Within this framework, the group's ALM objective is to match assets to the pension obligations by investing in long-term fixed-interest securities with maturities that match the benefit payments as they fall due. The group actively monitors how the duration and the expected yield of the investments match the expected cash outflows arising from the pension obligations. Investments are well diversified so that the failure of any single investment would not have a material impact on the overall level of assets. The trustees of the fund have adopted an investment strategy in respect of the pensioner liabilities that largely follows an 80% exposure in fixed-interest instruments to immunise against the interest rate and inflation risk, and 20% exposure to local and foreign growth assets. An overlay comprising 20% exposure of high-quality corporate credit fixed-income instruments is funded through a repo transaction of a portion of the South African government-issued inflation-linked bonds to improve the probability of achieving the performance objective. The fixed-interest instruments consist mainly of long-dated South African government-issued inflation-linked bonds, while the growth assets are allocated to selected local and foreign asset managers. The trustees receive monthly reports on the funding level of the pensioner liabilities and an in-depth attribution analysis in respect of changes in the pensioner funding level. The trustees of the fund aim to apportion an appropriate level of balanced portfolio, conservative portfolio, inflation-linked and money market assets to match the maturing defined benefit active member liabilities. It should be noted that this is an approximate matching strategy, as elements such as salary inflation and decrement rates cannot be matched. This is, however, an insignificant liability compared to the liability of the pension fund.
Risks associated with the plans
Through its defined benefit pension plans and post-employment medical plans, the group is exposed to a number of risks, the most significant of which are detailed below. **Asset volatility** – Assets are held in order to provide a return to back the plans' obligations, therefore any volatility in the value of these assets would create a deficit. **Inflation risk** – The plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. Consumer price inflation and healthcare cost inflation form part of the financial assumptions used in the valuation. **Life expectancy** – The plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. **Demographic movements** – The plans' liabilities are determined based on a number of best estimate assumptions on demographic movements of participants, including withdrawal and early retirement rates. This is especially relevant to the post-employment medical aid subsidy liabilities. Should fewer eligible employees withdraw and/or should more eligible employees retire earlier than assumed, the liabilities could be understated.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Details of the defined benefit plan assets and fund liability are shown below.

		2021			2020		
R million	Notes	**Pension**	**Medical**	**Total**	Pension	Medical	Total
Post-employment benefit fund liability							
Present value of funded obligation		**8 405**	**3 138**	**11 543**	8 092	2 748	10 840
Fair value of plan assets		**(8 823)**	**(1 940)**	**(10 763)**	(8 168)	(1 760)	(9 928)
- Listed equity instruments		**(2 367)**	**-**	**(2 367)**	(1 865)	-	(1 865)
- Cash and cash equivalents		**(287)**	**-**	**(287)**	(350)	-	(350)
- Debt instruments		**(2 858)**	**-**	**(2 858)**	(2 795)	-	(2 795)
- Derivatives		**(10)**	**-**	**(10)**	(8)	-	(8)
- Qualifying insurance policy		**-**	**(1 940)**	**(1 940)**	-	(1 760)	(1 760)
- Other		**(3 301)**	**-**	**(3 301)**	(3 150)	-	(3 150)
Total employee (asset)/liability*		**(418)**	**1 198**	**780**	(76)	988	912
Limitation imposed by IAS 19 ceiling		**425**	**-**	**425**	106	-	106
Other		**6**	**-**	**6**	-	-	-
Total post-employment liability		**13**	**1 198**	**1 211**	30	988	1 018
Total net amount recognised on the income statement (included in staff costs)	3	**(7)**	**152**	**145**	(4)	138	134
Movement in post-employment benefit fund liability							
Present value at the beginning of the year		**30**	**988**	**1 018**	28	1 625	1 653
Exchange differences		**-**	**(3)**	**(3)**	-	(1)	(1)
Current service cost		**3**	**27**	**30**	18	42	60
Net interest		**(10)**	**125**	**115**	(22)	96	74
Remeasurements: recognised in OCI**		**(9)**	**261**	**252**	26	(770)	(744)
- Actuarial gains/losses from changes in demographic		**-**	**-**	**-**	(7)	(7)	(14)
- Actuarial gains/losses from financial assumptions		**494**	**410**	**904**	(740)	(912)	(1 652)
- Other remeasurements		**(503)**	**(149)**	**(652)**	773	149	922
Employer contribution		**(1)**	**(200)**	**(201)**	(19)	(4)	(23)
Employee contribution		**-**	**-**	**-**	(1)	-	(1)
Closing balance		**13**	**1 198**	**1 211**	30	988	1 018

* *The medical plan asset is an insurance policy with a limit of indemnity. The insurance policy is backed by assets held through an insurance cell captive. The excess assets of the cell captive belong to a subsidiary of the group and are recognised in investment securities. FirstRand group's liability is therefore sufficiently funded.*

** *This amount has been disaggregated and the comparative amount has also been provided.*

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

	2021			2020		
R million	**Pension**	**Medical***	**Total**	Pension	Medical*	Total
Movement in the fair value of plan assets:						
Opening balance	**8 168**	**1 760**	**9 928**	8 944	1 877	10 821
Interest income	**785**	**193**	**978**	832	227	1 059
Remeasurements: recognised in OCI	**602**	**(8)**	**594**	(962)	(151)	(1 113)
Exchange differences	**(25)**	**-**	**(25)**	50	-	50
Employer contributions	**1**	**200**	**201**	27	-	27
Employee contributions	**1**	**-**	**1**	14	-	14
Benefits paid and settlements	**(709)**	**(205)**	**(914)**	(737)	(193)	(930)
Closing balance	**8 823**	**1 940**	**10 763**	8 168	1 760	9 928
Reconciliation of limitation imposed by IAS 19 asset ceiling						
Opening balance	**106**	**-**	**106**	280	-	280
Interest income	**11**	**-**	**11**	27	-	27
Change in the asset ceiling, excluding amounts included in interest	**308**	**-**	**308**	(201)	-	(201)
Closing balance	**425**	**-**	**425**	106	-	106
The actual return on plan assets was:	**10%**			11%		
Included in plan assets were the following:						
FirstRand Limited ordinary shares with fair value of	**32**	**-**	**32**	20	-	20
Total	**32**	**-**	**32**	20	-	20

** The medical plan asset is an insurance policy with a limit of indemnity. The insurance policy is backed by assets held through an insurance cell captive. The excess assets of the cell captive belong to a fellow subsidiary of the bank and are recognised as an account receivable. FirstRand group's liability is therefore sufficiently funded.*

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Each sensitivity analysis is based on changing one assumption while keeping all other remaining assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity analysis has been calculated in terms of the projected unit credit method and illustrates how the value of the liability would change in response to certain changes in actuarial assumptions.

	2021		2020	
%	**Pension**	**Medical**	Pension	Medical
The principal actuarial assumptions used for accounting purposes were:				
Expected rates of salary increases	**7.8**	**-**	7.3	-
Long-term increase in health costs	**-**	**8.4**	-	8.2
The effects of a 1% movement in the assumed health cost rate (medical) and the expected rates of salary (pension) were:				
Increase of 1%				
Effect on the defined benefit obligation (R million)	**4.0**	**357.6**	3.7	298.8
Effect on the aggregate of the current service cost and interest cost (R million)	**0.7**	**45.1**	0.7	40.8
Decrease of 1%				
Effect on the defined benefit obligation (R million)	**(3.7)**	**(303.0)**	(3.5)	(255.3)
Effect on the aggregate of the current service cost and interest cost (R million)	**(0.7)**	**(38.0)**	(0.7)	(34.6)
The effects of a change in the average life expectancy of a pensioner retiring at age 65:				
Increase in life expectancy by 1 year				
Effect on the defined benefit obligation (R million)	**279.2**	**99.2**	250.8	81.5
Effect on the aggregate of the current service cost and interest cost (R million)	**50.9**	**11.6**	49.0	10.2
Decrease in life expectancy by 1 year				
Effect on the defined benefit obligation (R million)	**(276.6)**	**(98.9)**	(249.6)	(81.5)
Effect on the aggregate of the current service cost and interest cost (R million)	**(50.5)**	**(11.6)**	(48.8)	(10.3)
Estimated contributions expected to be paid to the plan in the next annual period (R million)	**2**		2	-
Net increase in rate used to value pensions, allowing for pension increases (%)	**3.5**	**2.3**	4.3	3.5
The weighted average duration of the defined benefit obligation (years)	**7.9**	**10.9**	7.8	13.0

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

The expected maturity analysis of undiscounted pension and post-employment medical benefits is given below.

R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
Pension benefits	**726**	**2 881**	**23 968**	**27 575**
Post-employment medical benefits	**205**	**1 000**	**20 161**	**21 366**
Total as at 30 June 2021	**931**	**3 881**	**44 129**	**48 941**

R million	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Pension benefits	753	2 940	34 526	38 219
Post-employment medical benefits	201	971	17 855	19 027
Total as at 30 June 2020	954	3 911	52 381	57 246

The interest income is determined using a discount rate with reference to high-quality government bonds.

Mortality rates

The normal retirement age for active members of the pension fund and post-employment medical benefit scheme is 60.

The mortality rate table used for active members and pensioners of the pension fund and post-employment medical benefits is PA (90)-2. It refers to standard actuarial mortality tables for current and prospective pensioners on a defined benefit plan where the chance of dying after early or normal retirement is expressed at each age for each gender. The two-year age rating allows for the longer than average life expectancy of the retirees compared to general annuitant mortality. In addition, allowance is made for future expected improvements in annuitant mortality based on the income level of the annuitant (on average 0.50% p.a.).

The mortality rate table used for the active members of the post-employment medical benefit fund is SA 85-90. It refers to standard actuarial mortality tables for active members on a defined benefit plan where the chance of dying before normal retirement is expressed at each age for each gender.

The average life expectancy in years of a pensioner retiring at age 65 on the reporting date for pension and medical is 17 for males and 21 for females. The average life expectancy of a pensioner retiring at age 65 is 20 years after the reporting date for pension and medical is 18 for males and 22 for females.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

	2021	2020
Pension		
The number of employees covered by the scheme		
Active members	**2 459**	2 230
Pensioners	**5 671**	5 763
Deferred plan participants	**264**	267
Total employees	**8 394**	8 260
Defined benefit obligation amounts due to		
Benefits vested at the end of the reporting period (R million)	**8 406**	7 926
Benefits accrued but not vested at the end of the reporting period (R million)	**-**	165
Conditional benefits (R million)	**182**	25
Amounts attributable to future salary increases (R million)	**67**	57
Other benefits (R million)	**8 157**	8 009
Medical		
The number of employees covered by the scheme		
Active members	**2 808**	3 100
Pensioners	**5 231**	5 292
Total employees	**8 039**	8 392
Defined benefit obligation amounts due to		
Benefits vested at the end of the reporting period (R million)	**2 256**	2 007
Benefits accrued but not vested at the end of the reporting period (R million)	**882**	741
Conditional benefits (R million)	**915**	773
Other benefits (R million)	**2 223**	1 975

21.2 Defined contribution post-employment liability

R million	**2021**	2020
Post-employment defined contribution plan		
Present value of obligation	**24 628**	19 974
Present value of assets	**(24 628)**	(19 974)
Net defined contribution liability	**-**	-

The defined contribution scheme allows active members to purchase a pension from the defined benefit plan on retirement. The purchase price for the pension is determined based on the purchasing member's demographic details, the pension structure and economic assumptions at time of purchase. Should a member elect to purchase a pension, the group becomes exposed to longevity and other actuarial risks. However, because of the way that the purchase is priced the employer is not exposed to any asset return risk prior to the election of this option. On the date of the purchase the defined benefit liability and the plan assets will increase for the purchase amount and thereafter the accounting treatment applicable to defined benefit plans will be applied to the purchased pension. It should be noted that the purchase price for a new retiree would be slightly larger than the liability determined on the accounting valuation, as the purchase price allows for a more conservative mortality assumption based on the solvency reserves of the fund.

22 DEFERRED INCOME TAX

Movement on the deferred income tax account is shown below.

R million	**2021**	2020
Deferred income tax asset		
Opening balance	**4 975**	4 621
Acquisitions of subsidiaries	**27**	-
Exchange rate difference	**(50)**	26
Release to profit or loss	**893**	925
Deferred income tax on amounts charged directly to other comprehensive income	**238**	(576)
Other	**21**	(21)
Total deferred income tax asset	**6 104**	4 975
Deferred income tax liability		
Opening balance	**(1 318)**	(1 359)
Disposals of subsidiaries	**-**	(18)
Exchange rate difference	**62**	(99)
Release	**361**	155
Deferred income tax on amounts charged directly to other comprehensive income	**-**	-
Other	**8**	3
Total deferred income tax liability	**(887)**	(1 318)
Net deferred income tax asset	**5 217**	3 657

22 DEFERRED INCOME TAX continued

Deferred income tax assets and liabilities arise from:

	As at 30 June		Recognised on income statement	
R million	**2021**	2020	**2021**	2020
Deferred income tax asset				
Tax losses	**26**	19	**(20)**	(24)
Provision for loan impairment	**4 540**	4 469	**84**	1 229
Provision for post-employment benefits	**328**	270	**(17)**	29
Other provisions	**870**	561	**315**	(124)
Cash flow hedges	**(519)**	(802)	**-**	(1)
Financial instruments	**(16)**	(10)	**(5)**	1
Instalment credit assets	**(176)**	(167)	**(9)**	(13)
Accruals	**56**	45	**10**	45
Debt instruments designated at FVOCI	**26**	12	**-**	25
Capital gains tax	**237**	216	**21**	(33)
Equity instruments designated at FVOCI	**(52)**	35	**-**	(25)
Foreign currency translation reserve	**-**	-	**42**	(38)
Share-based payments	**533**	255	**278**	(679)
Deferred revenue liability	**(179)**	(214)	**35**	364
Other	**334**	275	**74**	175
Intangible assets	**96**	11	**85**	(6)
Total deferred income tax asset	**6 104**	4 975	**893**	925
Deferred income tax liability				
Provision for loan impairment	**184**	176	**8**	66
Provision for post-employment benefits	**12**	11	**1**	-
Other provisions	**(93)**	(111)	**14**	1
Financial instruments	**43**	26	**18**	1
Instalment credit assets	**(316)**	(301)	**(44)**	(11)
Accruals	**(104)**	(203)	**99**	76
Capital gains tax	**-**	(28)	**21**	(6)
Intangible assets	**(302)**	(430)	**99**	106
Other	**(311)**	(458)	**145**	(78)
Total deferred income tax liability	**(887)**	(1 318)	**361**	155

Dividends declared by South African entities are subject to shareholders' withholding tax. The group would therefore incur no additional tax if the total reserves of R143 588 million (2020: R129 465 million) were declared as dividends.

The group has not recognised a deferred tax asset amounting to R2 663 million (2020: R894 million) relating to tax losses because there was insufficient taxable income. None of these losses have an expiry date.

23 SHORT TRADING POSITIONS

R million	2021	2020
Government and government-guaranteed stock	**18 522**	4 707
Other dated securities	**159**	79
Undated securities	**264**	276
Total short trading positions	**18 945**	5 062

24 CREDITORS, ACCRUALS AND PROVISIONS

R million	**2021**	2020
Other accounts payable	**14 366**	14 184
Customer loyalty programme liability*	**1 885**	1 878
Fair value hedge interest liability**	**-**	46
Withholding tax for employees	**684**	653
Deferred revenue*	**564**	569
Operating lease liability – straight lining of lease payments	**5**	6
Payments received in advance	**556**	603
Accrued expenses	**3 360**	2 451
Audit fees accrued	**263**	222
Contract liabilities*	**27**	-
Provisions (including litigations and claims)	**1 055**	426
Total creditors, accruals and provisions	**22 765**	21 038

**These balances meet the definition of contract liabilities and a reconciliation of the balance is provided below. The deferred revenue balance relates to service fees that are earned on value-added products provided to customers. These contracts run over a two-year period and the revenue is recognised over the contract period. The customer loyalty programme liability relates to eBucks, and is determined based on the value of unredeemed eBucks in issue that have not been converted to cash or redeemed by the customer. The timing of when the customer's uses these eBucks as reward credits redeemable against future purchases with the group or a loyalty programme strategic partner, is purely at the customers discretion.*

***The balance reflected relates to the fair value of the interest rate risk component of the hedged items designated in macro hedge accounting relationships in Aldermore.*

Reconciliation of contract liabilities

R million	**2021**	2020
Opening balance	**2 447**	2 461
Increases due to cash received and other increases in contract liabilities	**2 216**	2 195
Increases/(decreases) as a result of changes in the estimate of the transaction price	**-**	(38)
Contract modifications	**(60)**	11
Revenue recognised that was included in the contract liability balance at the beginning of the period	**(2 127)**	(2 182)
Closing balance	**2 476**	2 447

Reconciliation of provisions

R million	**2021**	2020
Opening balance	**426**	316
Acquisitions of subsidiaries	**3**	-
Exchange rate differences	**(12)**	21
Charge to profit or loss	**757**	146
- Additional provisions created	**784**	210
- Unused provisions reversed	**(27)**	(64)
Utilised	**(118)**	(57)
Closing balance	**1 055**	426

25 DEPOSITS

R million	2021	2020
Category analysis		
Deposits from customers	**1 279 993**	1 223 730
- Current accounts	**320 061**	315 959
- Call deposits	**346 609**	312 409
- Savings accounts	**28 239**	23 693
- Fixed and notice deposits	**482 340**	486 082
- Other deposits from customers	**102 744**	85 587
Debt securities	**170 055**	210 329
- Negotiable certificates of deposit	**26 834**	44 041
- Fixed and floating rate notes	**141 989**	164 989
- Exchange-traded notes	**1 232**	1 299
Asset-backed securities	**42 759**	54 255
- Securitisation issuances	**33 742**	45 644
- Non-recourse deposits	**9 017**	8 611
Other	**49 271**	46 701
- Repurchase agreements	**23 631**	23 559
- Securities lending	**923**	3 905
- Cash collateral and credit-linked notes	**22 860**	19 237
- SARB Funding Facility	**1 857**	-
Total deposits	**1 542 078**	1 535 015

26 OTHER LIABILITIES

R million	2021	2020
Lease liabilities	**2 881**	3 166
Funding liabilities	**4 860**	5 037
- Preference shares*	**2 865**	3 198
- Other	**1 995**	1 839
Total other liabilities	**7 741**	8 203

** The preference shares are cumulative , redeemable and non-participating. These preference shares were issued in October 2019 and will be redeemed on 31 October 2022*

26.1 Other liabilities reconciliation

	2021			2020		
R million	**Funding liabilities**	**Lease**	**Total**	Funding liabilities	Lease	Total
Opening balance	**5 035**	**3 168**	**8 203**	5 974	-	5 974
IFRS 16 adjustment	**-**	**-**	**-**	-	2 834	2 834
Cash flow movements	**77**	**(1 199)**	**(1 122)**	(2 076)	(71)	(2 147)
- Proceeds on the issue of other liabilities	**1 306**	**-**	**1 306**	3 614	969	4 583
- Redemption of other liabilities	**(1 110)**	**-**	**(1 110)**	(5 174)	-	(5 174)
- Principal payments towards lease liabilities	**-**	**(1 053)**	**(1 053)**	-	(884)	(884)
- Interest paid	**(119)**	**(146)**	**(265)**	(516)	(156)	(672)
Non-cash flow movements	**(252)**	**912**	**660**	1 137	405	1 542
- Fair value movement	**82**	**2**	**84**	(187)	11	(176)
- Acquisition of subsidiaries	**-**	**-**	**-**	1 308	40	1 348
- Transfers to non-current asset and disposal group held for sale	**31**	**13**	**44**	(108)	(13)	(121)
- Foreign exchange	**(462)**	**(141)**	**(603)**	(76)	203	127
- New leases recognised during the year	**-**	**1 106**	**1 106**	-	-	-
- Early termination/modification of lease	**-**	**(230)**	**(230)**	-	(17)	(17)
- Interest accrued	**97**	**162**	**259**	200	181	381
Total other liabilities	**4 860**	**2 881**	**7 741**	5 035	3 168	8 203

The group's significant leases relate to property rentals of office premises and the various branch network channels represented by full-service branches, agencies, mini branches and ATM lobbies. The rentals have fixed monthly payments. Escalation clauses are based on market-related rates and vary between 5% and 12%.

The leases are usually for a period of one to five years. The leases are non-cancellable and some of the leases have an option to renew for a further leasing period at the end of the original lease term.

Restrictions are more of an exception than the norm and usually relate to the restricted use of the asset for the business purposes specified in the lease contract.

For details on the contractual maturity of lease liabilities, refer to Note 37.2.1 (Liquidity risk).

27 TIER 2 LIABILITIES

R million	Maturity dates	Interest rate	2021	2020
Fixed-rate bonds			**10 217**	12 108
- ZAR denominated	19 April 2026 to 3 June 2026	8.15% – 10.19%	**1 430**	1 359
- USD denominated	23 April 2023	6.25%	**7 432**	9 287
- GBP denominated	28 October 2021	8.50%	**1 200**	1 300
- Other currencies	1 December 2021 and 29 March 2022	7.48% – 10.36%	**155**	162
Floating rate bonds			**10 723**	12 506
- ZAR denominated	24 November 2021 to 19 April 2026	Three-month JIBAR +224 bps to 390 bps	**9 952**	11 676
- Other currencies	1 December 2021 to 2 December 2024	Three-month JIBAR +250 bps and bank rate +180 bps to 200 bps	**771**	830
Total Tier 2 liabilities			**20 940**	24 614

27.1 Tier 2 liabilities reconciliation

R million	2021	2020
Opening balance	**24 614**	24 191
Cash flow movements	**(1 792)**	(1 911)
- Proceeds from the issue of Tier 2 liabilities and interest	**3 111**	275
- Capital repaid on Tier 2 liabilities	**(4 903)**	(2 186)
Non-cash flow movements	**(1 882)**	2 334
- Foreign exchange	**(2 208)**	1 394
- Fair value hedging adjustment	**(304)**	305
- Interest accrued	**630**	635
Total Tier 2 liabilities	**20 940**	24 614

28. SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

28.1. Share capital and share premium

Authorised shares

	2021	2020
Ordinary shares	**6 001 688 450**	6 001 688 450

Issued shares

	2021			2020		
	Number of shares	**Ordinary share capital R million**	**Share premium R million**	Number of shares	Ordinary share capital R million	Share premium R million
Opening balance	**5 609 488 001**	**56**	**8 008**	5 609 488 001	56	8 023
Shares issued		**-**	**-**	-	-	-
Total issued ordinary share capital and share premium	**5 609 488 001**	**56**	**8 008**	5 609 488 001	56	8 023
Treasury shares	**(1 391 191)**	**-**	**(35)**	(3 239 594)	-	(15)
Total issued share capital attributable to ordinary equityholders	**5 608 096 810**	**56**	**7 973**	5 606 248 407	56	8 008

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

The shareholding of subsidiaries in FirstRand Limited was 0.02% (2020: 0.06%) of total issued ordinary shares and these shares have been treated as treasury shares.

28.2 Other reserves

Other reserves are made up of the following:

R million	**2021**	2020
Regulatory reserves raised by African subsidiaries*	**870**	725
General risk reserve raised by African subsidiaries	**109**	49
Insurance contingency reserve	**127**	117
FVOCI reserve – debt instruments	**346**	(46)
FVOCI reserve – equity instruments	**(366)**	(94)
Other attributable reserves of associates and joint ventures	**100**	25
Reserves arising on acquisition of subsidiaries	**(141)**	(141)
Other reserves	**131**	155
Total	**1 176**	790

** The balance consists of reserves as required by law in certain jurisdictions where the group operates, namely Eswantini, Mozambique, Nigeria and Tanzania.*

29 OTHER EQUITY INSTRUMENTS

Authorised preference shares

	2021	2020
A preference shares – unlisted variable rate cumulative convertible redeemable*	**198 311 550**	198 311 550
B preference shares – listed variable rate non-cumulative non-redeemable	**100 000 000**	100 000 000
C preference shares – unlisted variable rate convertible non- cumulative redeemable*	**100 000 000**	100 000 000
D preference shares – unlisted variable rate cumulative redeemable*	**100 000 000**	100 000 000

** Unissued*

Issued shares

	2021		2020	
	Number of shares	**Ordinary equity instruments R million**	Number of shares	Ordinary equity instruments R million
B preference shares	**45 000 000**	**4 519**	45 000 000	4 519
Total issued share capital attributable to preference shareholders of the group	**45 000 000**	**4 519**	45 000 000	4 519

Dividends on the B preference shares are calculated at a rate of 75.5% of the prime lending rate of FNB, a division of FirstRand Bank Limited (FRB).

Additional Tier 1 capital

R million	Rate	2021	2020
FRB24	3-month JIBAR plus 445 basis points	**2 265**	2 265
FRB25*	3-month JIBAR plus 440 basis points	**3 461**	3 461
FRB28	3-month JIBAR plus 440 basis points	**1 400**	-
Total additional Tier 1 capital		**7 126**	5 726
Total other equity instruments		**11 645**	10 245

** Includes a tap issuance of Rnil in the current year (2020: R761 million).*

29 OTHER EQUITY INSTRUMENTS continued

FRB24, FRB25 and FRB28

FRB's Additional Tier 1 (AT1) capital instruments are perpetual and pay non-cumulative, discretionary coupons on a quarterly basis. The terms and conditions provide for an issuer call option after five years, and at every coupon payment date that follows.

In addition, at the discretion of the PA, FRB may write off the notes, in whole or in part, with no obligation to pay compensation to the noteholders upon the earlier of:

- the PA giving notice that a write-off is required without which the bank will become non-viable; or
- a decision being made to inject public sector capital, or equivalent support, without which the bank will become non-viable.

The AT1 instruments have been classified as equity, as the terms and conditions do not contain a contractual obligation to pay cash to the noteholders.

The total coupon paid during the financial year was R378 million (2020: R629 million). Current tax of R147 million (2020: R176 million) was recognised in the income statement.

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS

The group has a portfolio of integrated financial services businesses comprising FNB, RMB, WesBank, and Aldermore. The group operates in South Africa, certain markets in sub-Saharan Africa, the United Kingdom and India, and offers a universal set of transactional, lending, investment and insurance products and services.

The group's operations are conducted through its six significant wholly owned subsidiaries:

Subsidiary	Operation
FirstRand Bank Limited	SA banking activities and foreign branches in London, Guernsey and India
FirstRand EMA Holdings Proprietary Limited	Rest of Africa subsidiaries
FirstRand Investment Management Holdings Limited	Investment management
FirstRand Investment Holdings Proprietary Limited	Other activities
FirstRand International Limited (Guernsey)	UK banking and hard currency platform
FirstRand Insurance Holdings Proprietary Limited	Insurance

There are no significant restrictions on the ability to transfer cash or other assets to or from entities within the group. Refer to section C of the annual financial statements for a simplified group structure.

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

30.1 Acquisitions of subsidiaries

Identifiable assets acquired and liabilities assumed at the acquisition date fair value are set out as listed below.

	GHL Bank	Other insignificant acquisitions	
R million	2020	**2021**	2020
ASSETS			
Cash and cash equivalents	**143**	**52**	1
Other assets	**26**	**41**	6
Current tax asset	**8**	**-**	-
Advances	**1 611**	**-**	-
Investment securities	**193**	**-**	-
Property and equipment	**111**	**5**	-
Deferred income tax asset	**-**	**27**	-
Intangible assets	**39**	**-**	-
Total assets acquired	**2 131**	**125**	7
LIABILITIES			
Creditors and accruals	**263**	**98**	7
Deposits	**268**	**-**	-
Employee liabilities	**2**	**3**	-
Other liabilities	**1 309**	**-**	-
Deferred income tax liability	**18**	**-**	-
Total liabilities acquired	**1 860**	**101**	7
Net asset value as at date of acquisition	**271**	**24**	-
Total goodwill is calculated as follows:			
Total cash consideration transferred	**509**	**83**	-
Total non-cash consideration transferred	**-**	**40**	-
Less: net identifiable asset value at date of acquisition	**(271)**	**(24)**	-
Goodwill on acquisition	**238**	**99**	-

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

30.1.1 Acquisitions that do not result in a change of control

	Other insignificant acquisitions	
R million	**2021**	2020
Carrying amount of non-controlling interest acquired	**51**	(3)
Consideration paid to non-controlling interest acquired	**(185)**	(14)
- Discharged by cash consideration	**(139)**	(6)
- Non-cash consideration	**(46)**	(8)
Loss recognised directly in equity	**(134)**	(17)

During the current year the group increased its shareholding in its investment in FNB Mozambique Holdings Limited to 100% by purchasing the interest previously held by the non-controlling interests. The loss on the transaction was recognised directly in equity as it was a transaction between the owners of the entity in their capacity as owners.

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

30.2 Disposals of subsidiaries

30.2.1 Disposals of interest in subsidiaries with loss of control

	Private equity subsidiaries	
R million	**2021**	2020
ASSETS		
Cash and cash equivalents	**2**	-
Other assets	**10**	-
Total assets disposed of	**12**	-
LIABILITIES		
Creditors and accruals	**224**	-
Other liabilities	**1**	-
Total liabilities disposed of	**225**	-
Net asset value as at date of disposal	**(213)**	-
Total gain on disposal is calculated as follows:		
Total consideration received	**-**	-
Total cash consideration received	**-**	-
Add: non-controlling share of net asset value at disposal date	**371**	-
Less: group's portion of the net asset value on disposal	**(155)**	-
Loss on disposal of controlling interest in a subsidiary	**3**	-
Cash flow information		
Discharged by cash consideration	**-**	-
Less: cash and cash equivalents/(overdrafts) disposed of in the subsidiary	**(2)**	-
Net cash outflow on disposal of subsidiaries	**(2)**	-

Disposals in 2021

The group, through its subsidiary FirstRand Investment Holdings (Pty) Ltd, disposed of a private equity subsidiary and realised a loss of R3 million on disposal.

Disposals in 2020

There were no disposals of subsidiaries.

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

30.2.2 Disposals that do not result in a change of control

	RMB private equity	
R million	**2021**	2020
Carrying amount of non-controlling interest acquired	**-**	(1)
Consideration received from non-controlling interest disposed of	**-**	6
- Discharged by cash consideration	**-**	6
Gain recognised directly in equity	**-**	5

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

30.3 Non-controlling interests

The only subsidiaries that give rise to a significant non-controlling interest are FirstRand Namibia Limited and First National Bank of Botswana Holdings Limited.

The group holds 100% of the shares in First National Bank of Botswana Holdings Limited. The non-controlling interests recognised by the group result from First National Bank Holdings Botswana Limited's shareholding in First National Bank Botswana Limited. The non-controlling interests own 30.5% of First National Bank Botswana Limited.

In addition to the above the group owns less than 100% of the issued share capital of a number of private equity subsidiaries and other investments in the RMB Investments and Advisory (RMBIA) Proprietary Limited sub-consolidation. The non-controlling interests recognised by the group result from RMBIA's shareholding in these subsidiaries. There is no individually significant non-controlling interest.

	FirstRand Namibia Limited		**First National Bank of Botswana Limited**	
Country of incorporation		**Namibia**		**Botswana**
% ownership held by non-controlling interests		**40.3**		**30.5**
% voting rights by non-controlling interests		**40.3**		**30.5**
R million	**2021**	2020	**2021**	2020
Balances included in the consolidated statement of financial position				
Total assets	**43 455**	45 893	**36 991**	44 150
Balances with central banks*	**377**	409	**597**	676
Total liabilities	**37 809**	40 893	**31 883**	38 923
Balances included in the consolidated statement of comprehensive income				
Interest and similar income	**3 030**	3 857	**1 943**	2 296
Non-interest revenue	**2 033**	2 002	**1 710**	1 777
Profit or loss before tax	**1 492**	1 210	**1 274**	1 260
Total comprehensive income	**1 032**	833	**347**	1 420
Amounts attributable to non-controlling interests				
Dividends paid to non-controlling interests	**164**	508	**148**	181
Profit or loss attributable to non-controlling interests	**387**	423	**284**	291
Accumulated balance of non-controlling interests	**2 298**	2 039	**1 499**	1 541

** These balances are not available to the group for day-to-day operational use.*

31 INVESTMENT MANAGEMENT ACTIVITIES

The following table sets out the market value of assets for which the group earns fees as part of providing investment management services, but does not recognise on its statement of financial position.

R million	2021	2020
Assets under management	**171 255**	154 454
- Traditional products	**127 567**	118 747
- Alternative products*	**43 688**	35 707

**Prior year has been updated to align to include all assets under management for which the group earns fees.*

Traditional products comprise collective investment schemes, exchange-traded funds (ETFs), and discretionary mandates. Alternative products managed by the group include credit funds, private equity funds, structured products and other unregulated funds and mandates.

32 REMUNERATION SCHEMES

R million	Notes	2021	2020
The charge to profit or loss for share-based payments are as follows:			
Conditional incentive plan		**1 152**	551
Other subsidiary schemes		**6**	5
Amount included in profit or loss	3	**1 158**	556

The purpose of these schemes is to appropriately attract, incentivise and retain managers and employees within the group. The performance vesting conditions attached to the 2018 scheme were not met and the full obligation raised in prior periods was reversed in the current year.

32 REMUNERATION SCHEMES continued

Description of the scheme and vesting conditions:

Conditional incentive plan		
IFRS 2 treatment	Cash settled*	Equity settled**
Description	The conditional award is a notional share based on the FirstRand Limited share price.	The conditional award is a notional share based on the FirstRand Limited share price, which must be settled in FirstRand Limited shares.
Vesting conditions	These awards vest after three years. The awards vest if the employment and, where applicable, performance conditions are met. Conditional awards are issued annually and vesting is subject to specified financial performance targets set annually by the group's remuneration committee. These corporate performance targets (CPTs) are set out below.	
Valuation methodology	The conditional incentive plan (CIP) is valued using the Black Scholes option pricing model. The scheme is cash settled and is therefore repriced at each reporting date.	The CIP is valued using the Black Scholes option pricing model. The scheme is equity settled and is the price at grant date.
Valuation assumptions		
Dividend data	Management's estimates of future discrete dividends	
Market related	Interest rate is the risk-free rate of return as recorded on the last day of the financial year, on a funding curve of a term equal to the remaining expected life of the plan.	
Employee related	The weighted average forfeiture rate used is based on historical forfeiture data observed over all schemes.	

** The UK conditional award for UK-based employees (including Aldermore) differs from the rest of the group. The scheme is based on an initial sterling amount which varies in response to the FirstRand share price. The scheme has a liability of R87 million at 30 June 2021 (2020: R60 million).*

*** The equity-settled scheme is immaterial with a share-based payment reserve of R44 million at 30 June 2021 (2020: R25 million), which all related to Aldermore staff.*

Corporate performance targets

The FirstRand remuneration committee sets the CPTs for each award based on the expected macroeconomic conditions, group earnings and returns forecasts over the performance period. These criteria vary from year to year, depending on the expectations for each of the aforementioned variables. For vesting to occur, the criteria must be met or exceeded. For the 2018 award scheme, the scheme rules allowed the remuneration committee the discretion to determine whether the conditional awards would vest, in full or partially, in circumstances where the performance conditions were not fulfilled. The application of this discretion is limited. For the 2019 and 2020 awards, this discretion is removed and if the performance conditions are not met, the award fails. The 2019 and 2020 schemes have a graded vesting structure. The level of vesting is correlated to the earnings growth achieved relative to macroeconomic variables and minimum return on equity requirements. The vesting outcome is based on the delivery of the performance conditions and this level is finally determined and calculated by the group remuneration committee. In terms of the scheme rules, participants are not entitled to dividends on their conditional share awards during the vesting period. For certain non-senior employees eligible for a CIP a portion of the award is not subject to the performance conditions and only requires continued employment.

32 REMUNERATION SCHEMES continued

The criteria for the expired and currently open schemes are set out below.

Expired schemes

2017 (Did not vest at the expected vesting date of September 2020) – FirstRand Limited must achieve growth in normalised EPS, adjusted for CPI, which equals or exceeds the South African real GDP growth, on a cumulative basis, over the performance period from the base year end, being 30 June 2017, to the year end immediately preceding the vesting date, and the group must deliver an ROE of at least 18% over the performance period. Real GDP and CPI are advised by Group Treasury's macro strategy unit. For vesting to occur, the criteria must be met or exceeded. However, the scheme rules allow the remuneration committee the discretion to determine whether the conditional awards will vest in full or partially in circumstances where the performance conditions were not fulfilled. During the performance period from 1 July 2017 to June 2020, the group failed to achieve the targets set for the cumulative growth in normalised earnings per share and Remco notified qualifying employees that the scheme would consequently not vest.

Currently open

2018 (Not vesting at the expected vesting date of September 2021) – FirstRand Limited must achieve growth in normalised earnings per share which equals or exceeds the South African CPI plus GDP growth, on a cumulative basis, over the performance period from the base year end, being 30 June 2018, to the year end immediately preceding the vesting date, and the group must deliver an ROE of at least 18% over the performance period. If real gross domestic product is negative, then growth in normalised earnings should equal or exceed CPI over the same period. Real GDP and CPI are advised by Group Treasury's macro strategy unit. For vesting to occur, the criteria must be met or exceeded. However, the scheme rules allow the remuneration committee the discretion to determine whether the conditional awards will vest in full or partially in circumstances where the performance conditions were not fulfilled. During the current year, it was determined that the group failed to achieve the targets over the performance period, set for the cumulative growth in normalised earnings per share and ROE, and Remco notified qualifying employees that the scheme would consequently not vest.

2019 (Vesting date in 2022) – The vesting conditions of the 2019 award are set out below, with the apportionment to vesting without conditions described below.

The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment and the remaining 50% of the award remains subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a super stretch target with linear grading between targets. If the minimum ROE and earnings growth conditions are met, vesting will commence at 70% and if these are not met the award will lapse.

32 REMUNERATION SCHEMES continued

	Performance conditions		
	Vesting level should both conditions be met	**ROE target (average over the 3-year performance period)**	**Normalised earnings per share growth requirement (3-year compound annual growth rate)** FirstRand Limited must achieve growth in normalised earnings per share relative to the South African CPI plus real GDP growth on a cumulative basis over the performance period from the base year end, being 30 June 2019, as set out for each vesting level indicated below:
Minimum vesting, below which the award lapses	70%	≥ 20%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >0% or CPI where real GDP growth is negative
On target performance	100%	≥ 20.5%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 1.5% to 3%
Stretch target	120%	≥ 21%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >5% to 7%
Super stretch target	150% (maximum vesting)	≥ 22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 7% to 10%

Linear vesting applies between each vesting level based on the achieved normalised earnings per share growth rate. The ROE calculation is based on NAV taking into consideration adjustments resulting from, for example, dividend policy changes, regulatory changes, IFRS changes or volatile reserves. Under the new structure, Remco cannot apply upward vesting judgement if performance criteria are not met.

2020 (Vesting date in 2023) – The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment. The remaining 50% of the award is subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a maximum target with linear grading between targets. If the minimum conditions are met, vesting will commence at 70% and if these are not met, the award will lapse. Remco has the right to adjust the vesting level down by up to 20% if material negative outcomes for the business occur that are within management control.

32 REMUNERATION SCHEMES continued

Examples would include issues that materially damaged the group's businesses, including its reputation, material enterprise-wide risk and control issues, as recommended to it by the risk, capital management and compliance committee (RCCC), as well as concerns regarding the adherence to the liquidity and capital management strategies in place.

The performance conditions for the 2020 award include prudential targets relating to liquidity and capital ratios, an earnings growth target and an ROE target. The table below further stipulates the performance conditions to be fulfilled by the company and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. To achieve minimum vesting of 70%, the group must exceed the liquidity and capital targets set by the board and measured at 31 March 2023. If the conditions set for 70% vesting are not met, the award lapses and none of the other conditions described below are assessed.

Vesting level *	**Performance conditions**	
	Minimum ROE requirement at 30 June 2023**	**Normalised earnings per share growth requirement (3-year compound annual growth rate)**
70.1% to 99.9%	For grading above 95%, ROE must be more than cost of equity as at issue date of award, i.e. net income after capital charge (NIACC) positive	Grading based on minimum compound annual growth rate of 4.3% up to <13.4%
100%	ROE must be more than cost of equity as at issue date of award, i.e. NIACC positive	Minimum compound annual growth rate of 13.4% up to <17.5% (100% vesting only for all growth outcomes in the range above)
100.1% and 119.9%	ROE of at least 18%	Minimum compound annual growth rate of 17.5% up to <22%
120%	ROE of at least 20%	Minimum compound annual growth rate of 22%
120.1% and 150%. (maximum vesting of 150%)	ROE of at least 22%	Minimum compound annual growth rate above 22% and up to 28.2% to calculate linear grading up to 150% vesting

* Linear grading between these vesting levels based on the growth achieved.

** In the event that the ROE target is not met, the outcome will be constrained to the ROE target even if the growth measured could result in higher vesting outcomes.

32 REMUNERATION SCHEMES continued

The significant weighted average assumptions used to estimate the fair value of the conditional share awards granted are detailed below.

	2021		2020	
	Conditional incentive plan	**FNB Namibia**	Conditional incentive plan	FNB Namibia
Award life (years)	**2 – 4**	**-**	2 – 3	-
Risk-free rate (%)	**3.67 – 5.74**	**-**	3.91 – 5.32	-
Expected dividend yield (%)	**-**	**-**	-	-
Expected dividend growth (%)	**-**	**-**	-	-

	Conditional incentive plan (FirstRand shares)	
Share awards outstanding	**2021**	2020
Number of awards in force at the beginning of the year (millions)	**64.0**	93.5
Number of awards granted during the year (millions)	**73.6**	36.5
Number of awards exercised/released during the year (millions)	**(4.7)**	(33.8)
- Market value range at date of exercise/release (cents)*	**3 768 - 5 534**	3 893 - 6 637
- Weighted average (cents)	**3 929**	6 511
Number of awards forfeited during the year (millions)	**(29.5)**	(32.1)
Number of awards in force at the end of the year (millions)	**103.4**	64.0

	Conditional incentive plan (FirstRand shares)			
	2021		2020	
Conditional outstanding**	**Weighted average remaining life (years)**	**Outstanding awards (millions)**	Weighted average remaining life (years)	Outstanding awards (millions)
Vesting during 2020#			0.30	4.8
Vesting during 2021	**0.30**	**10.9**	1.30	29.9
Vesting during 2022	**1.30**	**30.6**	2.30	29.3
Vesting during 2023	**2.31**	**61.9**	-	-
Total conditional awards	**-**	**103.4**		64.0
Number of participants		**5 121**		4 743

** Market values indicated above include those instances where a probability of vesting is applied to accelerated share award vesting prices due to a no-fault termination, as per the rules of the scheme.*

***Years referenced in the rows relate to calendar years and not financial years.*

 # Scheme vesting during 2021 and 2020 failed to vest due to the performance conditions attached to the scheme not being achieved.

33 CONTINGENCIES AND COMMITMENTS

R million	2021	2020
Contingencies and commitments		
Guarantees (endorsements and performance guarantees)	**49 943**	33 609
Letters of credit	**10 059**	8 511
Total contingencies	**60 002**	42 120
Irrevocable commitments*	**166 397**	129 816
Committed capital expenditure	**3 633**	3 584
Other	**54**	50
Contingencies and commitments	**230 086**	175 570
Legal proceedings		
There are a small number of potential legal claims against the group, the outcome of which is uncertain at present. These claims are not regarded as material, either on a individual or a total basis, and arise during the normal course of business. On-balance sheet provisions are only raised for claims that are expected to materialise	**316**	426
Commitments		
Commitments in respect of capital expenditure and long-term investments approved by the directors	**3 633**	3 584

** Irrevocable commitments have been restated, following the identification of R2 158 million that had been incorrectly omitted from the 2020 numbers. The ECL relating to this restatement was recorded in the prior year and as such, the restatement does not require additional ECL to be raised.*

33 CONTINGENCIES AND COMMITMENTS continued

33.1 Future minimum lease payments receivable under operating leases where the group is the lessor

The group owns various assets that are leased to third parties under non-cancellable operating leases as part of the group's revenue-generating operations.

The minimum future lease payments under non-cancellable operating leases on assets where the group is the lessor are detailed below.

	2021		
R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**
Property	**56**	**333**	**24**
Motor vehicles	**1 429**	**2 338**	**263**
Total operating lease commitments	**1 485**	**2 671**	**287**

	2020		
R million	Within 1 year	Between 1 and 5 years	More than 5 years
Property	95	297	30
Motor vehicles	1 421	2 177	218
Total operating lease commitments	1 516	2 474	248

34 FAIR VALUE MEASUREMENTS

34.1 Valuation methodology

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

When assessing the fair value measurement of financial instruments for this period, the valuation models have been built to take into consideration inputs that are reflective of market participant input as opposed to group-specific inputs. The appropriateness of the inputs to valuations, which include the use of correlations, price volatilities, funding costs and bid-offer spreads, price earnings multiples counterparty and own credit spreads, was also considered. Changes in valuation inputs have also been considered in terms of the impact they have on the classification of exposures in the fair value hierarchy, transfers within the fair value hierarchy and the level 3 sensitivity analysis that may be required if applicable.

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

Non-recurring fair value measurements

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

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

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

Financial instruments

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

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

34 FAIR VALUE MEASUREMENTS continued

34.2 Fair value hierarchy and measurements

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 under section 34.4, for all other financial instruments at amortised cost, the carrying value is equal to or a reasonable approximation of the fair value.

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

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

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

34 FAIR VALUE MEASUREMENTS continued

Measurement of assets and liabilities at level 2

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

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Derivative financial instruments			
Forward rate agreements	Discounted cash flow	Future cash flows are projected using a related forecasting curve and then discounted using a market-related discounting curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates and credit spreads
Swaps	Discounted cash flow and industry standard models	Future cash flows are projected using a related forecasting curve and then discounted using a market-related discounting curve over the contractual period. The reset date of each cash flow is determined in terms of legal documents. The industry standard 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 rates, credit and currency basis curves, volatilities, dividends and share prices
Options	Option pricing and industry standard 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, the volatility of the underlying, dividends and share prices

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Derivative financial instruments continued			
Forwards	Discounted cash flow	The future cash flows are projected using a related forecasting curve and then discounted using a market-related discounting 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 rates and dividend yield
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Market interest rates, volatilities, dividends and share prices
Advances to customers			
Advances under repurchase agreements	Discounted cash flow	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. The amount repayable is referenced to a commodity price. Credit inputs are an insignificant input as the advance is fully collateralised.	Commodity prices
Other advances	Discounted cash flow	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 rates and credit spreads
Investment securities			
Equities listed in an inactive market	Discounted cash flow	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using a market-related interest rate.	Market interest rates

34 FAIR VALUE 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 flow	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 flow	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 rates and credit spreads
Negotiable certificates of deposit (NCD)	Discounted cash flow	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 rates and market quotes for NCD instruments
Treasury bills and other government and government-guaranteed stock	JSE debt market bond pricing model	The JSE debt market bond pricing model uses the JSE debt market mark-to-market bond yield.	Market quotes for money market and fixed-income instruments
Non-recourse investments	Discounted cash flow	Future cash flows are discounted using a discount rate which is determined as a base rate plus a margin. The base rate is determined by legal agreements as either a bond or swap curve. The margin approximates the level of risk attached to the cash flows. When there is a change in the base rate of the market, the valuation is adjusted accordingly. The valuation model is calibrated to reflect transaction price at initial recognition.	Market interest rates

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Investment securities continued			
Investments in funds and unit trusts	Third-party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the group places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant operating business'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)
Deposits			
Call and non-term deposits	Discounted cash flow or the undiscounted amount is used	Cash flows are discounted with the appropriate curve to arrive at the present value. Where the deposit has a demand feature, the undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. The fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	Discounting curve
Non-recourse deposits	Discounted cash flow	Future cash flows are discounted using market-related interest rates. Fair value for interest rate risk with no valuation adjustment for own credit risk. Valuation adjustments are affected by changes in the applicable credit ratings of the assets.	Market interest rates
Other deposits	Discounted cash flow	The related forecasting curve is adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates
Other liabilities	Discounted cash flow	Future cash flows are discounted using market-related interest rates. Where the value of a liability is linked to the performance of an underlying and the underlying is observable, these liabilities are classified as level 2.	Market interest rate curves or performance of underlying

34 FAIR VALUE MEASUREMENTS continued

Policyholder liabilities under investment contracts			
Unit-linked contracts or contracts without fixed benefits	Adjusted value of underlying assets	The underlying assets related to the contracts are recognised by the group. The investment contracts require the group to use these assets to settle the liabilities. The fair value of investment contract liabilities, therefore, is determined with reference to the fair value of the underlying assets. The fair value is determined using the current unit price of the underlying unitised assets linked to the liability and multiplied by the number of units attributed to the policyholders at reporting date. The fair value of the liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.	Spot price of underlying
Contracts with fixed and guaranteed terms	Discounted cash flow	The liability fair value is the present value of future payments, adjusted using appropriate market-related yield curves to maturity.	Market interest rates
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flow	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rates

34 FAIR VALUE MEASUREMENTS continued

Measurement of assets and liabilities at level 3

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

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Derivative financial instruments			
Options	Option pricing and industry standard 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, dividends and unlisted share prices
Swaps	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves, credit 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			
Corporate and investment banking book	Discounted cash flow	Certain of the group's corporate and 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 flow	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. In the case where the fair value of the credit is not significant year-on-year but may become significant in future, and where the South African counterparties do not have actively traded or observable credit spreads, the group classifies other loans and advances to customers as level 3 in the fair value hierarchy.	Credit inputs

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Advances to customers continued			
Advances under repurchase agreements	Discounted cash flow	The valuation entails accounting for the default of the counterparty and the sovereign entity. The effect of these defaults on the exchange rate is also included. Wrong-way risk is incorporated by factoring in the correlation between the foreign exchange rate and the default risk of the counterparty, as well as the default risk of the sovereign entity.	Credit input and market risk correlation factors
Investment securities			
Equities listed in an inactive market	Discounted cash flow	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates.	Unobservable P/E ratios
Unlisted equities	P/E model and discounted cash flow	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 flow	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

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Investment securities continued			
Investments in funds and unit trusts	Third-party valuations	In the case of certain investments in funds (such as hedge funds) or unit trusts where an internal valuation technique is not applied, the group places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant operating business's investment committee on a regular basis. Where these underlying investments are unlisted, the group has classified them as level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third-party valuations.	Third-party valuations used, minority and marketability adjustments
Investment properties	Discounted cash flow	The fair value of investment properties is determined by obtaining a valuation from an independent professional valuer not related to the group. This fair value is based on a discounted cash flow model which is the sum of the present values of a stream of cash flows into the future with an appropriate exit or terminal value. Considerations related to above and below market rentals, fluctuating expenses and general property risk are factored into the model. Variables are obtained through surveys and comparable recent market transactions not publicly quoted. Professional valuations are performed every two years and are reviewed internally by management. The latest valuation was performed during the current year. The fair value is based on unobservable income capitalisation rate inputs. These rates are impacted predominantly by expected market rental growth, contract tenure, occupancy rates and vacant periods that arise on expiry of existing contracts. The fair value of these properties will change favourably with decreases in the average vacant period and increases in the expected market rental growth, contract tenure and occupancy rates, and unfavourably if the inverse occurs.	Expected rentals, capitalisation and exit/terminal rates

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Deposits			
Deposits referencing credit-linked instruments	Discounted cash flow	These deposits reference credit-linked instruments. The related forecasting 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
Other deposits	Discounted cash flow	The related forecasting 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 flow	For preference shares which require the group to share a portion of profits of underlying contracts with a third party, the value of the liability is linked to the performance of the underlying. Where the underlying is not observable, these liabilities are classified as level 3. Future cash flows are discounted using market-related interest rates, adjusted for the performance of the underlying contracts.	Performance of underlying contracts
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flow	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, arising from non-current assets held for sale and disposal groups subject to IFRS 5, the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required, the technique applied and the inputs into the models would be identical to those as set out in the table above.

An investment in a subsidiary was classified as a disposal group held for sale at 30 June 2020 and again at 30 June 2021. The entirety of the disposal group is subject to IFRS 5 measurement criteria and was measured at fair value less costs to sell. It has been categorised as level 3 fair value hierarchy. Further details have been provided in note 14.

34 FAIR VALUE MEASUREMENTS continued

34.2.1 Fair value hierarchy

The following table presents the fair value hierarchy and applicable measurement basis of assets and liabilities of the group which are recognised at fair value.

	2021			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	41	81 481	1 206	82 728
Advances	-	61 106	34 218	95 324
Investment securities	118 080	100 310	3 165	221 555
Non-recourse investments	329	8 688	-	9 017
Commodities	18 641	-	-	18 641
Investment properties	-	-	659	659
Non-recurring fair value measurements				
Disposal groups held for sale – financial assets	-	-	19	19
Total fair value assets	137 091	251 585	39 267	427 943
Liabilities				
Recurring fair value measurements				
Short trading positions	18 945	-	-	18 945
Derivative financial instruments	41	82 800	1 595	84 436
Deposits	1 046	39 989	4 471	45 506
Non-recourse deposits	-	9 017	-	9 017
Other liabilities	-	50	2	52
Policyholder liabilities under investment contracts	-	5 378	-	5 378
Non-recurring fair value measurements				
Disposal groups held for sale – financial liabilities	-	1	-	1
Total fair value liabilities	20 032	137 235	6 068	163 335

34 FAIR VALUE MEASUREMENTS continued

	2020			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	50	146 540	925	147 515
Advances	-	20 871	48 633	69 504
Investment securities	106 433	43 618	3 886	153 937
Non-recourse investments	-	8 611	-	8 611
Commodities	21 344	-	-	21 344
Investment properties	-	-	722	722
Non-recurring fair value measurements				
Disposal groups held for sale – financial assets	-	58	-	58
Total fair value assets	127 827	219 698	54 166	401 691
Liabilities				
Recurring fair value measurements				
Short trading positions	5 062	-	-	5 062
Derivative financial instruments	292	160 045	1 856	162 193
Deposits	1 299	39 918	5 063	46 280
Non-recourse deposits	-	8 611	-	8 611
Other liabilities	-	2	300	302
Policyholder liabilities under investment contracts	-	4 960	-	4 960
Non-recurring fair value measurements				
Disposal groups held for sale – financial liabilities	-	2	-	2
Total fair value liabilities	6 653	213 538	7 219	227 410

34 FAIR VALUE MEASUREMENTS continued

34.3 Additional disclosures for level 3 financial instruments

34.3.1 Transfers between fair value hierarchy levels

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

	2021		
R million	**Transfers in**	**Transfers out**	**Reasons for significant transfers in**
Level 1	**945**	**(24)**	Increased liquidity in the market for certain investment securities resulted in transfers from level 3 and level 2 into level 1.
Level 2	**210**	**(1 025)**	Increased liquidity in the market for certain investment securities resulted in transfers from level 3 to level 2.
Level 3	**607**	**(713)**	Investment securities whose fair value had been observable in a traded market no longer met the criteria for level 1 and level 2, as active trading ceased during the period and the fair value was determined using significant unobservable inputs.
Total transfers	**1 762**	**(1 762)**	

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

34 FAIR VALUE MEASUREMENTS continued

34.3 Additional disclosures for level 3 financial instruments

34.3.2 Changes in level 3 instruments with recurring fair value measurements

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

R million	Derivative financial assets	Advances	Investment securities	Investment properties
Balance as at 30 June 2019	802	36 141	3 692	689
Gains/(losses) recognised in profit or loss	142	4 458	(407)	26
Losses recognised in other comprehensive income	-	-	(203)	-
Purchases, sales, issue and settlements	(86)	7 186	(55)	7
Acquisitions/disposals of subsidiaries	-	-	-	-
Net transfer to level 3	67	-	814	-
Exchange rate differences	-	848	45	-
Balance as at 30 June 2020	**925**	**48 633**	**3 886**	**722**
Gains/(losses) recognised in profit or loss	**816**	**669**	**280**	**(89)**
Losses recognised in other comprehensive income	**-**	**-**	**(356)**	**-**
Purchases, sales, issue and settlements	**(535)**	**(14 146)**	**(509)**	**26**
Acquisitions/disposals of subsidiaries	**-**	**-**	**2**	**-**
Net transfer to level 3	**-**	**-**	**(106)**	**-**
Exchange rate differences	**-**	**(938)**	**(32)**	**-**
Balance as at 30 June 2021	**1 206**	**34 218**	**3 165**	**659**

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

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

	Derivative financial liabilities	Other liabilities	Deposits
	842	387	1 238
	1 418	154	76
	-	-	-
	(434)	(241)	3 729
	-	-	-
	30	-	-
	-	-	20
	1 856	**300**	**5 063**
	319	**(47)**	**(215)**
	-	**-**	**-**
	(580)	**(251)**	**(351)**
	-	**-**	**-**
	-	**-**	**-**
	-	**-**	**(26)**
	1 595	**2**	**4 471**

34 FAIR VALUE MEASUREMENTS continued

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

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

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

	2021		2020	
R million	**Gains/(losses) recognised in the income statement**	**Gains/(losses) recognised in other comprehensive income**	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income
Assets				
Derivative financial instruments	**782**	**-**	83	-
Advances*	**799**	**-**	4 291	-
Investment securities	**287**	**(300)**	(575)	(211)
Investment properties	**(89)**	**-**	91	-
Total	**1 779**	**(300)**	3 890	(211)
Liabilities				
Derivative financial instruments	**(288)**	**-**	(978)	-
Deposits	**86**	**-**	(41)	-
Other liabilities	**-**	**-**	(40)	-
Total	**(202)**	**-**	(1 059)	-

* *Mainly accrued interest on fair value advances and movements in interest rates and foreign currency that has been economically hedged. These advances are primarily classified as level 3, as credit spreads could be a significant input and are not observable for loans and advances in most of RMB's key markets. Refer to page B273 where the income statement impact of the credit fair value adjustments is disclosed. Inputs relating to interest rates and foreign currencies are regarded as observable.*

34 FAIR VALUE MEASUREMENTS continued

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

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

Asset/liability	Significant unobservable inputs	Unobservable input to which reasonably possible changes are applied	Reasonably possible changes applied
Derivative financial instruments	Volatilities	Volatilities	Increased and decreased by between 5% and 10%, depending on the nature of the instrument.
Advances	Credit	Credit migration matrix	A range of scenarios are run as part of the group's credit risk management process for advances measured at fair value through profit or loss to determine credit losses and change in credit spreads in various economic conditions. The probability of default is adjusted either upwards or downwards in relation to the base case.
Investment securities	Credit, growth rates and P/E ratios of unlisted investments	Credit, growth rates or P/E ratios of unlisted investments	Increased and decreased by between 7% and 10%, depending on the nature of the instrument
Investment properties	Expected rentals, capitalisation and exit/terminal rates	Escalation rates applied to rentals and discount rates	Expected rentals are adjusted for comparable rentals. A range of capitalisation rates was used to assess reasonability of the rate(s) used.
Deposits	Credit inputs	Credit inputs, correlation and devaluation parameters	The deposits included in level 3 of the hierarchy represent credit-linked notes and deposits under repurchase agreements. The most significant unobservable input in determining the fair value is the credit risk component. The sensitivity to credit risk has been assessed in the same way as for advances, using the credit migration matrix, with the deposit representing the cash collateral component thereof.
Other liabilities	Performance of underlying contracts	Profits on the underlying contracts	Increased and decreased by 1%

34 FAIR VALUE MEASUREMENTS continued

34.3.3 Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives (continued)

	2021			2020		
	Reasonably possible alternative fair value			Reasonably possible alternative fair value		
R million	Fair value	Using more positive assump-tions	Using more negative assump-tions	Fair value	Using more positive assump-tions	Using more negative assump-tions
Assets						
Derivative financial instruments	**1 206**	**1 344**	**1 067**	925	983	872
Advances	**34 218**	**34 295**	**34 152**	48 633	48 828	48 442
Investment securities	**3 165**	**3 290**	**2 921**	3 886	4 044	3 660
Investment properties	**659**	**724**	**593**	722	794	649
Total financial assets measured at fair value in level 3	**39 248**	**39 653**	**38 733**	54 166	54 649	53 623
Liabilities						
Derivative financial instruments	**1 595**	**1 508**	**1 680**	1 856	1 762	1 934
Deposits	**4 471**	**4 441**	**4 501**	5 063	5 010	5 132
Other liabilities	**2**	**2**	**2**	300	297	303
Total financial liabilities measured at fair value in level 3	**6 068**	**5 951**	**6 183**	7 219	7 069	7 369

34 FAIR VALUE MEASUREMENTS continued

34.4 Financial instruments not measured at fair value

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position, but for which fair value is required to be disclosed. For all other financial instruments, the carrying value is equal to or a reasonable approximation of the fair value.

	2021				
R million	**Carrying value**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Advances	**1 128 110**	**1 147 500**	**-**	**120 714**	**1 026 786**
Investment securities	**137 615**	**137 071**	**110 822**	**19 969**	**6 280**
Total financial assets at amortised cost	**1 265 725**	**1 284 571**	**110 822**	**140 683**	**1 033 066**
Liabilities					
Deposits	**1 487 555**	**1 491 024**	**513**	**1 179 295**	**311 216**
Other liabilities	**4 808**	**4 823**	**-**	**4 248**	**575**
Tier 2 liabilities	**20 940**	**21 397**	**-**	**21 397**	**-**
Total financial liabilities at amortised cost	**1 513 303**	**1 517 244**	**513**	**1 204 940**	**311 791**

	2020				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	1 192 211	1 202 775	-	141 944	1 060 831
Investment securities	134 921	133 464	104 689	25 846	2 929
Total financial assets at amortised cost	1 327 132	1 336 239	104 689	167 790	1 063 760
Liabilities					
Deposits	1 480 124	1 483 457	9 951	1 170 985	302 521
Other liabilities	4 735	4 778	-	3 118	1 660
Tier 2 liabilities	24 614	24 987	-	24 987	-
Total financial liabilities at amortised cost	1 509 473	1 513 222	9 951	1 199 090	304 181

34 FAIR VALUE MEASUREMENTS continued

34.5 Day 1 profit or loss

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

R million	**2021**	2020
Opening balance	**197**	50
Day 1 profits or losses not initially recognised on financial instruments in the current year	**281**	329
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(370)**	(182)
Closing balance	**108**	197

34 FAIR VALUE MEASUREMENTS continued

34.6 Financial instruments designated at fair value through profit or loss

Financial instruments designated at fair value through profit or loss	
Different methods are used to determine the current period and cumulative changes in fair value attributable to credit risk due to the differing inherent credit risk of these instruments. These are the methods used.	
Financial assets	**Advances** The change in credit risk is the difference between the fair value of advances, based on the original credit spreads (as determined using the group's credit spread pricing matrix), and the fair value of advances based on the most recent credit inputs where there has been a change in the credit risk of the counterparty. The group uses its own annual credit review process to determine if there has been a change in the credit rating or PD of the counterparty. **Investment securities** The change in fair value due to credit risk for investments designated at fair value through profit or loss is calculated by stripping out the movements that result from a change in market factors that give rise to market risk. The change in fair value due to credit risk is then calculated as the balancing figure, after deducting the movement due to market risk from the total movement in fair value.
Financial liabilities	Determined with reference to changes in the mark-to-market yields of own issued bonds. The change in fair value of financial liabilities due to changes in credit risk is immaterial.

34 FAIR VALUE MEASUREMENTS continued

34.6.1 Financial assets designated at fair value through profit or loss

The group has designated certain financial assets at fair value through profit or loss that would otherwise have been measured at amortised cost or fair value through other comprehensive income. The table below contains details on the change in credit risk attributable to these financial assets.

	2021			
			Change in fair value due to credit risk	
R million	**Fair value**	**Mitigated credit risk**	**Current period**	**Cumulative**
Advances	**9 250**	**-**	**(111)**	**(256)**
Investment securities	**8 059**	**-**	**-**	**-**
Total	**17 309**	**-**	**(111)**	**(256)**

	2020			
			Change in fair value due to credit risk	
R million	Fair value	Mitigated credit risk	Current period	Cumulative
Advances	8 381	180	(132)	(138)
Investment securities	8 221	-	-	-
Total	16 602	180	(132)	(138)

Losses are indicated in brackets.

34.6.2 Financial liabilities designated at fair value through profit or loss

	2021		2020	
R million	**Fair value**	**Contractually payable at maturity**	Fair value	Contractually payable at maturity
Deposits	**10 303**	**9 988**	8 586	8 156
Non-recourse deposits	**9 017**	**7 762**	8 611	7 145
Other liabilities	**52**	**52**	302	302
Policyholder liabilities under investment contracts	**5 378**	**5 378**	4 961	4 961
Total	**24 750**	**23 180**	22 460	20 564

34 FAIR VALUE MEASUREMENTS continued

34.7 Total fair value income included in profit or loss for the year

R million	**2021**	2020
Total fair value income for the year has been disclosed as:		
Fair value gains and losses included in non-interest revenue*	**6 574**	4 084
Fair value of credit of advances included in impairment of advances	**(260)**	(560)

** Refer to note 2.3*

35 SEGMENT INFORMATION

35.1 Reportable segments

<table>
<tr><th colspan="3">Segment reporting</th></tr>
<tr><td>Group’s chief operating decision maker</td><td colspan="2">Chief executive officer (CEO)</td></tr>
<tr><td>Identification and measurement of operating segments</td><td colspan="2">Aligned with the internal reporting provided to the CEO and reflects the risks and rewards related to the segments’ specific products and services offered in their specific markets.

Operating segments with total revenue, absolute profit or loss for the period or total assets that constitute 10% or more of all the segments’ revenue, profit or loss or total assets are reported separately.</td></tr>
<tr><td>Major customers</td><td colspan="2">The FirstRand group has no major customer as defined (i.e. revenue from the customer exceeds 10% of total revenue) and is, therefore, not reliant on revenue from one or more major customers.</td></tr>
<tr><th colspan="3">Reportable segments</th></tr>
<tr><td colspan="3">RETAIL AND COMMERCIAL</td></tr>
<tr><td></td><td>Products and services</td><td>Footprint</td></tr>
<tr><td>FNB</td><td>FNB represents FirstRand’s activities in the retail and commercial segments in South Africa and eight countries in the rest of Africa. FNB offers a diverse set of financial products and services to market segments including entry, middle, mass affluent, wealth , small business, agriculture, medium corporate, and public sector entities. FNB’s products cover the entire spectrum of financial services – transactional, lending, insurance, investment and savings. Products include mortgage loans and commercial property finance; credit and debit cards (card issuing); personal loans (including loans offered by DirectAxis); asset-based finance, debtor and leveraged finance; securities-based lending; foreign exchange; funeral, credit life, life and other insurance policies; and savings and investment products. Services include transactional and deposit taking, card-acquiring, credit facilities, insurance, trust and fiduciary services, rewards programme (eBucks), FNB Connect (a mobile virtual network operator), merchant services (card acquiring)</td><td>FNB operates in South Africa, Namibia, Botswana, Lesotho, Eswatini, Zambia, Mozambique, Tanzania and Ghana.</td></tr>
</table>

35 SEGMENT INFORMATION continued

Reportable segments		
	Products and services	**Footprint**
FNB	and cash management solutions. FNB's distribution channels include the branch network and other physical representation points, ATMs, call centres, the banking app, cell phone banking and online banking	
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. MotoVantage provides value-added products and services (VAPS) related to vehicle ownership. These include maintenance and service plans, warranties, and credit life and shortfall cover.	WesBank operates in South Africa.
CORPORATE AND INSTITUTIONAL		
RMB	RMB represents the group's activities in the corporate and investment banking segments in South Africa, the UK, African continent and India. RMB offers corporate finance, leveraged finance, resources sector solutions, infrastructure sector solutions, real estate finance, debt capital markets, debt trade solutions, sponsor services, corporate broking, loan syndications, coverage, advisory, , corporate transactional banking and principal investments. From a markets perspective it offers market making, financial risk management and investment across interest rate, currency, commodity, equity and credit asset classes as well as execution, asset financing, custody and clearing services. Ashburton Investment's results (previously reported in FCC) were incorporated into RMB as from 1 July 2020. Comparative information has been restated.	RMB operates in South Africa, Namibia, Botswana, Eswatini, Lesotho, Mozambique, Zambia, Ghana, Tanzania and Nigeria, and manages FirstRand Bank's representative offices in Kenya, Angola and China. It also operates in the UK and India (through FirstRand Bank branches).

35 SEGMENT INFORMATION continued

ALDERMORE		
Aldermore	Aldermore is a UK specialist lender focusing on lending in six areas: asset finance, invoice finance, SME commercial mortgages (including property development), residential mortgages, buy-to-let mortgages and vehicle finance (MotoNovo). It is funded primarily by deposits from UK savers. With no branch network, Aldermore serves customers and intermediary partners online and by phone.	Aldermore operates in the UK.
FCC AND OTHER		
FCC and other	FCC represents group-wide functions, including Group Treasury (including capital, funding and liquidity, financial resource management, and settlement and Swift), Group Finance, Group Tax, Enterprise Risk Management, Group Compliance and Group Internal Audit. The reportable segment includes all management accounting and consolidated entries. Ashburton Investment's results have been incorporated into RMB as from 1 July 2020. They were previously reported in FCC and comparative information has been restated. The total operational performance of MotoNovo's back book (i.e. business written prior to the integration with Aldermore in May 2019) is reported in the London branch, which forms part of FCC.	

35.2 Description of normalised adjustments

Normalised adjustments
The group believes normalised earnings more accurately reflect operational performance. Consequently, headline earnings have been adjusted to take into account non-operational and accounting anomalies. Normalised earnings are the measurement basis used by the chief operating decision maker to manage the group. Normalised earnings adjustments include reallocation entries where amounts are moved between income statement lines and lines of the statement of financial position, without having an impact on the IFRS profit or loss for the year or total assets and total liabilities reported in terms of IFRS. Other normalised adjustments have an impact on the profit or loss reported for the period.

35 SEGMENT INFORMATION continued

35.2 Description of normalised adjustments continued

Normalised adjustments	
Consolidated private equity subsidiaries	In accordance with IFRS, operating costs of consolidated private equity subsidiaries are included in profit or loss as part of operating expenses. When calculating normalised results, these operating costs are reclassified to NIR, where income earned from these entities is included. This presentation of net income earned from consolidated private equity subsidiaries more accurately reflects the underlying economic substance of the group's relationship with these entities.
FirstRand shares held for client trading activities	The group invests in FirstRand shares to offset its exposure as a result of client trading positions. Depending on the nature of the client trading position and resulting risks, FirstRand shares may be held long or sold short by the group. In terms of IAS 32, FirstRand shares held by the group are deemed to be treasury shares for accounting purposes. For the statement of financial position, the cost price of FirstRand shares held long is deducted from equity and the consideration received from selling FirstRand shares short is added back to equity. All gains and losses on FirstRand shares are reversed to profit or loss. In addition, one of the group's joint ventures also holds FirstRand shares for client trading activities. In terms of IAS 32, profits or losses cannot be recognised on an entity's own equity instruments. The group's portion of the fair value change in the FirstRand shares is, therefore, deducted from equity-accounted earnings and the carrying value of the investment recognised using the equity-accounted method. The shares held by the joint venture are not deducted from equity. Changes in the fair value of FirstRand shares and dividends declared on these shares affect the fair value of client trading positions reflected in the statement of financial position, unless the client trading position is itself an equity instrument. The change in the fair value of client trading positions is recognised in profit or loss. However, because of the rules relating to treasury shares and the elimination of upstream and downstream profits when equity accounting is applied, the corresponding fair value changes (or the group's portion of the fair value changes) in the FirstRand shares held to match client trading positions are reversed or eliminated. This results in a mismatch in the overall equity and profit or loss of the group. For purposes of calculating normalised results, the adjustments described above are reversed and FirstRand shares held for client trading positions are treated as issued to parties external to the group. Where the client trading position is itself an equity instrument, then neither gains nor losses on client trading positions, or FirstRand shares held to hedge these are reflected in profit or loss or on the statement of financial position.

35 SEGMENT INFORMATION continued

<table>
<tr><th colspan="2">Normalised adjustments</th></tr>
<tr><td>Margin-related items included in fair value income</td><td>In terms of IFRS, the group is either required to or has elected to measure certain financial assets and liabilities at fair value through profit or loss. In terms of the group’s IFRS accounting policies, the gains or losses on these assets and liabilities are included in fair value income within NIR. This results in NIR including gains or losses that are related to lending, borrowing and economic interest rate hedges. In order to reflect the economic substance of these amounts, the amount of fair value income that relates to margin is presented in NII in the normalised results.

The amount reclassified from NIR to NII includes the following items:
• the margin on the component of the wholesale advances book in RMB that is measured at 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 US dollar funding and liquidity pool.</td></tr>
<tr><td>IAS 19 remeasurement of plan assets</td><td>In terms of IAS 19, interest income is recognised on the plan assets and set off against staff costs in the income statement. All other remeasurements of plan assets are recognised in other comprehensive income. In instances where the plan asset is a qualifying insurance policy, which has a limit of indemnity, the fair value of the plan asset is limited to that limit of indemnity. The limit of indemnity continually reduces as payments are made in terms of the insurance policy. After the recognition of interest income on the plan asset, any further adjustment required to revalue the plan asset to the limit of indemnity is recognised in other comprehensive income. To the extent, therefore, that interest income on plan assets results in an increase in the fair value of the plan asset above the limit of indemnity, a downward fair value measurement is recognised in other comprehensive income. Economically, the value of the plan asset has simply reduced with claims paid. Normalised results are adjusted to reflect this by increasing staff costs to the value of the interest on the plan assets and increasing other comprehensive income.</td></tr>
</table>

35 SEGMENT INFORMATION continued

Normalised adjustments	
Realisations on the sale of private equity subsidiaries	In terms of *Circular 01/2021 Headline Earnings*, gains or losses from the sale of subsidiaries are excluded from headline earnings. The circular includes specific industry rules. Rule 1 allows entities to include in headline earnings gains or losses associated with private equity investments that are associates or joint ventures, which form part of trading or operating activities. This industry rule, however, does not apply to gains or losses associated with private equity investments that are subsidiaries. The group includes gains or losses on the sale of private equity subsidiaries in normalised results to reflect the nature of these investments.
Cash-settled share-based payments and the economic hedge	The group entered into various TRS with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's share schemes. In accordance with IFRS 2, the expense resulting from these share option schemes is recognised over the vesting period of the schemes. This leads to a mismatch in the recognition of the profit or loss of the hedge and the share-based payment expense. When calculating normalised results, the group defers a portion of the recognition of the fair value gain or loss on the hedging instrument for the specific reporting period to the period in which the IFRS 2 impact will manifest in the group's results. This reflects the economic substance of the hedge and associated IFRS 2 impact for the group for the share schemes that are not hedge accounted. In addition, the portion of the share-based payment expense which relates to the remeasurement of the liability arising from changes in the share price is reclassified from operating expenses into NIR in accordance with the economics of the transaction. The share-based payment expense included in operating expenses that remains is equal to the grant date fair value of the awards given.
Headline earnings adjustments	All adjustments that are required by *Circular 01/2021 Headline Earnings* in calculating headline earnings are included in normalised earnings on a line-by-line basis based on the nature of the adjustment. The description and amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit.

35 SEGMENT INFORMATION continued

	2021			
	Retail and commercial			
	FNB			
R million	FNB SA	FNB Africa	WesBank	
Net interest income before impairment of advances	**34 138**	**3 825**	**4 814**	
Impairment charge	**(8 214)**	**(865)**	**(2 074)**	
Net interest income after impairment of advances	**25 924**	**2 960**	**2 740**	
Non-interest revenue	**27 875**	**4 191**	**3 204**	
Net income from operations	**53 799**	**7 151**	**5 944**	
Operating expenses	**(31 218)**	**(5 416)**	**(4 592)**	
Share of profit of associates and joint ventures after tax	**90**	**-**	**465**	
Income before tax	**22 671**	**1 735**	**1 817**	
Indirect tax	**(820)**	**(128)**	**(68)**	
Profit for the year before tax	**21 851**	**1 607**	**1 749**	
Income tax expense	**(6 084)**	**(548)**	**(490)**	
Profit for the year	**15 767**	**1 059**	**1 259**	
The income statement includes				
Depreciation	**(2 606)**	**(433)**	**(906)**	
Amortisation	**(112)**	**(20)**	**(67)**	
Net impairment charges	**9**	**(1)**	**(18)**	
Non-interest revenue includes the following external revenue from contracts with customers*				
Banking fees and commissions	**25 484**	**3 925**	**514**	
Non-banking fees and commissions	**760**	**92**	**14**	
Insurance income (excluding risk-related income)	**837**	**138**	**391**	
Management, trust and fiduciary fees	**1 430**	**-**	**526**	
Other non-interest revenue from customers	**990**	**-**	**456**	
The statement of financial position includes				
Investments in associated companies	**797**	**-**	**2 527**	
Investments in joint ventures	**-**	**-**	**7**	
Total assets	**429 515**	**53 184**	**129 043**	
Total liabilities**	**411 098**	**51 583**	**127 459**	

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

* *The vast majority of external revenue from contracts with customers was recognised at a point in time.*

***Total liabilities are net of interdivisional balances.*

	2021						
		Corporate and institutional					
	Retail and commercial	RMB	Aldermore	FCC (including Group Treasury) and other	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
	42 777	9 191	9 017	3 526	64 511	(1 221)	63 290
	(11 153)	(1 448)	(1 076)	17	(13 660)	-	(13 660)
	31 624	7 743	7 941	3 543	50 851	(1 221)	49 630
	35 270	11 432	713	(3 867)	43 548	1 647	45 195
	66 894	19 175	8 654	(324)	94 399	426	94 825
	(41 226)	(10 309)	(5 173)	(634)	(57 342)	(214)	(57 556)
	555	1 356	15	(494)	1 432	106	1 538
	26 223	10 222	3 496	(1 452)	38 489	318	38 807
	(1 016)	(190)	(224)	(86)	(1 516)	-	(1 516)
	25 207	10 032	3 272	(1 538)	36 973	318	37 291
	(7 122)	(2 809)	(690)	1 772	(8 849)	(132)	(8 981)
	18 085	7 223	2 582	234	28 124	186	28 310
	(3 945)	(135)	(218)	(12)	(4 310)	-	(4 310)
	(199)	(200)	(42)	(475)	(916)	-	(916)
	(10)	(19)	-	(209)	(238)	(155)	(393)
	29 923	3 876	176	(4)	33 971	-	33 971
	866	52	6	40	964	-	964
	1 366	-	89	23	1 478	-	1 478
	1 956	570	-	-	2 526	-	2 526
	1 446	(1 980)	590	1 282	1 338	-	1 338
	3 324	4 065	113	1 142	8 644	-	8 644
	7	2 081	-	(17)	2 071	45	2 116
	611 742	591 309	325 195	358 064	1 886 310	(30)	1 886 280
	590 140	579 744	300 915	247 594	1 718 393	-	1 718 393

35 SEGMENT INFORMATION continued

R million	2020 Retail and commercial FNB FNB SA	FNB Africa	WesBank
Net interest income before impairment of advances	33 483	4 340	5 297
Impairment charge	(12 922)	(1 569)	(3 023)
Net interest income after impairment of advances	20 561	2 771	2 274
Non-interest revenue	26 553	4 066	3 367
Net income from operations	47 114	6 837	5 641
Operating expenses	(29 917)	(5 535)	(4 296)
Share of profit of associates and joint ventures after tax	65	1	(73)
Income before tax	17 262	1 303	1 272
Indirect tax	(609)	(157)	(46)
Profit for the year before tax	16 653	1 146	1 226
Income tax expense	(4 663)	(463)	(343)
Profit for the year	11 990	683	883
The income statement includes			
Depreciation	(2 429)	(478)	(884)
Amortisation	(128)	(6)	(52)
Net impairment charges	(9)	(3)	(21)
Non-interest revenue includes the following external revenue from contracts with customers**			
Banking fees and commissions	24 349	3 657	489
Non-banking fees and commissions	723	77	14
Insurance income (excluding risk-related income)	830	161	451
Management, trust and fiduciary fees	1 389	9	531
Other non-interest revenue from customers	496	(4)	374
The statement of financial position includes			
Investments in associated companies	707	-	2 227
Investments in joint ventures	7	-	(4)
Total assets	428 274	59 265	133 372
Total liabilities#	416 863	58 417	131 323

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

* *Restated in line with changes made to the reportable segment in the 30 June 2021 financial year. Previously RMB was split between investment banking and corporate banking. This split is no longer reviewed by the CODM.*

** *The vast majority of external revenue from contracts with customers was recognised at a point in time.*

\# *Total liabilities are net of interdivisional balances.*

	2020						
		Corporate and institutional*					
	Retail and commercial	RMB	Aldermore	FCC (including Group Treasury) and other	FirstRand group - normalised	Normalised adjustments	FirstRand group - IFRS
	43 120	9 083	7 249	3 399	62 851	64	62 915
	(17 514)	(3 354)	(2 577)	(938)	(24 383)	-	(24 383)
	25 606	5 729	4 672	2 461	38 468	64	38 532
	33 986	11 288	815	(3 842)	42 247	(556)	41 691
	59 592	17 017	5 487	(1 381)	80 715	(492)	80 223
	(39 748)	(9 252)	(4 307)	(2 349)	(55 656)	380	(55 276)
	(7)	545	10	(341)	207	(178)	29
	19 837	8 310	1 190	(4 071)	25 266	(290)	24 976
	(812)	(197)	(234)	(105)	(1 348)	-	(1 348)
	19 025	8 113	956	(4 176)	23 918	(290)	23 628
	(5 469)	(2 272)	(200)	3 067	(4 874)	26	(4 848)
	13 556	5 841	756	(1 109)	19 044	(264)	18 780
	(3 791)	(138)	(171)	(10)	(4 110)	-	(4 110)
	(186)	(130)	(66)	(454)	(836)	-	(836)
	(33)	(28)	-	(203)	(264)	(342)	(606)
	28 495	3 839	145	378	32 857	-	32 857
	814	52	(4)	53	915	-	915
	1 442	-	128	9	1 579	-	1 579
	1 929	542	-	1	2 472	-	2 472
	866	(55)	-	(16)	795	124	919
	2 934	3 848	118	(18)	6 882	-	6 882
	3	1 826	-	(18)	1 811	(62)	1 749
	620 911	642 436	328 301	334 968	1 926 616	(77)	1 926 539
	606 603	631 961	304 550	231 505	1 774 619	-	1 774 619

35 SEGMENT INFORMATION continued

Geographical segments

R million	2021 South Africa	Other Africa	United Kingdom	Austra-lasia	Other	Total
Net interest income after impairment	**35 002**	**5 015**	**9 389**	**1**	**223**	**49 630**
Non-interest revenue*	**39 890**	**6 030**	**748**	**(1)**	**66**	**46 733**
- Non-interest revenue from contracts with customers	**34 902**	**4 871**	**451**	**-**	**53**	**40 277**
- Other non-interest revenue	**3 464**	**1 159**	**283**	**(1)**	**13**	**4 918**
- Share of profits of associates and joint ventures after tax	**1 524**	**-**	**14**	**-**	**-**	**1 538**
Non-current assets**	**30 097**	**2 457**	**8 980**	**-**	**7**	**41 541**

R million	2020 South Africa	Other Africa	United Kingdom	Austra-lasia	Other	Total
Net interest income after impairment	27 293	4 557	6 552	23	107	38 532
Non-interest revenue*	34 769	5 567	1 209	(7)	182	41 720
- Non-interest revenue from contracts with customers	32 297	4 522	2 044	-	69	38 932
- Other non-interest revenue	2 432	1 059	(838)	(7)	113	2 759
- Share of profits of associates and joint ventures after tax	40	(14)	3	-	-	29
Non-current assets**	29 275	2 837	10 236	-	12	42 360

* *Non-interest revenue has been disaggregated to disclose revenue from contracts with customers distributed by geographical segment. The comparative information has been updated.*

** *Exclude financial instruments, other assets, deferred income tax assets, current tax assets, post-employment benefit assets and rights arising under insurance contracts.*

36 RELATED PARTIES

36.1 Balances with related parties

R million	2021	2020
Advances		
Associates	**18 243**	16 356
Joint ventures	**7 034**	5 555
Key management personnel	**11**	34
Other assets		
Associates	**424**	363
Joint ventures	**22 077**	10 020
Derivative assets		
Fair value		
Joint ventures	**-**	176
Investment securities		
Associates	**141**	106
Investments under the co-investment scheme		
Key management personnel	**67**	53
Deposits		
Associates	**977**	1 814
Joint ventures	**1 849**	2 512
Key management personnel	**105**	110
Accounts payable		
Associates	**3**	6
Joint ventures	**1**	-
Derivative liabilities		
Fair value		
Joint ventures	**35**	3
Commitments		
Associates	**3 027**	4 474
Joint ventures	**405**	-

Refer to the remuneration disclosures on page B286 for details of the compensation payable to key management personnel.

Transactions with related parties occur in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those for comparable transactions with other external parties. These transactions do not involve more than the normal risk of collectability or present other unfavourable features.

The amounts advanced to key management personnel consist of mortgages, instalment finance agreements, credit cards and other loans. The amounts deposited by key management personnel are held in cheque and current accounts, savings accounts and other term accounts. Market-related rates and terms and conditions apply to transactions with related parties, including key management personnel.

36 RELATED PARTIES continued

36.2 Transactions with related parties appear below

R million	2021	2020
Interest received		
Entities that have significant influence over the group and its subsidiaries	**-**	1 093
Associates	**860**	1 070
Joint ventures	**992**	1 214
Key management personnel	**3**	3
Interest paid		
Entities that have significant influence over the group and its subsidiaries	**-**	-
Associates	**(55)**	(81)
Joint ventures	**(91)**	(73)
Key management personnel	**(1)**	(10)
Non-interest revenue		
Entities that have significant influence over the group and its subsidiaries	**-**	76
Associates	**1 139**	1 087
Joint ventures	**3 003**	483
Operating expenses		
Associates	**(998)**	(763)
Joint ventures	**(5)**	(5)
Dividends received		
Associates	**520**	122
Joint ventures	**642**	925
Net investment return credited in respect of investments under the co-investment scheme		
Key management personnel	**10**	3
Financial consulting fees and other		
Key management personnel	**-**	1
Salaries and other employee benefits		
Key management personnel	**314**	204
- Salaries and other short-term benefits	**136**	112
- Share-based payments	**178**	92

Deferred compensation of R26 million (2020: R20 million) is due to key management personnel and is payable in FirstRand Limited shares. A list of the board of directors of the group is available in the Corporate governance section.

During the financial year, no contracts were entered into in which directors or officers of the group had an interest and which significantly affected the business of the group.

The directors had no interest in any third party or company responsible for managing any of the business activities of the group.

36 RELATED PARTIES continued

36.3 Post-retirement benefit fund

Details of transactions between the group and the group's post-employment benefit plan are listed below.

R million	**2021**	2020
Dividend income	**7**	5
Fee expense	**(1)**	-
Deposits held with the group	**770**	737
Interest income	**41**	45

Refer to note 21 for details of the closing balance of the group's post-employment benefit plan.

37 FINANCIAL AND INSURANCE RISKS

Risk governance in the group

FirstRand believes that effective risk, performance and financial resource management is key to its success and underpins the delivery of sustainable returns to shareholders. These disciplines are, therefore, deeply embedded in the group's tactical and strategic decision-making.

Effective risk management is supported by effective governance structures, robust policy frameworks and a risk-focused culture. Strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that consistent standards exist across the group. In line with the group's corporate governance framework, the board retains ultimate responsibility for providing strategic direction, approving risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on.

The group's business performance and risk management framework (BPRMF) describes the group's risk management structure and approach to risk management. Effective risk management requires multiple points of control or safeguards that should consistently be applied at various levels throughout the organisation.

The primary board committee overseeing risk matters across the group is the FirstRand risk, capital management and compliance (RCC) committee. It has delegated responsibility of a number of specialist topics to various subcommittees. Additional risk, audit and compliance committees exist in the operating businesses, segments and subsidiaries, the governance structures of which align closely with that of the group.

A detailed overview of the group's risk governance process is provided in the group's unaudited Pillar 3 disclosure on the FirstRand website at www.firstrand.co.za/investors/basel-pillar-3-disclosure/.

37 FINANCIAL AND INSURANCE RISKS

Overview of financial and insurance risks

The financial instruments recognised on the group's statement of financial position expose the group to various financial risks.

The information presented in this note represents the information required by IFRS 7 and sets out the group's exposure to these financial and insurance risks. This section also contains details on the group's capital management process.

<table>
<tr><th colspan="3">Overview of financial and insurance risks</th></tr>
<tr><td rowspan="2">Credit risk</td><td colspan="2">The risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads. Credit risk also includes credit default, pre-settlement, country, concentration and securitisation risk.</td></tr>
<tr><td>Credit risk arises primarily from the following instruments:
➢ advances;
➢ certain investment securities; and
➢ off-balance sheet exposures.
Other sources of credit risk are:
➢ reinsurance assets;
➢ cash and cash equivalents;
➢ accounts receivable included in other assets; and
➢ derivative balances.</td><td>The following information is presented for these assets:
➢ summary of all credit assets (37.1.1);
➢ information about the quality of credit assets (37 .1.2 and 37.1.3);
➢ exposure to concentration risk (37.1.4); and
➢ credit risk mitigation techniques and collateral held (37.1.5).</td></tr>
<tr><td rowspan="2">Liquidity risk</td><td colspan="2">The risk that the group will not be able to effectively meet current and future cash flow and collateral requirements without negatively affecting the normal course of business, financial position or reputation.</td></tr>
<tr><td>All assets and liabilities with differing maturity profiles expose the group to liquidity risk.</td><td>The following information is presented for these assets and liabilities:
➢ undiscounted cash flow analysis of financial liabilities (37.2.1);
➢ discounted cash flow analysis of total assets and liabilities (37.2.2); and
➢ collateral pledged (37.2.3).</td></tr>
</table>

37 FINANCIAL AND INSURANCE RISKS continued

<table>
<tr><th colspan="3">Overview of financial and insurance risks</th></tr>
<tr><td rowspan="4">Market risk</td><td colspan="2">The group distinguishes between traded market risk and non-traded market risk. For non-traded market risk, the group distinguishes between interest rate risk in the banking book and structural foreign exchange risk.

Traded market risk is the risk of adverse revaluation of any financial instrument as a consequence of changes in the market prices or rates.</td></tr>
<tr><td>Traded market risk (37.3.1) emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products, and is taken and managed by RMB.</td><td>The following information is presented for traded market risk:
➢ 1-day 99% value-at-risk (VaR) analysis; and
➢ 10-day 99% VaR analysis.</td></tr>
<tr><td>Interest rate risk in the banking book (37.4.1) is the sensitivity of a bank’s financial position and earnings to unexpected, adverse movements in interest rates. It originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.</td><td>The following information is presented for interest rate risk in the banking book:
➢ projected NII sensitivity to interest rate movements; and
➢ banking book NAV sensitivity to interest rate movements as a percentage of total group capital.</td></tr>
<tr><td>Structural foreign exchange risk (37.4.2) is the risk of an adverse impact on the group’s financial position and earnings or other key ratios as a result of movements in foreign exchange rates impacting balance sheet exposures. It arises from balances denominated in foreign currencies and group entities with functional currencies other than the rand.</td><td>Information on the group’s net structural foreign exposures and sensitivity of these exposures are presented.</td></tr>
</table>

37 FINANCIAL AND INSURANCE RISKS continued

<table>
<tr><th colspan="3">Overview of financial and insurance risks</th></tr>
<tr><td rowspan="2">Equity investment risk</td><td colspan="2">The risk of an adverse change in the fair value of an investment in a company, fund or listed, unlisted or bespoke financial instruments.</td></tr>
<tr><td>Equity investment risk (37.5) arises primarily from equity exposures from private equity and corporate and investment banking activities in RMB, and strategic investments held by WesBank, FNB, Aldermore and FCC. Ashburton Investments also contributes to equity investment risk through the short-term seeding of new traditional and alternative funds, both locally and offshore, which exposes the group until these investments are taken up by external parties. Long-term seeding is also provided where there is alignment with strategy and the business case meets the internal return hurdle requirements. Any equity investments in any types of funds held in bank’s banking book, including money market funds, are now treated as part of equity investment risk. This is based on the new capital requirements for investments in funds which came into effect on 1 January 2021 and include money market fund exposures in FNB Namibia and fund exposures in FNB Ashburton Jersey which were previously recognized as part of credit risk.</td><td>The following information is presented for equity investments:
➢ investment risk exposure, risk weighted assets, and sensitivity analysis of investment risk; and
➢ estimated sensitivity of remaining investment balances.</td></tr>
</table>

37 FINANCIAL AND INSURANCE RISKS continued

Insurance risk	Insurance risk arises from the inherent uncertainties of liabilities payable under an insurance contract. These uncertainties can result in the occurrence, amount or timing of the liabilities differing from expectations. Insurance risk can arise throughout the product cycle and is related to product design, pricing, underwriting or claims management.
	The risk arises from the group’s third-party insurance operations housed in FirstRand Insurance Holdings Limited. Currently insurance risk arises from the group’s long-term insurance operations, underwritten through its subsidiary FirstRand Life Assurance Limited (FirstRand Life), and short-term insurance operations, underwritten through its subsidiary FirstRand Short-Term Insurance (FirstRand STI).
Tax risk	**Tax risk is defined as the risk of:** ➢ financial loss due to the final determination of the tax treatment of a transaction by revenue authorities being different from the implemented tax consequences of such a transaction, combined with the imposition of penalties; ➢ sanction or reputational damage due to non-compliance with the various revenue acts; and/or ➢ the inefficient use of available mechanisms to benefit from tax dispensations. Accordingly, any event, action or inaction in the strategy, operations, financial reporting or compliance that either adversely affects the entity’s tax or business position, or results in unanticipated penalties, assessments, additional taxes, harm to reputation, lost opportunities or financial statement exposure is regarded as tax risk.

Capital management	The overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the group’s solvency and quality of capital during calm and turbulent periods in the economy and financial markets. The group, therefore, maintains capitalisation ratios aligned with its risk appetite and appropriate for safeguarding operations and stakeholder interests. The key focus areas and considerations of capital management are to ensure an optimal level and composition of capital, effective allocation of resources including capital and risk capacity, and a sustainable dividend policy.

37 FINANCIAL AND INSURANCE RISKS continued

37.1 Credit risk

Objective

Credit risk management objectives are twofold:

- **Risk control:** Appropriate limits are placed on the assumption of credit risk and steps taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfil this task.
- **Management:** Credit risk is taken within the constraints of the group's risk/return and credit risk appetite framework. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions, overseen by the group credit risk management function in Enterprise Risk Management (ERM) and relevant board committees, fulfil this role.

Based on the group's credit risk appetite, as measured on an ROE, NIACC and volatility-of-earnings basis, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management practices across the group, therefore, spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement, as well as collection and recovery of delinquent accounts.

Assessment and management

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure. Credit risk management across the group is split into three distinct portfolios, which are aligned to customer profiles. These portfolios are retail, commercial and corporate.

The assessment of credit risk across the group relies on internally developed quantitative models for addressing regulatory and business needs. These models are used for the internal assessment of the three primary credit risk components:

- PD;
- EAD; and
- LGD.

Management of the credit portfolio is reliant on these three credit risk measures. PD, EAD and LGD are inputs into the portfolio and group-level credit risk assessment where the measures are combined with estimates of correlations between individual counterparties, industries and portfolios to reflect diversification benefits across the portfolio.

37 FINANCIAL AND INSURANCE RISKS continued

The group employs a granular, 100-point master rating scale, which has been mapped to the continuum of default probabilities, as illustrated in the following table. FirstRand (FR)1 is the lowest PD and FR100 the highest. External ratings have also been mapped to the master rating scale for reporting purposes. These mappings are reviewed and updated on a regular basis.

Mapping of FR grades to rating agency scales

FR rating	Midpoint PD	International scale mapping (based on S&P) *
1 – 14	0.06%	AAA, AA+, AA, AA-, A+, A, A-
15 – 25	0.29%	BBB+, BBB(upper), BBB, BBB-(upper), BBB-, BB+(upper)
26 – 32	0.77%	BB+, BB(upper), BB, BB-(upper)
33 – 39	1.44%	BB-, B+(upper)
40 – 53	2.52%	B+
54 – 83	6.18%	B(upper), B, B-(upper)
84 – 90	13.68%	B-
91 – 99	59.11%	CCC+,CCC
100	100%	D (defaulted)

** Indicative mapping to the international rating scales of S&P Global Ratings. The group currently only uses mapping to S&P rating scales.*

37 FINANCIAL AND INSURANCE RISKS continued

37.1.1 Credit assets

The following assets and off-balance sheet amounts expose the group to credit risk. For all on-balance sheet exposures, the gross amount disclosed represents the maximum exposure to credit risk, before taking collateral and other credit enhancements into account.

R million	**2021**	2020
On-balance sheet exposures		
Cash and short-term funds	**124 503**	125 771
- Money at call and short notice	**67 410**	79 930
- Balances with central banks	**57 093**	45 841
Gross advances	**1 274 052**	1 311 095
- Retail secured	**325 768**	328 418
- Residential mortgages	**225 666**	224 404
- WesBank VAF*	**100 102**	104 014
- Retail unsecured**	**86 670**	88 816
- FNB card	**31 249**	30 210
- Personal loans	**39 709**	41 874
- Retail other	**15 712**	16 732
- Corporate and commercial	**481 415**	484 345
- FNB commercial	**111 121**	107 916
- WesBank corporate	**26 986**	27 114
- RMB corporate and investment banking[#,†]	**343 308**	349 315
- RMB corporate banking		68 445
- RMB investment banking[#]		280 870
- Rest of Africa	**60 353**	66 380
- Group Treasury and other[†]	**36 230**	36 890
- UK operations	**283 616**	306 246
- Retail	**221 188**	234 529
- Commercial	**62 428**	71 717
Derivatives	**82 728**	147 515
Debt investment securities (excluding non-recourse investments)	**346 081**	276 356
Financial accounts receivable included in other assets	**5 945**	6 943
Reinsurance assets	**387**	240
Off-balance sheet exposures	**232 129**	178 810
Total contingencies	**60 002**	42 120
- Guarantees	**49 943**	33 609
- Letters of credit**	**10 059**	8 511
Irrevocable commitments[‡]	**166 397**	129 816
Credit derivatives	**5 730**	6 874
Total	**2 065 825**	2 046 730

* *Includes public sector.*
** *Includes acceptances.*
[#] *RMB corporate banking and RMB investment banking have been combined in the current year and is reflected as RMB corporate and investment banking.*
[†] *Voluntary movement in classes of advances. Refer to note 38.*
[‡] *The prior year amount has been restated. Refer to Note 33 Contingencies and commitments for the detail.*

37 FINANCIAL AND INSURANCE RISKS continued

37.1.2 Quality of credit assets

The following table shows the gross carrying amount of advances carried at amortised cost and the fair value of advances measured at fair value through profit or loss, as well as the exposure to credit risk of loan commitments and financial guarantees per class of advance and per internal credit rating.

The amounts in stage 3 that do not have a rating of FR91-100 relate to technical cures (performing accounts that have previously defaulted but do not meet the 12-month curing definition and therefore remain in stage 3) and paying debt-review customers as the PDs on these customers are lower than operational stage 3 advances and the PD drives the FR rating. In addition, where the group holds a guarantee against a stage 3 advance, the FR rating would reflect the same.

	2021					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail secured						
Residential mortgages						
Stage 1	**31 174**	**27 102**	**164 355**	**28 470**	**846**	**105**
Stage 2	**331**	**152**	**10 590**	**446**	**5 014**	**113**
Stage 3	**3**	**-**	**381**	**10**	**12 972**	**425**
Total residential mortgages	**31 508**	**27 254**	**175 326**	**28 926**	**18 832**	**643**
WesBank VAF						
Stage 1	**1**	**-**	**77 464**	**-**	**49**	**-**
Stage 2	**-**	**-**	**8 015**	**-**	**4 662**	**-**
Stage 3	**-**	**-**	**-**	**-**	**9 911**	**-**
Total WesBank VAF	**1**	**-**	**85 479**	**-**	**14 622**	**-**
Retail unsecured						
FNB card						
Stage 1	**243**	**-**	**24 160**	**-**	**150**	**-**
Stage 2	**2**	**-**	**2 074**	**-**	**586**	**-**
Stage 3	**-**	**-**	**-**	**-**	**4 034**	**-**
Total FNB card	**245**	**-**	**26 234**	**-**	**4 770**	**-**
Personal loans						
Stage 1	**15**	**-**	**24 399**	**-**	**762**	**-**
Stage 2	**13**	**-**	**1 854**	**-**	**5 120**	**-**
Stage 3	**-**	**-**	**-**	**-**	**7 546**	**-**
Total personal loans	**28**	**-**	**26 253**	**-**	**13 428**	**-**

37 FINANCIAL AND INSURANCE RISKS continued

	2021					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail other unsecured						
Stage 1	**641**	**162**	**10 793**	**364**	**246**	**198**
Stage 2	**-**	**-**	**339**	**-**	**1 201**	**-**
Stage 3	**5**	**-**	**-**	**-**	**2 487**	**-**
Total retail other unsecured	**646**	**162**	**11 132**	**364**	**3 934**	**198**
Temporary stress scenario - retail						
Stage 1	**-**	**-**	**(1 212)**	**-**	**-**	**-**
Stage 2	**-**	**-**	**1 212**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**
Temporary stress scenario - retail	**-**	**-**	**-**	**-**	**-**	**-**
Corporate and commercial						
FNB commercial						
Stage 1	**208**	**507**	**93 673**	**17 293**	**736**	**39**
Stage 2	**6**	**-**	**6 728**	**199**	**3 392**	**542**
Stage 3	**-**	**-**	**101**	**6**	**6 277**	**151**
Total FNB commercial	**214**	**507**	**100 502**	**17 498**	**10 405**	**732**
WesBank corporate						
Stage 1	**9 428**	**3 007**	**14 435**	**-**	**311**	**-**
Stage 2	**27**	**-**	**1 532**	**-**	**439**	**-**
Stage 3	**-**	**-**	**-**	**-**	**814**	**-**
Total WesBank corporate	**9 455**	**3 007**	**15 967**	**-**	**1 564**	**-**
RMB corporate and investment banking*						
Stage 1	**131 387**	**50 037**	**179 772**	**53 275**	**181**	**83**
Stage 2	**187**	**-**	**26 733**	**3 805**	**1 369**	**1 094**
Stage 3	**-**	**-**	**1 285**	**-**	**1 496**	**136**
Purchased or originated credit impaired	**-**	**-**	**706**	**-**	**192**	**57**
Total RMB corporate and investment banking	**131 574**	**50 037**	**208 496**	**57 080**	**3 238**	**1 370**

** RMB corporate banking and RMB investment banking have been combined in the current year and is reflected as RMB corporate and investment banking.*

37 FINANCIAL AND INSURANCE RISKS continued

	2021					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Temporary stress scenario - commercial						
Stage 1	-	-	(99)	-	-	-
Stage 2	-	-	99	-	-	-
Stage 3	-	-	-	-	-	-
Temporary stress scenario - commercial	-	-	-	-	-	-
Rest of Africa						
Stage 1	4 463	1 584	44 500	6 004	1 013	462
Stage 2	390	4	3 971	207	2 489	48
Stage 3	-	-	171	1	3 356	10
Total rest of Africa	4 853	1 588	48 642	6 212	6 858	520
UK operations retail						
Stage 1	17 174	-	181 032	4 218	307	-
Stage 2	58	-	11 046	-	4 699	-
Stage 3	-	-	2 185	-	4 687	-
Total UK operations retail	17 232	-	194 263	4 218	9 693	-
UK operations commercial						
Stage 1	4 059	-	49 054	4 229	50	-
Stage 2	173	-	5 357	-	1 639	-
Stage 3	-	-	-	-	2 096	-
Total UK operations commercial	4 232	-	54 411	4 229	3 785	-
Group Treasury and other						
Stage 1	32 939	-	2 921	21 853	319	-
Stage 2	-	-	51	-	-	-
Stage 3	-	-	-	-	-	-
Total Group Treasury and other	32 939	-	2 972	21 853	319	-
Stage 1	231 732	82 399	865 247	135 706	4 970	887
Stage 2	1 187	156	79 602	4 657	30 609	1 797
Stage 3	8	-	4 123	17	55 676	722
Purchased or originated credit impaired	-	-	706	-	192	57
Total advances	232 927	82 555	949 678	140 380	91 447	3 463

37 FINANCIAL AND INSURANCE RISKS continued

	2020					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail secured						
Residential mortgages						
Stage 1	32 335	26 548	164 503	23 345	1 007	41
Stage 2	37	24	9 514	582	5 346	71
Stage 3	-	3	857	21	10 805	112
Total residential mortgages	32 372	26 575	174 874	23 948	17 158	224
WesBank VAF						
Stage 1	-	-	79 272	-	2 907	-
Stage 2	-	-	4 560	-	7 021	-
Stage 3	-	-	-	-	10 254	-
Total WesBank VAF	-	-	83 832	-	20 182	-
Retail unsecured						
FNB card						
Stage 1	64	-	23 982	-	306	-
Stage 2	-	-	1 671	-	512	-
Stage 3	-	-	-	-	3 675	-
Total FNB card	64	-	25 653	-	4 493	-
Personal loans						
Stage 1	620	-	25 851	1 246	1 900	256
Stage 2	13	-	2 497	-	3 569	-
Stage 3	-	-	-	-	7 424	-
Total personal loans	633	-	28 348	1 246	12 893	256

37 FINANCIAL AND INSURANCE RISKS continued

	2020					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail other unsecured						
Stage 1	457	141	11 147	285	1 275	133
Stage 2	-	-	93	-	1 553	-
Stage 3	4	-	2	-	2 201	-
Total retail other unsecured	461	141	11 242	285	5 029	133
Corporate and commercial						
FNB commercial						
Stage 1	106	421	91 446	12 412	1 089	105
Stage 2	-	-	4 563	732	3 682	51
Stage 3	-	-	527	1	6 503	140
Total FNB commercial	106	421	96 536	13 145	11 274	296
WesBank corporate						
Stage 1	9 340	3 707	14 308	-	737	-
Stage 2	8	-	1 317	-	530	-
Stage 3	-	-	-	-	874	-
Total WesBank corporate	9 348	3 707	15 625	-	2 141	-
RMB corporate banking						
Stage 1	31 167	23 943	28 680	23 653	-	117
Stage 2	-	-	7 410	6 105	335	417
Stage 3	-	-	-	-	726	314
Purchased or originated credit impaired	-	-	-	-	127	-
Total RMB corporate banking	31 167	23 943	36 090	29 758	1 188	848
RMB investment banking*						
Stage 1	91 705	13 757	157 769	13 777	481	-
Stage 2	-	-	28 364	837	269	-
Stage 3	-	-	33	-	1 348	10
Purchased or originated credit impaired	-	-	-	-	901	-
Total RMB investment banking*	91 705	13 757	186 166	14 614	2 999	10

** Voluntary movement in classes of advances. Refer to note 38. RMB corporate banking and RMB investment banking have been combined in the current year and is reflected as RMB corporate and investment banking.*

37 FINANCIAL AND INSURANCE RISKS continued

	2020					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Rest of Africa						
Stage 1	2 729	520	53 670	6 745	811	209
Stage 2	705	-	2 682	285	1 586	-
Stage 3	-	-	153	-	4 044	-
Total rest of Africa	3 434	520	56 505	7 030	6 441	209
UK operations retail						
Stage 1	104 342	-	102 590	3 637	50	-
Stage 2	63	-	17 392	-	4 974	-
Stage 3	-	-	1 880	-	3 238	-
Total UK operations retail	104 405	-	121 862	3 637	8 262	-
UK operations commercial						
Stage 1	13 647	-	44 424	4 074	94	-
Stage 2	787	-	8 801	-	2 402	-
Stage 3	-	-	-	-	1 562	-
Total UK operations commercial	14 434	-	53 225	4 074	4 058	-
Group Treasury and other						
Stage 1*	31 644	-	4 716	1 000	342	-
Stage 2	-	-	45	-	-	-
Stage 3	-	-	-	-	143	-
Total Group Treasury and other	31 644	-	4 761	1 000	485	-
Stage 1	318 156	69 037	802 358	90 174	10 999	861
Stage 2	1 613	24	88 909	8 541	31 779	539
Stage 3	4	3	3 452	22	52 797	576
Purchased or originated credit impaired	-	-	-	-	1 028	-
Total advances	319 773	69 064	894 719	98 737	96 603	1 976

** Voluntary movement in classes of advances. Refer to note 38.*

37 FINANCIAL AND INSURANCE RISKS continued

Analysis of impaired advances (stage 3)

The following table represents an analysis of impaired advances (stage 3) for financial assets measured at amortised cost, and debt instruments measured at both fair value through other comprehensive income and fair value through profit and loss, in line with the manner in which the group manages credit risk.

	2021		
R million	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3 by class			
Total retail secured	**23 267**	**16 424**	**6 843**
- Residential mortgages	**13 356**	**10 539**	**2 817**
- WesBank VAF	**9 911**	**5 885**	**4 026**
Total retail unsecured	**14 072**	**3 781**	**10 291**
- FNB card	**4 034**	**866**	**3 168**
- Personal loans	**7 546**	**2 249**	**5 297**
- Retail other	**2 492**	**666**	**1 826**
Total retail secured and unsecured	**37 339**	**20 161**	**17 178**
- Temporary stress scenario	**-**	**(44)**	**44**
Total corporate and commercial	**10 871**	**5 251**	**5 620**
- FNB commercial	**6 378**	**2 773**	**3 605**
- WesBank corporate	**814**	**489**	**325**
- RMB corporate and investment banking*	**3 679**	**1 989**	**1 690**
Rest of Africa	**3 527**	**1 559**	**1 968**
Group Treasury and other	**-**	**-**	**-**
UK operations	**8 968**	**6 258**	**2 710**
- Retail	**6 872**	**4 791**	**2 081**
- Commercial	**2 096**	**1 467**	**629**
Total stage 3	**60 705**	**33 229**	**27 476**
Stage 3 by category			
Overdrafts and cash management accounts	**4 915**	**1 305**	**3 610**
Term loans	**2 576**	**1 015**	**1 561**
Card loans	**4 506**	**899**	**3 607**
Instalment sales and hire purchase agreements	**14 238**	**7 757**	**6 481**
Lease payments receivable	**459**	**212**	**247**
Property finance	**22 267**	**17 651**	**4 616**
- Home loans	**19 286**	**15 525**	**3 761**
- Commercial property finance	**2 981**	**2 126**	**855**
Personal loans	**8 818**	**2 710**	**6 108**
Preference share agreements	**236**	**-**	**236**
Investment bank term loans	**1 605**	**1 469**	**136**
Long-term loans to group associates and joint ventures	**614**	**42**	**572**
Other	**471**	**169**	**302**
Total stage 3	**60 705**	**33 229**	**27 476**

** RMB corporate banking and RMB investment banking have been combined in the current year and is reflected as RMB corporate and investment banking.*

37 FINANCIAL AND INSURANCE RISKS continued

	2020		
R million	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3 by class			
Total retail secured	21 916	15 530	6 386
- Residential mortgages	11 662	9 254	2 408
- WesBank VAF	10 254	6 276	3 978
Total retail unsecured	13 306	3 696	9 610
- FNB card	3 675	953	2 722
- Personal loans	7 424	2 192	5 232
- Retail other	2 207	551	1 656
Total corporate and commercial	11 039	6 885	4 154
- FNB commercial	7 030	3 735	3 295
- WesBank corporate	874	593	281
- RMB corporate and investment banking*	3 135	2 557	578
- RMB corporate banking	853	620	233
- RMB investment banking	2 282	1 937	345
Rest of Africa	4 197	1 552	2 645
Group Treasury and other	143	(39)	182
UK operations	6 680	4 984	1 696
- Retail	5 118	3 929	1 189
- Commercial	1 562	1 055	507
Total stage 3	57 281	32 608	24 673
Stage 3 by category			
Overdrafts and cash management accounts	5 625	2 081	3 544
Term loans	3 113	1 728	1 385
Card loans	4 209	1 011	3 198
Instalment sales and hire purchase agreements	13 939	8 389	5 550
Lease payments receivable	604	349	255
Property finance	18 435	14 524	3 911
- Home loans	15 871	12 602	3 269
- Commercial property finance	2 564	1 922	642
Personal loans	8 526	2 287	6 239
Investment bank term loans	2 250	1 928	322
Other	580	311	269
Total stage 3	57 281	32 608	24 673

**Voluntary movements in classes of advances. Refer to Note 38. RMB corporate banking and RMB investment banking have combined in the current year and is reflected as RMB corporate and investment banking*

37 FINANCIAL AND INSURANCE RISKS continued

37.1.3 Quality of credit assets – non-advances

The following table shows the gross carrying amount of non-advances carried at amortised cost and the fair value of non-advances measured at fair value through profit or loss or through other comprehensive income per external credit rating.

	2021		
R million	AAA to BBB	BB+ to B-	CCC
Investment securities at amortised cost			
Stage 1	32 673	101 033	3 116
Stage 2	-	1 051	-
Investment securities at fair value through other comprehensive income			
Stage 1	36 010	10 205	-
Total investment securities	68 683	112 289	3 116
Stage 2	3	55	7
Stage 3	1	(40)	37
Total financial other assets	4	15	44
Cash and cash equivalents			
Stage 1	48 223	73 300	2 980
Total cash and cash equivalents	48 223	73 300	2 980
Derivative assets	43 846	38 507	375

37 FINANCIAL AND INSURANCE RISKS continued

R million	2020 AAA to BBB	2020 BB+ to B-	2020 CCC
Investment securities at amortised cost			
Stage 1	24 858	106 037	2 829
Stage 2	-	1 316	-
Investment securities at fair value through other comprehensive income			
Stage 1	40 824	5 999	-
Total investment securities	65 682	113 352	2 829
Stage 2	766	6 134	176
Stage 3	-	23	1
Total financial other assets	766	6 157	177
Cash and cash equivalents			
Stage 1	57 340	66 076	2 355
Total cash and cash equivalents	57 340	66 076	2 355
Derivative assets	100 173	47 208	134

37.1.4 Concentration risk

Credit concentration risk is the risk of loss to the group arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Concentration risk is managed based on the nature of the credit concentration in each portfolio. The group’s credit portfolio is well diversified, and this is achieved through setting maximum exposure guidelines to individual counterparties. The group regularly reviews its concentration levels and sets maximum exposure guidelines for these.

The group seeks to establish a balanced portfolio profile and closely monitors credit concentrations.

37 FINANCIAL AND INSURANCE RISKS continued

Geographic concentration of significant credit asset exposure

The following tables provide a breakdown of credit exposure across geographical areas.

	2021							
R million	South Africa	Rest of Africa	United Kingdom	Other Europe	North and South America	Austra-lasia	Asia	Total
On-balance sheet exposures								
Cash and short-term funds	**71 792**	**8 027**	**31 666**	**4 723**	**7 380**	**386**	**529**	**124 503**
Total advances	**837 912**	**89 937**	**323 861**	**12 039**	**2 762**	**89**	**7 452**	**1 274 052**
Stage 3 advances	**47 879**	**3 682**	**8 969**	**4**	**1**	**85**	**85**	**60 705**
Derivatives	**37 254**	**610**	**42 798**	**1 974**	**45**	**2**	**45**	**82 728**
Debt investment securities (excluding non-recourse investments)	**213 822**	**35 177**	**31 360**	**22 571**	**34 955**	**498**	**7 698**	**346 081**
Other assets	**3 570**	**982**	**941**	**10**	**366**	**12**	**64**	**5 945**
Reinsurance assets	**378**	**9**	**-**	**-**	**-**	**-**	**-**	**387**
Off-balance sheet exposures								
Guarantees, acceptances, and letters of credit	**29 261**	**6 656**	**21 108**	**687**	**15**	**8**	**2 267**	**60 002**
Irrevocable commitments	**141 142**	**12 957**	**8 354**	**3 310**	**64**	**71**	**499**	**166 397**

37 FINANCIAL AND INSURANCE RISKS continued

Geographic concentration of significant credit asset exposure continued

	2020							
R million	**South Africa**	**Rest of Africa**	**United Kingdom**	**Other Europe**	**North and South America**	**Austra-lasia**	**Asia**	**Total**
On-balance sheet exposure								
Cash and short-term funds	63 732	8 598	32 489	6 380	14 161	168	243	125 771
Total advances	853 596	113 038	316 360	13 919	6 055	152	7 975	1 311 095
Stage 3	46 156	4 356	6 680	1	-	-	89	57 282
Derivatives	96 347	2 425	43 119	5 492	110	-	22	147 515
Debt investment securities (excluding non-recourse investments)	179 957	37 987	25 494	13 629	12 340	533	6 416	276 356
Other assets	3 466	672	2 337	24	340	37	69	6 945
Reinsurance assets	240	-	-	-	-	-	-	240
Off-balance sheet exposure								
Guarantees, acceptances, and letters of credit	30 843	6 544	1 875	449	76	-	2 331	42 118
Irrevocable commitments*	107 162	7 739	7 960	2 245	1 210	-	1 342	129 816

** The prior year amount has been restated. Refer to Note 33 Contingencies and commitments for the detail.*

37 FINANCIAL AND INSURANCE RISKS continued

Sector analysis concentration of advances

Advances expose the group to concentration risk in various industry sectors. The following tables set out the group's exposure to various industry sectors for total advances and credit-impaired advances.

	2021			
		Stage 3		
R million	**Total advances**	**Advances**	**Security held and expected recoveries**	**Impairment**
Sector analysis				
Agriculture	**44 062**	**1 982**	**1 159**	**823**
Banks	**42 931**	**-**	**-**	**-**
Financial institutions	**160 715**	**1 565**	**1 048**	**517**
Building and property development	**73 988**	**1 839**	**900**	**939**
Government, Land Bank and public authorities	**22 928**	**826**	**639**	**187**
Individuals	**632 731**	**43 609**	**24 534**	**19 075**
Manufacturing and commerce	**130 911**	**5 013**	**1 948**	**3 065**
Mining	**9 048**	**111**	**42**	**69**
Transport and communication	**29 238**	**1 396**	**869**	**527**
Other services	**127 500**	**4 364**	**2 134**	**2 230**
Temporary stress scenario	**-**	**-**	**(44)**	**44**
Total	**1 274 052**	**60 705**	**33 229**	**27 476**

	2020			
		Stage 3		
R million	Total advances	Advances	Security held and expected recoveries	Impairment
Sector analysis				
Agriculture	45 598	2 909	1 940	969
Banks	16 439	-	-	-
Financial institutions	157 250	306	95	211
Building and property development	76 619	2 418	1 118	1 300
Government, Land Bank and public authorities	22 862	1 192	1 165	27
Individuals	655 763	40 001	22 549	17 452
Manufacturing and commerce	141 949	3 977	2 179	1 798
Mining	24 535	137	58	79
Transport and communication	32 340	1 216	795	421
Other services	137 740	5 125	2 709	2 416
Total	1 311 095	57 281	32 608	24 673

37 FINANCIAL AND INSURANCE RISKS continued

37.1.5 Credit risk mitigation and collateral held

Since taking and managing credit risk is core to its business, the group aims to optimise the amount of credit risk it takes to achieve its return objectives. Mitigation of credit risk is an important component of this, beginning with the structuring and approval of facilities only for those clients and within those parameters that fall within risk appetite.

Although, in principle, credit assessment focuses on the counterparty's ability to repay the debt, credit mitigation instruments are used where appropriate to reduce the group's lending risk, which result in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are driven by portfolio, product or counterparty type.

Credit risk mitigation instruments:

- Mortgage and instalment sale finance portfolios in FNB, WesBank, MotoNovo and Aldermore are secured by the underlying assets financed.
- FNB and Aldermore commercial credit exposures are secured by the assets of the SME counterparties and commercial property finance deals are secured by the underlying property and associated cash flows.
- Personal loans, overdrafts and credit card exposures are generally unsecured or secured by guarantees and sureties.
- For FNB and WesBank retail customers, insurance against disability, life and retrenchment is prescribed, where applicable.
- Structured facilities in RMB are secured as part of the structure through financial or other collateral, including guarantees, credit derivative instruments and assets.
- Counterparty credit risk is mitigated through the use of netting agreements and financial collateral. For additional information relating to the use of the netting agreements refer to page B315.
- Working capital facilities in RMB corporate and investment banking are secured and unsecured.

The group employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained over collateral taken over the life of the transaction. Collateral is valued at inception of the credit agreement and subsequently where necessary through physical inspection or index valuation methods. For corporate and commercial counterparties, collateral is reassessed during the annual review of the counterparty's creditworthiness to ensure that proper title is retained. For mortgage portfolios, collateral is revalued on an ongoing basis using an index model, and physical inspection is performed at the beginning of the recovery process. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

Concentrations in credit risk mitigation types, such as property, are monitored and managed at a product and segment level, in line with the requirements of the group credit risk/return framework.

Collateral is taken into account for capital calculation purposes through the determination of LGD. Collateral reduces LGD, and LGD levels are determined through statistical modelling techniques based on historical experience of the recovery processes.

37 FINANCIAL AND INSURANCE RISKS continued

37.1.5 Credit risk mitigation and collateral held continued

The table below represents an analysis of the maximum exposure to credit risk for financial assets at amortised cost and debt instruments at fair value through profit or loss, as well as a breakdown of collateral, both financial and non-financial, held against the exposure along with any other credit enhancements and netting arrangement.

	2021				
R million	Gross carrying amount	Off-balance sheet exposure	Loss allowance	Maximum exposure to credit risk	
Residential mortgages	225 666	56 823	(4 304)	278 185	
WesBank VAF	100 102	-	(5 850)	94 252	
FNB card	31 249	-	(4 683)	26 566	
Personal loans	39 709	-	(8 630)	31 079	
Retail other	15 712	724	(3 119)	13 317	
Temporary stress scenario - retail	-	-	(335)	(335)	
FNB commercial	111 121	18 737	(6 162)	123 696	
Temporary stress scenario - commercial	-	-	(148)	(148)	
WesBank corporate	26 986	3 007	(555)	29 438	
RMB corporate and investment banking**	343 308	108 487	(7 405)	444 390	
Rest of Africa	60 353	8 320	(3 901)	64 772	
Group Treasury and other	36 230	21 853	(623)	57 460	
UK operations	283 616	8 447	(4 903)	287 160	
- Retail[#]	221 188	4 218	(3 571)	221 835	
- Commercial	62 428	4 229	(1 332)	65 325	
Total advances	1 274 052	226 398	(50 618)	1 449 832	
Investment securities†	346 339	-	(258)	346 081	
Cash and cash equivalents	124 503	-	-	124 503	
Other assets	6 167	-	(222)	5 945	
Derivatives	82 728	-	-	82 728	

** Secured represents balances which have non-financial collateral attached to the financial asset.*

*** RMB corporate banking and RMB investment banking have been combined in the current year and is reflected as RMB corporate and investment banking. Refer to note 38.*

 # Includes MotoNovo back book in FirstRand Bank with a closing balance of R15 149 million (£768 million) and MotoNovo new book of R61 197 million (£3 103 million).

† Includes debt instruments measured at fair value but excludes equity and non-recourse investments.

	Netting and financial collateral	Unsecured	Secured*
	2 186	690	275 309
	-	-	94 252
	-	26 566	-
	-	31 079	-
	-	11 304	2 013
	-	(265)	(70)
	6 069	15 444	102 183
	-	(148)	-
	-	-	29 438
	2 843	89 736	351 811
	3 140	18 015	43 617
	(1 999)	49 502	9 957
	-	8 354	278 806
	-	94	221 741
	-	8 260	57 065
	12 239	250 277	1 187 316
	27 965	309 148	8 968
	26 339	98 164	-
	-	5 446	499
	-	82 728	-

37 FINANCIAL AND INSURANCE RISKS continued

37.1.5 Credit risk mitigation and collateral held continued

The table below represents an analysis of the maximum exposure to credit risk for financial assets at amortised cost and debt instruments at fair value through profit or loss, as well as a breakdown of collateral, both financial and non-financial held against the exposure, along with any other credit enhancements and netting arrangement.

	2020			
R million	Gross carrying amount	Off-balance sheet exposure	Loss allowance	Maximum exposure to credit risk
Residential mortgages	224 404	50 747	(3 916)	271 235
WesBank VAF	104 014	-	(5 861)	98 153
FNB card	30 210	-	(4 201)	26 009
Personal loans	41 874	1 502	(8 697)	34 679
Retail other	16 732	559	(3 139)	14 152
FNB commercial	107 916	13 862	(6 028)	115 750
WesBank corporate	27 114	3 707	(506)	30 315
RMB corporate and investment banking	349 315	82 930	(6 505)	425 740
- RMB corporate banking	68 445	54 549	(1 203)	121 791
- RMB investment banking**	280 870	28 381	(5 302)	303 949
Rest of Africa	66 380	7 759	(4 633)	69 506
Group Treasury and other**	36 890	1 000	(899)	36 991
UK operations	306 246	7 711	(4 995)	308 962
- Retail#	234 529	3 637	(3 453)	234 713
- Commercial	71 717	4 074	(1 542)	74 249
Total advances	1 311 095	169 777	(49 380)	1 431 492
Investment securities†	276 475	-	(119)	276 356
Cash and cash equivalents	125 771	-	-	125 771
Other assets	6 944	-	(157)	6 787
Derivatives	147 515	-	-	147 515

** Secured represents balances which have non-financial collateral attached to the financial asset.*
***Voluntary movement in classes of advances. Refer to note 38.*
 # Includes MotoNovo back book in FirstRand Bank with a closing balance of R36 270 million (£1 693 million) and MotoNovo new book of R40 265 million (£1 879 million).
† Includes debt instruments measured at fair value but excludes equity and non-recourse investments.

The financial effect of collateral and other credit enhancements has been calculated separately per class of advance. The amounts disclosed above represent the difference between the impairment recognised on the statement of financial position using the actual LGD and a proxy LGD for all secured portfolios. The proxy LGD is based on the LGD used to determine the impairment recognised on the statement of financial position for unsecured portfolios.

Where there is no collateral or where collateral is disregarded for provisioning purposes, no financial effect is calculated.

Netting and financial collateral	Unsecured	Secured*
3 136	1 084	267 015
-	-	98 153
-	26 009	-
-	34 679	-
-	12 719	1 433
4 731	15 208	95 811
-	-	30 315
3 721	103 472	318 547
10	62 571	59 210
3 711	40 901	259 337
10 565	26 958	31 983
(1 890)	28 592	10 289
-	6 862	302 100
-	272	234 441
-	6 590	67 659
20 263	255 583	1 155 646
26	272 902	3 428
20 024	105 747	-
15	6 053	719
-	147 515	-

37 FINANCIAL AND INSURANCE RISKS continued

Collateral held against derivative positions

The table below sets out the cash collateral held against the net derivative position.

R million	2021	2020
Cash collateral held	**11 859**	8 794

The table below reflects the collateral that the group holds where it has the ability to sell or repledge in the absence of default by the owner of the collateral.

Collateral held in structured transactions

	2021		2020	
R million	**Fair value**	**Fair value of collateral sold or repledged in the absence of default**	Fair value	Fair value of collateral sold or repledged in the absence of default
Cash and cash equivalents	**11 051**	**-**	12 397	3 358
Advances	**65 584**	**25 385**	-	-
Investment securities	**655**	**655**	26 964	7 304
Total collateral pledged	**77 290**	**26 040**	39 361	10 662

Investment securities exclude securities lending transactions where securities are obtained as collateral for securities lent. This is in line with industry practice.

The table below sets out the reconciliation of collateral taken possession of and recognised on the statement of financial position.

Collateral taken possession of

		Property	
R million	Notes	**2021**	2020
Opening balance		**70**	54
Acquisition/(disposal) of subsidiaries		**4**	1
Exchange rate differences		**(9)**	1
Net movement		**35**	14
Closing balance	13	**100**	70

When the group takes possession of collateral that is neither cash nor readily convertible into cash, the group determines a minimum sale amount (pre-set sale amount) and auctions the asset for the pre-set sale amount. Where the group is unable to obtain the pre-set sale amount at an auction, it will continue to hold the asset while actively marketing it to ensure an appropriate value is obtained.

37 FINANCIAL AND INSURANCE RISKS continued

Offsetting of financial assets and financial liabilities

Where appropriate, various instruments are used to mitigate the potential exposure to certain counterparties. These include financial or other collateral in line with common credit risk practices, as well as master netting agreements, guarantees and credit derivatives. In addition, the group has set up a function to clear over-the counter derivatives centrally as part of its risk mitigation strategy.

The group uses the ISDA and International Securities Market Association agreements for the purpose of netting derivative transactions and repurchase transactions, respectively. These master agreements as well as associated credit support annexes (CSAs) set out internationally accepted valuation and default covenants, which are evaluated and applied daily, including daily margin calls based on the approved CSA thresholds.

The tables below include information about financial assets and financial liabilities that are:

- offset and the net amount presented in the group's statement of financial position in accordance with the requirements of IAS 32; and
- subject to enforceable MNAs or similar agreements where the amounts have not been offset because one or both of the requirements of IAS 32 are not met, or the amounts relate to financial collateral (cash or non-cash) that mitigates credit risk.

Structured transactions refer to reverse repurchase, securities borrowing and similar arrangements, with reverse repurchases in the asset section of the table, securities lending and similar arrangements on the liability section of the table.

The net amount reported on the statement of financial position represents the net amount of financial assets and financial liabilities where offsetting has been applied in terms of IAS 32 and financial instruments that are subject to MNA and similar agreements, but no offsetting has been applied.

37 FINANCIAL AND INSURANCE RISKS continued

The financial collateral included in the table above is limited to the net statement of financial position exposure in line with the requirements of IFRS 7 and excludes the effect of any over-collateralisation. The collateral amount included in the table for IFRS 7 disclosure purposes has been determined at a business unit level. If these limits were determined on a group-wide level, the collateral amount included in this table could increase. The total amount reported on the statement of financial position is the sum of the net amount reported in the statement of financial position and the financial instruments amount not subject to offset or MNA.

	Derivatives		Structured transactions		Other advances/deposits	
R million	**2021**	2020	**2021**	2020	**2021**	2020
Assets						
Offsetting applied						
Gross amount	**89 576**	169 352	**71 488**	39 517	**-**	-
Amount offset	**(23 236)**	(53 578)	**(14 059)**	(15 673)	**-**	-
Net amount reported on the statement of financial position	**66 340**	115 774	**57 429**	23 844	**-**	-
Offsetting not applied						
Financial instruments subject to MNAs and similar agreements	**(55 686)**	(102 882)	**(897)**	(9)	**-**	-
Financial collateral	**(4 745)**	(2 875)	**(56 532)**	(23 835)	**-**	-
Net amount	**5 909**	10 017	**-**	-	**-**	-
Financial instruments not subject to offset or MNAs	**16 388**	31 741	**8 155**	3 120	**1 157 850**	1 234 751
Total statement of financial position	**82 728**	147 515	**65 584**	26 964	**1 157 850**	1 234 751
Liabilities						
Offsetting applied						
Gross amount	**89 861**	185 979	**31 551**	40 962	**-**	-
Amount offset	**(23 236)**	(53 578)	**(14 059)**	(15 673)	**-**	-
Net amount reported on the statement of financial position	**66 625**	132 401	**17 492**	25 289	**-**	-
Offsetting not applied						
Financial instruments subject to MNAs and similar agreements	**(55 686)**	(102 882)	**(897)**	(9)	**-**	-
Financial collateral	**(3 180)**	(9 387)	**(16 595)**	(25 266)	**-**	-
Net amount	**7 759**	20 130	**-**	14	**-**	-
Financial instruments not subject to offset or MNAs	**17 811**	29 792	**7 062**	2 174	**1 517 524**	1 507 551
Total statement of financial position	**84 436**	162 193	**24 554**	27 463	**1 517 524**	1 507 551

37 FINANCIAL AND INSURANCE RISKS continued

37.2 Liquidity risk

Objective

Liquidity risk arises from all assets and liabilities with differing maturity profiles, currencies and behaviour. The group's objective is to maintain and enhance its deposit market share by appropriately pricing and rewarding depositors from diverse and sustainable funding pools, thus creating a natural liquidity buffer. Because of the liquidity risk introduced by its business activities across various currencies and geographies, the group seeks to optimise its funding profile within structural and regulatory constraints to enable businesses to operate in an efficient and sustainable manner.

Compliance with the Basel III liquidity ratios influences the 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 funding and liquidity profile of the group.

Assessment and management

The group focuses on continually monitoring and analysing the potential impact of other risks and events on its funding and liquidity position to ensure business activities are preserved and funding stability is improved. This ensures the group can operate through periods of stress when access to funding is constrained.

Mitigation of market and funding liquidity risks is achieved via contingent liquidity risk management. Buffer stocks of high-quality liquid assets are held either to be sold into the market or to provide collateral for loans to cover any unforeseen cash shortfall that may arise.

The group's approach to liquidity risk management distinguishes between structural, daily and contingency liquidity risk management across all currencies, and various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis as illustrated in the following table.

Structural liquidity risk	**Daily liquidity risk**	**Contingency liquidity risk**
Managing the risk that structural, long-term on- and off-balance sheet exposures cannot be funded timeously or at reasonable cost	Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations can be met by maintaining a sustainable balance between liquidity inflows and outflows	Maintaining several contingency funding sources to draw upon in times of economic stress

37 FINANCIAL AND INSURANCE RISKS continued

Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress testing framework with a focus on:

- quantifying the potential exposure to future liquidity stresses;
- analysing the possible impact of economic and event risks on cash flows, liquidity, profitability and solvency position; and
- proactively evaluating the potential secondary and tertiary effects of other risks on the group.

37.2.1 Undiscounted cash flows

The following table presents the group's undiscounted cash flows of financial liabilities and off-balance sheet amounts, and includes all cash outflows related to principal amounts, as well as future payments. These balances will not reconcile to the statement of financial position for the following reasons:

- balances are undiscounted amounts whereas the statement of financial position is prepared using discounted amounts;
- the table includes cash flows not recognised on the statement of financial position;
- all instruments held for trading purposes are included in the call to three-month bucket and not by maturity, as trading instruments are typically held for short periods of time; and
- cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis.

	2021			
		Term to maturity		
R million	Undiscounted carrying amount	Call to 3 months	4–12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	**1 619 418**	**1 134 779**	**202 260**	**282 379**
Short trading positions	**18 945**	**18 945**	**-**	**-**
Derivative financial instruments	**104 204**	**93 358**	**3 432**	**7 414**
Creditors, accruals and provisions	**22 998**	**17 626**	**884**	**4 488**
Tier 2 liabilities	**24 122**	**174**	**3 889**	**20 059**
Other liabilities	**5 083**	**236**	**442**	**4 405**
Lease liabilities	**3 160**	**238**	**749**	**2 173**
Policyholder liabilities	**7 389**	**1 144**	**1 673**	**4 572**
Off-balance sheet exposures				
Financial and other guarantees	**60 002**	**37 346**	**1 678**	**20 978**
Other contingencies and commitments	**3 687**	**1 081**	**2 266**	**340**
Facilities not drawn	**166 397**	**166 397**	**-**	**-**

37 FINANCIAL AND INSURANCE RISKS continued

	2020			
		Term to maturity		
R million	Undiscounted carrying amount	Call to 3 months	4–12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	1 617 635	1 055 706	238 528	323 401
Short trading positions	5 062	5 062	-	-
Derivative financial instruments	161 149	146 290	5 195	9 664
Creditors, accruals and provisions	21 067	15 448	936	4 683
Tier 2 liabilities	28 394	1 988	4 186	22 220
Other liabilities	5 376	443	442	4 491
Lease liabilities	3 439	261	758	2 420
Policyholder liabilities	6 430	977	1 167	4 286
Off-balance sheet exposures				
Financial and other guarantees	42 120	39 844	873	1 403
Other contingencies and commitments	3 635	903	2 221	511
Facilities not drawn*	129 816	129 815	-	1

** The prior year amount has been restated. Refer to Note 33 Contingencies and commitments for the detail.*

37 FINANCIAL AND INSURANCE RISKS continued

37.2.2 Discounted cash flows

The following table represents the group's contractual discounted cash flows of total assets, liabilities and equity. Relying solely on the contractual liquidity mismatch when assessing a bank's maturity analysis would overstate risk, since this represents a worst-case assessment of cash flows at maturity.

Due to South Africa's structural liquidity position, banks tend to have a particularly pronounced negative gap in the shorter term due to short-term institutional funds representing a significant proportion of banks' liabilities. These are used to fund long-term assets, e.g. mortgages.

Discounted cash flow analysis – maturity analysis of total assets, liabilities and equity based on the present value of the expected payment

	2021			
		Term to maturity		
R million	**Discounted carrying amount**	**Call to 3 months**	**4 – 12 months**	**> 12 months and non contractual**
Total assets	**1 886 280**	**639 484**	**194 919**	**1 051 877**
Total equity and liabilities	**1 886 280**	**1 247 650**	**202 114**	**436 516**
Net liquidity gap	**-**	**(608 166)**	**(7 195)**	**615 361**
Cumulative liquidity gap	**-**	**(608 166)**	**(615 361)**	**-**

	2020			
		Term to maturity		
R million	Discounted carrying amount	Call to 3 months	4 – 12 months	> 12 months and non contractual
Total assets	1 926 539	653 430	179 614	1 093 495
Total equity and liabilities	1 926 539	1 230 432	238 781	457 326
Net liquidity gap	-	(577 002)	(59 167)	636 169
Cumulative liquidity gap	-	(577 002)	(636 169)	-

As illustrated in the table above, the negative liquidity short-term gap increased slightly in the short end on a cumulative basis. This is aligned to the funding strategy to grow the deposit operating business via transactional deposit accounts. Management continues to align stress-funding buffers both locally and offshore, taking prevailing economic and market conditions into account.

37 FINANCIAL AND INSURANCE RISKS continued

37.2.3 Collateral pledged

The group pledges assets under the following terms and conditions:

- assets are pledged as collateral under repurchase agreements with other banks and for security deposits relating to local futures and options; and
- collateral in the form of cash and other investment securities is pledged when the group borrows equity securities from third parties. These transactions are conducted under the terms and conditions that are usual and customary to standard securities lending arrangements.

All other pledges are conducted under terms which are usual and customary to lending arrangements.
The following assets have been pledged to secure the liabilities set out in the table below. These assets are not available in the normal course of business.

R million	**2021**	2020
Cash and cash equivalents	**27 059**	20 800
Advances	**70 130**	75 480
Investment securities – held under repurchase agreements	**18 041**	19 894
Investment securities – other	**1 847**	3 384
Accounts receivable	**-**	8
Total assets pledged	**117 077**	119 566

The following liabilities have been secured by the group pledging either its own or borrowed financial assets, except for the short-trading positions, which are covered by borrowed securities only.

R million	**2021**	2020
Short-trading positions	**18 945**	5 062
Total deposits	**55 073**	82 735
- Deposits under repurchase agreements	**23 631**	23 559
- Deposits in securities lending transactions*	**923**	3 905
- Other secured deposits	**30 519**	55 271
Contingent liabilities	**-**	287
Other	**28 284**	22 268
Total	**102 302**	110 352

** Securities lending transactions include only those where cash is placed against the securities borrowed. Transactions where securities are lent and borrowed and other securities placed against the borrowing and lending are excluded.*

37 FINANCIAL AND INSURANCE RISKS continued

37.2.4 Concentration analysis of deposits

R million	2021	2020
Sector analysis		
Deposit current accounts and other loans		
Sovereigns, including central banks	**124 505**	153 700
Public sector entities	**86 700**	37 461
Local authorities	**16 678**	15 323
Banks	**40 623**	65 212
Securities firms	**19 698**	14 377
Corporate customers	**727 041**	741 173
Retail customers	**521 997**	502 481
Other	**4 836**	5 288
Total deposits	**1 542 078**	1 535 015
Geographical analysis		
South Africa	**1 088 653**	1 008 401
Rest of Africa	**104 428**	115 569
UK	**333 106**	372 707
Other	**15 891**	38 338
Total deposits	**1 542 078**	1 535 015

37.3 Market risk

The group distinguishes between traded market risk and non-traded market risk.

37.3.1 Traded market risk

Objective

The group's market risk in the trading book emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products, and is taken and managed by RMB. The relevant business units in RMB function as the centres of expertise for all market risk-related activities. Market risk is managed and contained within the group's risk appetite. Overall diversified levels of market risk have remained fairly consistent during the last few years, with this trend continuing over the year under review. There are no significant concentrations in the portfolio, which is reflected in the overall levels of risk.

Traded market risk includes interest rate risk in the trading book, traded equity and credit risk, commodity risk, foreign exchange risk and interest rate risk in the RMB banking book which is managed as part of the trading book.

37 FINANCIAL AND INSURANCE RISKS continued

37.3.1 Traded market risk continued

Assessment and management

Management and monitoring of interest rate risk in the banking book are split between the RMB banking book and the remaining domestic banking book. RMB manages most of its banking book under the market risk framework, with risk measured and monitored in conjunction with the trading book and management oversight provided by the market and investment risk committee. The RMB banking book interest rate risk exposure was R59 million on a 10-day expected tail loss (ETL) basis at 30 June 2021 (2020: R136 million). Interest rate risk in the remaining domestic banking book is discussed in the *Interest rate risk section on page B326.*

The market risk measurement framework performed as expected during the initial stages of the Covid-19 pandemic and has continued to do so. Market risk tolerances remained within approved limits during the financial year. Trading revenue continued to perform as expected

The risk related to market risk-taking activities is measured as the height of the group's internal ETL measure (a proxy for economic capital) and regulatory capital based on 60-point average of VaR plus stressed VaR (sVaR).

ETL	The internal measure of risk is an ETL metric at the 99% confidence level under the full revaluation methodology using historical risk factor scenarios (historical simulation method). In order to accommodate the regulatory stress loss imperative, the set of scenarios used for revaluation of the current portfolio comprises historical scenarios which incorporate both the past 260 trading days and at least one static period of market distress (2008/2009). The ETL is liquidity adjusted for illiquid exposures. Holding periods ranging between 10 and 90 days or more, are used in the calculation and are based on an assessment of distressed liquidity of portfolios. The market history of the past 260 trading days has been continually updated to reflect current market volatility. The static period of market stress is periodically reviewed for appropriateness.
VaR	VaR is calculated at the 99%, 10-day actual holding period level using data from the past 260 trading days.

37 FINANCIAL AND INSURANCE RISKS continued

VaR analysis by risk type

The following table reflects the 1-day VaR, and the 10-day VaR and sVaR at the 99% confidence level. The 10-day VaR calculation is performed using 10-day scenarios created from the past 260 trading days, whereas the 10-day sVaR is calculated using scenario data from the static stress period.

	2021*						
R million	Equities	Interest rates#	Foreign exchange	Com-modities	Traded credit	Diversi-fication effect	Diversified total
VaR (10-day 99%)							
Maximum value**	**162.3**	**554.2**	**80.9**	**65.8**	**47.2**		**374.4**
Average value	**38.0**	**266.9**	**35.3**	**41.0**	**17.8**		**242.2**
Minimum value**	**3.2**	**110.7**	**5.9**	**16.4**	**4.9**		**140.2**
Period end	**12.5**	**193.3**	**40.6**	**41.8**	**6.4**	**(92.4)**	**202.2**
sVaR (10-day 99%)							
Maximum value**	**91.8**	**415.9**	**131.1**	**60.7**	**80.4**		**218.9**
Average value	**21.1**	**278.4**	**53.1**	**32.3**	**29.6**		**162.5**
Minimum value**	**1.8**	**137.3**	**10.5**	**15.8**	**7.9**		**108.6**
Period end	**9.2**	**267.7**	**60.2**	**46.9**	**10.7**	**(259.0)**	**135.6**
VaR (1-day 99%)							
Maximum value**	**39.3**	**332.3**	**45.5**	**28.7**	**16.8**		**181.0**
Average value	**8.7**	**140.0**	**17.6**	**17.3**	**8.5**		**127.6**
Minimum value**	**2.2**	**35.5**	**1.8**	**8.5**	**4.0**		**31.9**
Period end	**5.5**	**112.0**	**19.1**	**21.4**	**4.9**	**(50.0)**	**112.8**

* *Excludes foreign branches and subsidiaries, which are reported on in the standardised approach for market risk. The sVaR numbers relate to FirstRand Bank South Africa only.*

** *The maximum and minimum VaR figures for each asset class did not necessarily occur on the same day. Consequently, a diversification effect was omitted from the above table.*

Interest rate risk in the trading book.

2020*						
Equities	Interest rates#	Foreign exchange	Com-modities	Traded credit	Diversi-fication effect	Diversified total
164.6	355.0	103.4	32.6	56.4		381.1
20.8	178.7	41.4	14.5	18.9		152.4
4.6	72.1	11.4	6.2	7.5		58.3
17.3	300.4	76.2	14.7	14.1	(128.2)	294.6
105.5	356.8	247.0	42.8	31.5		437.4
25.3	171.4	74.6	19.2	20.5		192.7
0.7	110.4	12.5	5.0	7.1		97.7
12.4	199.9	47.7	20.6	12.1	(137.7)	155.0
43.9	197.2	252.4	18.4	26.6		199.9
8.0	89.6	22.1	7.5	12.8		94.5
1.9	27.4	7.3	1.8	5.1		28.2
11.2	134.3	17.1	8.3	11.4	(67.2)	115.2

37 FINANCIAL AND INSURANCE RISKS continued

37.4 Non-traded market risk

37.4.1 Interest rate risk in the banking book

Interest rate risk in the banking book originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.

Assessment and management

FirstRand Bank (South Africa)

The measurement techniques used to monitor interest rate risk in the banking book include NII sensitivity/earnings risk and PV01/economic value of equity (EVE) sensitivity. A repricing gap is also generated to better understand the repricing characteristics of the balance sheet. In calculating the repricing gap, all banking book assets, liabilities and derivative instruments are placed in gap intervals based on repricing characteristics.

The internal funds transfer pricing process is used to transfer interest rate risk from the operating businesses to Group Treasury. This process allows risk to be managed centrally and holistically in line with the group's macroeconomic outlook. Management of the resultant risk position is achieved by balance sheet optimisation or through the use of derivative transactions. Derivative instruments used are mainly interest rate swaps, for which a liquid market exists. Where possible, hedge accounting is used to minimise any accounting mismatches that may arise. Interest rate risk from the fixed rate book is managed to low levels with remaining risk stemming from timing and basis risk.

Foreign operations

Management of subsidiaries in the rest of Africa, Aldermore and the bank's foreign branches is performed by in-country management teams with oversight provided by Group Treasury and FCC Risk Management. For subsidiaries, earnings sensitivity measures are used to monitor and manage interest rate risk in line with the group's appetite. Where applicable, PV01 and ETL risk limits are also used for endowment hedges.

Sensitivity analysis

A change in interest rates impacts both the earnings potential of the banking book (as underlying assets and liabilities reprice to new rates) and the economic value/PV01 of an entity (as a result of a change in the fair value of any open risk portfolios used to manage the earnings risk). The role of management is to protect both the financial performance as a result of a change in earnings and the long-term economic value. To achieve this, both earnings sensitivity and economic sensitivity measures are monitored and managed within appropriate risk limits and appetite levels, considering the macroeconomic environment and factors which could cause a change in rates.

37 FINANCIAL AND INSURANCE RISKS continued

Earnings sensitivity

Earnings models are run monthly to provide a measure of the NII sensitivity of the existing banking book balance sheet to shocks in interest rates. Underlying transactions are modelled on a contractual basis and behavioural adjustments are applied where relevant. The calculation assumes a constant balance sheet size and product mix over the forecast horizon. A pass-through assumption is applied in relation to non-maturing deposits, which reprice at the group's discretion. This assumption is based on historical product behaviour.

The following tables show the 12-month NII sensitivity for sustained, instantaneous parallel 200 bps downward and upward shock to interest rates.

Most of the group's NII sensitivity relates to the endowment book mismatch. The group's average endowment book was R286 billion excluding Aldermore for the year ended 30 June 2021 (2020: R274 billion).

Projected ZAR NII sensitivity to interest rate movements

	2021		
	Change in projected 12-month NII		
R million	**FirstRand Bank South Africa**	**Subsidiaries in the rest of Africa and the bank's foreign branches**	**Total FirstRand**
Downward 200 bps	**(1 621)**	**(777)**	**(2 398)**
Upward 200 bps	**1 066**	**428**	**1 494**

	2020		
	Change in projected 12-month NII		
R million	FirstRand Bank South Africa	Subsidiaries in the rest of Africa and the bank's foreign branches	Total FirstRand
Downward 200 bps	(3 270)	(916)	(4 186)
Upward 200 bps	2 387	381	2 768

Assuming no change in the balance sheet and no management action in response to interest rate movements, an instantaneous, sustained parallel 200 bps decrease in interest rates would result in a reduction in projected 12-month NII of R2 398 million (2020: R4 186 million). A similar increase in interest rates would result in an increase in projected 12-month NII of R1 494 million (2020: R2 768 million).

37 FINANCIAL AND INSURANCE RISK continued

37.4.1 Interest rate risk in the banking book continued

Effect of IBOR reform

The London Interbank Offered Rate (LIBOR) is the reference interest rate that underpins trillions of loan and derivative contracts worldwide. The reform of these reference interest rates and their replacement with ARRs has become a priority for global regulators. On 5 March 2021, LIBOR's administrator, the ICE Benchmark Administration Limited, confirmed the intention to cease the publication of EUR, CHF, JPY and GBP LIBOR for all tenors after 31 December 2021. Cession of the USD LIBOR will follow a two-stage process with some rates being discontinued on 31 December 2021 and others after 30 June 2023. Currently there is no indication as to when JIBAR will be replaced and the rate which will replace JIBAR. At present, SONIA and SOFR (Secured Overnight Financing Rate) are set to replace GBP and USD LIBOR respectively. Due to the differences in the manner in which the GBP/USD LIBOR rate and the SONIA/SOFR are determined, adjustments may have to be applied to contracts that reference GBP/USD LIBOR when SONIA/SOFR becomes the official reference rate, so as to ensure economic equivalence on transition. Currently the Financial Conduct Authority (FCA) in the UK and industry working groups are reviewing various methodologies for calculating these adjustments, to ensure an orderly transition to SONIA/SOFR and to minimise the financial risks arising from transition. The following ARRs are currently set to replace the following LIBORs which the group is exposed to:

- USD – SOFR
- GBP – SONIA
- EUR – Euro short-term rate (€str)
- JPY – Tokyo Overnight Average Rate (TONAR)
- CHF – Swiss Average Rate Overnight (SARON)

The group currently has several contracts, including derivatives, loans and securitisations which reference GBP and USD LIBOR which extend beyond 2021. The group has established a steering committee consisting of key finance, risk, IT, treasury, legal and compliance personnel, as well as external advisors to oversee the group's IBOR reform transition plan. This steering committee has established a transition project for affected contracts and potential future contracts with the aim of minimising the potential disruption to business, mitigating operational and conduct risks and possible financial losses.

On 23 October 2020, ISDA published its IBOR fallback protocol and supplements, which are designed to address transition for those derivative contracts still outstanding on the permanent cessation of an IBOR. The ISDA fallback spread adjustments became fixed on 5 March 2021. These include:

- USD 3-month 26.161bp
- Sterling 3-month 11.93bp
- Sterling 6-month 27.66bp
- Japanese yen 3-month 8.35bp

It is likely that the synthetic IBOR rates for tougher legacy contracts, that cannot easily be transitioned, will be calculated based on the RFR plus the ISDA spread.

The group is currently transitioning all instruments exposed to GBP, CHF, JPY LIBOR (for all tenors) and USD LIBOR for one week and two months, with the expectation that all instruments will have transitioned to new ARRs by 31 December 2021 in line with the FCA announcement that these LIBOR rates will cease to be quoted or represented in the market.

37 FINANCIAL AND INSURANCE RISK continued

37.4.1 Interest rate risk in the banking book continued

The group will continue to transition all other instruments exposed to other IBOR rates, as and when ARRs become available and on the instruments reset dates. Aldermore will be fully transitioned to SONIA by 31 December 2021.

The table below shows the financial instruments including derivatives held for trading or used by the group in fair value hedges, that are subject to IBOR reforms which have not yet transitioned to the replacement rates as at 30 June 2021 and which will not have matured by the LIBOR cessation date. The LIBOR cessation date is 31 December 2021 for GBP, EUR, JPY, CHF, and USD for one week and two months, and 30 June 2023 for all other USD LIBOR.

Refer to Note 8, for the impact the IBOR reforms have on hedge accounting.

Financial assets subject to IBOR reform that have not yet transitioned to replace rates at 30 June 2021:

	Amount				
R million	USD LIBOR	GBP LIBOR	EUR LIBOR	AUD LIBOR	Other LIBOR
Assets recognised on the balance sheet					
Derivative financial instruments (assets)*	**64 220**	**26 998**	**16 095**	**9**	**2**
Investment securities	**20**	**-**	**-**	**-**	**-**
Advances	**27 227**	**2 793**	**609**	**-**	**-**
Cash and cash equivalents	**-**	**-**	**-**	**-**	**-**
Other assets	**-**	**-**	**-**	**-**	**-**
Total assets recognised on the balance sheet subject to IBOR reform	**91 467**	**29 791**	**16 704**	**9**	**2**
Off-balance sheet items					
Irrevocable commitments	**6 963**	**234**	**694**	**-**	**-**
Letter of credit	**-**	**-**	**-**	**-**	**-**
Financial guarantees	**-**	**-**	**-**	**-**	**-**
Total off-balance sheet exposure subject to IBOR reform	**6 963**	**234**	**694**	**-**	**-**
Total asset exposure subject to IBOR reform	**98 430**	**30 025**	**17 398**	**9**	**2**

37 FINANCIAL AND INSURANCE RISKS continued

Financial liabilities subject to IBOR reform that have not yet transitioned to replace rates at 30 June 2021:

R million	Amount USD LIBOR	GBP LIBOR	EUR LIBOR	AUD LIBOR	Other LIBOR
Liabilities recognised on the balance sheet					
Derivative financial instruments (liabilities)*	**45 505**	**32 878**	**7 645**	**16**	**2**
Deposits	**27 509**	**13 930**	**-**	**-**	**-**
Other liabilities	**1 244**	**-**	**-**	**-**	**-**
Tier 2 liabilities	**216**	**-**	**-**	**-**	**-**
Total liabilities recognised subject to IBOR reform	**74 474**	**46 808**	**7 645**	**16**	**2**

** These balances represent the notional amount directly impacted by the IBOR reform.*

37 FINANCIAL AND INSURANCE RISK continued

37.4.1 Interest rate risk in the banking book continued

Economic value of equity

An EVE sensitivity measure is used to assess the impact on the total NAV of the group as a result of a shock to underlying rates. Unlike the trading book, where a change in rates will impact fair value income and reportable earnings of an entity when a rate change occurs, the realisation of a rate move in the banking book will impact the distributable and non-distributable reserves to varying degrees and is reflected in the NII margin more as an opportunity cost/benefit over the life of the underlying positions. As a result, a purely forward-looking EVE sensitivity measure is applied to the banking book, be it a 1 bps shock or a full-stress shock, which is monitored relative to the total risk limits, appetite levels and current economic conditions.

The EVE shock applied is based on regulatory guidelines and comprise a sustained, instantaneous parallel 200 bps downward and upward shock to interest rates. This is applied to risk portfolios as managed by Group Treasury which, as a result of the risk transfer through the internal funds transfer pricing process, captures relevant open risk positions in the banking book. This measure does not take into account the unrealised economic benefit embedded as a result of the banking book products which are not recognised at fair value.

The following table:

- highlights the sensitivity of banking book NAV as a percentage of total capital; and
- reflects a point-in-time view which is dynamically managed and can fluctuate over time.

Banking book NAV sensitivity to interest rate movements as a percentage of total group capital

	2021	2020
Downward 200 bps	**3.20**	2.77
Upward 200 bps	**(2.90)**	(2.47)

37 FINANCIAL AND INSURANCE RISKS continued

37.4.2 Structural foreign exchange risk

Objective

The group is exposed to foreign exchange risk as a result of on-balance sheet transactions in a currency other than the rand, as well as structural foreign exchange risk from the translation of its foreign operations' results into rand. The impact on equity as a result of structural foreign exchange risk is recognised in the foreign currency translation reserve balance, which is included in qualifying capital for regulatory purposes.

Structural foreign exchange risk, as a result of net investments in entities with a functional currency other than rand, is an unavoidable consequence of having offshore operations. It can be a source of both investor value through diversified earnings, and unwanted volatility as a result of currency fluctuations. Group Treasury is responsible for actively monitoring the net capital invested in foreign entities, as well as the rand value of any capital investments and dividend distributions. Reporting on and management of the group's foreign exchange exposure and macroprudential limit utilisation is centrally owned by Group Treasury as the clearer of all group currency positions. Group Treasury is also responsible for oversight of structural foreign exchange risk and produces reports that go to group ALCCO, a subcommittee of the RCC committee.

Assessment and management

The ability to transact on-balance sheet in a currency other than the home currency (rand) is governed by in-country macroprudential and regulatory limits. In the group, additional board limits and management risk appetite levels are set for this exposure. The impact of any residual on-balance positions is managed as part of the market risk reporting process (see *Traded market risk* section). Group Treasury is responsible for consolidated group reporting and the monitoring of utilisation against the approved limits and risk appetite levels.

Foreign exchange risk in the banking book impacts funding and liquidity management, and other risk-mitigating activities. To minimise funding risk across the group, foreign currency transactions are matched where possible, with residual liquidity risk managed centrally by Group Treasury, and usually to low levels. Structural foreign exchange risk impacts both the current NAV of the group as well as future profitability and earnings potential. Economic hedging is undertaken where viable, given market constraints and within risk appetite levels. Where possible, hedge accounting is applied. Any open positions are included as part of traded market risk.

The following table provides an overview of the group's exposure to entities with functional currencies other than the rand, and the pre-tax impact on equity of a 15% change in the exchange rate between the rand and the relevant functional foreign currencies. There were no significant structural hedging strategies employed by the group in the current financial year.

37 FINANCIAL AND INSURANCE RISKS continued

Net structural foreign exposures

	2021		2020	
R million	**Carrying value of net investment**	**Pre-tax impact on equity from 15% currency translation shock**	Carrying value of net investment	Pre-tax impact on equity from 15% currency translation shock
Functional currency				
Botswana pula	**5 632**	**845**	5 816	872
US dollar	**9 232**	**1 385**	10 033	1 505
Sterling	**26 390**	**3 958**	24 261	3 639
Nigerian naira	**2 010**	**301**	2 347	352
Australian dollar	**25**	**4**	32	5
Zambian kwacha	**502**	**75**	569	85
Mozambican metical	**439**	**66**	548	82
Indian rupee	**742**	**111**	915	137
Ghanaian cedi	**1 266**	**190**	1 619	243
Tanzanian shilling	**318**	**48**	285	43
Common Monetary Area (CMA) countries*	**7 220**	**1 083**	6 597	990
Total	**53 776**	**8 066**	53 022	7 953

**Currently Namibia, Eswantini and Lesotho are part of the Common Monetary Area. Unless these countries decide to exit the Common Monetary Area, rand volatility will not impact these countries' rand reporting values.*

37 FINANCIAL AND INSURANCE RISKS continued

37.5 Equity investment risk

Equity investment risk in the group arises primarily from equity exposures from private equity and investment banking activities in RMB, e.g. exposures to equity risk arising from principal investments or structured lending.

Other sources of equity investment risk include strategic investments held by WesBank, FNB, Aldermore and FCC. These investments are, by their nature, core to the individual businesses' daily operations and are managed as such.

Ashburton Investments, the group's asset management business, also contributes to equity investment risk. This risk emanates from long-term and short-term seeding activities both locally and offshore. Short-term seeding of new traditional and alternative funds exposes the group to equity investment risk until the funds reach sufficient scale for sustainable external distribution. The timeline for short-term seeding is defined in the business cases for the funds and typically ranges between one and three years.

Long-term seeding is provided if there is alignment with the business strategy, the business case meets the group's internal return hurdle requirements, and the liquidity and structure of the funds imply that an exit will only be possible over a longer period, aligned with the interests of other investors in these funds. Long-term investments, such as investment in private equity and real estate, will only be exited at the end of the investment horizon of the funds. This maturity period typically ranges from five to eight years post investment into the fund.

In terms of the capital requirements relating to equity investments in funds effective from 1 January 2021, any equity investments in any types of funds, including money market funds, are now treated as part of equity risk in the banking book. This includes money market funds in FNB Namibia and fund exposures in FNB Ashburton Jersey which were previously accounted for as part of credit risk exposures.

Assessment and management

The equity investment risk portfolio is managed through a rigorous evaluation and review process from the inception to exit of a transaction. All investments are subject to a comprehensive due diligence process, during which a thorough understanding of the target company's business, risks, challenges, competitors, management team and unique advantage or value proposition is developed.

For each transaction, an appropriate structure is put in place, which aligns the interests of all parties involved through the use of incentives and constraints for management and other investors. Where appropriate, the group seeks to take a number of seats on the company's board and maintains close oversight through monitoring of operations and financial discipline.

The investment thesis, results of the due diligence process and investment structure are discussed at the investment committee before final approval is granted. In addition, normal biannual reviews are performed for each investment and crucial parts of these reviews, such as valuation estimates, are independently peer reviewed.

The table below shows the equity investment risk exposure and sensitivity. The 10% sensitivity movement is calculated on the carrying value of investments, excluding those subject to the ETL process, and including the carrying value of investments in associates and joint ventures.

37 FINANCIAL AND INSURANCE RISKS continued

Investment risk exposure and sensitivity of investment risk

R million	**2021**	2020
Listed investment risk exposure included in the equity investment risk ETL process	**4**	19
Estimated sensitivity of remaining investment balances		
Sensitivity to 10% movement in market value on investment fair value	**194**	243

37 FINANCIAL AND INSURANCE RISKS continued

37.6 Insurance risk

Long-term insurance products

Overview and governance

The risk arises from the group’s long-term insurance operations, underwritten through its subsidiary, FirstRand Life Assurance Limited (FirstRand Life).

FirstRand Life currently underwrites a range of insurance products such as life, disability, funeral, credit life (against FNB credit products) and annuity policies. These policies are all originated through the FNB business. FirstRand Life also writes linked-investment policies. There is, however, no insurance risk associated with these policies as these policies do not have guaranteed benefits.

FirstRand Life is exposed to insurance risk from the policies underwritten as indicated in the following table.

<table>
<tr><td rowspan="11">Catastrophe risk</td><td rowspan="11">Lapse risk</td><th>Portfolio</th><th>Description</th><th>Core product type</th><th>Risk</th></tr>
<tr><td rowspan="10">Retail protect products</td><td rowspan="10">Simple, non-underwritten products that are sold in the open market and are subject to simple sales processes.</td><td>Funeral policies</td><td>Mortality</td></tr>
<tr><td colspan="2"><u>Benefit paid upon death of life assured</u></td></tr>
<tr><td>Health cash plans</td><td>Hospitalisation</td></tr>
<tr><td colspan="2"><u>Benefit paid per day the policyholder is hospitalised</u></td></tr>
<tr><td>Accidental death plans</td><td>Mortality</td></tr>
<tr><td colspan="2">Benefit paid upon death of policyholder</td></tr>
<tr><td>Lifestyle protection plans</td><td>Morbidity</td></tr>
<tr><td colspan="2">Benefit paid upon death or disability</td></tr>
<tr><td>PayProtect policies</td><td>Morbidity and retrenchment</td></tr>
<tr><td colspan="2"><u>Benefit paid upon disability or retrenchment</u></td></tr>
</table>

37 FINANCIAL AND INSURANCE RISKS continued

Catastrophe risk	**Lapse risk**	Underwritten life products	The underwritten life portfolio comprises Life Simplified and Life Customised. Life Simplified provides death cover up to R1 million after limited underwriting. Life Customised policies provide for more complex needs with cover amounts up to R100 million, R50 million and R5 million on death, disability and critical illness cover respectively.	Life cover combined with disability and critical illness.	• Mortality • Morbidity
		Credit life	Products that are sold in conjunction with FNB's credit products. The current offering includes credit cover across credit products within FNB – which include personal loans (compulsory), home loans (compulsory), housing financing, credit cards, overdrafts and revolving loans (voluntary).	Credit life policies	• Mortality • Morbidity • Retrenchment
		Business life products	Products to business customers.	• Key person policies • Grouped funeral policies • Business credit protect • Simplified Group schemes	• Mortality • Morbidity

37 FINANCIAL AND INSURANCE RISKS continued

As a result of these insurance risk exposures, the group is exposed to catastrophe risk stemming from the possibility of an extreme event linked to any of the above.

For all of the above, the risk is that the decrement rates (e.g. mortality rates and morbidity rates) and associated cash flows are different from those assumed when pricing or reserving. Mortality, morbidity and retrenchment risk can further be broken down into parameter risk, random fluctuations and trend risk, which may result in the parameter value assumed differing from actual experience.

Policies underwritten by FirstRand Life are available through all of FNB's distribution channels. Some of these channels introduce the possibility of anti-selection, which also impacts the level of insurance risk.

These policies also expose FirstRand Life to lapse risk, which is the risk of the loss of future profits and expenses risks. These risks are classified as business risks but are included in this section as they result from insurance products.

The overall responsibility for risk management resides with the board. FirstRand Insurance Holding's board committees include an audit and risk committee provides oversight over risk management and assets, liability and capital committee (ALCCO) which is responsible for:

- providing oversight of the product suite;
- approving new products;
- financial resource management; and
- governance and challenging input models and results of pricing valuations.

These committees are supported by management committees.

Risk management

Ensuring that insurance risk is understood and priced correctly is an important component of managing insurance risk.

37 FINANCIAL AND INSURANCE RISKS continued

This is done by:

- Rigorous and proactive risk management processes to ensure sound product design and accurate pricing include:
  - independent model validation;
  - challenging assumptions, methodologies and results;
  - debating and challenging design, relevance, target market and market competitiveness, and treating customers fairly;
  - identifying potential risks;
  - monitoring business mix and risk of new business; and
  - thoroughly reviewing policy terms and conditions.

- Underwritten life policies (ULP). This allows underwriting limits and risk-based pricing to be applied to manage the insurance risk. Where specific channels introduce the risk of anti-selection, mix of business by channel is monitored. On non-underwritten products insurance risk can be controlled through lead selection for outbound sales.
- The design of appropriate reinsurance structures is an important component of the pricing and product design to keep risk exposure within appetite.

The assessment and management of insurance risk of the in-force book use the following methodologies:

- Monitoring and reporting of claims experience by considering incidence rates, claims ratios and business mix.
- The actuarial valuation process involves the long-term projection of in-force policies and the setting up of insurance liabilities. This gives insight into the longer-term evolution of the risks on the portfolio. Adequate reserves are set for future and current claims and expenses.
- Experience investigations are performed annually to understand the actual experience compared to the basis used in valuations and pricing. These investigations are signed off by the head of the actuarial function. Where required changes are made to bases and product design.
- There are also reinsurance agreements in place to mitigate various insurance risks and manage catastrophe risk.
- Asset/liability management is performed to ensure that assets backing insurance liabilities are appropriate and liquid.
- Stress and scenario analysis are performed and provide insights on the risk profile and future capital position.

The management of insurance risk is governed by a suit of company policies and there exists processes, tools and systems in the business to assess and manage insurance risk.

An own risk and solvency assessment (ORSA) process is performed at least annually. ORSA is defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage and report on short-and long-term risks that FirstRand Insurance Holdings faces or might face and to determine the funds necessary to ensure that the overall solvency needs of FirstRand Life are met at all times and are sufficient to achieve its business strategy. An ORSA report is produced annually.

37 FINANCIAL AND INSURANCE RISKS continued

Detailed risk management per risk type:

Mortality risk is the risk that mortality rates and the associated cash flows are different from those assumed. The risk is managed as follows:

- For underwritten products underwriting is a key control.
- For non-underwritten products the mix of business by various factors is monitored and outbound sales leads are selected to influence the desired mix.
- Reinsurance is used to control exposure to large risks. The retention limits vary by portfolio.
- Validation and fraud checks are performed at claim stage to ensure only valid claims in line with the terms and conditions of the policy are paid.

Morbidity risk is the risk that morbidity rates and the associated cash flows are different from those assumed. The risk is managed as follows:

- Quota share reinsurance on underwritten products where there is limited data.
- Monitoring of trends in experience on credit life business.
- Validation and fraud checks are performed at claim stage to ensure only valid claims in line with the terms and conditions of the policy are paid.

Retrenchment risk is the risk that retrenchment rates and the associated cash flows are different from those assumed. The risk is managed as follows:

- Selection of retrenchment risk is controlled by FNB's credit scoring.
- Additional margins are allowed in pricing assumptions to allow for potential cyclicality in experience.
- Regular monitoring of exposure by industry and employer and feedback into risk selection takes place.
- Validation and fraud checks are performed at the claim stage to ensure only valid claims in line with the terms and conditions of the policy are paid.

Catastrophe risk is the risk that stems from extreme or irregular events contingent on mortality, morbidity or retrenchment whose effects are not expected.

The risk is managed by catastrophe reinsurance limiting exposure to mortality and morbidity catastrophes. The entity is however not covered for pandemics. The limits are reviewed annually based on the composition of the book and risk appetite.

No cover is in place against retrenchment catastrophe as this is not available at a reasonable cost. Additional capital is held in economic capital to cover a retrenchment catastrophe scenario.

37 FINANCIAL AND INSURANCE RISKS continued

Lapse risk is the risk that lapse rates and the associated cash flows are different from those assumed, as well as the risk of a mass lapse in policies. The risk is managed as follows:

- Collection strategies are regularly reviewed to ensure they are optimal.
- Changes to product lapse rules are made where more lenient lapse rules can benefit both the customer and the FirstRand Life.

Expenses risk is the risk that expenses and/or expense inflation is different from that assumed in pricing and valuations. The group has a rigorous budgeting process in place to manage the risk.

Concentration risk

The majority of the portfolio consists of funeral and credit life policies sold to retail customers. There is, therefore, not significant concentration risk, but the mix of the portfolios by various factors, impacting different risk types is frequently monitored. Large policies in the underwritten portfolio are reinsured to avoid single large exposures to lives. Catastrophe reinsurance is in place to provide cover against many lives dying in a single event (excluding pandemics).

The following table demonstrates the concentration risk across insurance products for sums assured at risk before and after reinsurance.

	Before reinsurance						
Retail sums assured at risk	**Mortality risk**		**Morbidity risk**		**Retrenchment risk**		**Total**
	R million	**%**	**R million**	**%**	**R million**	**%**	
2021							
1 – 499 999	**173 568**	**45**	**59 151**	**69**	**17 712**	**99**	**250 431**
500 000 – 999 999	**63 540**	**16**	**15 969**	**19**	**104**	**1**	**79 613**
1 000 000 – 1 999 999	**119 579**	**31**	**6 128**	**7**	**20**	-	**125 727**
2 000 000 and above	**29 103**	**8**	**4 474**	**5**	-	-	**33 577**
Total	**385 790**	**100**	**85 722**	**100**	**17 836**	**100**	**489 348**
2020							
1 – 499 999	175 248	49	77 198	82	30 662	100	283 108
500 000 – 999 999	58 789	17	11 103	12	122	-	70 014
1 000 000 – 1 999 999	101 506	29	3 041	3	21	-	104 568
2 000 000 and above	20 396	6	2 658	3	-	-	23 054
Total	355 940	100	93 999	100	30 804	100	480 743

37 FINANCIAL AND INSURANCE RISKS continued

Retail sums assured at risk	After reinsurance						
	Mortality risk		Morbidity risk		Retrenchment risk		Total
	R million	%	R million	%	R million	%	
2021							
1 – 499 999	**143 966**	**53**	**49 041**	**78**	**14 236**	**100**	**207 243**
500 000 – 999 999	**48 496**	**18**	**11 597**	**19**	**33**	-	**60 126**
1 000 000 – 1 999 999	**72 642**	**27**	**1 497**	**2**	**4**	-	**74 143**
2 000 000 and above	**6 193**	**2**	**442**	**1**	-	-	**6 635**
Total	**271 297**	**100**	**62 577**	**100**	**14 273**	**100**	**348 147**
2020							
1 – 499 999	151 209	56	69 372	86	27 629	100	248 210
500 000 – 999 999	48 902	18	9 701	12	37	-	58 640
1 000 000 – 1 999 999	65 646	24	965	1	4	-	66 615
2 000 000 and above	5 132	2	235	-	-	-	5 367
Total	270 889	100	80 273	100	27 670	100	378 832

Assessment and management

The assessment and management of insurance risk is influenced by the frequency and severity of claims, especially if actual benefits paid are greater than originally estimated, as well as the subsequent impact thereof on estimated long-term claims.

The group manages the insurance risk of its policies through monitoring incidence rates, claims ratios and business mix, as policies are not underwritten and pricing is flat. Any other risk policies sold to a different target market are underwritten. This allows underwriting limits and risk-based pricing to be applied to manage the insurance risk. Where various channels introduce the risk of anti-selection, mix of business by channel is monitored. There is also a reinsurance agreement in place to manage catastrophe risk.

Insurance risk mitigation

The risk exposure is mitigated by diversification across a portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The group purchases reinsurance as part of its risk mitigation programme. The reinsurance agreements spread the risk of loss and minimise the effect of losses. The risk retention levels depend on the evaluation of specific risk, subject to certain circumstances, to maximum limits based on the characteristics of coverage. For life insurance products reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota share reinsurance, which is taken out to reduce the overall exposure to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the group’s net exposure to catastrophe losses. Amounts recoverable from reinsurers are estimated in a manner consistent with outstanding claims.

37 FINANCIAL AND INSURANCE RISKS continued

Liability before zerorisation

R million	2021	2020
Liability at the beginning of the year	**(1 408)**	(2 755)
Data and methodology changes	**32**	31
Final liability at the beginning of the year	**(1 376)**	(2 724)
Current period projection relating to in-force policies	**(1 889)**	(1 608)
Experience variance	**(421)**	(280)
Actual in-force liability at the end of the year	**(2 310)**	(1 888)
New business and reinstatements	**(1 015)**	(998)
Basis changes	**1 300**	1 478
- Economic basis	**215**	(353)
- Mortality basis	**(332)**	130
- Lapse basis	**(102)**	10
- Disability basis	**(7)**	1
- New hospital cash basis	**(1)**	(66)
- Expense basis	**19**	32
- Covid-19 adjustments	**1 353**	1 724
Final liability at the end of the year	**(2 025)**	(1 408)

Sensitivities

An analysis was performed in the current year for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on the liabilities.

R million	2021	2020
Base reserves	**(2 025)**	(1 408)
Sensitivity to interest rate changes		
- Interest rate decreased by 100 bps	**(1 949)**	(1 364)
Sensitivity to other changes in assumptions		
- Expenses down by 10%	**(2 227)**	(1 576)
- Lapses down by 10%	**(2 152)**	(1 556)
- Mortality and morbidity down by 5%	**(2 395)**	(1 716)

37 FINANCIAL AND INSURANCE RISKS continued

The table below sets out what the IBNR liability would be if the key inputs were changed as set out below:

IBNR sensitivities

R million	2021	2020
Gross IBNR	**880**	614
Reinsurance asset	**(205)**	(87)
Net IBNR	**676**	527
Gross IBNR with sensitivity*	**960**	685
Reinsurance asset with sensitivity*	**(221)**	(94)
Net IBNR with sensitivity	**738**	591

**Sensitivities added to the IBNR reserve were:*
- 7.5% (2020: 7.5%) on Mortality
- 10% (2020:15%) on Morbidity
- 15% (2020: 15%) on Retrenchment
- 10% on Health (no sensitivity was attributed to IBNR for health in the prior year)

37 FINANCIAL AND INSURANCE RISKS continued

Short-term insurance products

The risk arises from the group's short-term insurance operations.

The terms and conditions of short-term insurance contracts have a material effect on the amount, timing and uncertainty of future cash flows. The key risks associated with general insurance contracts are claims experience. The methodology driving the provisions for these contracts is reviewed at least annually. As claims experience develops, certain claims are settled, further claims are revised and new claims are reported. The reasonableness of the estimation process is assessed by management and reviewed on a regular basis. The group believes that the liability for claims carried at the end of the year is adequate.

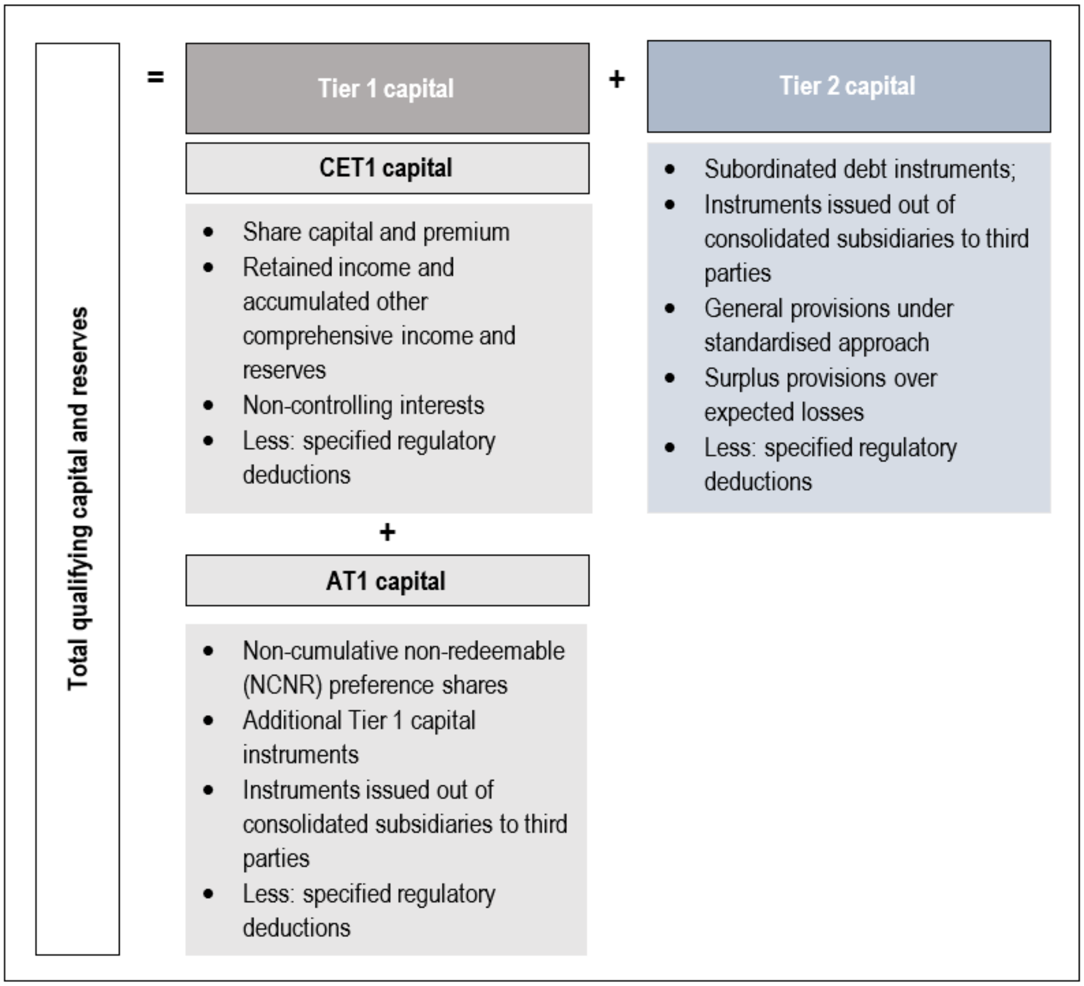
The short-term insurance products offered by the group include:

- Liability – provides cover for risks relating to the incurring of a liability other than from risk covered more specifically under another insurance contract.
- Motor – provides indemnity cover relating to the possession, use or ownership of a motor vehicle. The cover includes comprehensive cover, third party, fire and theft, and third-party liabilities.
- Personal accident – provides compensation arising out of the death or disability directly caused by an accident occurring anywhere in the world, provided that death or disability occurs within 12 months of this injury.
- Property – provides indemnity relating to movable and immovable property caused by perils such as fire, explosions, earthquakes, acts of nature, burst geysers and pipes, malicious damage, impact, alterations and additions.

37 FINANCIAL AND INSURANCE RISKS continued

37.7 Capital management

The following diagram defines the main components of qualifying capital and reserves.



The capital planning process ensures that the CET1, Tier 1 and total capital adequacy ratios remain within or above target ranges and regulatory minimums across economic and business cycles. Capital is managed on a forward-looking basis and the group remains appropriately capitalised under a range of normal and severe stress scenarios. The group aims to back all economic risk with loss-absorbing capital and remains well capitalised in the current environment. The group continues to focus on maintaining strong capital and leverage ratios, with particular focus on the quality and mix of capital, as well as optimisation of the group's risk weighted assets (RWA). The group's capital ratios remain strong and above the regulatory minimums and internal targets. The board-approved capital targets are CET1 of 11.0% – 12.0%; Tier 1 of >12.0% and total capital of >14.25%.

37 FINANCIAL AND INSURANCE RISKS continued

Capital adequacy for the group's regulated subsidiaries and foreign branches

The group's registered banking subsidiaries must comply with Prudential Authority regulations and those of the respective in-country regulators, with primary focus placed on Tier 1 capital and total adequacy ratios. Based on the outcome of detailed stress testing, each entity targets a capital level in excess of the regulatory minimum. Adequate controls and processes are in place to ensure that each entity is adequately capitalised to meet regulatory and economic capital requirements. Capital generated by subsidiaries/branches in excess of targeted levels is returned to FirstRand, usually in the form of dividends or return of profits.

Capital management for insurance entities

Capital for insurance entities is calculated on a regulatory basis in line with Insurance Act No. 18 of 2017 and regulations, as well as on an economic basis. Capital is risk sensitive and is also used to understand the exposure to insurance risk. The insurance group's ORSA assesses the impact of various stresses on the solvency position of the insurance entities and informs the capital targets. Target levels for capital coverage are specified in the insurance risk appetite statement and have been met over the year under review. The impact of Covid-19 has been incorporated in the actuarial capital assessments, and insurance entities remain appropriately capitalised.

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES

Note 11 (Advances)

Voluntary changes to the classes previously reported at 30 June 2020

	Gross advances		
R million	As previously reported	Movement	Updated amount
Residential mortgages	224 404	-	224 404
WesBank VAF	104 014	-	104 014
Total retail secured	328 418	-	328 418
FNB card	30 210	-	30 210
Personal loans	41 874	-	41 874
Retail other	16 732	-	16 732
Total retail unsecured	88 816	-	88 816
FNB commercial	107 916	-	107 916
WesBank corporate	27 114	-	27 114
RMB corporate banking	68 445	-	68 445
RMB investment banking	280 747	123	280 870
Total corporate and commercial	484 222	123	484 345
Rest of Africa	66 380	-	66 380
Group Treasury and other	37 013	(123)	36 890
UK operations	306 246	-	306 246
Retail	234 529	-	234 529
Commercial	71 717	-	71 717
Total advances	1 311 095	-	1 311 095

The group reclassified advances between classes and elected to voluntarily restate its comparative information in Note 11 (Advances), Note 12 (Impairment of Advances) and Note 37 (Financial and Insurance Risk Management). The comparison between previously reported and currently presented disclosure has been provided.

Loss allowance		
As previously reported	Movement	Updated amount
(3 916)	-	(3 916)
(5 861)	-	(5 861)
(9 777)	-	(9 777)
(4 201)	-	(4 201)
(8 697)	-	(8 697)
(3 139)	-	(3 139)
(16 037)	-	(16 037)
(6 028)	-	(6 028)
(506)	-	(506)
(1 203)	-	(1 203)
(5 302)	-	(5 302)
(13 039)	-	(13 039)
(4 633)	-	(4 633)
(899)	-	(899)
(4 995)	-	(4 995)
(3 453)	-	(3 453)
(1 542)	-	(1 542)
(49 380)	-	(49 380)

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 11 (Advances)

Analysis of advances per class

R million	Amortised cost previously reported	Movement	Presented in note 11	Loss allowance previously reported	Movement	Presented in note 11
Residential mortgages	224 404	-	224 404	(3 916)	-	(3 916)
WesBank VAF	104 014	-	104 014	(5 861)	-	(5 861)
Total retail secured	328 418	-	328 418	(9 777)	-	(9 777)
FNB card	30 210	-	30 210	(4 201)	-	(4 201)
Personal loans	41 874	-	41 874	(8 697)	-	(8 697)
Retail other	16 732	-	16 732	(3 139)	-	(3 139)
Total retail unsecured	88 816	-	88 816	(16 037)	-	(16 037)
FNB commercial	107 889	-	107 889	(6 028)	-	(6 028)
- FNB commercial excluding scheme	107 544	-	107 544	(5 980)	-	(5 980)
- Government-guaranteed scheme	345	-	345	(48)	-	(48)
WesBank corporate	27 114	-	27 114	(506)	-	(506)
RMB corporate banking	68 318	-	68 318	(1 203)	-	(1 203)
RMB investment banking	211 763	123	211 886	(5 302)		(5 302)
Total corporate and commercial	415 084	123	415 207	(13 039)	-	(13 039)
Rest of Africa	66 070	-	66 070	(4 633)	-	(4 633)
Group Treasury and other	36 025	(123)	35 902	(899)	-	(899)
UK operations	306 246	-	306 246	(4 995)	-	(4 995)
- Retail	234 529	-	234 529	(3 453)	-	(3 453)
- Commercial	71 717	-	71 717	(1 542)	-	(1 542)
Total advances	1 240 659	-	1 240 659	(49 380)	-	(49 380)

Analysis of advances per classes (gross advances and loss allowances)

	Gross advances			Loss allowances		
R million	As previously reported	Movement	Presented in note 11	As previously reported	Movement	Presented in note 11
	Stage 1					
RMB investment banking	249 832	123	249 955	1 435	-	1 435
Group Treasury and other	36 825	(123)	36 702	565	-	565
Total stage 1 reclassification	286 657	-	286 657	2 000	-	2 000
	Stage 2					
RMB investment banking	28 633	-	28 633	3 522	-	3 522
Group Treasury and other	45	-	45	152	-	152
Total stage 2 reclassification	28 678	-	28 678	3 674	-	3 674
	Stage 3					
RMB investment banking	1 381	-	1 381	345	-	345
Group Treasury and other	143	-	143	182	-	182
Total stage 3 reclassification	1 524	-	1 524	527	-	527
	Purchase or originated credit impairment					
RMB investment banking	901	-	901	-	-	-
Total purchase or originated credit impairment reclassification	901	-	901	-	-	-

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 37 (Financial and insurance risk)

Credit assets

R million	Previously reported	Movement	Presented in note 37
On-balance sheet exposures			
Cash and short-term funds	125 771	-	125 771
- Money at call and short notice	79 930	-	79 930
- Balances with central banks	45 841	-	45 841
Gross advances	1 311 095	-	1 311 095
- Retail secured	328 418	-	328 418
- Residential mortgages	224 404	-	224 404
- Vehicle asset finance	104 014	-	104 014
- Retail unsecured	88 816	-	88 816
- Credit card	30 210	-	30 210
- Personal loans	41 874	-	41 874
- Retail other	16 732	-	16 732
- Corporate and commercial	484 222	123	484 345
- FNB commercial	107 916	-	107 916
- WesBank corporate	27 114	-	27 114
- RMB corporate banking	68 445	-	68 445
- RMB investment banking	280 747	123	280 870
- Rest of Africa	66 380	-	66 380
- Group Treasury and other	37 013	(123)	36 890
- UK operations	306 246	-	306 246
- Retail	234 529	-	234 529
- Commercial	71 717	-	71 717
Derivatives	147 515	-	147 515
Debt investment securities (excluding non-recourse investments)	276 356	-	276 356
Financial accounts receivable included in other assets	6 943	-	6 943
Reinsurance assets	240	-	240
Off-balance sheet exposures	176 652	2 158	178 810
Total contingencies	42 120	-	42 120
- Guarantees	33 609	-	33 609
- Letters of credit	8 511	-	8 511
Irrevocable commitments	127 658	2 158	129 816
Credit derivatives	6 874	-	6 874
Total	2 044 572	2 158	2 046 730

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 37 (Financial and insurance risk continued)

Quality of credit assets

	RMB investment banking					
	Stage 1			Stage 2		
R million	As previously reported	Movement	Presented in note 37	As previously reported	Movement	Presented in note 37
FR 1-25						
On balance sheet	91 582	123	91 705	-		-
Off balance sheet	13 757	-	13 757	-		-
FR 26-90						
On balance sheet	157 769	-	157 769	28 364		28 364
Off balance sheet	13 777	-	13 777	837		837
FR 91-100						
On balance sheet	481	-	481	269		269
Off balance sheet	-	-	-	-		-

	Group Treasury and other					
	Stage 1			Stage 2		
R million	As previously reported	Movement	Presented in note 37	As previously reported	Movement	Presented in note 37
FR 1-25						
On balance sheet	31 767	(123)	31 644	-	-	-
Off balance sheet	-	-	-	-	-	-
FR 26-90						
On balance sheet	4 716	-	4 716	45	-	45
Off balance sheet	1 000	-	1 000	-	-	-
FR 91-100						
On balance sheet	342	-	342	-	-	-
Off balance sheet	-	-	-	-	-	-

RMB investment banking					
Stage 3			Purchase or originated credit impaired		
As previously reported	Movement	Presented in note 37	As previously reported	Movement	Presented in note 37
-	-	-	-	-	-
-	-	-	-	-	-
33	-	33	-	-	-
-	-	-	-	-	-
1 348	-	1 348	901	-	901
10	-	10	-	-	-

Group Treasury and other					
Stage 3			Purchase or originated credit impaired		
As previously reported	Movement	Presented in note 37	As previously reported	Movement	Presented in note 37
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
143	-	143	-	-	-
-	-	-	-	-	-

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 37 (Financial and insurance risk continued)

Credit risk mitigation and collateral held

	2020					
	RMB investment banking			Group Treasury and other		
R million	As previously reported	Movement	Presented in note 37	As previously reported	Movement	Presented in note 37
Gross carrying amount	280 747	123	280 870	37 013	(123)	36 890
Off-balance sheet exposure	28 381	-	28 381	1 000	-	1 000
Loss allowance	(5 302)	-	(5 302)	(899)	-	(899)
Maximum exposure to credit risk	303 826	123	303 949	37 114	(123)	36 991
Supported as follows:						
Netting and financial collateral	3 711	-	3 711	(1 890)	-	(1 890)
Unsecured	40 901	-	40 901	28 592	-	28 592
Secured	259 214	123	259 337	10 412	(123)	10 289

39 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following new and revised standards and interpretations are applicable to the business of the group. The group will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
IFRS 3	**Reference to the Conceptual Framework – Amendment to IFRS 3** The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IFRS 17	**Insurance contracts** IFRS 17 is the new standard that prescribes the accounting for insurance contracts and will replace the current insurance contracts standard, IFRS 4. IFRS 17 aims to provide more transparency and comparability between insurance companies and other industries by providing a prescriptive approach to determining policyholder liabilities, as well as the release of profits on these contracts to the income statement. The recognition of insurance revenue will be consistent with that of IFRS 15. Insurance revenue is derived from the movement in liability for the remaining insurance coverage period. The insurance contract liability is initially made up of: ➢ fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policyholders; and ➢ the contractual service margin (CSM), which represents the unearned profit the entity will recognise as it provides services over the coverage period. Subsequently, the liability will comprise two components, namely the liability for remaining coverage (fulfilment cash flows and the CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses incurred but not yet paid). Currently, an IFRS 17 Steering committee has been created, which is	Annual periods commencing on or after 1 January 2023

39 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
	responsible for managing the implementation of the standard as it will have an impact on the group's insurance business. All insurance contracts have been reviewed to determine scope and classification under IFRS 17. Findings indicate that the group will have a mix of both the premium allocation approach (PAA) and the General Model (GM). The impact of IFRS 17 will only be reliably determinable once the implementation project has progressed further.	
IAS 16	**Property, plant and equipment: Proceeds before intended use – Amendment to IAS 16** The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IAS 37	**Onerous contracts – cost of fulfilling a contract. Amendment to IAS 37** The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IAS 1	**Amendments to classification of liabilities as current or non-current** The IAS 1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically: ➢ The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. ➢ Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. ➢ The amendments clarify the situations that are considered settlement of a liability.	Annual periods commencing on or after 1 January 2023

39 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
	The group presents its assets and liabilities in order of liquidity in the statement of financial position. The impact of this amendment would impact the disclosure of current versus non-current liabilities in the notes to the financial statements. The group does not expect this amendment to have a significant impact on the annual financial statements.	
IAS 1	**Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice Statement 2** The IASB issued amendments to IAS 1 and an update to IFRS Practice Statement 2 *Making Materiality Judgements* to help prepares provide useful accounting policy disclosures. The key amendments to IAS 1 include: ➢ requiring companies to disclose their material accounting policies rather than their significant accounting policies; ➢ clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ➢ clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.	Annual periods commencing on or after 1 January 2023
IAS 8	**Definition of accounting estimates** The amendments to IAS 8 introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	Annual periods commencing on or after 1 January 2023
IAS 12	**Deferred tax related to assets and liabilities arising from a single transaction** The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result a deferred tax asset and a deferred tax liability will need to be recognised for temporary differences arising on initial recognition of a lease and decommissioning provision.	Annual periods commencing on or after 1 January 2023

39 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Annual improvements 2018 - 2020	Improvements to IFRS IFRS 9 Financial Instruments. Fees in the '10 per cent' test for derecognition of financial liabilities ➢ The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. ➢ An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. Lease incentives ➢ The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16. The amendments are not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022

40 EVENTS AFTER REPORTING PERIOD

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

Financial statements for the year ended 30 June 2021

FirstRand Limited

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million	Notes	2021	2020
Revenue	2	**8 018**	20 795
Net interest income/(expense)	3	**7**	(102)
Interest and similar income	3	**7**	33
Interest expense and similar charges	3	**-**	(135)
Income from operations		**8 025**	20 693
Operating expenses	4	**(202)**	(77)
Income before indirect tax		**7 823**	20 616
Indirect tax	5.1	**(6)**	(6)
Profit before income tax		**7 817**	20 610
Income tax expense	5.2	**(2)**	(41)
Profit for the year		**7 815**	20 569
Other comprehensive income		**-**	-
Total comprehensive income for the year		**7 815**	20 569
Attributable to			
Ordinary equityholders		**7 563**	20 227
NCNR preference shareholders		**252**	342
Total comprehensive income for the year		**7 815**	20 569

STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	2021	2020
ASSETS			
Cash and cash equivalents	7	**611**	253
Other assets	8	**294**	1
Current tax asset		**16**	-
Investments in subsidiaries	9	**73 502**	72 422
Total assets		**74 423**	72 676
EQUITY AND LIABILITIES			
Liabilities			
Creditors and accruals	10	**452**	109
Current tax liability		**-**	27
Employee liabilities	11	**140**	102
Total liabilities		**592**	238
Equity			
Ordinary shares	12	**56**	56
Share premium	12	**8 056**	8 056
Reserves		**61 200**	59 807
Capital and reserves attributable to ordinary equityholders		**69 312**	67 919
NCNR preference shares	12	**4 519**	4 519
Total equity		**73 831**	72 438
Total equity and liabilities		**74 423**	72 676

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

		Ordinary share capital and ordinary equityholders funds		
R million	Notes	Share capital	Share premium	**Share capital and share premium**
Balance as at 1 July 2019		56	8 056	**8 112**
Ordinary dividends	13	-	-	**-**
Preference dividends	13	-	-	**-**
Total comprehensive income for the year		-	-	**-**
Balance as at 30 June 2020		56	8 056	**8 112**
Ordinary dividends	13	-	-	**-**
Preference dividends	13	-	-	**-**
Total comprehensive income for the year		-	-	**-**
Balance as at 30 June 2021		56	8 056	**8 112**

	Ordinary share capital and ordinary equityholders' funds				
	Capital redemption reserve	Retained earnings	**Reserves attributable to ordinary equityholders**	**NCNR preference shares**	**Total equity**
	1	56 295	**56 296**	**4 519**	**68 927**
	-	(16 716)	**(16 716)**	**-**	**(16 716)**
	-	-	**-**	**(342)**	**(342)**
	-	20 227	**20 227**	**342**	**20 569**
	1	59 806	**59 807**	**4 519**	**72 438**
	-	(6 170)	**(6 170)**	**-**	**(6 170)**
	-	-	**-**	**(252)**	**(252)**
	-	7 563	**7 563**	**252**	**7 815**
	1	61 199	**61 200**	**4 519**	**73 831**

STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Notes	2021	2020
Cash flows from operating activities			
Interest received		**7**	33
Other income		**46**	37
Interest payments		**-**	(135)
Other operating expenses		**(83)**	(74)
Dividends received		**7 972**	20 758
Dividends paid		**(6 422)**	(17 058)
Taxation paid		**(51)**	(20)
Cash generated from operating activities		**1 469**	3 541
Movement in operating assets and liabilities			
Other assets		**1**	(1)
Employee liabilities		**(42)**	(121)
Creditors and accruals		**10**	4
Net cash generated from operating activities		**1 438**	3 423
Cash flows from investing activities			
Increase in investments in subsidiaries		**(1 080)**	(1 865)
Capital repayments from subsidiaries		**-**	1 000
Net cash outflow from investing activities		**(1 080)**	(865)
Cash flows from financing activities			
Decrease in amounts due to subsidiary companies		**-**	(3 145)
- Repayment of amounts due to subsidiary companies		**-**	(3 145)
Net cash outflow from financing activities		**-**	(3 145)
Net increase in cash and cash equivalents		**358**	(587)
Cash and cash equivalents at the beginning of the year	7	**253**	840
Cash and cash equivalents at the end of the year	**7**	**611**	253

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable. Revenue within the company comprises fees from subsidiaries and dividend income from investments in subsidiaries.

The company recognises revenue from fees when the amount can be reliably measured and it is probable that future economic benefits will flow to the company from it.

Dividends are recognised when the company's right to receive payment is established.

1.2 Other accounting policies

The financial statements of FirstRand Limited Company are prepared according to the same accounting policies used in preparing the consolidated financial statements of the group other than the accounting policies on consolidation, equity accounting and translation of foreign operations that are specific to group financial statements. For detailed accounting policies refer from page B34 of the 2021 annual financial statements. The financial statements are prepared on the going concern basis in accordance with IFRS.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Functional and presentation currency of the company	South African rand (R)
Level of rounding	All amounts are presented in millions of rands. The company has a policy of rounding up in increments of R500 000. Therefore, amounts less than R500 000 will round down to Rnil and are presented as a dash.

2 REVENUE

R million	2021	2020
Fee and commission income		
Recoveries from subsidiaries	**46**	36
Other fees on non-financial instruments	**-**	1
Total fee and commission income	**46**	37
Gains less losses from investing activities		
Dividends received from subsidiaries – unlisted shares		
Ordinary dividends	**7 972**	20 758
Preference dividends	-	-
Total gains less losses from investing activities	**7 972**	20 758
Total revenue	**8 018**	20 795

3 NET INTEREST INCOME/(EXPENSE)

R million	2021	2020
Interest and similar income		
Cash and cash equivalents	**7**	33
Interest and similar income	**7**	33
Interest expense and similar charges		
Borrowed funds	**-**	(135)
Interest expense and similar charges	**-**	(135)
Total net interest expense	**7**	(102)

4 OPERATING EXPENSES

R million	Notes	2021	2020
Directors' fees		**(37)**	(39)
Direct staff costs		**(105)**	(22)
- Salaries, wages and allowances		**(53)**	(53)
- Share-based payment expense	11	**(51)**	32
- Social security levies		**(1)**	(1)
Professional fees		**(6)**	(7)
Corporate memberships		**(2)**	(3)
Other operating expenditure		**(52)**	(6)
Total operating expenses		**(202)**	(77)

5 INDIRECT AND INCOME TAX EXPENSE

	R million	2021	2020
5.1	**Indirect tax**		
	Value-added tax (net)	**(6)**	(6)
	Total indirect tax	**(6)**	(6)
5.2	**Income tax expense**		
	South African income tax		
	Normal tax – current year	**(2)**	(41)
	- Current tax	**(2)**	(40)
	- Prior year adjustment	**-**	(1)
	Total income tax expense	**(2)**	(41)

Tax rate reconciliation – South African normal tax

%	2021	2020
Standard rate of income tax	**28**	28
Total tax has been affected by:		
Dividends received	**(28)**	(28)
Effective rate of tax	**-**	-

6 ANALYSIS OF ASSETS AND LIABILITIES BY CATEGORY

The principal accounting policies from page B34 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statement of financial position per category of financial instrument to which they are assigned, and therefore by measurement basis and according to when the assets are expected to be realised and liabilities settled.

		2021			
R million	Notes	**Financial assets at amortised cost**	**Financial liabilities at amortised cost**	**Non-financial instruments**	
ASSETS					
Cash and cash equivalents	7	**611**	**-**	**-**	
Other assets	8	**-**	**-**	**294**	
Current tax asset		**-**	**-**	**16**	
Investment in subsidiaries	9	**-**	**-**	**73 502**	
Total assets		**611**	**-**	**73 812**	
LIABILITIES					
Creditors and accruals	10	**-**	**112**	**340**	
Current tax liability		**-**	**-**	**-**	
Employee liabilities	11	**-**	**-**	**140**	
Total liabilities		**-**	**112**	**480**	

		2020			
R million	Notes	Financial assets at amortised cost	Financial liabilities at amortised cost	Non-financial instruments	
ASSETS					
Cash and cash equivalents	7	253	-	-	
Other assets	8	1	-	-	
Current tax asset		-	-	-	
Investment in subsidiaries	9	-	-	72 422	
Total assets		254	-	72 422	
LIABILITIES					
Creditors and accruals	10	-	104	5	
Current tax liability		-	-	27	
Employee liabilities	11	-	-	102	
Amounts owing to subsidiaries	9	-	-	-	
Total liabilities		-	104	134	

At the reporting date all other assets are considered to be neither past due nor impaired.
The carrying value of cash and cash equivalents, other assets and creditors and accruals, approximates the fair value.

	2021		
	Total carrying value	**Current**	**Non-current**
	611	**611**	**-**
	294	**294**	**-**
	16	**16**	**-**
	73 502	**-**	**73 502**
	74 423	**921**	**73 502**
	452	**413**	**39**
	-	**-**	**-**
	140	**62**	**78**
	592	**475**	**117**

	2020		
	Total carrying value	Current	Non-current
	253	253	-
	1	1	-
	-	-	-
	72 422	-	72 422
	72 676	254	72 422
	109	109	-
	27	27	-
	102	55	47
	-	-	-
	238	191	47

7 CASH AND CASH EQUIVALENTS

R million	**2021**	2020
Money at call and short notice	**611**	253
Cash and cash equivalents	**611**	253

8 OTHER ASSETS

R million	**2021**	2020
Standby liquidity facility	**294**	-
Accounts receivable	**-**	1
Total other assets	**294**	1

At the end of the current year, the Company provided the Bank of England with a financial guarantee, to support Aldermore Bank's (a subsidiary of the group) qualification for a collateral upgrade from the Bank of England. In order to manage the liquidity risk associated with providing this financial guarantee to the Bank of England, the company procured a standby liquidity facility from an international bank, in the unlikely event that the company were to be called up to honour the financial guarantee contract with the Bank of England and would require liquidity at short notice. The liquidity facility attracted a fee which has been capitalised to the balance sheet and will be released to the income statement over the period of the liquidity facility.

9 INVESTMENT IN SUBSIDIARIES

	% owner-ship	% voting rights	Nature of business	Shares at cost 2021 R million	2020 R million
FirstRand EMA Holdings Limited (FREMA)			Financial services		
Ordinary shares	**100**	100		**7 675**	7 675
FirstRand Bank Limited			Banking		
Ordinary shares	**100**	100		**40 194**	40 194
FirstRand Investment Holdings Proprietary Limited			Other activities		
Ordinary shares	**100**	100		**4 038**	4 038
FirstRand Investment Management Holdings Limited			Investment management		
Ordinary shares	**100**	100		**399**	399
FirstRand Insurance Holdings Proprietary Limited			Insurance services		
Ordinary shares	**100**	100		**713**	653
FirstRand International Limited (FRI)			Banking		
Ordinary shares	**100**	100		**20 066**	19 046
Total				**73 085**	72 005
Investment through equity-settled share incentive scheme			Equity-settled share scheme	**417**	417
Total investments in subsidiaries				**73 502**	72 422
Amounts owing to subsidiaries				**-**	-

With the exception of FREMA and FRI, which offer financial services across Africa and the UK, the principal place of business for all of the company's subsidiaries is South Africa.

Increases in investments in subsidiaries

During the current financial year, the company acquired additional shares in their wholly owned subsidiaries FirstRand Insurance Holdings Propriety Limited and FRI. The cost of the additional investment amounted to R60 million and R1 020 million respectively.

10 CREDITORS AND ACCRUALS

R million	**2021**	2020
Unclaimed dividends	**99**	95
Accounts payable and accrued liabilities	**307**	7
Audit fee accrual	**7**	7
Financial guarantee liability*	**39**	-
Total creditors and accruals	**452**	109

* The maximum exposure of the financial guarantee issued to the Bank of England amounts to R19 721 million (2020:nil). The full exposure is included in stage 1 ECL. The guarantee is open-ended until such time as the company cancels the contract, as such the guarantee is long dated. The probability of the guarantee being called upon is considered to be low and has a credit rating of AA.

11 EMPLOYEE LIABILITIES

R million	**2021**	2020
Liability for short-term employee benefits		
Opening balance	**58**	54
Additional provisions created	**29**	29
Utilised during the year	**(22)**	(25)
Total liability for short-term employee benefits	**65**	58
Share-based payment liability		
Opening balance	**44**	166
Transfer between legal entities within the group	**-**	6
Share-based payment settlement (cash)	**(20)**	(96)
Charge/(release) to profit or loss	**51**	(32)
Total share-based payment liability	**75**	44
Total employee liabilities	**140**	102
The charge to profit or loss for share-based payments is as follows:		
FirstRand share appreciation rights scheme	**51**	(32)
Amount included in operating expenses	**51**	(32)

For a detailed description of share option schemes and trusts in which FirstRand Limited Company participates refer to note 21 of the consolidated annual financial statements.

12 SHARE CAPITAL AND SHARE PREMIUM

12.1 Share capital and share premium classified as equity

Authorised shares

	2021	2020
Ordinary shares	**6 001 688 450**	6 001 688 450
A preference shares – unlisted variable rate cumulative convertible redeemable	**198 311 550**	198 311 550
B preference shares – listed variable rate non-cumulative non-redeemable	**100 000 000**	100 000 000
C preference shares – unlisted variable rate convertible non-cumulative redeemable	**100 000 000**	100 000 000
D preference shares – unlisted variable rate cumulative redeemable	**100 000 000**	100 000 000

Issued shares

	2021			2020		
	Number of shares	**Ordinary share capital R million**	**Share premium R million**	Number of shares	Ordinary share capital R million	Share premium R million
Opening balance	**5 609 488 001**	**56**	**8 056**	5 609 488 001	56	8 056
Shares issued	**-**	**-**	**-**	-	-	-
Shares bought back	**-**	**-**	**-**	-	-	-
Total issued ordinary share capital and share premium	**5 609 488 001**	**56**	**- 8 056**	5 609 488 001	56	8 056
B preference shares	**45 000 000**	**-**	**4 519**	45 000 000	-	4 519
Total issued share capital attributable to ordinary equityholders		**56**	**12 575**		56	12 575

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

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

13 DIVIDENDS

R million	2021	2020
Ordinary dividends		
A final dividend of 153 cents (2020: nil cents) per share was declared on 15 September 2021 in respect of the six months ended 30 June 2021.	**-**	8 526
An interim dividend of 110.00 cents (9 March 2020: 146.00 cents) per share was declared on 3 March 2021 in respect of the six months ended 31 December 2020.	**6 170**	8 190
Total ordinary dividends paid for the year	**6 170**	16 716
B preference shares		
A final dividend of 273.9 cents (31 August 2020: 306.0 cents) per share was declared on 30 August 2021 in respect of the six months ended 30 June 2021.	**138**	173
An interim dividend of 253.60 cents (24 February 2020: 374.70 cents) per share was declared on 22 February 2021 in respect of the six months ended 30 June 2021	**114**	169
Total preference dividends paid for the year	**252**	342

14 RELATED PARTIES

14.1 Balances and transactions with related parties

R million	**2021** Entities that have significant influence over FirstRand Limited and its subsidiaries	**2021** Subsidiaries
Net interest income	**-**	**7**
Non-interest revenue	**-**	**46**
Dividends received	**-**	**7 972**
Dividends paid	**-**	**-**
Cash and cash equivalents	**-**	**611**

R million	2020 Entities that have significant influence over FirstRand Limited and its subsidiaries	2020 Subsidiaries
Net interest received	-	102
Non-interest revenue	-	36
Dividends received	-	20 758
Dividends paid	5 693	-
Amounts owing to subsidiaries	-	-
Cash and cash equivalents	-	253

Refer to the remuneration disclosures on page B285 for details of the compensation paid to key management personnel.

15 EVENTS AFTER REPORTING PERIOD

Refer to note 40 of the consolidated annual financial statements of the group for further details.

16 RISK MANAGEMENT

FirstRand Limited Company is not exposed to significant risks. For details on how financial risk is managed in the group refer to the summary risk and capital management report. For quantitative information about financial risk refer to note 37 of the consolidated financial statements of the group.

C

Shareholders' and supplementary information

Simplified group structure

FirstRand

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100% – FirstRand Bank Limited (FRB)

SA banking

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

100% – FirstRand EMA Holdings (Pty) Ltd (FREMA)

Rest of Africa

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

100% – FirstRand International Limited (Guernsey) (FRI)

UK banking and hard currency platform

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

100% – FirstRand Insurance Holdings (Pty) Ltd

Insurance

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

100% – FirstRand Investment Management Holdings Limited

Investment management

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

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

Other activities

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

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

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

Structure shows effective consolidated shareholding

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

Analysis of ordinary shareholders

	Number of shareholders	Shares held (thousands)	%
Major shareholders			
Public Investment Corporation		826 984	14.7
Royal Bafokeng Holdings (RBH)		201 000	3.6
Remgro Limited (Remgro)		146 853	2.6
BEE partners*		292 894	5.2
Subtotal		1 467 731	26.1
Other		4 141 757	73.9
Total		5 609 488	100.0
Shareholder type			
Corporates (RBH and Remgro)		347 843	6.2
Pension funds		1 268 196	22.6
Insurance companies and banks		254 373	4.5
Unit trusts		1 824 563	32.5
Individuals		205 537	3.7
BEE partners*		292 894	5.2
Other		1 416 082	25.3
Total		5 609 488	100.0
Public and non-public shareholders			
Public	96 964	4 960 730	88.4
Non-public			
– Corporates (RBH and Remgro)**	5	347 843	6.2
– Directors and pr escribed officers#	11	8 021	0.2
– BEE partners*	7	292 894	5.2
Total	96 987	5 609 488	100.0
Geographic ownership			
South Africa		3 110 594	55.4
International		1 738 538	31.0
Unknown/unanalysed		760 356	13.6
Total		5 609 488	100.0

* *BEE partners include FirstRand Empowerment Trust, FirstRand Staff Assistant Trust, MIC Investment Holdings, Mineworkers Investment Trust, Kagiso Charitable trust, WDB Trust No 2 and WDB Investment Holdings.*

** *The group has two corporate shareholders (Royal Bafokeng Holdings and Remgro), which hold their FirstRand shares in multiple accounts (five in total).*

\# *Reflects direct beneficial ownership*

Analysis of B preference shareholders

	Number of shareholders	Shares held (thousands)	%
Public and non-public shareholders			
Public	**5 970**	**45 000**	**100.0**
Non-public			
– directors	**–**	**–**	**–**
Total	**5 970**	**45 000**	**100.0**

Performance on the JSE

	2021	2020
Number of shares in issue (thousands)	**5 609 488**	5 609 488
Market price (cents per share)		
Closing	**5 359**	3 806
High	**5 796**	6 990
Low	**3 552**	3 113
Weighted average	**4 703**	5 557
Closing price/net asset value per share	**1.98**	1.55
Closing price/earnings (headline)	**11.15**	12.32
Volume of shares traded (millions)	**3 792**	3 536
Value of shares traded (millions)	**176 035**	179 025
Market capitalisation (R billion)	**300.61**	213.50

Company information

Directors

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

Company secretary and registered office

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

JSE sponsor

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

Namibian sponsor

SIMONIS STORM SECURITIES (PTY) LTD

4 Koch Street
Klein Windhoek
Namibia

Transfer secretaries – South Africa

COMPUTERSHARE INVESTOR SERVICES (PTY) LTD

1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank, Johannesburg, 2196
Private Bag X9000, Saxonwold, 2132
Tel: +27 11 370 5000
Fax: +27 11 688 5248

Transfer secretaries – Namibia

TRANSFER SECRETARIES (PTY) LTD

4 Robert Mugabe Avenue, Windhoek
PO Box 2401, Windhoek, Namibia
Tel: +264 612 27647
Fax: +264 612 48531

Auditors

PRICEWATERHOUSECOOPERS INC.

4 Lisbon Lane
Waterfall City
Jukskei View
Gauteng
South Africa
2090

DELOITTE & TOUCHE

Deloitte Place
5 Magwa Crescent
Waterfall City
Johannesburg
Gauteng
South Africa
2090

Listed financial instruments of the group

Listed equity

JOHANNESBURG STOCK EXCHANGE (JSE)

Ordinary shares		
Issuer	**Share code**	**ISIN code**
FirstRand Limited	FSR	ZAE000066304

Non-cumulative non-redeemable B preference shares		
Issuer	**Share code**	**ISIN code**
FirstRand Limited	FSRP	ZAE000060141

NAMIBIAN STOCK EXCHANGE (NSX)

Ordinary shares		
Issuer	**Share code**	**ISIN code**
FirstRand Limited	FST	ZAE000066304
FirstRand Namibia Limited	FNB	NA0003475176

BOTSWANA STOCK EXCHANGE (BSE)

Ordinary shares		
Issuer	**Share code**	**ISIN code**
First National Bank of Botswana Limited	FNBB	BW0000000066

Listed debt

SOUTH AFRICA

FRB remains the group's rated entity from which debt is issued. The bank's JSE-listed programmes and debt instruments are available on the group and RMB websites:

– www.firstrand.co.za/investors/debt-investor-centre/jse-listed-instruments/

– www.rmb.co.za/page/krugerrand-custodial-certificate

– www.rmb.co.za/page/dollar-custodial-certificate

The group also issues debt instruments in the following jurisdictions:

UK

Issuer: FirstRand Bank Limited

London Stock Exchange (LSE)

European medium-term note programme

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

Issuer: Aldermore Group plc

LSE

ISIN code
Tier 2
XS1507529144

REST OF AFRICA

Issuer: First National Bank of Namibia Limited

NSX

Domestic medium-term note programme

ISIN code	
Subordinated debt	
NA000A19FKV1	NA000A19FKU3

ISIN code	
Senior unsecured	
NA000A188PY8	NA000A188PW2

JSE

ISIN code
Senior unsecured
ZAG000142902

Issuer: First National Bank of Botswana Limited

BSE

Domestic medium-term note programme

ISIN code	
Subordinated debt	
BW0000001668	BW0000001700
BW0000002377	

ISIN code	
Senior unsecured	
BW0000001528	BW0000001916

Listed financial instruments of the group continued

Capital instruments

BASEL III COMPLIANT AT1 AND TIER 2 INSTRUMENTS

	Maturity date	Call date	Currency (million)	As at 30 June 2021	2020
FirstRand Bank Limited					
AT1					
FRB24	Perpetual	8/11/2023	ZAR	**2 265**	2 265
FRB25	Perpetual	19/9/2024	ZAR	**3 461**	3 461
FRB28	Perpetual	2/12/2025	ZAR	**1 400**	–
Tier 2					
FRB13	2/6/2026	2/6/2021	ZAR	**–**	148
FRB14	2/6/2026	2/6/2021	ZAR	**–**	125
FRB16	8/7/2025	8/7/2020	ZAR	**–**	1 750
FRB17	8/1/2027	8/1/2022	ZAR	**601**	601
FRB18	13/4/2026	13/4/2021	ZAR	**–**	1 500
FRB19	14/4/2026	14/4/2021	ZAR	**–**	500
FRB20	15/4/2026	15/4/2021	ZAR	**–**	645
FRB21	24/11/2026	24/11/2021	ZAR	**1 000**	1 000
FRB22	8/12/2027	8/12/2022	ZAR	**1 250**	1 250
FRB23	20/9/2027	20/9/2022	ZAR	**2 750**	2 750
FRB26	3/6/2029	3/6/2024	ZAR	**1 910**	1 910
FRB27	3/6/2031	3/6/2026	ZAR	**715**	715
FRB29	19/4/2031	19/4/2026	ZAR	**2 374**	–
FRB30	19/4/2031	19/4/2026	ZAR	**698**	–
Reg S	23/4/2028	23/4/2023	USD	**500**	500
Aldermore Group plc					
Tier 2	28/10/2026	28/10/2021	GBP	**60**	60
FirstRand group*					
Total AT1**			**ZAR**	**7 126**	**5 726**
Total Tier 2**			**ZAR**	**19 611**	**22 858**

* *Excluding the group's NCNR preference shares.*
** *Dollar and pound instruments translated to rand equivalent at the respective reporting periods.*

Refer to www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for additional information on the terms and conditions of the capital instruments.

Credit ratings

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

Definitions

Additional Tier 1 (AT1) capital	NCNR preference share capital and AT1 capital instruments, as well as qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions
Age distribution	The number of months between the loan completion and the end of the reporting period plus one (in line with the banding requirements). Percentage for each age band is based on the current exposure.
Arrears	A percentage that expresses the current exposure of the loans with one or more months in arrears to the total current book exposure for the reporting period
Balance-to-market value	The current exposure divided by the indexed valuation (indexing model uses Nationwide and IPD indices). Percentage for each balance-to-market value band is based on the current exposure.
Balance-to-original value	The current exposure divided by the original valuation. Percentage for each balance-to-original value band is based on the current exposure.
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA
Common Equity Tier 1 (CET1) capital	Share capital and premium, qualifying reserves and third-party capital, less specified regulatory deductions
Contingent convertible securities	Fixed-rate perpetual subordinated contingent convertible securities issued by Aldermore. These instruments qualify as AT1 capital.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year)
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures
Dividend cover	Normalised earnings per share divided by dividend per share
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement
Impairment charge	Amortised cost impairment charge and credit fair value adjustments
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares, including treasury shares
Normalised net asset value	Normalised equity attributable to ordinary equityholders
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share
Return on assets (ROA)	Normalised earnings divided by average assets
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders' equity
Risk-weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets, where applicable
Shares in issue	Number of ordinary shares listed on the JSE
Technical cures	Performing accounts that are classified as stage 3/NPL because they have defaulted in the past and do not meet the stringent cure definition of performance for several consecutive months
Tier 1 ratio	Tier 1 capital divided by RWA
Tier 1 capital	CET1 capital plus AT1 capital
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties plus qualifying provisions less specified regulatory deductions
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital
Vintage analysis	A percentage that expresses the origination balance of the loans in particular year/quarter of origination, that have ever been one or more (1+ Ever Vintage)/3 or more (3+ Ever Vintage) months in arrears (within 3/6/12-month outcome window), regardless if account is redeemed, to the origination balance of all loans booked in that year/quarter of origination
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE

Abbreviations

AC and FV	Amortised cost and fair value
ALM	Asset and liability management
API	Annual premium income
APE	Annual premium equivalent
APN	Advisory Practice Note
AT1	Additional Tier 1
AUM	Assets under management
BoE	Bank of England
BSE	Botswana Stock Exchange
CAGR	Compound annual growth rate
CET1	Common Equity Tier 1
CIB	Corporate and investment banking
CPI	Consumer price inflation
CLR	Credit loss ratio
Covid-19	Coronavirus disease
DM	Developed market
DIS	Deposit insurance scheme
D-SIB	Domestic systemically important bank
DWT	Dividend withholding tax
EAD	Exposure at default
ECL	Expected credit loss
EV	Embedded value
FCC	FirstRand Corporate Centre
Flac	First loss after capital
FLI	Forward-looking information
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRI	FirstRand International Limited
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRISCOL	FirstRand Insurance Services Company
FRM	Financial resources management
FRN	Floating rate note
FSR	FirstRand Limited
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FX	Foreign exchange
GCA	Gross carrying amount
GFC	Global financial crisis
G3	Major central banks
HQLA	High-quality liquid assets
IB	Investment banking
IBOR	Interbank offered rate
IBOR reform	Interest rate benchmark reform
IFRS	International Financial Reporting Standards
ISA	International Standard on Auditing
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange

LCH	London Clearing House
LCR	Liquidity coverage ratio
LGD	Loss given default
LSE	London Stock Exchange
LTI	Long-term incentive
LTV	Loan to value
MPC	Monetary Policy Committee
MTM	Mark-to-market
MVNO	Mobile virtual network operator
NCD	Negotiable certificate of deposit
NCNR	Non-cumulative non-redeemable
NAV	Net asset value
NIACC	Net income after cost of capital
NII	Net interest income
NIM	Net interest margin
NIR	Non-interest revenue
NPLs	Non-performing loans
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
OEM	Original equipment manufacturer
P2P	Private-to-private
PA	Prudential Authority
PBT	Profit before tax
QE	Quantitative easing
RFR	Risk-free rate
ROA	Return on assets
ROE	Return on equity
RWA	Risk-weighted assets
SACU	Southern African Customs Union
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SME	Small- and medium-sized enterprise
SPV	Special purpose vehicles
STI	Short Term Insurance
TCFD	Task Force in Climate-related Financial Disclosures
TERS	Covid-19 Temporary Employee Relief Scheme
TFS	Toyota Financial Services (Pty) Ltd
TRS	Total return swap
UK	United Kingdom
VAF	Vehicle asset finance
VAPS	Value-added products and services
VNB	Value of new business
VSI	Vertical sales index
VWFS	Volkswagen Financial Services (Pty) Ltd
WIM	Wealth and investment management

Abbreviations of financial reporting standards

International Financial Reporting Standards

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

International Accounting Standards

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

IFRS Interpretations Committee Interpretations

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

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