FirstRand

2021

annual integrated report

Owner-manager philosophy
Innovation
Entrepreneurship
Franchise value

about this report

This integrated report describes the operational and financial performance and activities of FirstRand Limited (FirstRand or the group) for the year ended 30 June 2021.

The group continues to present both new and existing content in an accessible and diagrammatical style.

OF PARTICULAR NOTE:

In the CEO's report, there is a detailed unpack of the group's strategy across jurisdictions. There is also an explanation of its platform enablement journey, including an example of a customer ecosystem.

Infographics on pages 08 to 11 demonstrate how the operations of the group positively impact a broad range of stakeholders.

The commentary and financial results in the chairman's, CEO's and CFO's reports, and the operational reviews are based on the normalised results of the group. The normalised results have been derived from the IFRS financial results. A detailed description of the differences between normalised and IFRS results and detailed reconciliation between normalised and IFRS results are provided on pages 178 to 183.

FirstRand

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

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

contents

integrated reporting suite

ANNUAL INTEGRATED REPORT

Describes the operational and financial performance and activities of the group.

It includes the chairman's, CEO's and CFO's reports, operational reviews, King IV corporate governance disclosures, group summary consolidated statements and notice of the annual general meeting.

https://www.firstrand.co.za/investors/annual-reporting/

ANNUAL FINANCIAL STATEMENTS

> FirstRand group audited consolidated annual financial statements

> FirstRand Limited company audited financial statements

https://www.firstrand.co.za/investors/annual-reporting/

ANALYSIS OF FINANCIAL RESULTS AND RESULTS PRESENTATION

Cover the audited summary consolidated financial results of the group based on International Financial Reporting Standards (IFRS) and provide an in-depth analysis of the group's financial results, presented on a normalised basis as the group believes this most accurately reflects its economic performance. The analysis of financial results and results presentation are provided for interim and year-end results.

https://www.firstrand.co.za/investors/financial-results/

BASEL PILLAR 3 DISCLOSURE

In accordance with the Basel Committee on Banking Supervision (BCBS) Pillar 3 framework and Regulation 43 of the amended Regulations relating to Banks, the group is required to publish standardised disclosure templates that provide users with key quantitative and qualitative information that is comparable and consistent. Reports are provided on a biannual basis.

https://www.firstrand.co.za/investors/basel-pillar-3-disclosure/

MATERIAL RISK FACTORS

In terms of the JSE Listings Requirements, FirstRand is required to disclose risk factors in terms of paragraph 7.F.7 (description of material risks which are specific to the issuer, its industry and/or its securities).

https://www.firstrand.co.za/investors/annual-reporting/

REPORT TO SOCIETY

Provides deeper insight into the social impact of the group's operational and financial performance.

https://www.firstrand.co.za/society/firstrand-contract-with-society/

REMUNERATION REPORT

The remuneration report details FirstRand's remuneration philosophy and policy, and how they were implemented in the current year. Disclosures are aligned to the requirements of section 64C of the Banks Act, the FSB's *Principles for Sound Compensation Practices* and its *Implementation Standards*, the BCBS's *Pillar 3 disclosure requirements standard – updated framework* (December 2018) and *Directive 1/2019* issued by the Prudential Authority, and the recommended practices of King IV, where appropriate.

https://www.firstrand.co.za/media/investors/annual-reporting/firstrand-remuneration-report-2021.pdf

TCFD REPORT

The Task Force on Climate-related Financial Disclosures (TCFD) was constituted by the Financial Stability Board (FSB) in response to the Paris Agreement. Through recommendations for clear, comparable and consistent information, it promotes transparent disclosure of climate risks and opportunities. FirstRand is a TCFD signatory, and this report represents the group's first TCFD disclosure. This disclosure will enable stakeholders to understand and track FirstRand's progress against its climate roadmap and approach to climate risks and opportunities, as well as short-, medium- and long-term targets.

about the group

PURPOSE

FirstRand commits to building a future of shared prosperity through enriching the lives of its customers, employees and the societies it serves. This is the foundation to a sustainable future and will preserve the group's enduring promise to create superior returns for shareholders.

PORTFOLIO

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

STRATEGY

The group's strategy in its domestic market is to deliver platform-based integrated financial services to customers. In the rest of Africa, the group is focused on growing its presence in certain key markets where it believes it can build competitive advantage and scale over time. The UK operations present an opportunity to build a more valuable business in a large market with lower risk.

TRACK RECORD

Consistent execution on strategy and a disciplined approach to allocating scarce financial resources have delivered a long track record of superior economic profits, returns and dividends to shareholders.

FNB RMB WesBank Aldermore

integrated highlights

financial

Normalised earnings

R26.6bn

2020: R17.3bn ▲ **54%**

Net asset value

R151.6bn

2020: R137.6bn ▲ **10%**

Return on equity

18.4%

2020: 12.9% ▲

CET1 ratio

13.5%

2020: 11.5% ▲ **200 bps**

Dividend per share

Interim: 110 cents

2020: 146 cents ▼ **25%**

Final: 153 cents

2020: n/a ▲

normalised earnings

FNB

R16.3bn

RMB

R7.1bn

WesBank

R1.2bn

Aldermore

£132m*

* *Reflects combined Aldermore and MotoNovo (UK operations).*

social

Total employees
47 413
2020: 49 233 ▼ **4%**

B-BBEE status
Level 1
2020: Level 1

Carbon emissions (SA operations) (tonnes)
166 964
2020: 199 168 ▼ **16%**

South African employees
38 854
2020: 40 668 ▼ **4%**

Procurement from black-owned companies
R5.5bn
2020: R6.2bn ▼ **11%**

Economic value added to society
R137.8bn
2020: R138.0bn

% ACI employees (SA operations)
80%
2020: 80%

Education grants
R295m
2020: R286m ▲ **3%**

operational

FNB active customer base
10.48m
2020: 9.98m ▲ **5%**

RMB provided
R10.2bn
of finance to BEE transactions

Digitally active customers
6.09m
2020: 5.90m ▲ **3%**

RMB won
81
new primary-banked relationships

Number of lives covered by FNB Life
6.6m
2020: 6.3m ▲ **5%**

WesBank partners
24 out of 36
original equipment manufacturers (OEMs) active in SA

FirstRand's integrated reporting framework

FirstRand has carefully considered the principles and objectives of integrated reporting. The group's aim is to apply best reporting practice, in so far as it assists in explaining the group's strategy, operations and performance. It does not seek to tick all the boxes, but rather provide stakeholders with enough relevant information to take an informed view on the quality of its leadership's strategic thinking, execution of strategy and utilisation of operating platforms, financial resources and risk capacity. The approach is fundamentally designed to present substance over form.

Depicted here is FirstRand's reporting framework, which represents the five key pillars of the group's approach to delivering superior and sustainable returns to its stakeholders. It indicates some key sections or pages in this report where the reader can find narrative and data that substantiate the statement of intent.

PURPOSE

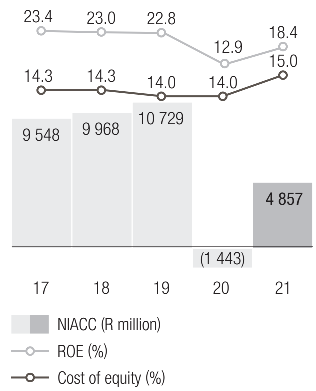
Build a future of shared prosperity through enriching the lives of its customers, employees and the societies it serves. This is the foundation to a sustainable future and will preserve the group's enduring promise to create long-term value and superior returns for its shareholders.

08 Measuring social impact
On pages 08 to 11 are some measures of the group's social impact.
Group report to society:
www.firstrand.co.za/society/firstrand-contract-with-society/

Measurement

The group measures shareholder value creation through **return on equity (ROE)** and **net income after the cost of capital (NIACC)**. The group's ROE is back within its target range of 18% to 22% for normal economic cycles.

NIACC, ROE and cost of equity



PORTFOLIO MANAGEMENT

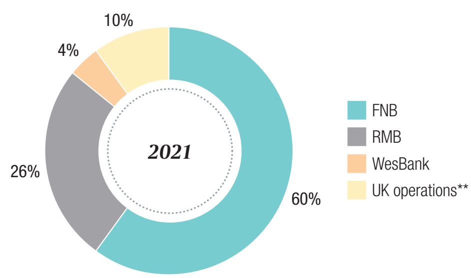
Actively manage the group's portfolio of businesses to deliver on this strategic purpose – a dynamic process that is measured against appropriate frameworks that balance risk, growth and returns.

18 CEO's report
28 CFO's report
Basel Pillar 3 disclosure:
www.firstrand.co.za/investors/basel-pillar-3-disclosure/

Measurement

The group seeks to **increase diversification** of its portfolio. This chart demonstrates the portfolio diversification by operating business. FirstRand is executing on strategies to further increase diversification from a product, segment, activity and geographic basis.

*Business diversification**
(based on normalised earnings)



* *Excluding FCC (including Group Treasury), FirstRand Limited company, consolidation adjustments and dividends on other equity instruments.*
** *Include Aldermore group and total MotoNovo (i.e. new and back book).*

SUSTAINABLE RETURNS

Through its financial resource management framework, the group allocates capital, funding and risk appetite on a through-the-cycle basis to deliver sustainable returns within acceptable levels of earnings volatility.

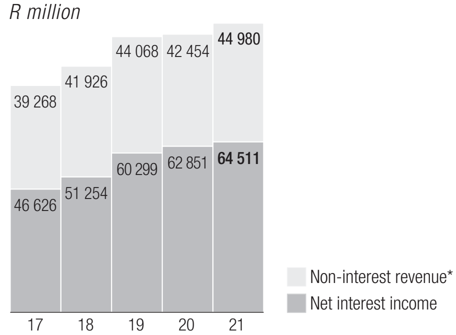
18 CEO's report
28 CFO's report
Basel Pillar 3 disclosure:
www.firstrand.co.za/investors/basel-pillar-3-disclosure/

Measurement

The group's **long-term return profile is supported** by the relative size of its transactional franchise and mix of advances. These are direct outcomes of strategic decisions supported by the group's financial resource allocation methodology.

Revenue mix

R million



* *Including income from associates and joint ventures.*

STAKEHOLDERS

Create value for the providers of capital, customers, employees and the broader communities the group serves.

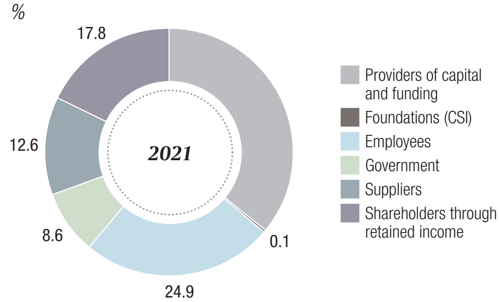
18 CEO's report
28 CFO's report
47 Review of operations
67 Corporate governance section
Basel Pillar 3 disclosure:
www.firstrand.co.za/investors/basel-pillar-3-disclosure/

Measurement

The group manages its business for a **broad range of stakeholders**. This chart indicates the distribution of the **R138 billion** economic value added to the group's different stakeholders.

Economic value distribution

%



GOVERNANCE

Implement the highest standards of corporate governance and ethics oversight at all levels.

18 CEO's report
Basel Pillar 3 disclosure:
www.firstrand.co.za/investors/basel-pillar-3-disclosure/

Measurement

Compliance with King IV is assessed through:

> board evaluations; and

> internal audit reviews.

measuring social impact

The nature, size and scale of the group's business activities result in a broad set of financial and social outcomes:

- *Provider of credit*
- *Custodian of the country's savings*
- *Provider of transactional platforms for people to access and spend their funds*
- *Material taxpayer*
- *Large employer*

The group has started to measure certain aspects of its business to try and provide stakeholders with insights as to how it utilises its balance sheet, products, platforms, technology, people and innovative culture to deliver superior economic value that also meets or solves broader societal needs.

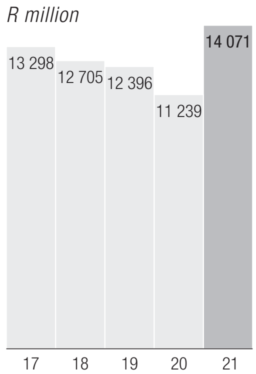
For more detail on FirstRand's contract with society and its progress to date, refer to the group's report to society at www.firstrand.co.za/society/firstrand-contract-with-society/.

How the group's balance sheet drives economic growth and inclusion

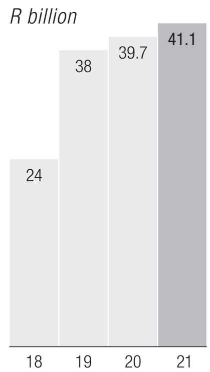
How the group's transactional platforms deepen financial inclusion and access

Infrastructure development and growth of the SME sector are both major contributors to economic growth and job creation. RMB funds projects in key sectors such as PPPs, renewable energy, transport, water and telecoms.

FNB's total funding to South African SMEs at 30 June 2021 is R41 billion.



RMB's lending to transformational infrastructure



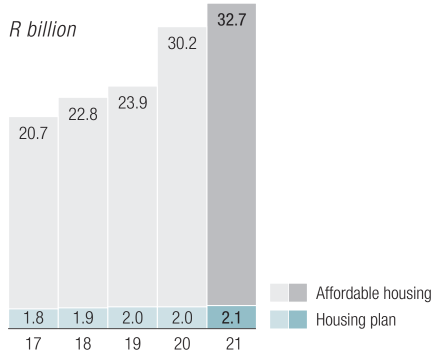
FNB's lending to South African SMEs

Through providing credit to individuals, FNB has enabled home ownership across all social spectrums.

The economic benefits of home ownership are immense. Owning a home not only provides individuals with tangible wealth-building opportunities, it brings substantial social benefits for families, communities and the country as a whole.

The group's affordable housing book has grown to **R34.8 billion** representing **116 182** customers

This book is focused on providing access to housing finance to lower-income groups



FNB eWallets provide safety and convenience for the cash needs of millions of South Africans.

7.2 million
active eWallet users
(2020: 6.7 million)

Send money value
up **7%** to
R30.4 billion

(2020: R28.4 billion)

Send money volumes
up **11%** to
54.7 million transactions

(2020: 49.2 million)

How the group is transforming its supply chain

LEVERAGING NETWORKS

The group's procurement can play a **powerful role in addressing some of the country's socio-economic challenges** through its purchasing strategies and the transformation of supply chains.

How the group's profits and dividends help fund projects for the poor and vulnerable

SYSTEMIC SOCIAL INVESTING

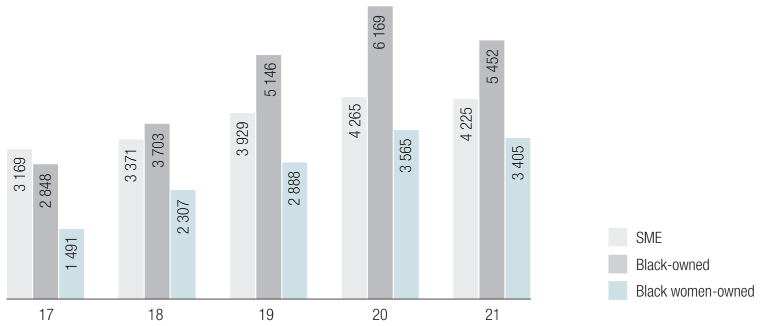
Through its foundations, the group adopts a **systemic social investing approach**, designed to tackle the root causes of social problems through strategic interventions.

How the group is addressing transformation and employment equity

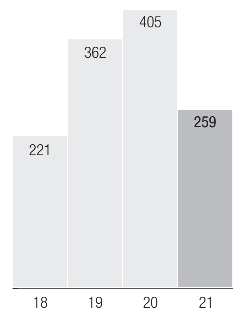
WORKFORCE DIVERSITY

Approximately **80%** of the group's South African workforce is composed of African, Coloured and Indian (ACI) employees. Whilst significant progress has been made at junior levels, further improvement on the **44%** ACI representation at senior management level is required. Approximately **59%** of the group's workforce is female.

Preferential procurement spend
R million

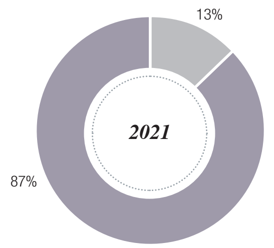


Supplier development spend
R million



Since 2014 FirstRand's foundations have granted **R2.4 billion** for social investment projects

CSI spend of R338 million in 2021*

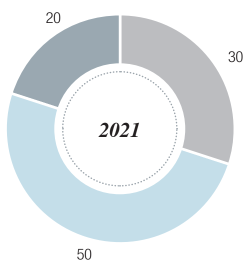


* *FirstRand Foundation, FirstRand Empowerment Foundation and FirstRand Staff Assistance Trust*

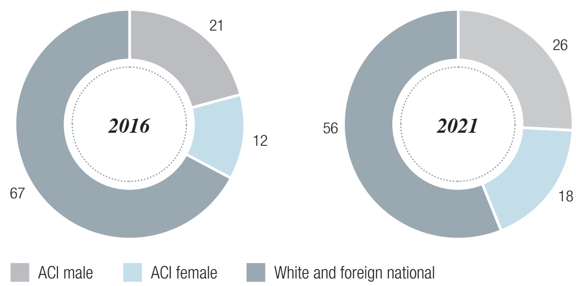
Community development | Education

The FirstRand Empowerment Foundation was created from the group's BEE transaction – it represents one of the largest endowments in South Africa and is black controlled

SA workforce diversity %



Senior management diversity %



Diversity in senior management continues to show a positive trend since 2016.

The group continues to invest in its employees with ***R864 million skills development spend in*** *2021*

chairman's report

> "We are the first generation to feel the effect of climate change and the last generation who can do something about it."
>
> ~ Barack Obama

I am going to use much of this year's report to tackle the two topics that have dominated governance conversations with our shareholders during the year. The first topic is the one I consider to be the single most profound challenge facing the world – climate change. Why is it the single most profound challenge? Because the consequences of climate change represent a real threat to the sustainability of humanity and they are already exacerbating the unacceptably high levels of inequality, poverty and human misery suffered by millions of people, many of them living on the African continent.

As former President Obama says, we are living with the realities of climate change now, which are manifesting in rising global temperatures, desertification, wildfires and flooding, to name a few. According to scientific data from around the globe, if the world does not act quickly, life for future generations will be very bleak and under certain scenarios climate change could lead to a global crisis.

Here in South Africa, whilst it is fair to say we have seen a dramatic shift in the narrative on climate policy, we must tackle with increasing urgency the need to transition our economy away from its reliance on fossil fuels and, at the same time, deal with the social consequences of that transition. Indeed, the political economy of a just transition is set to dominate our public discourse for the foreseeable future.

The tenor of the discussion on this issue has changed markedly in recent months in South Africa, in part because global policy direction has become clearer as we approach the 2021 United Nations Climate Change Conference (COP26). Local factors, however, have also added much-needed momentum. In particular the space opened for private power generation and increased procurement of renewable energy championed by Operation Vulindlela, a government initiative led by the Presidency and the National Treasury to accelerate the implementation of structural reforms and support economic recovery. This has been supported by the Presidential Climate Commission and Eskom, both of whom have started to demonstrate strong leadership in thinking about how the country should reduce its carbon intensity.

The result has been a greater appreciation not just of the risks but also the positive economic and social benefits that could arise from a transition to net zero in the next 30 years. These outcomes include industrialisation, employment and the cost and reliability of energy, key corner-stones to a just energy transition.

Energy transitions are ostensibly about people, the ones who make the big calls and the ones impacted by the effects of those decisions. In South Africa, ensuring a just transition is non-negotiable, given the already high levels of unemployment and poverty, and I think this country's just transition journey will be particularly complex.

We especially need to fully understand the full supply chain, and what the transition's impact would be on communities and the wider ecosystems they work in. This is to draw out the implications of the choices we make as a country.

The process is not without its risks. Importantly, there are huge implications for workers and communities from the transition – especially in coal mining and coal power-generating areas. We must ensure they are not left behind and must constantly consider what impact policy and business decisions will have on these communities, particularly in Mpumalanga, but also upstream and downstream throughout our entire economy.

The group's board and management are deeply cognizant that a systemic financial services business such as FirstRand needs to play a significant role in a just energy transition, and we have been focused on where we can bring solutions to different components of the journey. We want to support job creation through industrialisation and by funding entrepreneurial small businesses, in the green economy. We will also fund new energy generation in the public and private sectors as we reduce the funding of carbon-generative businesses, in line with the public commitments we have made in our climate and fossil fuels policies.

ROGER JARDINE ~ Chairman

These commitments have involved a great deal of discussion with clients and other key stakeholders, such as our equity and debt holders, non-governmental organisations (NGOs), climate activists and international development institutions.

There are some reasons to be optimistic about the changes that are happening globally and in our economy.

The National Climate Change Bill now before Parliament after agreement from social partners in the National Economic Development and Labour Council (NEDLAC) and Cabinet will give a greater sense of the pathway from here to net zero that we as a country and as sectors and as companies must travel. It will also mean necessary but challenging decisions for large emitters such as Eskom and Sasol.

I think excellent work on a just transition is being undertaken by Eskom and backed up by the Presidential Climate Commission. However, we must see real solutions to the sustainability of Eskom's balance sheet and its decommissioning path. Resolving these issues will allow Eskom to focus on the urgent need for more investment to support transmission system strengthening, which is key to securing a sustainable energy source for the future.

Substantial funding will need to be raised over multiple years. It was estimated in a recent paper released by Meridian Economics that Eskom alone would require R240 billion ($16 billion) in financing to adhere to a carbon-mitigated pathway, and that investment of R500 billion would need to be made in the power sector in renewable energy and similar investments. This will require capital market developments to crowd in local and international investors, concessional and grant funding in the debt space, and new and diverse equityholders will be crucial.

"South Africa must arrive at COP26 with an impressive team and senior representation to present our case as a country."

COP26 in November potentially provides South Africa with an opportunity to raise international funding to support a just transition. Such funding opportunities will undoubtedly play a key role in developing a structured approach to protect the livelihoods of those impacted. Crucially, we must never forget the importance of balanced outcomes and ensure environmental and social (including community and labour) transitions happen in parallel, appropriately paced so neither gets left behind. Furthermore, as an economy that relies on coal for approximately 90% of its energy production, we cannot cut off carbon-generative businesses in the short term without considering the broad consequences for our economy and society. South Africa must arrive at COP26 with an impressive team and senior representation to present our case as a country.

Innovation will also be required across every component of the transition. The rapid transformation of the global automotive industry from internal combustion engines to new energy vehicles (NEVs) is of particular interest to South Africa. Currently the South African automotive industry contributes 4.9% (6.4% in 2019) of GDP (2.8% manufacturing and 2.1% retail), with all the major European, American and Japanese motor vehicle manufacturers represented. South Africa is on track to export over 300 000 vehicles this year, with three out of four exported to the EU, where ambitious targets have been set to migrate all new vehicle sales to NEVs within the next decade. For our local industry to remain relevant it is critical that our unique migration challenges are addressed, including clean power generation, building charging infrastructure and providing financial incentives to manufacturers and consumers to adopt this new technology.

Utility-scale batteries should become important in both public and private procurement. There is huge potential for exports of green hydrogen and sustainable aviation fuels, leveraging technologies available in South Africa. There is a growing opportunity set for new industries in both South Africa as well as the rest of Africa. In a recent research paper titled *Africa's green manufacturing crossroads: Choices for a low-carbon industrial future*, McKinsey identified 24 new business opportunities in Africa across several sectors including agriculture, biofuels, basic materials, energy, packaging and plastics, transportation, and textiles and apparel – each having substantial potential for green growth.

As part of our process to better understand the complexity of a just transition and the solutions required to deliver sustainable social outcomes, during the year the group commissioned Intellidex to undertake research on the community trusts set up under South Africa's renewable energy independent power producer procurement programme (REIPPPP).

The problem statement for this research was whether community ownership through trusts is an effective tool for energy projects to deliver community development.

Intellidex's research investigated the extent to which the potential of community ownership through trusts is being realised. It looked at issues such as the challenges in establishing and operating community trusts, and what is best practice, and whether the REIPPPP's community development work provides a model that can be applied more widely in South Africa's just energy transition.

Unfortunately, the research showed that many of the trusts are not functioning as well as they could, especially where the trust depends entirely on the independent power producer (IPP) rather than the active participation of communities.

Interestingly, the successful trusts demonstrated that when they are structured appropriately and can promote the participation of communities, they work well. In these cases, trustees – often in collaboration with the IPPs – can effectively wield resources for the benefit of their constituencies and contribute to improving well-being.

The final report from Intellidex provided a comprehensive set of recommendations on how the community trust model can function better. One of the more interesting and potentially easily implementable ideas would be to establish an NGO that is financed using blended funds from the public and private sectors.

"This NGO's purpose would be the capacitation of trusts and trustees, in all aspects of governance. One option for the funding of such an entity would be through social impact investment. Impact-minded investors could earn returns based on the extent to which predefined outcome metrics are achieved. In our separate research on South Africa's first two social impact bonds, we have seen the benefits of this approach in rallying investors, service-providing NGOs and government around results, and innovating to ensure services are effective."

~ Intellidex Communities in Transition Report

I believe that the challenges facing these trusts need to be resolved as they clearly have an important role to play in ensuring impacted communities participate in a just transition.

I would like to acknowledge the constructive dialogues about climate change we have had this year with our shareholders on our responsibilities to them. We have certainly recognised the need to improve disclosure on how the business is responding. I have already referred to our recently published climate policy and updated fossil fuels policy. In addition, we are imminently publishing our first TCFD report. Our hope is that this disclosure will enable stakeholders to understand and track FirstRand's progress against its climate roadmap and its approach to climate risks and opportunities, as well as short-, medium- and long-term targets.

FirstRand recognises that climate change is a rapidly evolving area and is committed to publishing annual TCFD reports. The insights provided in these reports will evolve and deepen as the group builds out its climate risk, climate-related product development and scenario analysis capabilities.

FirstRand has also engaged extensively with industry experts and think-tanks such as the National Business Initiative to understand the nuances of the overall transition process, and with government departments and regulators on envisaged policy approaches.

The group is actively working with clients to better understand their transition plans and needs. We are also encouraging our clients to adopt TCFD and to increase their public disclosure of climate strategies and metrics (including scope 1, 2 and 3 emissions), as we believe this increased market transparency will allow for better product design to support the transition.

Although 2050 is many years away and should provide enough time for South Africa to achieve an appropriate mix of environmental and social outcomes, echoing the words of Obama: as the last generation who can do anything about climate change, we must act now. Or, in the more combative words of Greta Thunberg:

"This is all we have heard from world leaders, 30 years of blah, blah, blah and where has that led us? We can still turn this around – it is entirely possible. It will take immediate, drastic annual emission reductions. But not if things go on like today. Our leaders' intentional lack of action is a betrayal toward all present and future generations."

I believe the group has a sound approach to this complex and far-reaching challenge and is adopting appropriate science-based responses, utilising all the tools at its disposal.

I would now like to turn briefly to a more immediate deliverable, the group's results for the 2021 financial year.

When interpreting the results for the year to 30 June 2021, it's important to remember that the comparative period, in particular the second half of the year to 30 June 2020, included the first three months of the pandemic and the lockdown introduced in March 2020. This resulted in increased impairments and reduced volumes, and led to a significantly depressed performance for that financial year. As a result of that base effect, the group's normalised earnings increased 54%, with this performance also reflecting the sharp rebound in economic activity levels across the jurisdictions in which the group operates.

However, the group produced R4.9 billion of economic profit, or NIACC, which is its key performance measure. It is impressive that FirstRand's normalised ROE recovered strongly to 18.4%, which is back within the stated range of 18% to 22%.

The group's Common Equity Tier 1 (CET1) ratio increased to 13.5% (2020: 11.5%) and the board was able to pay a full-year dividend at the bottom end of its cover range (56% payout).

It is remarkable how the business has withstood the Covid-19 onslaught and emerged in such good shape. In the board's view it is testament to the underlying quality of the group's portfolio of businesses and, as importantly, how the FirstRand management team has executed on specific strategies to protect and grow shareholder value under extremely challenging circumstances.

This brings me to the second topic I referred to at the beginning of this report that has dominated governance conversations with shareholders. That topic is executive remuneration.

Like climate change, the topic of executive remuneration has generated significant column inches in the media and stakeholders are strenuously holding boards accountable for both.

As outlined in the group's 2021 remuneration report, following the results of last year's voting on both remuneration policy and implementation, a remuneration subcommittee engaged extensively with our shareholders. This process was designed to garner shareholder feedback on our remuneration practices, which was subsequently incorporated into the remuneration committee's deliberations.

I would like to thank shareholders for the time they spent engaging with the subcommittee and the valuable feedback provided.

In response we have made material changes to both design and disclosure, and a detailed explanation of these changes is outlined in the remuneration committee chair's letter in the remuneration report published on the group's website on 16 September 2021.

We have noted that over the year a number of companies have failed their remuneration votes despite what they have described as extensive engagement with shareholders. This is a worrying trend, as it suggests that shareholder concerns are still not being resolved notwithstanding time and effort invested by both parties.

We hope that our shareholders, once they have read our remuneration report, will acknowledge the efforts made by the remuneration committee to address their concerns, and appreciate the meaningful changes to reward structures as well as the enhanced disclosures. We firmly believe all substantive issues have been addressed.

Looking forward to the 2022 financial year, it's fair to say that the operating environment will remain challenging even though we have seen a strong economic rebound from the depths of the Covid-19 pandemic. Needless to say, national efforts to ensure that everyone eligible for vaccination is encouraged to get vaccinated will support public health objectives and stimulate economic recovery.

Last year in my report I extensively covered the need for government to foster an environment conducive to creating growth opportunities for both state-owned enterprises and the private sector. I also unpacked some of the reforms required to jump-start sustained economic development.

There are signs that some of these reforms are getting traction, particularly with regards to the modernisation of South Africa's network sectors. These developments, together with the progress in the energy sector that I covered earlier, will hopefully provide the necessary business confidence underpin to increase private sector participation.

The proposed reforms to the transport sector seem to present promising opportunities for private sector participation in the country's ports and railways, which could boost broader productivity gains in the economy.

It is, however, still frustrating to witness the lack of progress on telecommunications reforms and the country's broadband rollout. Legal challenges are now exacerbating the effects of years of policy inaction. This means that the country continues to face inadequate telecommunications infrastructure, which in turn delays implementing digital technology solutions to drive greater productivity.

The benefit of accelerating the delivery of infrastructure projects is that it increases private sector interest, as project developers do not want to spend sizeable amounts of money developing projects that are likely to drag on for years without conclusion. It can take as much as four years and sometimes much longer from the request for proposal (RFP) stage for a public-private partnership (PPP) project to reach financial close. It is very important that the government moves swiftly to create an enabling environment for private sector investment in infrastructure development.

In closing, I extend my gratitude to my fellow board members who continue to provide steady guidance and oversight at a time when the group has been navigating unprecedented uncertainty.

In terms of changes to the board during the year I would like to welcome Dr Sibusiso Sibisi who was appointed on 1 April 2021. Dr Sibisi brings significant technology skills to the board, as well as important perspectives on the climate change journey.

I would like to acknowledge the immense efforts by the FirstRand leadership team, which has been instrumental in delivering the group's strong recovery in earnings and superior returns for shareholders.

Finally, I thank each and every employee for their commitment and hard work, our customers for continuing to trust us with their financial services needs and our shareholders for engaging with us in a rigorous and honest manner.

ROGER JARDINE ~ Chairman

ceo's report

"FirstRand's focused regional strategies, enabling digital platforms, disciplined financial resource management and people philosophy continue to underpin what is an increasingly distinctive investment proposition."

ALAN PULLINGER ~ Chief Executive Officer

Introduction

The level of improvement in the group's performance demonstrates the quality of FirstRand's portfolio of businesses and their ability to capitalise on the economic rebound that is taking place. Normalised earnings grew 54% to R26.6 billion and the group produced R4.9 billion of economic profit. Pleasingly, pre-provision operating profit increased 5%. FirstRand's ROE of 18.4% is back within the target range of 18% to 22%, which reflects its determination to quickly revert back to producing superior returns to shareholders.

A detailed explanation of the group's financial performance is provided in the CFO's report, and supporting financial and operating reviews of the underlying businesses can be found on pages 47 to 62.

This report deals with the group's strategic framework and provides an update on how the business is executing on its growth strategies.

Strategic framework

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

FirstRand's focused regional strategies, enabling digital platforms, disciplined financial resource management (FRM) and people philosophy continue to underpin what is an increasingly distinctive investment proposition. For many years the South African banking sector looked very homogenous, but there are clear distinctions emerging among the large players as each one pursues very different strategies, particularly with regard to geographic diversification.

The following schematic exhibits the strategies FirstRand has been shaping for many years, and the group's long track record of delivering growth and superior returns is reflective of consistent execution on these strategies. It also reflects the disciplined allocation of financial resources to support them.

Group strategic framework

FirstRand commits to building a future of SHARED PROSPERITY through enriching the lives of its customers, employees and the societies it serves. This is the foundation to a sustainable future and will preserve the group's enduring promise to create long-term value and superior returns for its shareholders.

DIVERSIFIED PORTFOLIO WITH UNIQUE STRATEGIES:

SOUTH AFRICA	REST OF AFRICA	UK
Platform-enabled integrated financial services providing ecosystems that create long-term value for clients and shareholders	Build competitive advantage and scale to deliver economic profit and dividends	Modernise, digitise and scale to a more valuable UK business that delivers economic profit and dividends

Enabled by digital platforms

Disciplined management of financial resources (capital, funding, liquidity and risk capacity) to deliver on financial commitments

Committed, accountable and empowered people key to delivering continued outperformance

The group's purpose statement frames the group's aspiration to deliver value to its various stakeholder groups. This is described in more detail later in the report.

FirstRand's earnings remain significantly tilted towards South Africa and are mainly generated by its large lending and transactional franchises, which have resulted in deep and loyal customer bases. These domestic banking operations are mature and systemically important. Against a backdrop of weak macroeconomic growth, given the group's size, any aspiration to outperform "the system" requires strategic distinction combined with sound execution. The key growth imperative in the domestic franchises is to grow customers, do more business with those customers, and do this more efficiently. Sector competition is fierce, so customer propositions need to resonate deeply. The group is also heavily invested in building capital-light revenues in adjacent activities such as insurance, and wealth and investment management.

South Africa

FirstRand has transformed into a financial services business with a fully integrated, customer-centric approach. The group adopted this integrated approach in 2018, which has now translated into a real competitive advantage, bringing efficiencies, better service and improved value propositions for customers, and increased returns to shareholders.

Critical to delivering this integrated strategy is the group's platform-based business model which is already well established.

The group's journey to this point started with its desire for digital, which began 20 years ago when FNB pioneered mobile and online banking and started its e-currency initiatives. Then ten years later, FNB was the first retail and commercial bank to launch a mobile banking app.

The next shift to "truly digital" required reconfiguration of all parts of the organisation and a re-engineering of technology infrastructure and applications, to promote agility and scalability. Truly digital does not mean branchless, in fact branches remain valuable spaces for interpersonal customer advice and assistance. However, platform tools and processes will always underpin the customer engagement.

This journey can be unpacked as four ongoing and simultaneous processes: build, utilise, migrate and decommission, as described in the chart below.

BUILD	**UTILISE**	**MIGRATE**	**DECOMMISSION**
> Single, secure platform > Own IT talent pool > Interface integration > Create/partner/buy > Consolidation and alignment of platform architecture to enable consistent execution > Platform-enabled support functions > Flexible, agile, efficient, scalable	> Customer digital interactions enable contextual, data-based offerings > Data > Products > Sales > Underwriting > Collections > Compliance > Network effects	> Migration of "work items" onto platform > Ultimately no work items off-platform	> Decommission systems/processes > Eliminate duplication and legacy costs

Ongoing evolution of platform – strong momentum across all streams

The build process required investment in talent and interface integration. The group could then start to utilise capabilities such as decisioning tools and data science. The next step was to migrate all offerings and customer requests onto platform. The final step will be to decommission the resultant redundancies.

The group has made significant progress in this journey which is already delivering scale for volume and customer growth.

The next schematic demonstrates how the platform unlocks a powerful customer experience.

Customer experience

MULTIPLE PLATFORM-INTEGRATED INTERFACES

> Secure interfaces providing access across all customer segments:
  – App
  – Online
  – Mobile banking (USSD)
  – Online Banking Enterprise™
  – Platform engagements can be assisted or unassisted

SINGLE CLIENT PROFILE DELIVERS CUSTOMISED, CONTEXTUAL EXPERIENCE

> FirstID
  – Register/log in
  – Authenticate/verify
  – Security
  – Mandates
  – Consent management
  – Secure contracting, messaging, calls

- MyProfile – manage regulatory compliance on platform
- All engagements and data captured on platform
- Sophisticated AI decisioning engine to deliver insight-driven offerings and contextual experiences

ACCESS TO SECURE ECOSYSTEM OFFERING FINANCIAL SERVICES +++

> Integrated financial services
  – Transact
  – Lend
  – Invest
  – Insure

> Platform leverage: FNB Connect

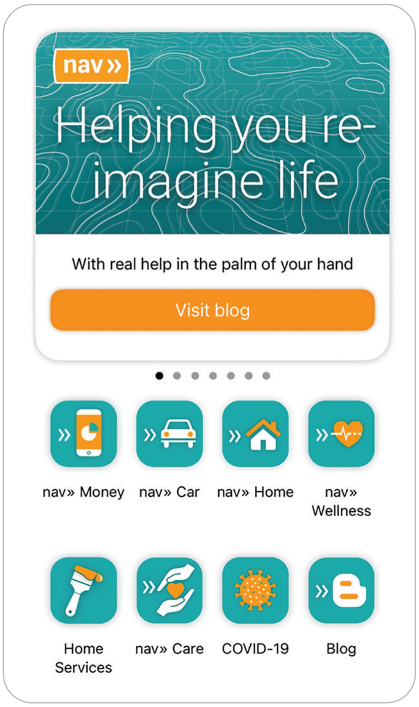
> Platform behavioural: eBucks

> Ecosystems: nav» (home, car, money, wellness)

> Third-party products and services – providing an open, participative structure for interactions with strategic partners

Customers can choose a large or small screen interface to digitally engage the platform. Then they register with FirstID which is a unique, secure, digital passport that enables the identified and authenticated customer to travel within the ecosystem. This, together with MyProfile, ensures the customer enjoys a digitally productive engagement on platform.

Following registration on platform, customers gain access to the ecosystem of integrated financial services such as real-time telco services that are fully integrated into the banking system. They can engage with ecosystems such as nav-igate life (nav») which has multiple offerings from the bank, as well as third-party products and services such as prepaid electricity and lotto, as outlined in the graphic below.



- **nav» Home** assists customers with buying/selling property
  - Provides free instant access to property valuation reports and instant pre-approval of financing as well as home services
  - R26.8 billion in payouts, 970 current listings
- **nav» Car** enables customers to manage vehicles in a single ecosystem
  - Shop for cars, pay fines, renew licence discs and obtain valuation estimates
  - 667k vehicles loaded
  - Delivered 60k vehicle licences during Covid-19
  - WesBank fully integrated
- **nav» Money** provides customers with simple, easy-to-use money management tools
  - Empowers customers to track spend, view credit scores, etc.
  - 2.1 million users, overall "customer experience" rating of 4/5
- **nav» Wellness** provides customers with tools and tips to navigate their journey to wellness (physical exercise, diet, mindfulness, goal-setting)
  - 276k users

This powerful nav» ecosystem was initially launched in 2016 and has gained significant traction.

It is a platform ecosystem designed to help customers navigate their lives, in a safe and secure manner, with the network effects of this nav» ecosystem building as customer engagement grows. The products and services on nav» not only aim to reduce pain points for customers (such as renewing vehicle licences), but also improve customer outcomes in asset ownership (car, home, money) across time, from acquisition to realisation.

In addition to the immense benefits to customers, the monetisation of the platform-based operating model is also delivering growth and returns for shareholders. It unlocks revenue opportunities through growth in active customers and results in higher levels of cross-sell and better customer retention. By way of example, the group's digitally active customers have two to four times more products and services and they engage with the group far more.

Because platform can deliver contextual offerings based on data insights it unlocks increased volumes. Current monthly digital offerings across credit, invest, insure and transact are tracking at 30 million a month. It also unlocks opportunities to diversify non-interest revenue streams through network effects which bring commission-based digital sales.

Platform delivers real efficiency outcomes. These are captured through:

> speed to market of new products and services;
> origination on platform at zero cost supports margins;
> better customer insights providing better credit decisions and collection outcomes; and
> elimination of back-end duplication and legacy costs.

Rest of Africa

Turning to the group's strategy outside of South Africa, it remains focused on growing its presence and offerings in certain key markets in the rest of Africa, where it believes it can build competitive advantage and scale over time. The strategic framework informing the group's activities in these markets is pictured below.

Rest of Africa strategy

	INTEGRATED FINANCIAL SERVICES BUSINESSES	BANKING	SPECIALIST BANKING AND FINANCIAL SERVICES
Strategic ambitions	Platform-based ecosystems that create long-term value for clients and shareholders	Top-tier banks with clear competitive advantage and scale	Niche offerings where there is a clear competitive advantage
Activities	> Transact > Lend > Insure > Invest	> Transact > Lend	> Transact > Lend
Client focus	All customer segments and product offerings	Commercial, corporate and investment banking (CCIB) and the related retail ecosystem	Corporate and investment banking (CIB) only
Countries	Namibia Botswana Eswatini	Ghana Mozambique Lesotho Zambia	Nigeria
	Mature subsidiaries	Growth-phase subsidiaries	

FirstRand is very clear about its ambitions in the rest of Africa, what kind of businesses it wants to grow, where it wants to be represented, and what success looks like.

The group's expansion strategy is largely organic, complemented where possible by bolt-on acquisitions. This allows the group to execute disciplined capital allocation to drive economic profit generation and dividends back to the shareholder. There is a strong focus on building in-country deposit franchises.

Overall, the portfolio has steadily improved its performance, anchored by large, successful return-generative and dividend-paying operations particularly in Botswana and Namibia, which share large aspects of the platform enablement benefiting the South African businesses. The growth subsidiaries are pursuing segment-specific strategies and, notwithstanding their nascent status in a tough environment, have all delivered a pleasing performance.

UK

In the UK, the group believes the Aldermore investment case offers significant optionality in a large market with lower risk. The strategic rationale for the acquisition of Aldermore has delivered the desired outcomes, providing a sustainable and efficient funding base for MotoNovo and delivering appropriate risk-adjusted returns to shareholders.

The group of businesses continues to integrate, and to invest in people and processes, although more work needs to be done to fully realise the ambition to have an integrated business ready to scale efficiently. Despite this, Aldermore as it stands today has several attractive features, with healthy margins, a diversified asset portfolio, a scalable deposit franchise and a small share of very large profit pools.

The group remains confident it can build a larger, more valuable business in the UK. With the arrival of a new CEO, Steven Cooper, the UK team is currently shaping strategic plans for future growth, considering options for capability build-out, modernisation and scale.

Shared prosperity

Turning back to the group's purpose statement covered earlier, FirstRand is dedicated to delivering what it refers to as "shared prosperity", which it sees as a blend of financial and social outcomes to a broad stakeholder group, defined as equityholders and debt providers, customers, employees, and society at large.

These principles underpin the group's view that it must intentionally use core business activities, including its role in allocating capital to the economy, to add value to society – profitably and at scale. The group views this as a transformative and sustainable business strategy, albeit a long-

FirstRand is dedicated to delivering what it refers to as "shared prosperity", which means intentionally using its core business activities to deliver a blend of financial and social outcomes to its broad stakeholder groups.

term journey. It requires the group to commit to extracting economic and social value from its activities and operations, and to deliberately measure this value. Integral to this objective is assessing whether the group's products and services, and the way they are delivered to customers, address social imperatives or only drive profitability. Many of the jurisdictions where the group operates face meaningful social challenges, and whilst FirstRand cannot solve all of these challenges, as a systemic financial services business it has the capacity to be a force for good. Using its core business resources and activities the group can deliver positive, scalable and high-impact financial and social outcomes. The group's balance sheet alone has the heft to drive profound social change.

Below are some examples of where the group's lending activities are supporting growth and social upliftment.

> The single most important role of a bank is to protect deposits – FirstRand is the trusted repository of R1.5 trillion of the country's savings.
> Home ownership is a major enabler of intergenerational wealth creation. Proven outcomes of asset ownership are higher levels of education and financial well-being. At c. R290 billion, residential mortgages represent 23% of the group's total advances, demonstrating that the group is putting its balance sheet to work in this important asset class. FirstRand is particularly focused on growing its affordable housing book to help low-income customers.
> The group recognises the role banks need to play in supporting small and medium-sized enterprise (SME) growth ambitions, as SMEs are among the most important engines of productive capital formation, economic growth and job creation.

What is key is that the group is achieving these outcomes whilst ensuring that it continues to deliver growth and superior returns to its shareholders.

The group is actively engaged with shareholders on a number of environmental, social and governance (ESG) topics. As outlined in the chairman's report, climate change is a key focus area and the group continues to make steady progress as it increases its understanding of this challenge.

Prospects

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

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

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

The rebound in the UK economy is expected to be maintained, although the pace of the sector-led recovery could slow. Non-performing loans (NPLs) may continue to build as the government withdraws its various stimulus packages which have softened the impact for many UK households. This benefited the UK operations' current-year performance. The business remains appropriately provided, however, absolute growth in earnings will likely be constrained for the next 12 months.

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

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

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

ALAN PULLINGER ~ CEO

cfo's report

"The group's performance rebounded strongly with normalised earnings increasing 54% to R26.6 billion, approaching pre-pandemic peak earnings levels.

Pleasingly, the group also produced an ROE of 18.4%, back in the long-term target range of 18% to 22%, and paid FirstRand's highest final dividend."

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

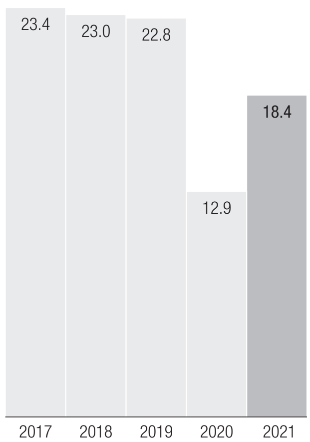
> Carefully price for financial resources.
> Appropriately provide against lending portfolios.
> Apply strict cost management.
> Further strengthen and appropriately tilt the balance sheet to the macro outlook.
> Accrete capital and net asset value (NAV) – the deployment of capital to reflect the updated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

Adherence to these principles supported the group over the year under review. Earnings recovered faster than expected, with ROE and NIACC coming back strongly. The group continued to accrete capital with NAV per share up 10%, resulting in a healthy CET1 level, which provides sufficient capacity for growth. The group's CET1 ratio increased to 13.5% (2020: 11.5%) and the group was in a position to pay a full-year dividend at the bottom end of its cover range (56% payout).

HARRY KELLAN ~ Chief Financial Officer

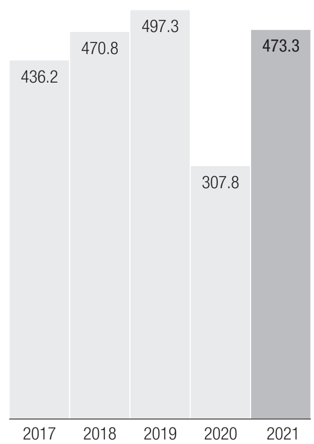
Key performance metrics

ROE
%



When the group analyses ROE, it also takes into account the relationship between ROA and gearing levels. The group's long-term ROE target range is 18% to 22% for normal economic cycles.

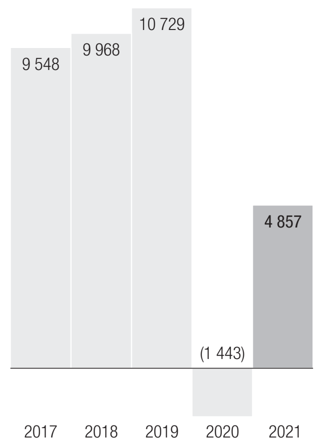
Diluted normalised EPS
cents



The group targets earnings growth of nominal GDP* growth plus >0% to 3% for normal economic cycles.

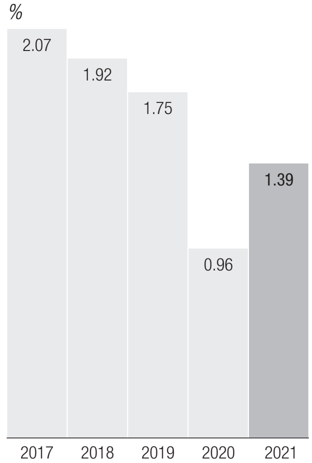
** Defined as real GDP growth plus CPI.*

Net income after cost of capital
R million



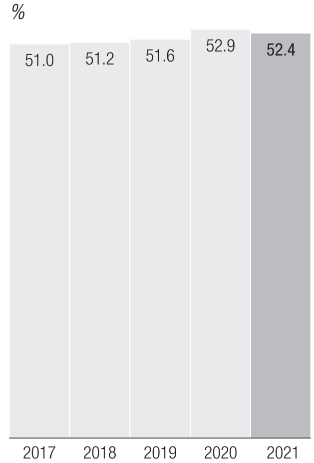
Net income after cost of capital is the group's internal benchmark for assessing performance.

ROA
%



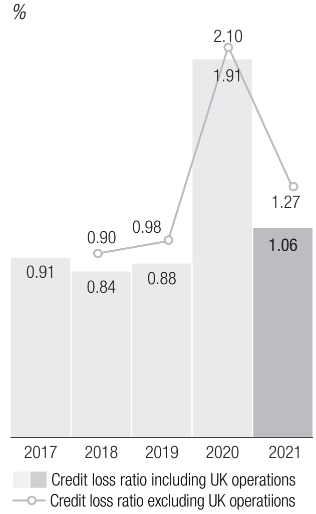
Maximising ROA is a key objective in creating shareholder returns.

Cost-to-income ratio
%



The group monitors efficiency through the cost-to-income measure. Whilst the group views the cost-to-income ratio as an outcome rather than a target, it recognises that balancing revenue growth and cost growth is key to value creation.

Credit loss ratio
%



The group believes that pricing appropriately for credit risk is a key requirement for sustainable returns and targets a through-the-cycle charge range (excluding Aldermore) of 100 to 110 bps. The prior year credit loss ratio of 191 bps was a consequence of the Covid-19 economic crisis.

Total revenue increased 4%, despite the negative endowment impact. Group Treasury employed mitigation strategies that benefited deposit margins, which supported net interest income.

Non-performing loan (NPL) growth of 6% was lower than expected, benefiting from a 35% increase in write-offs. This together with the improved macroeconomic environment and collection efforts, supported the 44% reduction in the overall impairment charge to R13.7 billion (2020: R24.4 billion).

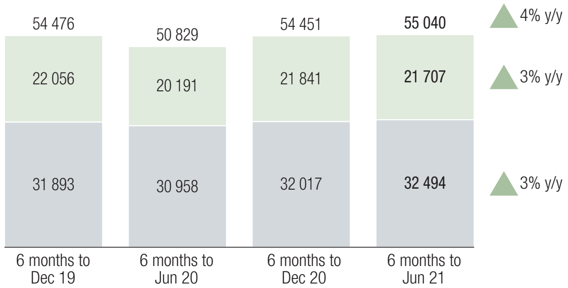
Growth in operating expenses was contained at 3%, reflecting the continued focus on cost management across the business.

The following table and charts provide a high-level overview of the income statement, as well as topline and credit performance for the year under review.

R million	2021	2020	% change
Net interest income	**64 511**	62 851	3 ▲
Operational non-interest revenue	**43 548**	42 247	3 ▲
Share of associate income	**1 432**	207	>100 ▲
Total revenue	**109 491**	105 305	4 ▲
Operating expenses	**(57 342)**	(55 656)	3 ▲
Indirect tax	**(1 516)**	(1 348)	12 ▲
Pre-provision operating profit	**50 633**	48 301	5 ▲
2019: 49 188 ▲ 3%			
Impairment charge	**(13 660)**	(24 383)	(44) ▼
2019: (10 500) ▲ 30%			
Income tax expense	**(8 849)**	(4 874)	82 ▲
Profit after tax	**28 124**	19 044	48 ▲
Other equity and non-controlling interest	**(1 573)**	(1 779)	(12) ▼
Normalised earnings	**26 551**	17 265	54 ▲
2019: 27 894 ▼ 5%			

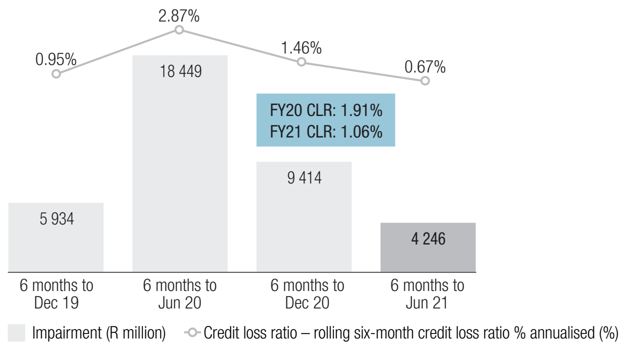
*Rolling six-month topline**

R million



* *Includes share of associate income.*

Impairment charge

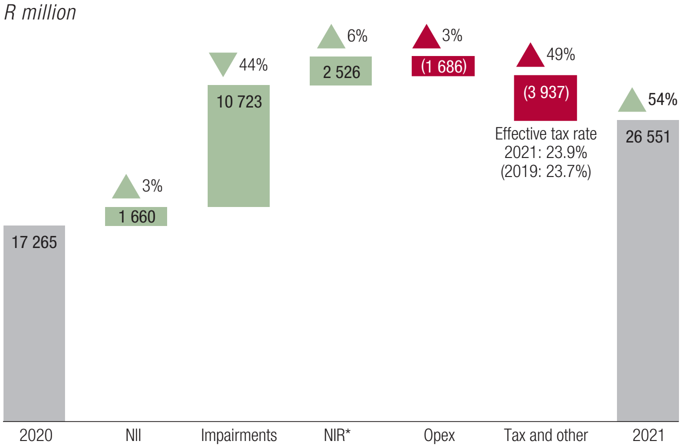


Excluding the impact of the impairment charge, pre-provision operating profit increased 5%, demonstrating the resilient underlying performances from FNB, RMB and Group Treasury.

The reduction in impairments was the most significant driver of earnings growth

The chart below shows a high-level breakdown of movements in the income statement lines for the year under review, and clearly shows that the reduction in the impairment charge was the largest contributor to the increase in earnings. Tax and other charges were higher year-on-year, reflecting higher earnings and the normalisation of the effective tax rate, which was similar to the 2019 financial year.

Normalised earnings
R million



* *Including income from associates and joint ventures.*

Revenue remained resilient

Overall NII increased 3% despite the negative endowment impact resulting from the 300 bps cuts in interest rates since December 2019. This endowment impact was partially offset by higher capital levels and deposit volumes, and the benefit of Group Treasury's asset and liability management (ALM) mitigation strategies to protect earnings.

Lending NII decreased 1% due to the decline in advances, which was to some extent offset by mix change. Advances decreased year-on-year due to low demand for credit, as well as the group's cautious risk appetite for most of the financial year, given ongoing uncertainty, coupled with increased competition.

Transactional NII also benefited from Group Treasury's ALM mitigation strategies as well as customer and deposit growth.

Deposit NII also increased 2%, benefiting from good deposit growth and reflecting customer migration to higher-rate investment products.

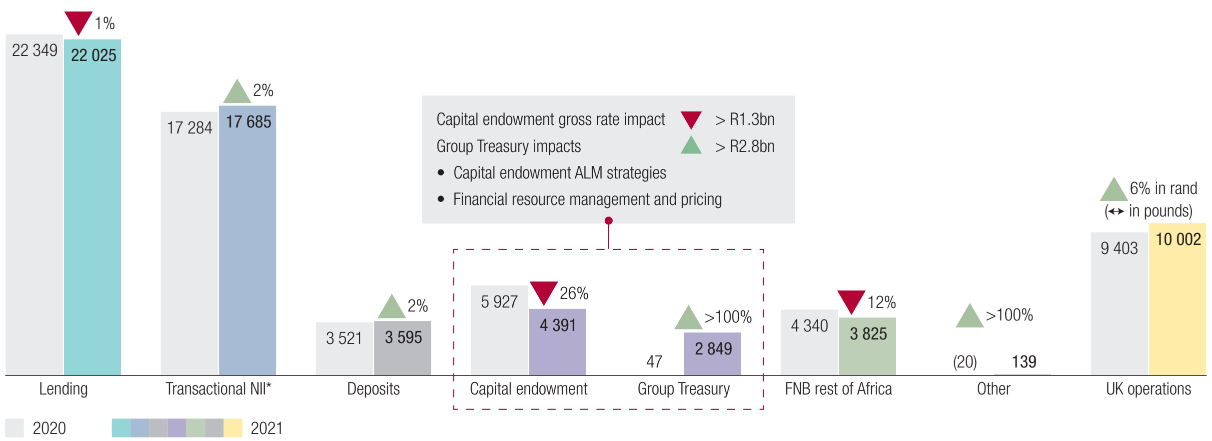
Despite good growth in deposits in the rest of Africa, and the inclusion of Ghana Home Loans (GHL) for a full year for the first time, NII was down 12%, due to the decline in advances across the portfolio and the negative impact of rand appreciation.

UK operations' NII was flat in pound terms. Advances increased marginally, supported by growth in vehicle asset finance (VAF), whilst the commercial and other retail books contracted as new lending activity was impacted by Covid-19. Endowment also negatively affected NII.

Capital endowment NII reduced 26%, reflecting the full impact of the rate cuts despite higher capital balances. Group Treasury NII increased R2.8 billion, reflecting the benefit of the capital endowment ALM strategies and lower funding costs from the improved funding mix due to the ongoing growth in the group's deposit franchise.

Net interest income

R million



* *Transactional NII includes the benefit of ALM strategies on deposit endowment.*

ALM strategies softened the negative endowment impact and supported margins

Overall net interest margin (NIM) declined 10 bps to 435 bps, driven mainly by the negative endowment impact – a satisfactory performance given the extent of the rate cuts.

The chart below shows that the UK operations reduce the group's overall margin by 46 bps, due to the secured nature of advances in that business.

The group adjusted the way it calculates margins in December 2020. The impact of the change in balance sheet movement (base effect) is isolated and margins therefore only deal with rate changes. The boxes at the bottom of the chart show the rebasing of the prior-year margin due to the increase in average assets, which results in a reduction of 19 bps from 491 bps to 472 bps.

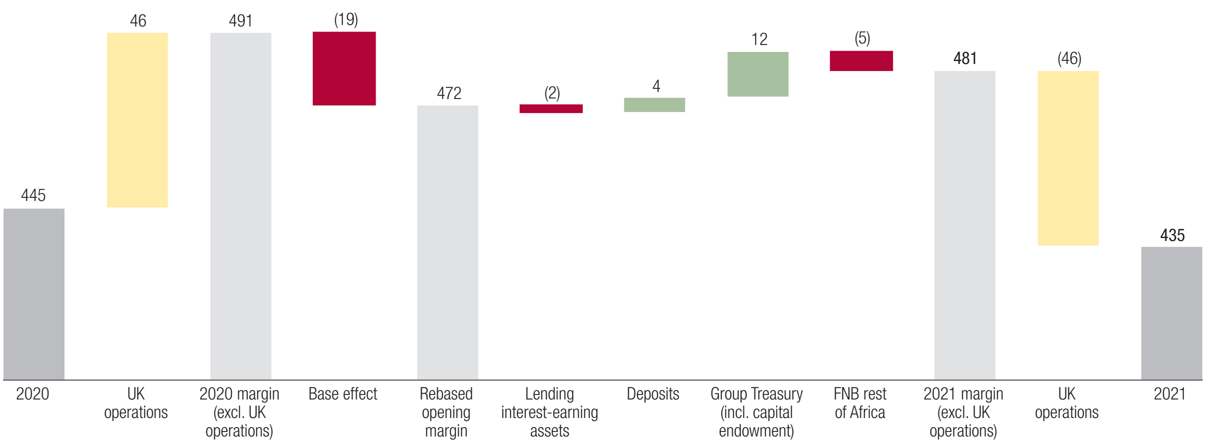
Lending margin declined 2 bps, reflecting asset repricing and higher NPLs (higher interest in suspense). This was partially offset by the benefit from a change in advances mix.

Overall deposit margin increased 4 bps. This was an exceptional performance driven by the strong growth in the deposit franchise and the lower proportion of higher-priced institutional funding relative to the prior year.

The benefit from Group Treasury's ALM strategies supported margins, however the total increase does represent a normalisation after the reduction in the prior year.

Normalised margin

Basis points



BASE EFFECT ADJUSTMENT

2020 NII	**R53.4bn**	2020 NII	**R53.4bn**
Divided by:		Divided by:	
2020 average balance sheet	R1 088.8bn	**2021 average balance sheet**	R1 132.3bn
2020 margin excluding UK operations	**4.91%**	**Rebased opening margin excluding UK operations**	**4.72%**

(19 bps)

Strength of deposit franchise supported lower institutional issuances

Due to the liquidity risk inherent in its activities, the group optimises its funding composition within structural and regulatory constraints to enable business to operate in an efficient and sustainable manner. The group entered the Covid-19 crisis in a strong liquidity position. The diversification and strength of the deposit franchise resulted in the liquidity position further improving during the crisis and thereafter.

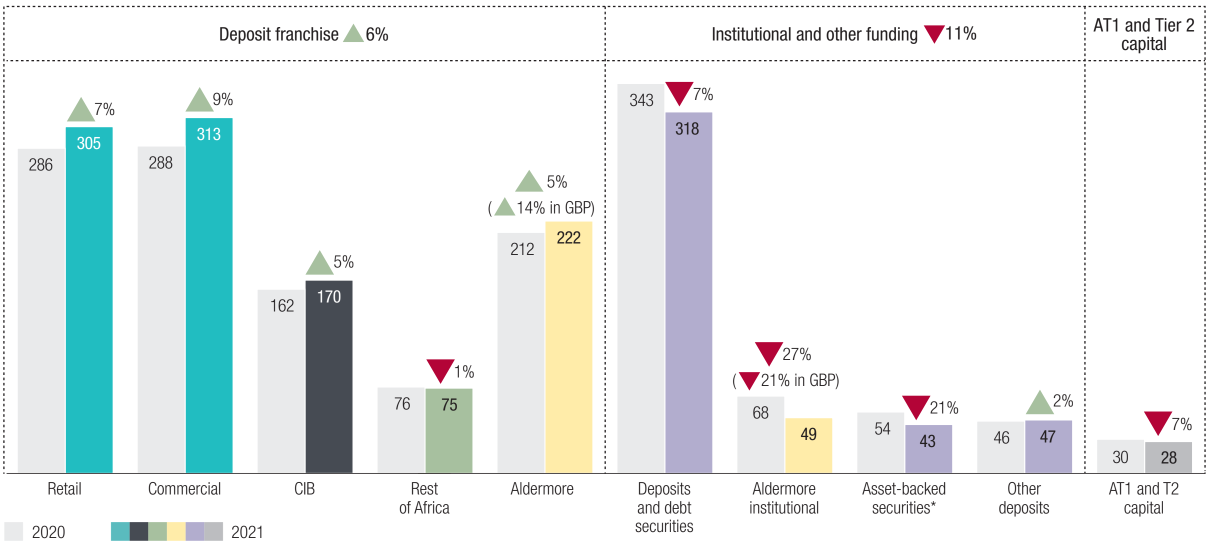
The overall deposit franchise grew 6%, with strong performances from South Africa and the UK. The rest of Africa deposit growth was impacted by currency conversion due to the strengthening of the rand.

Strong deposit growth across operating businesses was driven by precautionary savings (due to uncertainties/lockdowns related to the pandemic), compelling savings propositions and good customer acquisition. In South Africa, FNB remained the top household deposit franchise from a market share perspective.

Because of the strong deposit performance and a slight decline in advances year-on-year, the group was able to marginally reduce its reliance on institutional funding and add to its liquidity buffers. The group's institutional funding issuances declined 7% year-on-year to R318 billion and FirstRand Bank's institutional funding reduced to 27.2% of total funding (2020: 31.7%), the lowest level in more than a decade. With this lower level of issuance, the group was also able to lengthen the weighted average term of institutional funding to 41 months (2020: 37 months), further improving its liquidity profile. Excess liquidity was mainly invested in short-dated government treasury bills.

Funding liabilities (up 0.3%)

R billion



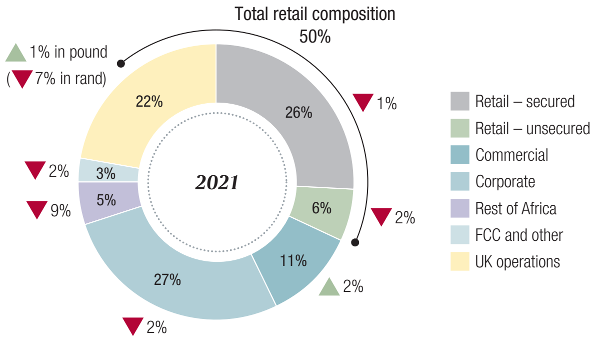
* *Asset-backed securities include Aldermore's securitisations.*

Note: Percentage growth is based on actual rather than rounded numbers shown in the bar graphs.

Disciplined risk appetite resulted in lower advances

Advances decreased 3% year-on-year and the following chart provides a breakdown of the movement in advances across the lending portfolios.

Advances breakdown



FNB's advances contracted marginally during the year, reflecting the business's continued prudent risk appetite and lower demand given the ongoing impact of Covid-19 on its customer base. Total rest of Africa advances reduced due to macroeconomic uncertainties and currency fluctuations – excluding the currency impact, FNB rest of Africa advances declined 5%. Commercial customers continued to maintain liquidity to support cash flow demands given the prevailing uncertainty.

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

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

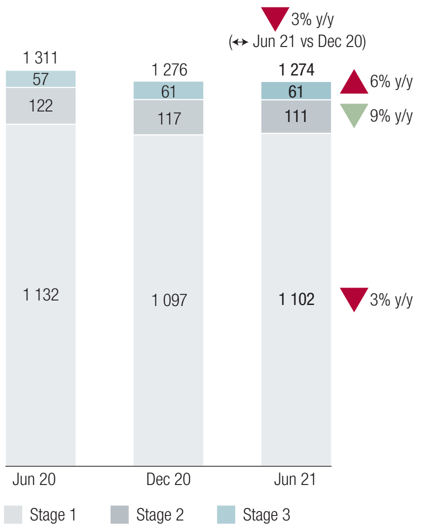
As previously mentioned, advances in the UK operations increased marginally, supported by growth in VAF, whilst the commercial and other retail books contracted as new lending activity was impacted by Covid-19.

Slight deterioration in stage distribution of advances

The following graph shows that the overall stage distribution of the book deteriorated marginally as the group followed a conservative approach to stage 2 migration and rolls into NPL. This was expected as relief periods expired and economic strain continued. The 9% decline in stage 2 reflects NPL migration, collection efforts and customer paydowns.

Advances

R billion



Note: Advances based on rounded numbers.

Relief book performed better than expected

The Covid-19 relief books fared better than expected. The retail relief book chart below shows a decline of 11% year-on-year, with almost a third of the book in arrears and half of the arrears in NPLs. This was a much better outcome than expected, demonstrating the group's prudent approach, supported by the economic rebound. Corporate and commercial relief advances halved with slight changes in arrears. The UK operations' relief portfolio also reduced.

RELIEF BOOK

Note: Rest of Africa decreased 49% since June 2020 (from R6.6 billion to R3.4 billion).

In summary, at a group level, the total relief book reduced to R167.1 billion (2020: R229.6 billion), with only 10% in NPLs.

NPL formation normalised, collection strategies supported lower NPL formation

The next table deals with the rolling six-month change in group NPL balances. It is pleasing to see that the reduction in operational NPLs continued in the second half of the financial year. Collection efforts resulted in paying NPLs increasing R2.7 billion year-on-year. The UK experienced a 34% increase in NPLs, which resulted in an overall increase of 6% in NPLs to 4.76% of advances (2020: 4.37%). Overall NPL coverage increased marginally to 45.3% (2020: 43.1%), mainly driven by mix change but partially offset by a higher proportion of paying NPLs. Product coverage was largely maintained.

INCREASE IN NPLs

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

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

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

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

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

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

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

As mentioned above, the overall relief book decreased from R229.6 billion to R167.1 billion, given that no further relief was extended and customers commenced repayments. Corporate and commercial reflected the largest decline as these counterparties paid off their facilities as liquidity improved. The proportion of the portfolio under relief was 13% of advances at 30 June 2021 (2020: 18%).

Impairment charge was driven by stage migration

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

ANALYSIS OF IMPAIRMENT CHARGE

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

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

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

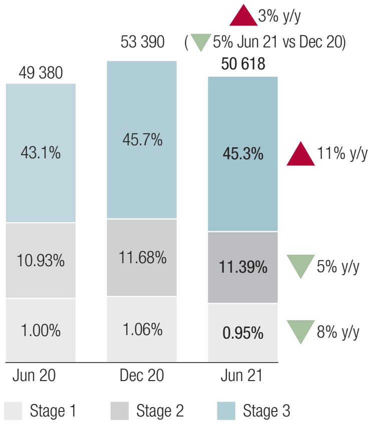
This table also demonstrates the move in impairments on a rolling six-month view, based on movements in the balance sheet. Provisions for the six months to June 2020 reflect the significant impact of the negative macros. For the six months to December 2020, the performing book coverage increased despite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

Provisioning remains prudent

The table below shows the value of balance sheet provisions and credit loss ratios for the last three reporting periods. The bar chart depicts the balance sheet provisions with coverage for each stage shown inside the bars and demonstrates that the level of stage 2 balance sheet provisions declined 5% year-on-year. Stage 3 provisions increased 11% year-on-year, but declined 2% since December 2020. Although macros rebounded, impairment coverage remains prudent across stages, with the incorporation of an additional temporary short-term stress scenario and other post-model adjustments to capture the uncertain environment and lag effects.

Balance sheet provisions, coverage and credit loss ratio

R million

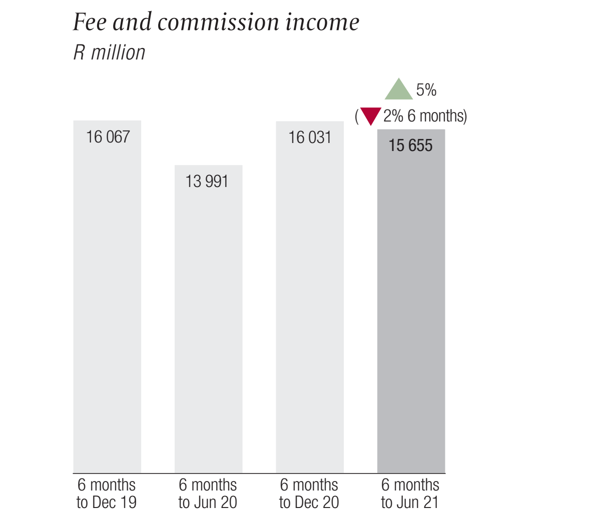


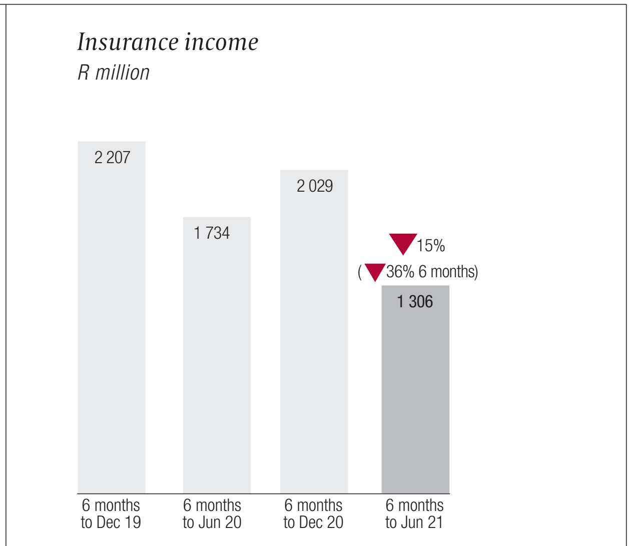
	June 2021	December 2020	June 2020
Provisions (R million)	**50 618**	53 390	49 380
Credit loss ratio (%)	**1.06**	1.46	1.91

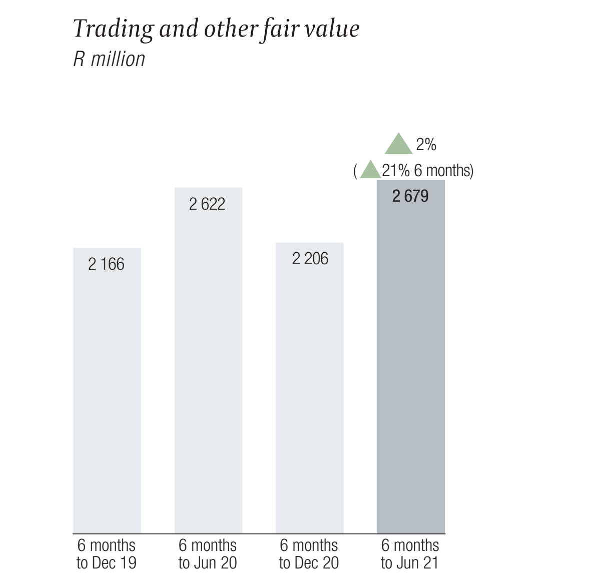
Stage 1 coverage reduced 5 bps to 95 bps given the improvement in the group's forward-looking outlook. Overall NPL coverage increased to 45.3%, mainly driven by mix change partially offset by a higher proportion of paying NPLs. Product coverage was largely maintained.

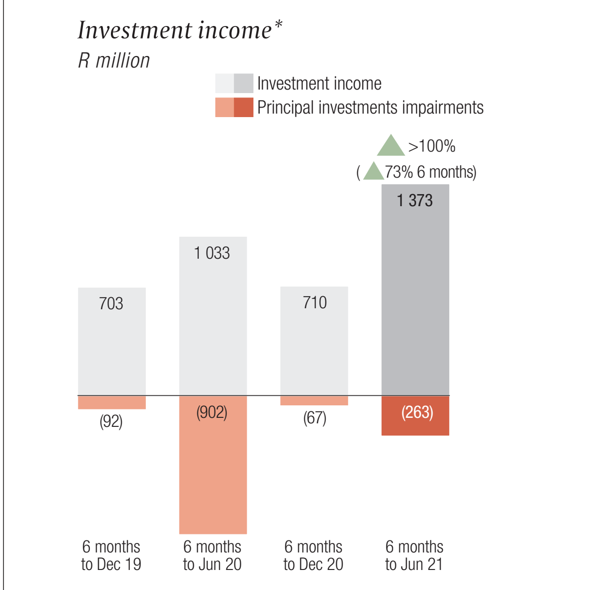
Operational NIR benefited from the economic rebound

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









* *Includes share of profit from associates and joint ventures.*

Fee and commission income grew 5%, benefiting from the economic rebound and base effect, as well as the increase in active customers, despite no increase in headline fees in the last year.

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

RMB's trading activities delivered another strong performance. The performance was due to a significant rebound from domestic fixed income and specifically the inflation desk, which benefited from the normalisation of market conditions, market making and client facilitation. This was partly offset by reduced activity in nominal bonds and options. The commodities business performance benefited from increased gold demand from India together with revenue earned from the hedging of client flows.

Investment income includes principal investments and private equity. Private equity income growth was driven by annuity income growth as both old and new vintages performed strongly, benefiting from the cyclical recovery in SA macroeconomic conditions. The strong annuity performance was supplemented by realisation income of c. R400 million, which mitigated the impact of additional credit provisioning and equity impairments required against specific counterparties. Private equity loan impairments are included in the credit charge. The impairments against principal investments are included in NIR, and these decreased from c. R1 billion in the prior year to just over R300 million in this financial year. The quality and diversity of the private equity portfolio are reflected in the unrealised value of R4.4 billion (2020: R3.3 billion). Acquisition opportunities were muted during the year, resulting in limited new investments.

Below-inflation increase in operating expenses

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

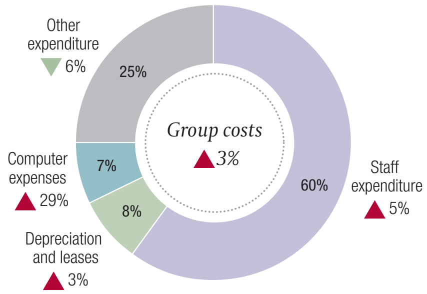
> insurance and asset management;

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

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

> process and system modernisation in the UK business.

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



The group continues to invest in technology and platform and the majority is expensed. Total IT costs grew 12%, including computer expenses, which increased 29%.

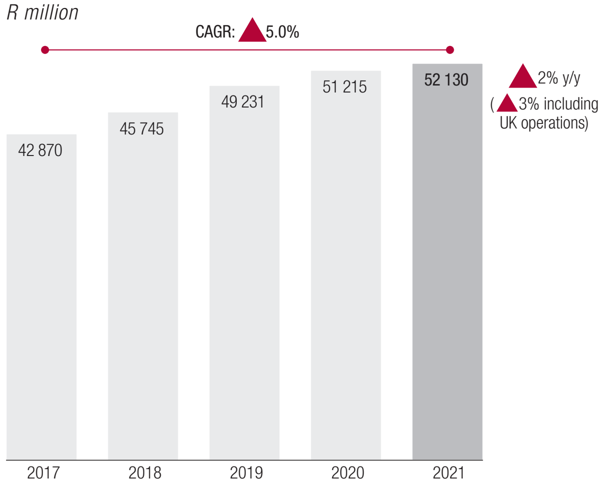
Staff expenditure accounts for c. 60% of the group's total cost base and increased 5%, due to growth in variable remuneration as earnings recovered. Direct staff costs increased 3%, which reflects average unionised salary increases in South Africa of 4.2% and a 3% reduction in overall headcount (excluding FirstJob) despite continued growth in new initiatives.

The following charts demonstrate that expenditure is aligned to strategy. The build-out of the group's platform enablement is reflected in the operating cost trend. Excluding the UK operations' overall costs (as Aldermore was only acquired in 2018), there was a 5% compound annual growth rate (CAGR) in overall operating expenses since 2017. This was weighted towards IT spend, which increased 12.8% over the same period. Staff expenditure grew at a compound rate of 5.4%, a combination of above-inflation salary increases and headcount growth.

With CAGRs of 5.4% in staff costs and 12.8% in IT costs since 2017, the group has extracted efficiencies in other areas to deliver an overall 5% CAGR in operating expenses.

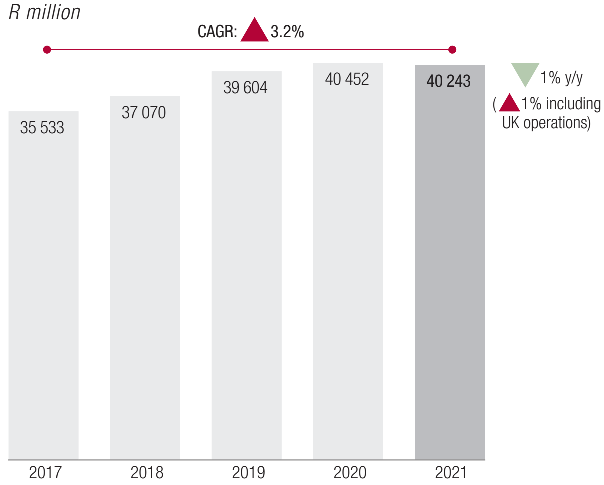
*Operating expenses**

R million



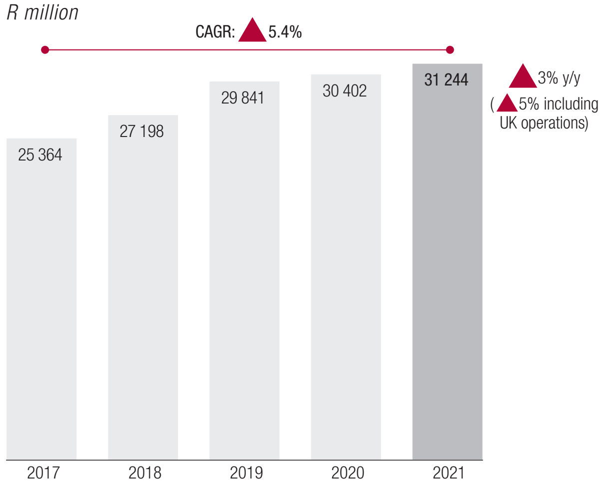
*Operating expenses excluding IT costs**

R million



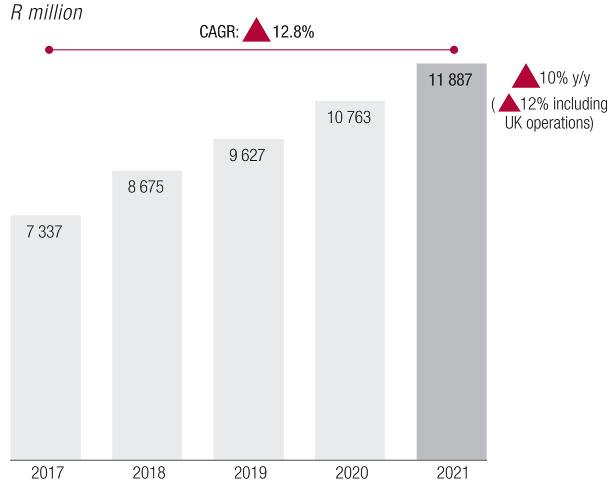
*Staff costs**

R million



*IT costs**

R million



* *Excluding UK operations.*

The group continues to protect and strengthen its balance sheet

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

The group's internal capital targets remain appropriate as a maximum domestic systemically important bank (D-SIB) and fully phased-in Pillar 2A requirement are assumed in the target assessment. These targets were not adjusted for any temporary Covid-19 relief measures.

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

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

- positive earnings partly offset by the payment of an interim dividend for the 2021 financial year;
- capital preservation measures introduced by the Prudential Authority (PA) in 2020;
- a decrease in the foreign currency translation reserve given the rand appreciation;
- successful financial resource optimisation strategies;
- a decrease in RWA, mainly from credit and counterparty credit risk driven by rand appreciation and muted advances growth; and
- the incorporation of the IFRS 9 transitional impact

As mentioned earlier, the group entered the Covid-19 crisis in a strong liquidity position. The diversification and strength of the deposit franchise resulted in the liquidity position improving during the crisis and thereafter. Liquidity buffers remain appropriate to meet both prudential liquidity requirements and internal risk targets. In order to allow markets to continue to operate smoothly and provide banks with temporary liquidity relief during the crisis, the PA temporarily reduced the prudential liquidity coverage ratio (LCR) requirement from 100% to 80%, which the group did not utilise. The group's LCR of 113% (2020: 115%) remained well above the minimum requirement. The minimum regulatory requirement for the net stable funding ratio (NSFR) remained unchanged at 100% and the group's NSFR increased to 123% at 30 June 2021 (2020: 117%).

The pandemic continues to negatively affect the South African economy, and key risk metrics and early warning indicators are closely monitored. The group regularly forecasts its liquidity position and uses scenario analysis in its decision-making.

Conclusion

For the six months to 31 December 2020, the FirstRand board repositioned the dividend cover into the bottom end of the group's target range of 1.8 to 2.2 times, in anticipation of the expected medium-term growth in the economies in which the group operates. The group continues to accrete capital, which provides sufficient capacity for growth. The board was therefore comfortable to maintain a dividend cover of 1.8 times for the year and considers this level of distribution to be appropriate and sustainable over the medium term.

The group has emerged from the pandemic in a strong position and is well positioned to fully capitalise on the economic recovery.

HARRY KELLAN ~ CFO

review of operations

Jacques Celliers ~ CEO | FNB

FNB

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

> a main-banked client strategy anchored to growing and retaining customer relationships using core transactional accounts as a key lever;

> a digital platform providing market-leading interfaces to deliver contextual, cost-effective, innovative and integrated financial services offerings to its customers on either an assisted (in-person) or unassisted (self-service) basis;

> using its deep customer relationships, extensive data and sophisticated data analytics to cross-sell a broad range of relevant financial services products, including banking, insurance and investments;

> applying disciplined credit origination strategies that appropriately support customer requirements and affordability;

> providing innovative products to grow customer savings and, in turn, the retail deposit franchise;

> utilising eBucks to reward desired customer behaviours, and drive platform adoption and appropriate cross-sell;

> leveraging its mobile virtual network operator (MVNO) to augment customer value propositions, as well as to provide affordable telecommunication services to customers;

> strategically managing physical points of presence that are right-sized, have appropriate coverage and offer cost-efficient assisted engagements with customers on platform; and

> leveraging alternative banking channels and diversifying revenue streams in the rest of Africa.

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

FNB FINANCIAL HIGHLIGHTS

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

KEY RATIOS FOR SOUTH AFRICA VS REST OF AFRICA

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

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

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

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

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

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

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

CHANNEL VOLUMES

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

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

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

SEGMENT RESULTS

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

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

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

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

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

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

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

ACTIVE CUSTOMERS AND PLATFORM USERS

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

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

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

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

SEGMENTATION OF ACTIVE RETAIL CUSTOMERS

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

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

ANALYSIS OF IMPAIRMENT CHARGE

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

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

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

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

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

> good collections; and

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

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

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

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

> underlying strain in the retail unsecured and secured portfolios;

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

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

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

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

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

Broader financial services

INSURANCE

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

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

NEW BUSINESS APE

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

WEALTH AND INVESTMENT MANAGEMENT

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

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

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

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

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

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

Platform strategy

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

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

Key platform highlights during the past year are outlined below.

> The virtual card launch on the FNB app resulted in the activation of more than 260k virtual cards to date and >R460 million in value transacted. The virtual card is key to facilitating more secure e-commerce transactions.

> nav»Money provides customers with simple, easy-to-use money management tools, which help them track their spend, view credit scores, etc. It currently has 2.1 million users, increasing >100% year-on-year (1 million users have joined since the smart budget tool launch). The customer rating on “overall experience” was 4 (on a 5-point rating scale).

> nav»Home has paid out R26.8 billion in loans since inception. Estate agent functionality is now live on the app, with 970 current listings.

> nav»Car loaded 667k vehicles and delivered 60k vehicle licences during Covid-19, and WesBank has financed R38.5 million in vehicle loans. The launch of MotoVantage products on nav»Car continues to show good growth.

> Digitally active customers grew to 6.09 million from 5.90 million (digital includes mobile banking (USSD), online banking and the app).

> The banking app active transacting base exceeded 4.2 million customers and reached new monthly records of 78.4 million logins in March 2021, and more than 78.1 million in June 2021 (72% higher than June 2019 and 40% higher than June 2020).

> Digital logins totalled 1.48 billion for the year, with online and mobile banking (USSD) logins of 181 million and 460 million, respectively. The app contributed 842 million logins.

> Total transactional volumes through digital interfaces included 174.6 million for online banking, 382.2 million for the banking app and 36.2 million for mobile banking (USSD) – highlighting the scalability of FNB’s platform.

> In the rest of Africa, credit card swipes increased 18% from 55 million to 64 million and digital application penetration increased from 16.5% to 29.3%.

> Purchases and fulfilment on platform, i.e. electricity, mobile and digital vouchers sold, amounted to R17.2 billion, up 5%.

> FNB customers used the platform to opt in for payment arrangements totalling R1.3 billion during the 2021 financial year.

	South Africa			Rest of Africa		
	2021	2020	% change	**2021**	2020	% change
Representation points (branches, agencies)	**599**	604	(1)	**144**	151	(5)
Total ATMs and ADTs	**4 848**	5 622	(14)	**970**	976	(1)
– ATMs	**2 949**	3 746	(21)	**710**	746	(5)
– ADTs	**1 899**	1 876	1	**260**	230	(13)

Putting help at the forefront of everything we do.

We continue to enjoy the trust and support of our customers and thank you for your valued partnership.

We would like to give special thanks to all FNB employees for your continued adaptability to new ways of working and servicing our customers.

Helping you manage your debt and cashflow

Provided cash relief for R61.5bn of customer loans
Retail R45.8bn & Commercial R15.7bn

R989m paid out in SME loans in 2021
for the government-guaranteed loan scheme

R29bn paid in early supplier payments

nav>>Money easy-to-use money management tools 2.1 million users
increasing >100% year-on-year

Residential mortgages activated 30-year lending
which increased access and affordability and resulted in R1.4bn in pay-outs.

Helping you bank easier

7% growth in eWallets to 7 million users
of which 5.6 million are non-FNB customers, 34% of ATM withdrawals by eWallet users, Send Money volume up 7%

R30.2bn paid out in UIF relief claims
through our digital platforms for the COVID-19 Temporary Employer/Employee Relief Scheme.

R1.9bn earned by customers in eBucks for 2021

Manage banking and personal information
on App and online through 'MyProfile' for individuals, and 'Business Profile' for business clients.

Giving back to our communities

Total contribution to broader communities impacted by KZN & GP unrest R21.5million

- Collaboration with NGOs for humanitarian support
- Support to Early Childhood Development Centres and Old Age Homes
- Business clean-up and rebuild
- Repairs to vandalised schools
- Township economy activation

Brand recognition

Most valuable brand in SA 2021
BrandZ™ most valuable brands

Most valuable banking brand in Africa 2018 - 2021
Brand Finance® Banking 500 Report

Best Digital Bank 2015 to 2020
InSites Consulting SITEisfaction® Survey

SA's Best Forex Provider 2017 to 2021
Global Finance Awards

SME Bank of the year 2020
Global SME Finance Awards

Best financial loyalty programme 2019 and 2020
SA Loyalty Awards

James Formby ~ CEO | RMB

RMB

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

RMB FINANCIAL HIGHLIGHTS*

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

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

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

RMB REST OF AFRICA STRATEGY

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

* *Down 15% in constant currency terms.*

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

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

The significant uplift in PBT was driven by:

> a lower impairment charge;

> an excellent markets contribution;

> solid annuity income growth;

> core deposit growth of 2% year-on-year, with average core deposits up 13%;

> solid principal investments realisation profit of c. R360 million; and

> private equity realisation income of c. R400 million.

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

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

ANALYSIS OF IMPAIRMENT CHARGE

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

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

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

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

BREAKDOWN OF PBT CONTRIBUTION

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

* *Other includes support and head office activities.*

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

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

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

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

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

A STRONG RECOVERY IS IN ALL OUR HANDS

RMB

Having a strong organisational purpose has never been as important. Our commitment, to 'liberate diverse talent to do good business for a better world', provides a guiding light. We know that some of the best solutions come from multi-disciplinary teams, ensuring that innovation flourishes in the context of traditional values and social responsibility.

Commitment to society

Established our dedicated **Sustainable Finance and ESG Advisory** team

Lending to **transformational infrastructure** was approximately **R14bn**

Provided **R10.2bn** of financing to **BEE transactions**

9.41% of total Debt capital markets lending supported sustainability

40.6% of measured procurement spend on goods and services to entities that are **black owned** of which **R277m** was procured from black women owned suppliers

Over **R1.35bn** paid in **early supplier payments**

Partnering with our clients

- Over **R50bn** new disbursements to SA clients
- **R4.1bn** new liquidity support extended to clients
- Loan covenants relaxed on **R12.8bn** of funding
- Over **R109m** payment holidays granted

Rand Water
- **R1.2bn** sustainability-linked bond
- Largest South African denominated bond issued and the first ever to an African SOC
- **Impact:** Renewable energy, affordable basic infrastructure & gender equality

Emira Property Fund
- Sustainability-linked bond
- **R380m** Private Placement
- **Impact:** Renewable energy, energy consumption disclosure & water efficiency

Emira Property Fund
- **R200m** sustainability-linked loan
- First green loan in the African real estate sector
- **Impact:** Renewable energy & carbon related disclosure

RMB citizens in action

Conceptualised and sponsored the **Garden of Recovery** at Charlotte Maxeke Academic Hospital, a healing space for hospital staff, patients and visitors to reflect and recover

RMB employees collected **2260 blankets** that were distributed by the Gift of the Givers to orphanages, old age homes and families in need across the country

RMB employees were involved in supporting the **FirstRand Foundation as volunteers** for various CSI initiatives including education and people with disabilities

One of six global banks to be awarded the Overall Global Finance award for **Outstanding Crisis Leadership** during COVID-19

Launched Origin Lambda - RMB's first **LGBTQIA+** affinity group, ensuring we create an inclusive environment for all to thrive and belong

Traditional values. Innovative ideas.

CORPORATE AND INVESTMENT BANKING

Chris de Kock ~ CEO | WesBank

WesBank

WesBank represents the group's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of South Africa. WesBank's strategy remains centred around protecting and growing its unique and long-standing model of partnering with leading motor manufacturers, suppliers and dealer groups. Of the 36 original equipment manufacturer (OEM) brands currently active in South Africa, WesBank has participation arrangements with 24. This partnership model delivers the following channels:

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

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

WESBANK FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

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

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

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

BREAKDOWN OF PRE-TAX PROFITS BY SEGMENT

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

* *Includes MotoVantage.*

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

ANALYSIS OF IMPAIRMENT CHARGE

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

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

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

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

Deeply invested in our customers.

The past 18 months have disrupted our economy and work environment in a number of far-reaching ways.

As a leading stakeholder in the vehicle ecosystem, despite a difficult environment, WesBank has developed innovative solutions to overcome the challenges. From creating new channels for transacting and adapting to the digital world, to using our resources to assist communities, we have continued to demonstrate our deep involvement in every sphere we touch. WesBank is proud of its Top Employer status for the third year in a row.

Digital innovation for our customers

WesBank App

- Almost 100,000 downloads since go-live in Oct 2020
- Integration of WesBank App features on FNB & RMB's Apps
- Almost R25 million in new business
- Over 120,000 WesBank account service requests

WesBank Online

- New end-to-end digital solution for NaTIS ownership change, with over 5,000 requests done digitally to date

FastApp

- FastApp has now been integrated across Nissan, Volvo, Isuzu, Super Group and Honda (many more partners awaiting integration)
- Over R2 billion in new business across all our digital channels via pre-selection and application

Involvement in the automotive industry

InspectaCar

- 3 new dealerships (currently onboarding another two potential dealers)
- Digital marketplace aggregator set to go live in mid-November 2021

Graduate Finance

In past 10 months:

- 661 deals written
- R186 million in value

Asset Remarketing

Auctions moved online in 2020 with a new method of registrations and bidding.

- Volumes increased from approx. 200 to 300 buyers per auction
- Recoveries increased from 85% to 97% of trade

Giving back to our communities

Volunteering

Investing time, skills and resources is at the core of Volunteering at WesBank

- 32 organisations including schools across South Africa
- R275,391 for goods and services for beneficiaries

Unrest relief

- Organising delivery of critical medicine for 30 staff in KZN
- Food parcels for 85 affected staff and relief for branch staff who lost their homes
- Payment relief for 175 Corporate customers affected by unrest (total value R50 million)
- Payment relief for 217 Retail customers affected by unrest (total value R54 million)
- Payment relief for 90 Taxi customers affected by unrest (total value R21 million)

Thank you to all our partners, suppliers and employees for your support and dedication to our efforts to ensure our industry remains resilient.

Aldermore

Steven Cooper ~ CEO | Aldermore

UK operations

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

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

UK OPERATIONS – FINANCIAL HIGHLIGHTS

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

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

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

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

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

The operational performance remained resilient, driven by:

> Marginal growth in advances to £14.4 billion.

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

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

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

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

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

ANALYSIS OF IMPAIRMENT CHARGE

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

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

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.

Five year review – normalised

R million	2017	2018	2019	2020	2021	Compound growth %
Statement of financial position						
Total assets	1 217 745	1 527 592*	1 669 039	1 926 616	**1 886 310**	12
Gross advances before impairments	910 066	1 142 476*	1 239 914	1 311 095	**1 274 052**	9
Total impairments	16 960	29 078*	34 162	49 380	**50 618**	31
Advances (net of impairments)	893 106	1 113 398*	1 205 752	1 261 715	**1 223 434**	8
Stage 3/NPLs	21 905	33 514*	41 349	57 281	**60 705**	29
Deposits	983 529	1 268 244*	1 393 104	1 535 015	**1 542 078**	12
Capital and reserves attributable to ordinary equityholders of the group	108 922	115 561*	129 650	137 606	**151 647**	9
Income statement						
Net interest income before impairment of advances	46 626	51 254	60 299	62 851	**64 511**	8
Impairment charge	(8 054)	(8 567)	(10 500)	(24 383)	**(13 660)**	14
Operational non-interest revenue	38 227	41 012	42 811**	42 247	**43 548**	3
Share of profits of associates and joint ventures after tax	1 041	914	1 257	207	**1 432**	8
Operating expenses	(43 773)	(47 664)	(53 899)**	(55 656)	**(57 342)**	7
Earnings attributable to ordinary equityholders of the group	24 471	26 411	27 894	17 265	**26 551**	2
Key ratios						
ROE (%)	23.4	23.0	22.8	12.9	**18.4**	
ROA (%)	2.07	1.92	1.75	0.96	**1.39**	
Cost-to-income ratio (%)	51.0	51.2	51.6**	52.9	**52.4**	
Credit loss ratio (%)	0.91	0.84	0.88	1.91	**1.06**	
Stage 3/NPLs as a % of advances	2.41	2.93*	3.33	4.37	**4.76**	
Diversity ratio (%)	45.7	45.0	42.2**	40.3	**41.1**	
Share statistics						
Price earnings ratio (times)	10.8	13.6	13.8	12.4	**11.3**	
Price-to-book ratio (times)	2.4	3.1*	3.0	1.6	**2.0**	
Market capitalisation	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

* *1 July 2018 IFRS 9.*

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

Note: 2017 and 2018 figures are prepared on IAS 39 (unless specified as 1 July 2018 IFRS 9) and 2019 to 2021 figures on IFRS 9.

Five year review – normalised continued

	2017	2018	2019	2020	**2021**	Compound growth %
Exchange rates						
$/R						
– Closing	13.10	13.80	14.13	17.36	**14.26**	
– Average	13.58	12.82	14.17	15.51	**15.33**	
£/R						
– Closing	17.00	18.18	17.98	21.43	**19.72**	
– Average	17.21	17.27	18.33	19.57	**20.66**	
Statement of financial position ($ million)*						
Total assets	92 958	110 695**	118 120	110 980	**132 280**	9
Gross advances before impairments	69 471	82 788**	87 750	75 524	**89 344**	6
Total impairments	1 295	2 107**	2 418	2 844	**3 550**	29
Advances (net of impairments)	68 176	80 681**	85 333	72 679	**85 795**	6
Stage 3/NPLs	1 672	2 429**	2 926	3 300	**4 257**	26
Deposits	75 079	91 902**	98 592	88 423	**108 140**	10
Capital and reserves attributable to ordinary equityholders of the group	8 315	8 374**	9 176	7 927	**10 634**	6
Income statement ($ million)#						
Net interest income before impairment of advances	3 433	3 998	4 255	4 052	**4 208**	5
Impairment charge	(593)	(668)	(741)	(1 572)	**(891)**	11
Operational non-interest revenue	2 815	3 199	3 021†	2 724	**2 841**	–
Share of profits of associates and joint ventures after tax	77	71	89	13	**93**	5
Operating expenses	(3 223)	(3 718)	(3 804)†	(3 588)	**(3 741)**	4
Earnings attributable to ordinary equityholders of the group	1 802	2 060	1 969	1 113	**1 732**	(1)
Statement of financial position (£ million)*						
Total assets	71 632	84 026**	92 828	89 903	**95 655**	7
Gross advances before impairments	53 533	62 842**	68 961	61 180	**64 607**	5
Total impairments	998	1 599**	1 900	2 304	**2 567**	27
Advances (net of impairments)	52 536	61 243**	67 061	58 876	**62 040**	4
Stage 3/NPLs	1 289	1 843**	2 300	2 673	**3 078**	24
Deposits	57 855	69 760**	77 481	71 629	**78 199**	8
Capital and reserves attributable to ordinary equityholders of the group	6 407	6 356**	7 211	6 421	**7 690**	5
Income statement (£ million)#						
Net interest income before impairment of advances	2 709	2 968	3 290	3 212	**3 123**	4
Impairment charge	(468)	(496)	(573)	(1 246)	**(661)**	9
Operational non-interest revenue	2 221	2 375	2 336†	2 159	**2 108**	(1)
Share of profits of associates and joint ventures after tax	60	53	69	11	**69**	3
Operating expenses	(2 543)	(2 760)	(2 940)†	(2 844)	**(2 776)**	2
Earnings attributable to ordinary equityholders of the group	1 422	1 529	1 522	882	**1 285**	(2)

* *The statement of financial position is converted using the closing rates as disclosed for each reporting year.*

** *1 July 2018 IFRS 9.*

\# *The income statement is converted using the average rate as disclosed for each reporting year.*

† *Restated following the reclassification of customer loyalty expenses.*

Note: 2017 and 2018 figures are prepared on IAS 39 (unless specified as 1 July 2018 IFRS 9) and 2019 to 2021 figures on IFRS 9.

corporate governance

corporate governance

corporate governance

FirstRand's overarching governance objective is to ensure that an **adequate and effective process of corporate governance is established and maintained**, one that is consistent with the nature, size, complexity and risk inherent to the group and that responds to changes in the group's environment and conditions.

This objective includes ensuring the group complies with all relevant legislation and best practice guidelines deemed appropriate for the group's effective functioning.

The board recognises that corporate governance practices must be appropriate and implement the highest standards of corporate governance across all operations. It understands and values long-term and ethical client relationships and has well-established governance processes for ensuring a balance between achieving business growth and meeting the reasonable expectations of stakeholders.

FirstRand endorses a holistic approach to corporate governance and the mindful application of the:

> JSE Listings Requirements;

> memorandum of incorporation; and

> Companies Act No. 7 of 2008 (as amended) (the Act).

The board confirms that the group complied with the provisions of the Act, JSE Listing Requirements and is operating in conformity with the requirements of the memorandum of incorporation.

In addition, FirstRand applies the principles contained in King IV and the Basel Committee on Banking Supervision's (BCBS's) corporate governance principles for banks. The board is satisfied that FirstRand has complied with these principles in all material respects throughout the year.

The group's overall corporate governance objective is supported by the implementation of effective policies, processes and procedures relating to corporate governance, internal controls, risk management and capital management. The assessments conducted and overseen by the board committees during the year confirmed that these processes have successfully achieved the above objective.

governance outcomes

FirstRand supports the corporate governance outcomes of King IV, these being ethical culture, good performance, effective control and legitimacy.

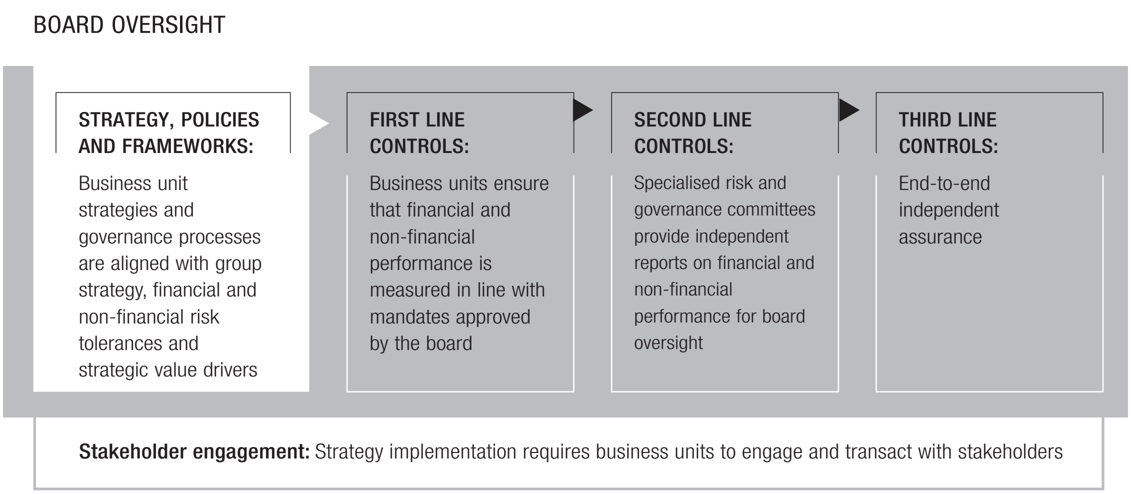
This report details the practices implemented and progress made towards achieving the following governance outcomes:

> ethical foundation and culture;
> adequate and effective board;
> continued effectiveness and performance;
> sustainable value creation and performance; and
> trust and legitimacy through stakeholder engagement.

The board continues to improve on ways to measure the achievement of its governance outcomes.

Integrated governance framework

FirstRand's integrated governance framework allows for coherence between group strategy implementation and the long-term interests of its stakeholders. This is achieved through ensuring that the group's three lines of defence are appropriately aligned using a risk-based approach to identify, assess, manage and monitor significant material issues.



FirstRand subscribes to and promotes good ethical conduct, as set out in the group's code of ethics (the code)

The code provides guidance on ethical decision-making and behaviour. It creates a common understanding of how the group expects its people to behave.

As a financial services group, looking after the financial interests, personal and other information of customers is a responsibility that requires the highest standards of integrity and confidentiality.

The board has endorsed the code of ethics. Top management promotes ethical behaviour, supported by the group ethics office, which has representatives across the business. The ethics office acts as a formal custodian of the code and the mechanisms employed to cascade ethical behaviour throughout the organisation.

Employees' ethical conduct and adherence to the FirstRand philosophy is taken into account in the performance management and review process. Employees are required to attest to the code and to regularly complete ethics training. Ethical standards are reinforced at numerous points throughout the employee life cycle. Directors hold each other accountable for decision-making and acting in a way that is consistent with the code.

GOVERNANCE OUTCOME ADEQUATE AND EFFECTIVE BOARD

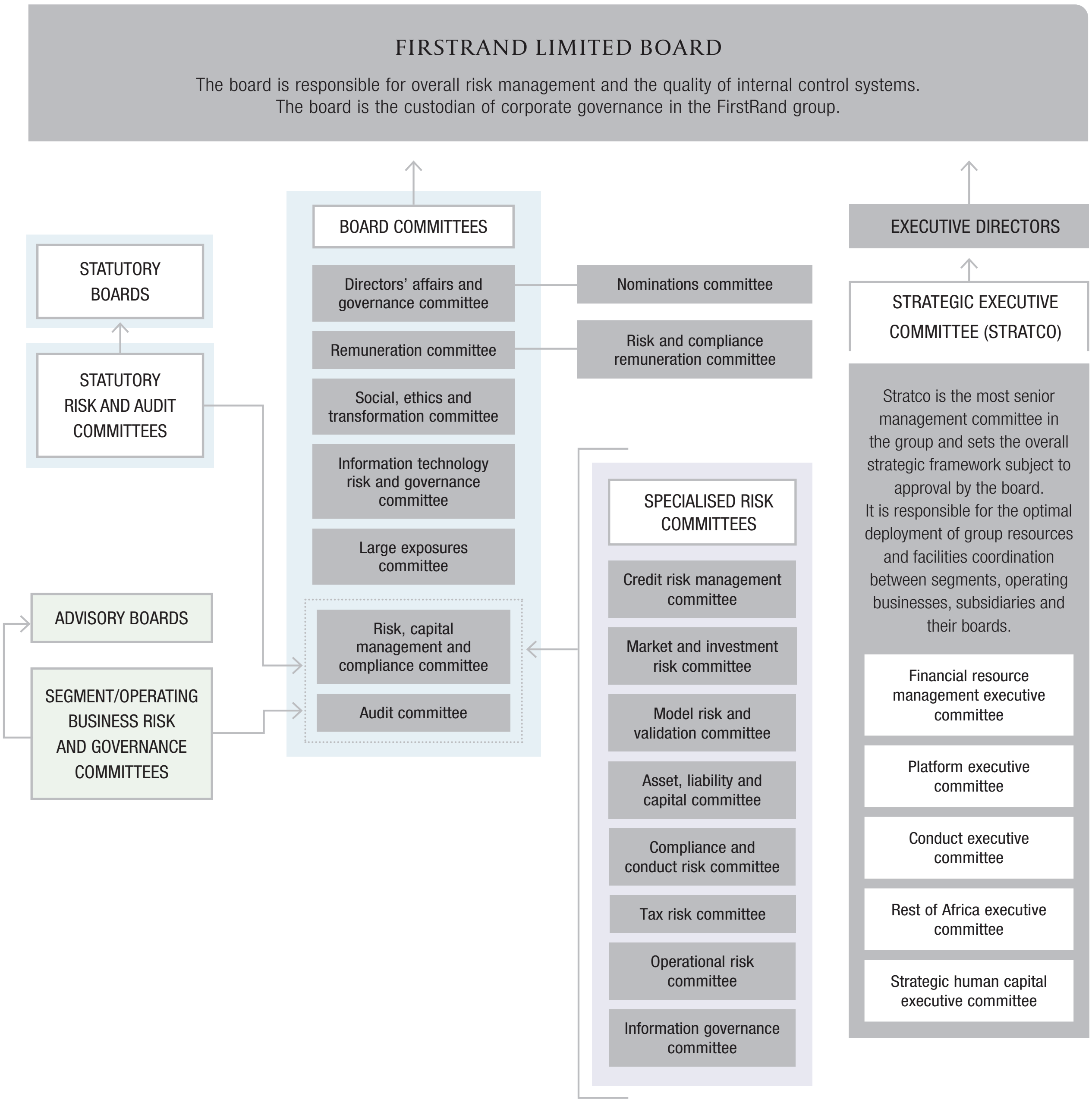
The board has overall responsibility for the group, including approving and overseeing management's implementation of strategic objectives, the governance framework and corporate culture.

The board performs its duties and responsibilities in terms of a board charter that is reviewed annually. In discharging its responsibilities, the board is empowered to delegate its responsibilities to committees and management. As such, the board is supported by board committees, senior management and other governance forums. Various management forums may be established for gathering information, agreeing on and tracking actions and, where necessary, escalating findings or recommendations to decision-making forums.

The board has concluded that it has **collectively satisfied and fulfilled its responsibilities** in accordance with the board charter.

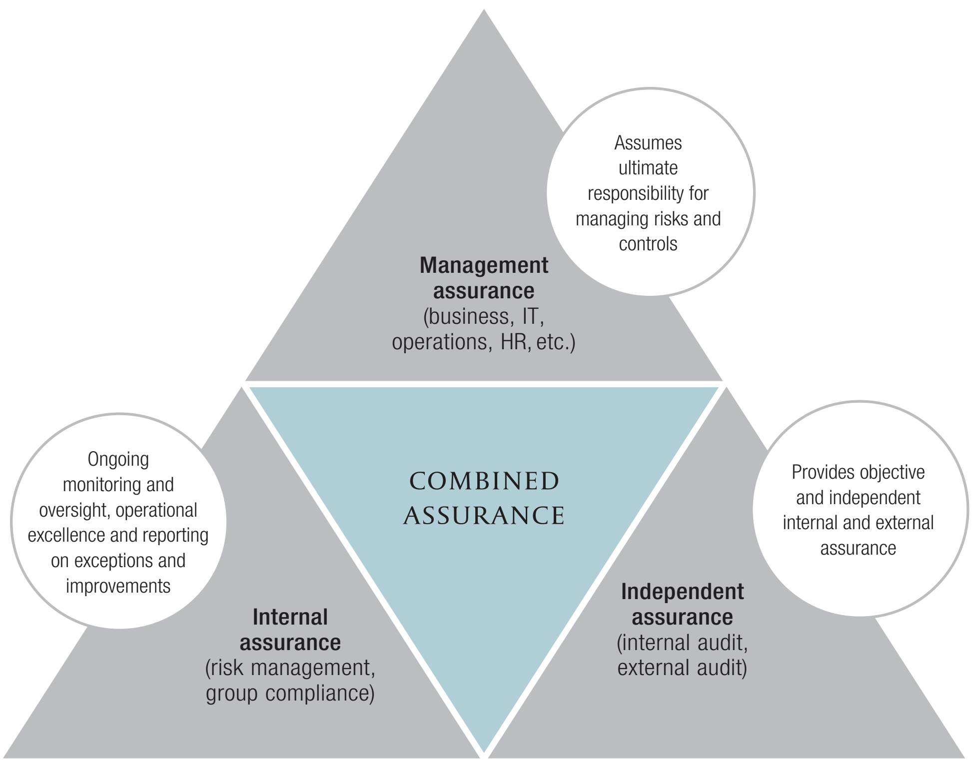
Governance structures and processes are formally reviewed annually and continually adapted to accommodate internal developments and reflect national and international best practice.

The board committees are **satisfied that they have fulfilled their responsibilities** in accordance with their respective terms of reference. The board is satisfied that the composition of the committees of the board and the arrangements of delegation within its own structures promote independent judgement and assist with the balance of power and effective discharge of its duties.


FIRSTRAND LIMITED BOARD
The board is responsible for overall risk management and the quality of internal control systems.
The board is the custodian of corporate governance in the FirstRand group.
STATUTORY BOARDS
STATUTORY RISK AND AUDIT COMMITTEES
ADVISORY BOARDS
SEGMENT/OPERATING BUSINESS RISK AND GOVERNANCE COMMITTEES
BOARD COMMITTEES
Directors' affairs and governance committee
Remuneration committee
Social, ethics and transformation committee
Information technology risk and governance committee
Large exposures committee
Risk, capital management and compliance committee
Audit committee
Nominations committee
Risk and compliance remuneration committee
SPECIALISED RISK COMMITTEES
Credit risk management committee
Market and investment risk committee
Model risk and validation committee
Asset, liability and capital committee
Compliance and conduct risk committee
Tax risk committee
Operational risk committee
Information governance committee
EXECUTIVE DIRECTORS
STRATEGIC EXECUTIVE COMMITTEE (STRATCO)
Stratco is the most senior management committee in the group and sets the overall strategic framework subject to approval by the board.
It is responsible for the optimal deployment of group resources and facilities coordination between segments, operating businesses, subsidiaries and their boards.
Financial resource management executive committee
Platform executive committee
Conduct executive committee
Rest of Africa executive committee
Strategic human capital executive committee

FirstRand combined assurance framework

The primary objective of combined assurance is to facilitate the integration, coordination and alignment of risk management and assurance activities within the organisation to optimise the level of risk, governance and control oversight on the organisation's risk landscape. FirstRand's established combined assurance framework processes are firmly embedded across the group, underpinned by the FirstRand group risk management framework, and given effect through the combined assurance forum structures. The successful implementation of combined assurance is enabled through active participation and contribution across all assurance providers and the use of a common risk rating methodology and risk taxonomy.

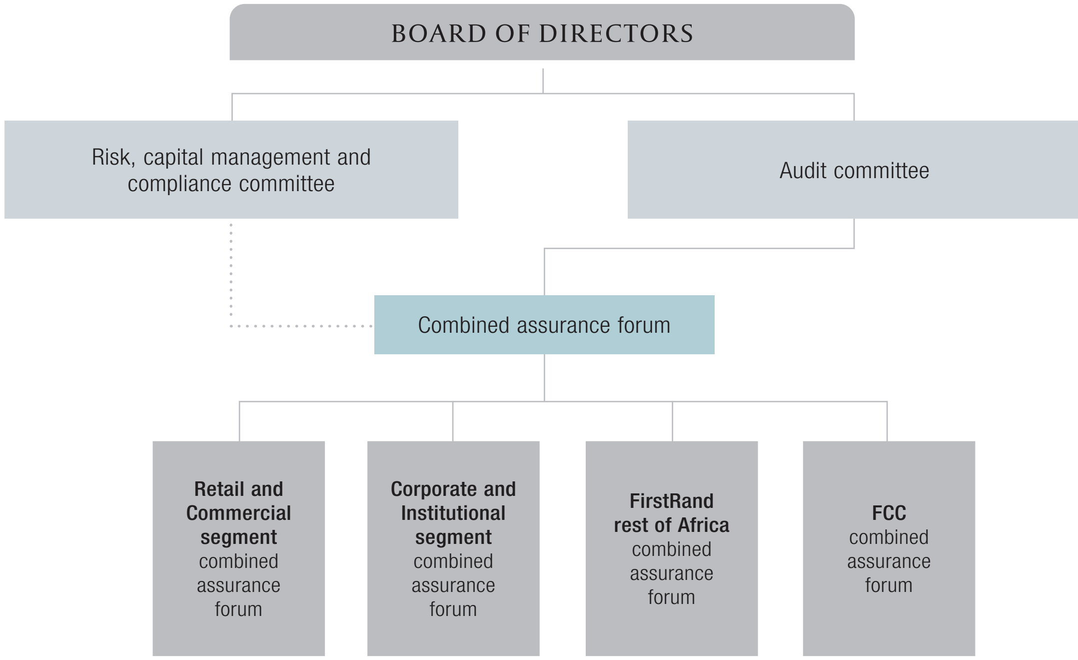


COMBINED ASSURANCE FORUM

The primary objective of the combined assurance forum (CAF) is to assist the audit committee in discharging its responsibilities relating to combined assurance. CAF ensures that the various segment/business combined assurance providers and forums work as a collective to ensure that the right level of assurance in the right areas is obtained from providers who have relevant skills and experience, and that this is done in the most cost-effective and efficient manner. CAF meets on a quarterly basis and agrees on the key risk and control themes that it will monitor across all assurance providers at a segment and group level. CAF is chaired by the Head: Enterprise Risk Management (ERM) with attendees from management, risk management and internal and external assurance providers. The combined assurance forum reports on a quarterly basis to the audit committee on its assurance activities as well as key and emerging risks across the group.

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

FLOW OF COMBINED ASSURANCE OUTPUTS



INTERNAL AUDIT

The group has an independent in-house internal audit function which operates in terms of an approved charter. The Group Internal Audit (GIA) charter spans across FirstRand Limited and its subsidiaries, joint ventures, trusts, offshore operations and business interests.

GIA's purpose is to be a proactive business partner, providing integrated, risk-based, objective assurance, insight and related advisory services. The GIA scope includes providing independent assurance over the internal control systems and the bank's regulatory and economic capital models, regulatory reporting, capital management, stress testing and the internal capital adequacy assessment process (ICAAP).

GIA continually engages with combined assurance role players to obtain insights into business strategies and to ensure integration, coordination and alignment of assurance activities to maintain sufficient coverage of high-risk areas over the three lines of defence. The collaboration enables GIA to place reliance on work performed by other assurance providers subject to certain criteria being met around competence, rigour and bias related to the execution of assurance work.

The risk-based audit plans are presented at the various segment audit committees and to the group audit committee for approval. During the year, the audit plan is reviewed and adjusted as necessary, in response to changes in the group's business, risks, operations, programmes, systems and controls. Progress against the plan, as well as changes to the plan, are approved on a quarterly basis by the relevant audit committee.

GIA is headed by the Chief Audit Executive (CAE), who reports functionally to the audit committee chair and administratively to the group CEO and has the mandate to communicate directly and freely on relevant matters. Each segment or operating business in FirstRand has an independent head of internal audit who reports to the CAE. Senior GIA staff are exposed to key business and governance meetings to engage proactively with business.

The heads of audit of subsidiary entities and branches have a functional reporting line to the group CAE and adhere to specific in-country governance reporting requirements. Support is provided by a head office team based in South Africa. This approach supplements the in-country skills to perform specific technical and entity-wide reviews and facilitates effective knowledge sharing.

Where requisite skills are not available internally, GIA co-sources these from external experts. GIA has an embedded quality assurance and improvement programme (QAIP) which ensures audit quality conforms with the group's audit methodology and with the international professional practices framework of internal auditing. Independent assessments of the GIA function are also undertaken every five years to test conformance with the Institute of Internal Auditors (IIA) standards. This assessment 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 IIA standards.

GIA has adopted an enterprise governance, risk and compliance (eGRC) platform, which maintains a database of audit findings and facilitates efficient tracking, monitoring and reporting of remediation effort. GIA interrogates the audit findings database to highlight common themes and areas of significant risk exposure, and to glean insights on pervasive issues across the group, which in some instances may not be significant individually, however, when considered holistically can point to pervasive control weaknesses which warrant management attention.

Chief executive officer

Alan Pullinger was appointed CEO by the board on 1 April 2018 and is responsible for leading the implementation and execution of approved strategy, policies and operational planning. The CEO leads and directs the executive management and serves as the chief link between management and the board.

The CEO is accountable to the board for, amongst other things:

> developing and recommending the group's short-, medium- and long-term strategies;

> managing the strategies, group performance and vision of FirstRand, and ensuring the achievement of its performance targets;

> ensuring that FirstRand has an effective management team and management structures;

> ensuring that appropriate policies are formulated and implemented;

> ensuring that effective governance measures are deployed; and

> serving as FirstRand's chief spokesperson.

The CEO does not have any work commitments outside of the group and its related companies, apart from a non-executive director position on a school board. The contract of the CEO is subject to a one-month notice period, and there are no contractual conditions related to his termination. A succession plan for the CEO is in place and is reviewed annually.

Company secretary

The company secretary plays an essential role in FirstRand's corporate governance. The company secretary is responsible to the board for, *inter alia*, acting as a central source of information and advice to the board on its duties and responsibilities, adherence to good corporate governance principles, and compliance with procedures and applicable statutes and regulations.

Carnita Low has been FirstRand's company secretary since January 2014 and is also the company secretary to FirstRand's South African subsidiaries. Aligned with good governance practice, the appointment and removal of the company secretary is a matter for the board.

All directors have full access to the professional services and advice of the group company secretary in all aspects of the board's mandate and operations of the group. The board is satisfied that these arrangements are effective.

An assessment of the performance of the company secretary is undertaken annually, as part of the board evaluation process.

The assessment confirmed the company secretary:

> is competent, suitably qualified and experienced;

> has the requisite skills, knowledge and experience to advise the board on good governance;

> maintains an arm's-length relationship with the board and directors; and

> has discharged her responsibilities effectively for the year under review.

GOVERNANCE OUTCOME ADEQUATE AND EFFECTIVE BOARD

board of directors

The board serves as the focal point and custodian of corporate governance in the group

THIS BROAD LEADERSHIP ROLE INCLUDES:

> steering and setting the group's strategic direction;

> giving effect to strategy by approving policy (including plans, frameworks, structures and procedures);

> providing oversight on strategy implementation, and

> demonstrating accountability and transparency through disclosures.

The board retains full and effective control of the group and is supported by senior management and the strategic executive committee, which is the custodian of the group's strategy, to discharge its fiduciary duties and governance role and responsibilities objectively and effectively, in a manner that is consistent with the interests of all stakeholders invested in the success of the group.

The board believes that its current size and composition, given the mix of knowledge, skill, experience, diversity and independence, are suitable to enable it to meet the group's strategic objectives.

Chairman

WILLIAM RODGER (ROGER) JARDINE | 55

Independent non-executive chairman

Appointed chairman: April 2018

BSc, MSc

Executive directors

ALAN PATRICK PULLINGER | 55

Chief executive officer

Appointed: October 2015

Appointed chief executive officer: April 2018

MCom, CA(SA), CFA

HETASH SURENDRAKUMAR (HARRY) KELLAN | 49

Financial director

Appointed: January 2014

BCom (Hons), CA(SA)

MARY VILAKAZI | 44

Chief operating officer

Appointed: July 2018

BCom (Hons), CA(SA)

Independent non-executive directors

GRANT GLENN GELINK | 71

Independent non-executive director

Appointed: January 2013

BCom (Hons), BCompt (Hons), CA(SA)

RUSSELL MARK LOUBSER | 71

Independent non-executive director

Appointed: September 2014

BCom (Hons), MCom, CA(SA)

THANDIE SYLVIA MASHEGO | 43

Independent non-executive director

Appointed: January 2017

BCom (Hons), CA(SA), MBL

ZELDA ROSCHERR | 54

Independent non-executive director

Appointed: April 2020

BSc, BCom (Hons), MSc

Independent non-executive directors

SIBUSISO PATRICK SIBISI | 66

Independent non-executive director

Appointed: April 2021

BSc, PhD

LOUIS LEON VON ZEUNER | 60

Independent non-executive director

Appointed: February 2019

BEcon, Chartered Director (SA)

THOMAS (TOM) WINTERBOER | 65

Independent non-executive director

Appointed: April 2018

BCom (Hons), CA(SA), AEP

Non-executive directors

JOHAN PETRUS BURGER | 62

Non-executive director

Appointed non-executive director: September 2018

BCom (Hons), CA(SA)

FRANCOIS (FAFFA) KNOETZE | 58

Non-executive director

Appointed: April 2016

BCom (Hons), FASSA, FIA

BOARD NOMINEES FOR THE 25TH ANNUAL GENERAL MEETING

Election

> SP Sibisi

Re-election

> JP Burger

> T Winterboer

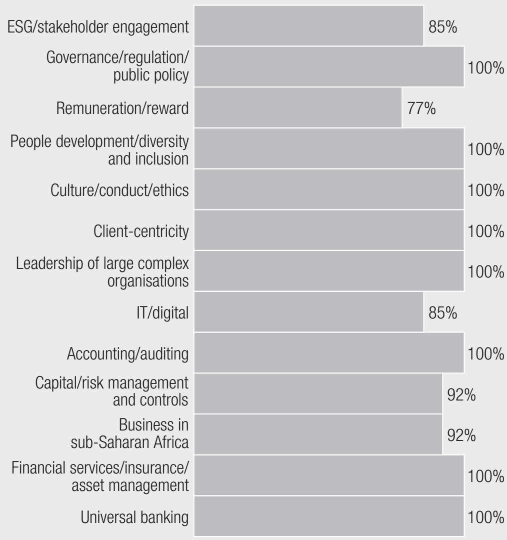
As at 30 June 2021, FirstRand had a unitary board of 13 members. Ten of the directors are non-executive, and eight of them are classified as independent non-executive directors to facilitate effective oversight in terms of King IV.

In response to the Covid-19 social distancing restrictions, board and committee meetings were conducted virtually. Due to the group's sound and deeply embedded governance frameworks, principles and practices, the switch to remote meetings did not impact the effectiveness of board and committee oversight. The board and management collaborated effectively, ensuring continuity in effective governance and decision-making.

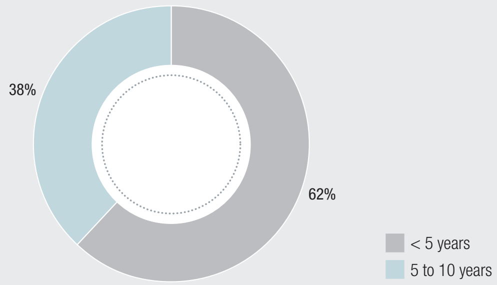
The board attends the scheduled board meetings, the Prudential Authority (PA) bilateral meeting held in November and a strategic conference. To ensure continuous professional development, scheduled training programmes are also attended by the board.

Average age of board members: 57 years

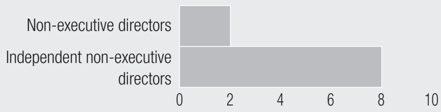
Board skills and experience



Board tenure



Board independence



RECORD OF ATTENDANCE

Name	Board	Bilateral	Strategic conference	Directors' training
Number of meetings	4	1	2	4
Independent non-executive directors				
WR Jardine	4/4	1/1	2/2	4/4
MS Bomela*	2/2	1/1	1/1	1/2
GG Gelink	4/4	1/1	2/2	4/4
RM Loubser	4/4	1/1	2/2	4/4
TS Mashego	4/4	1/1	2/2	4/4
AT Nzimande*	2/2	1/1	1/1	2/2
Z Roscherr	4/4	1/1	2/2	4/4
SP Sibisi**	1/1	–	–	1/1
LL von Zeuner	4/4	1/1	2/2	4/4
T Winterboer	4/4	1/1	2/2	4/4
Non-executive directors				
JP Burger	4/4	1/1	2/2	4/4
F Knoetze	4/4	1/1	2/2	4/4
Executive directors				
AP Pullinger	4/4	1/1	2/2	4/4
HS Kellan	4/4	1/1	2/2	4/4
M Vilakazi	4/4	1/1	2/2	4/4

* *Retired 2 December 2020.*

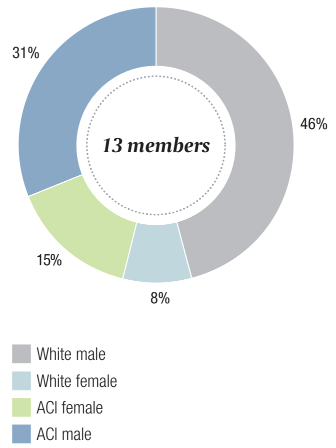
** *Appointed 15 April 2021.*

Changes to board composition

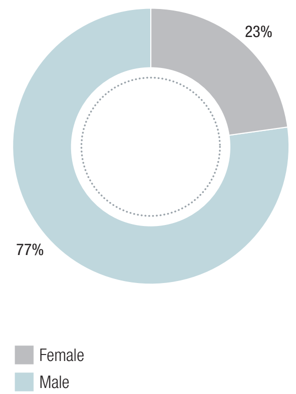
The following changes to the board of directors took place during the 2021 financial year.

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

Board demographics



Gender diversity



Board appointment process and diversity

There is a clear policy in place detailing procedures for nominations, elections and appointments to the board to determine an optimally diverse board with the required skill set. Such appointments are formal and transparent, and a matter for the board, assisted by the nominations committee. Prior to the appointment of a new director, the nominations committee is responsible for making recommendations to the directors' affairs and governance committee as to the candidate's suitability. The nominations committee acknowledges the requirements of the directive and is committed to ensuring that these requirements are achieved and duly considered whenever there is a change to the composition of the board. In terms of the South African banking regulations, all directors of a bank or a bank-controlling company must be assessed as fit and proper by the PA.

The board recognises the benefits of board diversity and has a policy to promote broader diversity, as contained in its charter. All facets of diversity such as age, nationality, culture, race, gender, independence, industry knowledge, skills and expertise are considered when determining optimal board composition.

Directors are appointed through a formal and transparent process. The nominations committee considers these broader diversity needs when proposing suitable candidates for board election. This is in addition to considering the board's effectiveness, together with the balance between non-executive and executive directors and the need for majority independent non-executive directors. Whilst no specific targets have been set, the board is committed to increasing its female and race diversity to introduce broader diversity at board level.

The board considered the proposals by the nominations committee for re-election and appointment to the board of the following directors at the upcoming annual general meeting.

JOHAN PETRUS BURGER

Johan is a qualified chartered accountant who graduated from the University of Johannesburg with a BCom (Hons) in 1983. He is a seasoned banker with more than 20 years' experience in the financial services sector. His skills include strong business leadership, technical expertise and strategic planning. Johan is a mature businessman and banker who is renowned for his strong business acumen, commercial astuteness, extensive experience in broad macroeconomics, financial trends, investment management and private equity.

Prior to joining FirstRand, Johan completed his articles with Coopers & Lybrand (now PricewaterhouseCoopers) and started his career in 1986 at Rand Merchant Bank. He has had an illustrious business career mostly serving in top executive positions. He was appointed as the CFO of the group in 2002, and in addition to this role assumed the position of group COO in 2009. He was appointed as CEO in October 2015, delivered superior shareholder value during his tenure and led highly trained executive teams of multidisciplinary managers and professionals. He retired as CEO in March 2018.

Johan is self-employed and provides invaluable institutional knowledge and wisdom to the group.

THOMAS WINTERBOER

Tom is a qualified chartered accountant and a well-known financial services leader responsible for driving financial services strategy. He was a member and past chairman of the SAICA Banking Project Group.

He has multinational experience that he acquired during his extensive business career and is a former member of the PricewaterhouseCoopers Global Financial Services Leadership team. Tom spent the greater part of his career at PricewaterhouseCoopers where he industrialised and launched a variety of banking and financial services thought leadership material. Examples include the strategic and emerging issues surveys in banking and in other financial services areas, and taking a range of global thought leadership material to the market, in addition to providing extensive audit and advisory services to multinational clients.

During the course of his career, in addition to serving financial services clients, he served as partner to clients in various other industries outside financial services. He is a seasoned director with a broad reservoir of knowledge and extensive financial services and banking experience, including robust business and leadership skills.

SIBUSISO PATRICK SIBISI

Sibusiso has a BSc (Physics) from London University's Imperial College (1978) and a PhD (Mathematics) from Cambridge University (1983). He has a strong passion for science and technology and empowering the next generation of leaders. He has more than 35 years' experience in information technology, risk management, strategy, sustainability and technology innovation supporting many key initiatives and fostering of social-economic development.

Sibusiso was appointed executive director at Plessey in Cape Town in 1997 before joining the University of Cape Town as deputy vice-chancellor for research and innovation in 2000. In 2002 he was appointed president and CEO of the Council for Scientific and Industrial Research (CSIR), a position he held until 2016.

He was awarded the Order of Mapungubwe (Silver) by President Thabo Mbeki in 2007 for his contribution to technology and research. The official tribute accompanying this high award states: "Sibisi is a physicist and mathematician who is well versed in the workings of the corporate world. His work recognises the importance of linking the academic world of science and the commercial world of business. This is heavily influenced by where he started his work, which was at one of the world's highest-profile innovation hubs, Cambridge Science Park."

Board chairman

Roger Jardine is the independent non-executive chairman of the board. He has extensive experience in financial services in diverse industries such as steel, retail, manufacturing, IT services, mining services and infrastructure development. Before being appointed chairman, Roger served on both the FirstRand Bank and FirstRand Limited boards as a non-executive director. His experience and knowledge of the FirstRand group make him well suited to fulfil the role of chairman. The chairman's duties and responsibilities are clearly defined in the board charter and are in accordance with the provisions of King IV, JSE Listings Requirements and the Banks Act.

In addition, Thandie Mashego, an independent non-executive director and the chair of the directors' affairs and governance committee, is accountable for ensuring that there is no conflict of interest on the part of the chairman in the performance of his duties. Thandie also ensures that the independent members of the board demonstrate impartiality and leadership.

Succession plan

FirstRand benefits from an extensive pool of people with diverse experience and competence. The group's non-statutory subsidiary boards are used as a platform for mentoring potential future executive and non-executive directors and developing their knowledge of the group. The group continues to apply specific focus on succession planning at board level. The board is comfortable that its composition, and that of its committees, is appropriately constituted with the correct mix of skill and expertise.

Retirement and rotation of directors

The retirement age of non-executive directors, in terms of the memorandum of incorporation, is set at age 70. Such director shall vacate their office at the close of the annual general meeting after turning 70, unless the board resolves to extend that age for an additional one year in each instance, should their specialised skills be required, and the board unanimously supports their nomination.

Each year, one-third of FirstRand's non-executive directors, excluding the board chairman, retire by rotation. There is no limit to the number of times that a director may be re-elected to the board, provided they are below the retirement age. When FirstRand directors retire from the board they automatically retire from the statutory boards and statutory committees on which they serve, unless it has been unanimously agreed by the board that the skills and experience of a director warrant retention.

Non-executive directors are expected to ensure that appointments to boards outside the group do not impinge on their ability to perform their duties as directors of FirstRand and do not present any material conflicts of interest. The appointment of all directors to the board requires the approval of shareholders at the annual general meeting.

Independence

FirstRand is guided by the criteria set out in King IV to assess the independence of directors and to ensure that no director wields unfettered power over the board, or is likely to influence unduly or cause bias in decision-making when judged from the perspective of a reasonable and informed outside party.

The board is satisfied that all directors, whether classified as executive, non-executive or independent non-executive, act independently, free of undue influence, and in the best interest of the group. The roles of the chairman and chief executive officer are clearly defined in the board charter, demonstrating a clear balance of power and authority at board level to ensure that no one director has unfettered powers of decision-making.

Induction and ongoing board development programme

The directors are accountable and responsible for all actions of board committees. This is emphasised during the induction training provided to new directors.

Other ongoing training and education courses allow directors to familiarise themselves with FirstRand's operations, its business environment, fiduciary duties and responsibilities, and the board's expectations in respect of a director's commitment, ethical behaviour and keeping abreast of regulatory changes and trends. The directors' affairs and governance committee oversees directors' induction and ongoing training programmes, and will continue to make the professional development of its members a priority.

Directors have full and unrestricted access to management, group information and property. They are entitled to seek independent professional advice in support of their duties at the group's expense.

Annual assessment

During the year a formal external evaluation was conducted which measured the board's performance and effectiveness, as well as that of the individual members and the company secretary. The directors' affairs and governance committee reviewed the evaluation and identified no material concerns in respect of the areas assessed, hence no remedial actions were required.

The board is satisfied that the independent non-executive directors who have served continuously for nine years or more are able to act independently in decision-making in the best interests of the group. A key consideration when selecting directors is the group's competency framework. The financial services sector is complex and suitably qualified directors with the requisite skills and business experience are rare.

The board is satisfied that the evaluation process continues to improve its performance and effectiveness.

During the year the following major training topics were covered:

> financial crime prevention board training (including anti-bribery and corruption);
> environmental, social and governance (ESG) and climate risk;
> liquidity risk;
> credit risk;
> cybercrime risk:
> remuneration philosophy;
> new normal remote working;
> asset management pillar update;
> conduct risk management and the role of the board as it pertains to conduct risk;
> agriculture focus;
> director independence;
> directors' disclosure of interests;
> IFRS 9 impact on financials;
> JSE Listings Requirements – changes;
> artificial intelligence (AI) in financial services; and
> data strategy.

During the year the following areas were assessed:

> board and board committee governance, performance and effectiveness;
> performance and effectiveness of the board chairman;
> performance and effectiveness of individual non-executive directors; and
> performance and effectiveness of the company secretary.

Conflicts of interest

Policies are in place to manage any potential conflicts of interest. Directors sign quarterly declarations stating that they are not aware of any undeclared conflicts of interest that may exist due to their interests in, or association with, any other company. In addition, directors disclose interests in contracts and related party transactions for the board to assess whether such transactions are on arm's-length commercial terms. In instances that they are conflicted, directors will recuse themselves from the relevant deliberations.

Further details regarding the conflict of interest policy, including the register of conflicts and/or directors' personal financial interests, are available on the group's website at https://www.firstrand.co.za/media/investors/governance/firstrand-declaration-and-conflict-of-interest-policy.pdf.

Dealings in securities

The policy for directors, prescribed officers and company secretary dealings in securities, as well as the policy for group-wide personal trading, prohibit these individuals and employees from trading in securities during closed periods, or any period which contains unpublished price sensitive information in relation to the company's securities. Closed periods are effective from 1 January until publication of the group's interim results and from 1 July until publication of the year-end results.

In addition, this trading restriction applies during embargo periods during which certain nominated employees are prohibited from trading in designated securities due to price sensitive information that may be obtained by virtue of their positions.

board committees

FirstRand has **established seven duly constituted board committees** to assist and support the board in discharging its duties. Each committee acts in terms of a written charter. The charters were reviewed and approved during the year. The board and subcommittees are satisfied that they have **executed their duties during the past financial year in accordance with their terms of reference**, as set out in the board and committee reports.

A summary of the board committees' composition and responsibilities is provided below. The full reports from the audit committee and the social, ethics and transformation committee are provided on pages 105 to 114.

The Remco chairman's letter to stakeholders is provided on page 98, the full remuneration committee report is published on FirstRand's website at https://www.firstrand.co.za/media/investors/annual-reporting/firstrand-remuneration-report-2021.pdf

Large exposures committee

SUMMARY OF RESPONSIBILITIES	
The large exposures committee is constituted pursuant to the requirements of Banks Act Directive 5/2008, section 73 of the Banks Act and Banks Act regulations.	The prime objective of the committee is to assist the board in discharging its responsibilities in terms of the management of credit granting and credit risk (which forms an integral part of the overall process of corporate governance) across the group. This role includes: > considering and opining on the making of investments or granting of loans or advances or other credit which exceeds 10% of FirstRand's qualifying capital and reserves, in terms of section 73 of the Banks Act; and > considering and opining on the making of investments or granting of loans or advances or other credit to related parties and the write-off of any related-party exposure exceeding 1% of FirstRand's qualifying capital and reserves, in terms of Regulation 24(9) of the Banks Act. The committee is also responsible for the delegation of mandates, in respect of the approval of non-large exposure group and individual facilities, to the FirstRand wholesale credit approval committee, the FirstRand commercial credit approval committee and the FirstRand retail credit policy, risk appetite and mandate approval committee, as appropriate.

Composition	
RM Loubser (chairman)	Independent non-executive director
LL von Zeuner	Independent non-executive director
TS Mashego	Independent non-executive director
JP Burger	Non-executive director
JJH Bester	Specialist consultant
CEO	
COO	
Financial director	
CRO	
Head of wholesale credit	
Group enterprise risk management credit executive	

During the financial year ended 30 June 2021, 12 meetings were held. Meetings are convened monthly; however, additional meetings can be convened on an *ad hoc* basis as and when required in terms of section 73 of the Banks Act. The committee meets as often as it deems necessary for the purpose of discharging its duties and responsibilities in terms of its charter, but not fewer than six times per annum.

Directors' affairs and governance committee

SUMMARY OF RESPONSIBILITIES	
The purpose of the directors' affairs and governance committee (DAG) committee is to evaluate the adequacy, efficiency and appropriateness of the corporate governance practices of the group and assist the board in discharging its duties in respect of: > governance and board effectiveness; > board continuity; and > executive succession planning. The committee fulfils the responsibilities of a nominations committee, as guided by King IV, and has delegated some of this responsibility to a subcommittee, being the nominations committee (NC). The NC ensures the establishment of a formal process for the appointment of directors, including the identification of suitable board members, taking cognizance of its need for appropriate skills and diversity, while maintaining a balance between non-executive and executive directors and independent non-executive directors.	The committee oversees continual refinements in the group's corporate governance structures and processes, ensuring that arrangements for delegation within these structures promote independent judgement and assist with the balance of power and effective discharge of its duties. This ensures that corporate governance provides a solid foundation for the development and execution of business strategy.

		Record of attendance	
Composition		DAG	NC*
TS Mashego (chair, appointed 3 December 2020)	Independent non-executive director	4/4	3/3
AT Nzimande (chair, retired 2 December 2020)	Independent non-executive director	2/2	3/3
WR Jardine	Independent non-executive chairman	4/4	6/6
JP Burger	Non-executive director	4/4	6/6
MS Bomela (retired 2 December 2020)	Independent non-executive director	2/2	
GG Gelink	Independent non-executive director	4/4	
F Knoetze	Non-executive director	4/4	
RM Loubser	Independent non-executive director	4/4	
Z Roscherr	Independent non-executive director	4/4	
LL von Zeuner	Independent non-executive director	4/4	
T Winterboer	Independent non-executive director	4/4	
SP Sibisi (appointed 15 April 2021)	Independent non-executive director	1/1	

* *The nominations committee (comprising non-executive directors) is a subcommittee of the directors' affairs and governance committee, which also comprises non-executive directors.*

FUNCTION	AREAS OF FOCUS
Governance and board effectiveness	
> reviews and evaluates the adequacy, efficiency and appropriateness of the corporate governance structures and practices through performance evaluations and assessments; > establishes new committees as required, and approves committee mandates and charters; > establishes, maintains and monitors the FirstRand corporate governance objective and plan, ensuring that it complies with all laws, regulations, and codes of conduct and practices; and > oversees the board induction training and development programme.	> approved the group corporate governance objective and plan; > oversaw the board and committee evaluation assessment process conducted by a service provider that is independent from the group and which included the Regulation 39 assessment (Banks Act), and considered the outcomes from all assessments; > received feedback from the board chairman on his prudential meeting with the PA; > reviewed and approved the revised nominations committee charter; > reviewed and approved the revised DAG committee charter; > considered and approved the annual review of non-executive directors' and executive directors' fees; > oversaw the director development training programme; and > conducted board evaluations in accordance with King IV in order to review: – the performance and effectiveness of the board and board committees; – the performance and independence of the board chairman, individual non-executive directors and the company secretary; and – the independence of independent non-executive directors who have served continuously for nine years or more.
Board continuity	
> oversees the development and maintenance of a board directorship continuity and succession plan.	> focused on, considered and approved the non-executive director succession plan as presented annually for review, and discussed quarterly, at the committee as it relates to the PA's directive; and > considered and opined on board nominations, board committee changes, appointments and retirements.
Executive succession planning	
> assists the board in the nomination of successors to key positions in FirstRand.	> considered and approved the executive succession plan which was presented biannually during the financial year; and > considered and opined on group nominations, group committee changes and appointments and retirements.

FUTURE FOCUS AREAS
> Ongoing focus on board effectiveness and continuity. > Specific focus on board succession planning. > Continued focus on board training and the curriculum. > Specific focus on executive succession planning. > Review of the governance structures of the subsidiaries of the group.

Risk, capital management and compliance committee

SUMMARY OF RESPONSIBILITIES	
The committee provides independent oversight of risk, capital management and compliance committee (RCCC) activities undertaken in the group. This includes ensuring that an effective policy and plan for risk management have been implemented to improve FirstRand's ability to achieve its desired outcomes, and that risk disclosures are timely, sufficiently detailed and relevant to the group's stakeholders. The Basel Pillar 3 report, published on the FirstRand website, sets out the specific risk and compliance management actions undertaken during the year.	The committee is satisfied that the group has adequate resources, systems, skills and remuneration practices to facilitate the ongoing effectiveness of the risk, capital management and compliance functions.

Composition		Record of attendance*
RM Loubser (chairman)	Independent non-executive director	4/4
GG Gelink	Independent non-executive director	4/4
MS Bomela (retired 2 December 2021)	Independent non-executive director	2/2
F Knoetze	Non-executive director	4/4
T Winterboer	Independent non-executive director	4/4
JP Burger	Non-executive director	4/4
LL von Zeuner	Independent non-executive director	4/4
Z Roscherr	Independent non-executive director	4/4
SP Sibisi (appointed 7 June 2021)	Independent non-executive director	–

* *In addition, two RCCC framework approval committee meetings were held during the year.*

Compliance with laws and regulations applicable to operations is critical to the group as non-compliance may have potentially serious consequences.

OVERALL FUNCTION	AREAS OF FOCUS
> approves risk and compliance management policies, frameworks, strategies and processes including its subcommittees' charters and membership; > monitors management and containment of risk exposures within the return and risk appetite framework and group risk management framework; > monitors implementation of risk and compliance management strategy, risk appetite limits and effectiveness of risk and compliance management of existing and emerging risks; > monitors that the group takes appropriate action to manage its compliance, conduct and prudential risks, and complies with applicable laws, rules, codes and standards; > approves regulatory capital models, risk and capital targets, limits and thresholds; > monitors capital adequacy and ensures that a sound capital management process exists; and > reports on the assessment of adequacy and effectiveness of risk appetite, risk management the group's ICAAP and compliance processes.	> reviewed and approved the committee's charter; > received and reviewed the overall group risk profile report, including the chief risk officer (CRO), tax and portfolio risk reports, and escalated material issues to the board where appropriate; > reviewed and approved changes to board limits and risk appetite; > approved assumptions underlying the group's ICAAP and stress testing process, including review of management plans to address additional risks arising from risk scenarios and further refinements of the ICAAP which were implemented; > reviewed and approved the group recovery plan as recommended by the asset, liability and capital committee; > reviewed and approved the board risk assessment; > considered global and local macroeconomic developments and how these are expected to impact the different portfolios in the group, and considered the impact of a further ratings downgrade on the group; > considered and approved the IFRS 9 macroeconomic forecast, scenario and stress testing; > reviewed the macroeconomic house view and the Covid-19 virus outbreak outlook for South Africa; > considered reports and presentations from group businesses and operational risk on the impact of Covid-19 and specific management actions taken to manage the additional risk, including tax risk, regulatory engagements and actions; > approved the credit risk capital models; > received an update on the unsecured prudential limit framework; > reviewed and approved governance frameworks, charters and mandates, including taking into consideration membership of the committee and RCCC subcommittees to ensure there is adequate knowledge, skills and experience for effective risk management; > reviewed and approved credit risk profile and credit risk appetite parameters as recommended by the credit risk management committee; > reviewed and approved operational risk appetite parameters and governance methodology as recommended by the operational risk committee; > reviewed updates on segment/operating business IT risk profiles and group IT governance by the business chief information officers; > received detailed feedback on the PA's on-site visit for IT and IT risk; > received presentations and tracked the progress made with the BCBS's principles for effective risk data aggregation and risk reporting (BCBS 239) project, including integration with the group data strategy; > considered presentations by management as mandated by subcommittees for escalation of the review of market risk and foreign exchange stress funding limits on the back of capital market developments; > received detailed updates on the group's approach to climate change risks including details of its underlying portfolios' physical and transition risk profile as well as relevant extracts from the TCFD report; > received updates on the SARB common scenario stress testing on climate risks;

OVERALL FUNCTION continued	AREAS OF FOCUS continued
	> considered feedback presented to the committee on the PA bilateral meetings; > received reports on the effectiveness of group corporate governance practices in line with Regulation 39; > reviewed the group annual insurance renewal programme to ensure adequate cover for FirstRand; > received and reviewed reports on the insurance risk profile; > received reports on the increased regulatory scrutiny and enforcement across operating jurisdictions, including initiatives to address these risks; > considered the independent assessment of current and future risks, including communication of the outcomes and concerns to management and board for consideration in strategic planning and risk management processes; > received and reviewed presentations on the Aldermore risk profile; > reviewed the management of FirstRand's regulatory and supervisory risk (risk that the group does not comply with applicable laws and regulations or supervisory requirements), in all jurisdictions in which it operates; > reviewed and approved regulatory risk appetite parameters and thresholds (at a group and financial crime level); > considered presentations on regulatory and conduct risk matters; and > considered group-wide monitoring coverage plans for regulatory and conduct risk management.

FUTURE FOCUS AREAS
Continued focus on: > cybersecurity; > climate change and broader ESG risks and their impacts on credit risk and other risk types; > IT and data risks resulting from migration of activities onto digital platforms as well as legislation such as the Protection of Personal Information Act (POPIA); > macro operating environments and scenarios and their impact on the risk profile; > the impact of Covid-19 on the group's portfolios and business operations; and > regulatory changes emanating from Basel IV and impacts on credit risk, trading risk and others. Assessing: > emerging risks; > local and international risk trends and their interconnectedness; > geopolitical risks; and > the growing influence of digital disruption on business.

Information technology risk and governance committee

SUMMARY OF RESPONSIBILITIES	
The FirstRand information technology risk and governance committee (ITRGC) is responsible for information technology risk and governance in accordance with King IV. It ensures the effectiveness and efficiency of the group's information technology systems and IT risk management processes as required by the Banks Act. The committee comprises three external IT risk specialists, a member of the board and a member of the strategic executive committee who assist the board in governing information technology in a way that supports the group in setting and achieving its strategic objectives. Management* is required to attend and present reports to the ITRGC.	The world is rapidly advancing in the areas of technology, communication, commerce and financial transactions. This means that banking systems must adapt and implement appropriate delivery platforms for customers and internal use. Consequently, information technology investment will continue to grow. The board has a responsibility to ensure that governance around these ongoing and fast-changing developments is at the highest level of oversight. The board appreciates the importance of information technology as it is integral to the strategy, performance and sustainability of FirstRand.

* *Chief Digital Officer, CRO, chief information technology officers, Chief Audit Executive, Head: IT Risk and Governance, Head: Operational Risk Management, Head: Information Security, Head: Information Governance, Head: ERM and Group Legal Advisory (IT).*

Composition		Record of attendance
L Crouse (chairman)	Specialist consultant	4/4
GG Gelink	Independent non-executive director	4/4
AC Meyer	Specialist consultant	4/4
M Chirnside	Specialist consultant	4/4
SP Sibisi (appointed 7 June 2021)	Independent non-executive director	–
AP Pullinger (CEO – member of strategic executive committee)	Executive director	4/4

FUNCTION	AREAS OF FOCUS
The committee exercises ongoing oversight of IT management and, in particular: > provides the board with an overall view of IT risk and governance across the group; > reviews and approves the FirstRand IT governance framework (ITGF) and oversees its implementation; > approves and oversees the universe of IT governance frameworks, policies, standards and structures; > monitors the appropriateness and effectiveness of the group's management of IT risk and information, and cybersecurity; > initiates corrective action where required; > considers the FirstRand IT risk profile, including cybersecurity, and ensures it is managed within FirstRand's IT risk appetite; > receives reports on significant IT, information security and cyber-related incidents, and monitors that adequate corrective actions have been implemented; > escalates significant IT (including cyber) risk and governance matters to the board; > monitors IT spend to ensure that significant technology investment delivers value; > monitors the development and implementation of the IT strategy and associated IT operating model; > monitors group compliance with all relevant regulatory requirements; and > ensures management has successfully discharged its responsibilities in terms of the ITGF by reviewing first, second and third line management reports.	> oversaw initiatives and progress related to the implementation of BCBS 239 for IT risk (full implementation achieved and validated by GIA in 2021); > reviewed internal and external analysis of operating platforms; > achieved alignment in reporting of business IT spend, allowing for a more accurate consolidated view and reporting; > monitored software licence compliance with the residual risk now sufficiently reduced; > received regular updates on IT legal and regulatory matters (including emerging IT-related legislation) and monitored the group's progress towards compliance with new relevant regulatory and legislative requirements; > obtained a view of the business's IT strategies including key projects, and tracked progress made to remediate key IT risk and governance themes across the group; > analysed trends and root causes of significant IT risks and incidents; > reviewed remediation processes to ensure that adequate corrective actions have been and will be implemented for identified IT risks and incidents; > obtained a view of the key IT risk scenarios across the group; > reviewed the results of penetration/vulnerability tests and tracked the progress to remediate key weaknesses; > obtained a view of material IT outsourced arrangements, critical third-party service providers and cloud services; > reviewed the annual survey results on the effectiveness of the ITRGC and developed actions to address concerns/gaps; > obtained a view of the IT risk management resource adequacy across the group and actions to address gaps; > received feedback on the top IT systems projects across the group; > agreed on the reporting expectations for IT data governance; > obtained a view of the IT risk and information security structures to confirm independence from first line; > obtained an update on the data centre strategy and the reasons for the postponement of the 2021 annual disaster recovery test to October 2021; > approved updated FirstRand frameworks (IT governance, business delivery management) and other governance documents (IT risk data aggregation and reporting procedure, BCBS scope for IT risk, FirstRand cloud strategy and policy); > obtained an overview of the data and analytics strategy and IT relevance; > reviewed the outcome of an internal benchmarking on cyber threat; > reviewed an internally completed IT risk maturity assessment as requested by the PA; and > reviewed the following quarterly reports: – business chief information officer (CIO) reports and IT risk reports (including Aldermore); – feedback and escalations from the Firstrand CIO Exco and operations technology Exco; – group IT risk and governance profile report; – group information governance report; – GIA report on IT risk and governance; – group information security and cybersecurity report; – IT legal and regulatory management report; and – report on digital transformation towards a single enterprise digital platform for critical capabilities.

FUTURE AREAS OF FOCUS
Continued focus on: > the group's IT, cloud, data and digitisation strategies; > the embedding of the BCBS 239 programme for IT risk; > the group's cybersecurity incident management and breach readiness; > proactive monitoring of intelligence to identify, avoid and respond to incidents (including cyberattacks); > enhancing the risk and governance of the use of digital tools (e.g. robotics and artificial intelligence); and > the IT control environment given emerging risks identified in the Covid-19 environment.

Remuneration committee

SUMMARY OF RESPONSIBILITIES	
The remuneration committee (Remco) oversees group remuneration and ensures that practices align employees and shareholders. Remco promotes fairness of remuneration by ensuring that the principle of equal pay for work of equal value is applied, and that remuneration is market related and sustainable. The committee assists the board in ensuring that the group meets the requirements of section 64C of the Banks Act, the Financial Stability Board's Principles for Sound Compensation Practices and its Implementation Standards, Basel Pillar 3 remuneration guidelines and the recommended practices of King IV, where appropriate.	The committee is satisfied that it has executed its duties during the past financial year in accordance with its charter and relevant legislation, regulations and governance practices. The effectiveness of the committee is assessed annually by the board.

Composition		Record of attendance
LL von Zeuner (chairman)	Independent non-executive director	8/8
GG Gelink	Independent non-executive director	8/8
RM Loubser	Independent non-executive director	8/8
AT Nzimande (retired 2 December 2020)	Independent non-executive director	4/4
WR Jardine	Independent non-executive director	8/8
JP Burger	Non-executive director	8/8

The Remco chairman's letter to stakeholders follows below. The full remuneration committee report is published on FirstRand's website at https://www.firstrand.co.za/media/investors/annual-reporting/firstrand-remuneration-report-2021.pdf.

Letter from the chairman of the remuneration committee to stakeholders

"The normalised earnings growth of 54% for the year under review is testament to the strength of FirstRand's franchise and its ability to capitalise on the economic rebound taking place across the markets where we operate. One must bear in mind the base effect created by the depressed performance in the prior year, due to increased impairments raised in response to the impact of the Covid-19 pandemic. However, it's equally important to focus on the group's current year pre-provision operating profits, which exclude impairments. These increased 5%, a commendable outcome given the tough operating environment."

FirstRand was able to deliver normalised earnings growth of 54% and ROE of 18.4%, back within the target range of 18% to 22%, reflecting the underlying quality of the group's earnings. The group produced R4.9 billion of economic profit which we measure as net income after cost of capital (NIACC), which is our key performance measure.

We took an appropriate stance to meet the weaker economic environment and particular challenges presented by switching most of our employees to working from home, as well as in many cases the way we do business with our customers. We focused on financial resource management (FRM) principles as the anchor of our strategy, in particular:

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

I'm pleased to say that, for the most part, the group delivered on this strategy. Earnings recovered faster than expected, with ROE and NIACC improving strongly. The group's Common Equity Tier 1 (CET1) ratio increased to 13.5% (2020: 11.5%) and the group is in a position to pay a full-year dividend at the bottom end of its cover range (56% payout).

As you will see when reading the remuneration report, a key focus for the group has been restoring the previous high watermark of earnings achieved in 2019. The progress in this period has taken us closer to it than we expected at the start. This reflects the quality of FirstRand's portfolio, the strength of its customer franchise and its ability to benefit from the economic rebound that is taking place.

Remuneration pool

The group's performance management framework is anchored to NIACC and Remco considers NIACC over a six-year business cycle. Given that the overall value creation to shareholders over that entire six-year period was positive, a short-term incentive (STI) pool was awarded in both 2020 and 2021.

The 2021 STI pool increased 45% compared to the prior year. This outcome was driven in particular by:

> The 54% increase in normalised earnings.

> Positive NIACC of R4 857 million in the current year (compared to a negative R1 443 million in the prior year).

> An improvement of ROE from 12.9% to 18.4%.

However, Remco was mindful that the 2019 earnings high watermark was not achieved and as such the STI pool increase should be lower than the earnings growth.

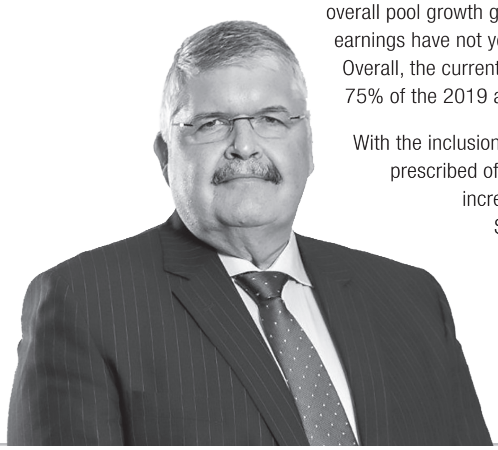
Ultimately the demonstration that shareholders have done better than management for the previous year and current year lies in the following:

> For the year to June 2020 the STI pool reduced 43%, more than the decline in earnings of 38%.

> For the year to June 2021 the STI pool grew 45%, less than the increase in earnings of 54%, as both earnings and ROE have not fully recovered. This is further reflected in the fact that the 2021 STI pool is still lower than the 2019 level.

For executive directors and prescribed officers (excluding the Aldermore prescribed officer), STIs increased 30%. This is below the overall pool growth given that 2019 earnings have not yet been exceeded. Overall, the current year STI award is 75% of the 2019 award.

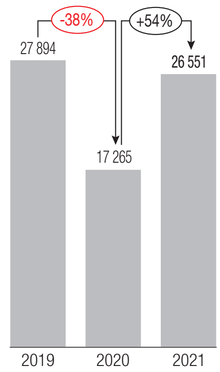
With the inclusion of the Aldermore prescribed officer, the STI increase is 56% as no STIs were awarded in Aldermore in the previous year.



Louis von Zeuner ~ Chairman

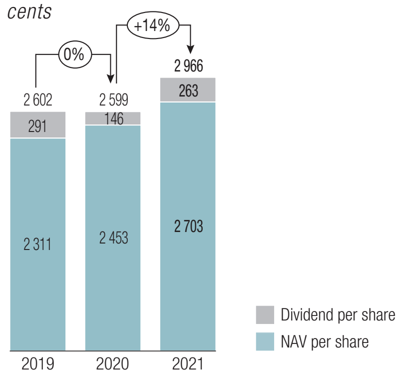
Normalised earnings

R million



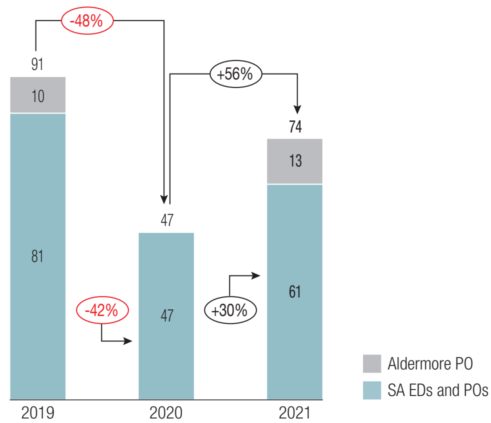
NAV plus dividend per share

cents



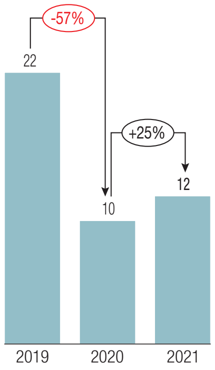
Executive STI

R million



All the executive directors' and prescribed officers' STIs for 2021 are below the 2019 level (at an individual level) and the CEO's STI increased by 25% after falling 57% in the prior year, as detailed below.

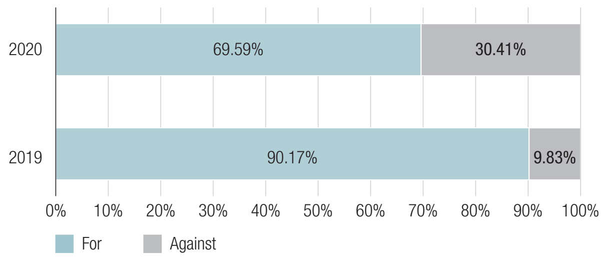
CEO's STI
R million



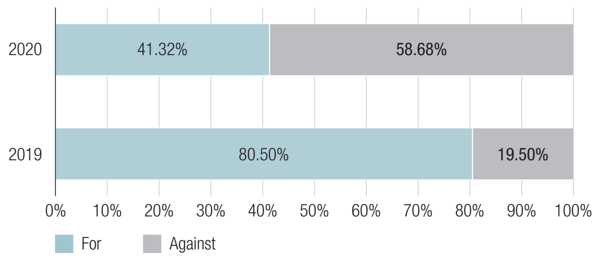
Shareholder engagement

The remuneration policy and implementation report for the year to June 2020 were tabled at our annual general meeting (AGM) in December 2020 for separate non-binding advisory votes by shareholders. The results (shown below) did not meet the 75% threshold set by the listings requirements.

Remuneration policy



Implementation report



During the year, the remuneration committee engaged with shareholders on several issues, in line with our obligations under the King IV Code and JSE Listings Requirements. We aim to ensure that our shareholders are fully appraised of our remuneration policies and their implementation, as well as for the committee to fully understand the concerns of shareholders.

During the year, the following engagements were held:

DATE	ENGAGEMENT
October 2020 (pre-AGM)	The chairman of the board and the chairman of Remco hosted a virtual ESG roadshow with FirstRand's largest international and local shareholders. The focus of the roadshow was the 2020 Remuneration policy and implementation report.
25 January 2021	The 2020 non-binding advisory vote did not meet the 75% support threshold. Remco invited shareholders to provide feedback via teleconference.
June – July 2021	A subcommittee of Remco hosted a virtual roadshow for FirstRand's largest international and local shareholders to provide insight into Remco's response to shareholder concerns, and to elicit additional feedback.
Throughout the year	> We engaged proxy voters to understand their methodologies and voting recommendations on FirstRand's remuneration policy and implementation report. > We responded directly to individual investor feedback on remuneration.

Changes implemented during the year

In response to shareholder feedback we have made changes to our remuneration approach and disclosures, which we highlight below.

SHAREHOLDER FEEDBACK	REMCO RESPONSE
Covid-19 awards in 2020: > Not subject to performance conditions. > Possible that both the Covid-19 third tranche and 2020 long-term incentive (LTI) vest in 2023. > Covid-19 award recipients will benefit from a share price uplift. > Perception that management was protected from the pain that shareholders experienced. > The potential upside shared with management, as the economy recovers, appears disproportionate to the downside experienced by shareholders in the prior year.	> We spent valuable time discussing the rationale for this award with shareholders. The key motivation was to deal with the retention risk created by the failure of the 2017 and 2018 LTIs, and the high risk of failure of the 2019 LTI. These awards were 100% at risk for over 4 000 professionals in the group, a far deeper reach of LTIs based on group performance conditions compared to other local banks. Remco believes it has a fiduciary duty to ensure key talent is retained, and this intervention was important and appropriate in the context to ensure the group was not a market outlier in the value of LTIs available to senior staff. The value of the Covid-19 instrument was struck at half of the original value of the 2018 and 2019 LTIs, so employees experienced a material reduction in remuneration. > We clarified the retention features of the award. It is a one-off award that vests in three tranches with ongoing employment as a condition for each tranche. Clawback applies to each year's vesting so that the award acts as an effective four-year retention tool. This long vesting period is intentional but could mean that the 2020 LTI, which is a three-year instrument, will vest simultaneously with the third tranche of the Covid-19 instrument. Remco did consider vesting over two years, however its final view was that the Covid-19 award's long vesting period promotes retention, which is the priority. > The cost to shareholders is capped at award value as the share price is fully hedged and employees are aligned to shareholders as the award vesting value is based on share price performance (both under- and over-performance). > We did, however, change some features following shareholder feedback, in that we 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 based on the target range of group ROE and aligned to a clawback period over the financial year ends of 2022 to 2024. This was deliberate, because when these conditions were being finalised the group was six months into the first year of the award and Remco felt it inappropriate to set targets with hindsight. Accordingly, the conditions will not apply to the first financial year, but to the three subsequent years. These changes are detailed further in the implementation report.

SHAREHOLDER FEEDBACK	REMCO RESPONSE
The 2020 LTI targets seem low, especially at lower end of vesting level, i.e. threshold vesting can happen when the return on equity is below its cost of equity.	> In 2020, the group strategy was to strengthen and protect the balance sheet in order to emerge well from the Covid-19 crisis. To achieve this, Remco aligned the LTI conditions to this strategy, including maintaining liquidity, capital and provisioning. It is important therefore to judge performance on these specific conditions for this period.
Appropriateness of LTI targets	> We believe that LTI targets drive shareholder alignment, as vesting conditions reference ROE and earnings growth over a three-year period. > FirstRand has applied performance targets for both these indicators, rather than assigning weightings to each target. This means both conditions must be met simultaneously as opposed to individual performance conditions. > The group has consistently stated its intention to first and foremost protect ROE and will not “chase” growth at the expense of returns. As such ROE minimum targets must be met for any vesting.
Better transparency on STI pool determination and quantum	The group has improved its disclosure on the determination of STI pools, which we detail in the policy overview and implementation report.
No STI caps (maximum award) apply	Remco has implemented caps on STIs, set relative to the guaranteed packages of executive directors and prescribed officers. The specific caps applied to the 2021 STI and going forward are disclosed in the policy overview.
STI pool will benefit from the unwind of impairments	Remco is of the view that it is appropriate that employees experience what shareholders experience. Accordingly, earnings and therefore STI pools decrease and increase respectively with the raising and unwind of impairment provisions.
The executive scorecard needs to be refined for better transparency on pay for performance, with enhanced emphasis on ESG.	Effective 2021, Remco introduced a single scorecard for determining executive STI allocation, with the ESG pillar now incorporated, with a 20% weighting. There has been a recalibration of rating categories and subcategories, with a five-point scale guiding Remco for STI reduction or increase, which is detailed in the implementation report. This replaces the two-pillar approach, with a financial score (covering financial, strategic, and risk and control considerations) and a non-financial score (covering ESG) used in previous periods.
STI pools need to consider the impact of impairment of intangible assets.	Effective from 2021, when determining the inputs for the STI pool Remco explicitly included the impact of any intangible asset impairments excluded from headline earnings and normalised earnings. Consequently, the STI pool will reduce for any intangible asset impairments (as was the case in the current year).
All LTIs are not subject to performance conditions.	All LTIs issued from 2021 are subject to performance conditions. We explain the context for the change below.

In addition to the above changes, Remco also reviewed several other remuneration features as explained below.

MINIMUM SHAREHOLDING REQUIREMENT

With effect from 1 September 2017, executive directors and prescribed officers were required to hold FirstRand shares to the value of at least 50% of their last three years' annual post-tax LTIs that had vested. The first compulsory assessment was set for September 2022 or end September five years after their employment start date, whichever is later.

However, since the 2017 and 2018 long-term incentive awards failed to vest, the existing policy meant that employees covered by the minimum shareholding requirement would be required to hold few, if any, shares. This defeated the purpose of the policy, which is to ensure the long-term alignment of senior executives with shareholders. We therefore adjusted the mechanism that sets the target minimum shareholding to be based on guaranteed pay. This means there is always a minimum requirement, irrespective of the outcomes of variable pay. This new approach materially increases the required minimum shareholding. We describe the policy as it now stands in the policy overview and the current level of compliance in the implementation report.

ALL LTI PLANS HAVE PERFORMANCE CONDITIONS

In line with FirstRand's performance culture, LTIs were used for a wide base of senior employees and incorporated both individual and group performance conditions. The Covid-19 pandemic meant the group will experience multiple years of vesting failures (two of the awards have already failed), and therefore our retention risk was elevated given that many of our peers did not face vesting failures across all management levels because their allocations of equity instruments with group performance conditions were more limited. In response to this risk Remco decided to materially narrow the eligibility for LTIs with group performance conditions to executives and senior managers. This is aligned to the principle that since these individuals influence the performance of the group, they should take risk on its delivery and their LTIs should fail if the conditions are not met. Employees who were excluded from the LTI plan became eligible for the deferred incentive plan.

DEFERRED INCENTIVE PLAN

To retain and incentivise senior employees with scarce skills who do not participate in the group's LTI plan (which was restructured as explained above), we introduced a new short-term, share-linked incentive, with vesting in three years, called the deferred incentive plan (DIP). This instrument is only allocated to high performers with scarce skills, based on individual performance objectives included in performance appraisals. Executive directors and prescribed officers are not eligible for this type of STI. Senior managers qualify for both LTIs and DIPs. The awards are further explained in the policy overview.

The value of the DIP pool for eligible employees was set at 15% lower than the pool that would have been set aside under the previous LTI plan. This 15% reduction is appropriate given the higher probability that the DIP will vest.

REVERTING TO TWO-YEAR DEFERRAL PERIOD FOR EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' DEFERRED BONUS AWARD

For executive directors and prescribed officers half of their short-term incentives in excess of R2 million were automatically converted into a deferred bonus award, linked to the FirstRand share price, that vested in equal tranches over two and three years. During the year, Remco reverted to a two-year vesting period for the full award consistent with all employees. Remco reverted to the previous approach given that the resulting level of deferred variable remuneration is considered appropriate. The mix changes made over the past two years have resulted in a greater proportion of executive director and prescribed officer reward tilted toward LTIs.

CHANGE TO LTI THRESHOLD VESTING

For LTIs awarded to executives and senior managers, Remco reduced the threshold vesting level from 70% to 50% of the target vesting amount. Delivery below threshold results in no vesting. This is more demanding compared to graded vesting that starts from a lower base even with sub-threshold performance.

Other Remco considerations

2021 LTI CONDITION SETTING AND APPROACH

Long-term incentives are an important part of our remuneration approach. The conditions for LTIs to vest are that we require both ROE and earnings growth thresholds to be met. We believe this is more stringent than most of our competitors where performance measures are individually measured. We set this high standard because we believe that focus on ROE is fundamental to shareholder value creation and earnings growth must be achieved to increase NAV over time. There is a tension between earnings and ROE, in that earnings quality and returns can be sacrificed to achieve growth and we want our senior employees to actively manage this tension to deliver optimal outcomes for shareholders. We have previously debated the appropriateness of this approach as it differs from market practice, but we decided to retain it given that it supports superior shareholder value creation.

Remco accepts that the current LTI structure makes it more difficult for LTIs to vest. In practice, both conditions can constrain the vesting level depending on the outcome. For example, the 2018 LTI ROE condition was met, but the earnings growth condition was not met so the instrument failed. If a weighting was assigned to each of these conditions, say equally, potentially up to 50% vesting could have resulted based on the ROE outcome.

The 2021 vesting conditions for the threshold (50% vesting), on-target (100% vesting) and super stretch (150% vesting) levels were set with this in mind. Remco views the conditions for the 2021 LTI awards as sufficiently challenging and achievement would deliver strong shareholder value creation. Remco considered it appropriate for the ROE threshold vesting condition to be at 17%, as it is still well above the group's cost of equity (i.e. positive NIACC) and, combined with the earnings growth threshold of at least nominal GDP, the achievement of these two threshold conditions would contribute to shareholder value creation. For on-target vesting of 100% the conditions are more onerous, with earnings growth significantly above the growth in the economy and the ROE within the group's target range of 18% to 22%. For super stretch vesting of 150% the conditions will result in significantly higher shareholder value creation, with required ROE of at least 20% combined with annual compounded earnings growth of 14.6% (using current real GDP and consumer price index (CPI) forecasts as an indicator for economic growth).

FAIR AND RESPONSIBLE REMUNERATION

Remco is cognizant of the importance of fair and responsible remuneration. Its approach is explained in detail in the *Policy* and *Implementation* sections.

Use of consultants

Remco makes use of two primary sources for remuneration data, PwC and Remchannel. The following categories of data are used to inform executive remuneration:

- Remuneration disclosures of other financial services institutions for executive directors and prescribed officers; and
- Remchannel for executive remuneration data not disclosed in annual reports.

We also used:

- Mercer (for executive remuneration);
- McLagan (for investment banking roles in SA and the UK);
- Willis Towers Watson (for Aldermore); and
- Emergence Growth (for rest of Africa subsidiaries).

Other than executive benchmarking, the group consulted PwC for advice on remuneration trends in the market related to executive pay, short-term and long-term incentive trends and design as well as to review our existing remuneration practices. Aldermore utilises FIT for remuneration advice and services.

Future focus areas

Remco will remain vigilant to ensure all our remuneration practices are aligned with the strategic objectives of the group. We are operating in a particularly dynamic environment and additional focus areas will be added over time. However, the following areas are particularly important for us in the next 12 months:

- Ongoing engagement with shareholders on remuneration matters.
- Refinement of executive scorecards to remain aligned to changes in the market, including ESG outcomes.
- Continue research and evaluation of remuneration best practices.
- Ensure appropriate remuneration mix across all staff levels.
- Ensure that our fair and responsible pay practices continue to evolve, and remain relevant to both business requirements and market changes.

In conclusion

FirstRand employees delivered a highly positive outcome for shareholders during a difficult period. This performance naturally reflects in the growth of short- and long-term incentive awards to employees, but I am pleased that we again demonstrated that employees are rewarded for delivering to shareholders. The positive NIACC and earnings growth has exceeded growth of both short- and long-term incentives. Remco has performed its role diligently during the period and I believe the remuneration policy achieved its objectives.

We have ended the period in better shape than we had expected at the start. The prospect of returning to the performance of 2019 has become clearer and is likely to happen sooner than we had expected a year ago. The remuneration strategy will continue to incentivise staff to achieve this outcome. We can then look forward to developing the group in line with our strategy, having successfully defended it through an unprecedented crisis.

We will continue to work with our stakeholders to ensure remuneration practices deliver the appropriate outcomes.

LOUIS VON ZEUNER ~ Chairman

Sandton
15 September 2021

The full remuneration committee report is published on FirstRand's website at https://www.firstrand.co.za/media/investors/annual-reporting/firstrand-remuneration-report-2021.pdf.

Audit committee

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 audit 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

* *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 comprises independent members only.*

ATTENDEES	
CEO COO Financial director Chief risk officer Chief audit executive Chairs 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 on 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 finding 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 interest rate benchmark reform (IBOR reform) including related disclosure requirements; and
> received the Banks Act Regulation 39 corporate governance assessment.

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<tr><th colspan="2">EXTERNAL AUDIT</th></tr>
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The committee has satisfied itself as to the performance and quality of the 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 the Independent Regulatory Board for Auditors (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.
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> The committee nominated, for re-election at the annual general meeting, Deloitte & Touche and 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.
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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. It 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 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 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.

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. It also supports 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 on 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

Social, ethics and transformation committee

Ethical conduct in the financial system is critical and remains a business imperative for FirstRand. The group expects ethical behaviour from all its stakeholders. The ethics culture within the organisation is continually assessed so that effective interventions are implemented to support ethical behaviour and outcomes. Leadership uses a values-led approach to integrate ethics objectives into commercial strategies, while the board ensures that the correct tone is set at the top and oversees the embedment of these values.

The social, ethics and transformation committee (Setcom) steers the business to pursue, as an outcome and business imperative, ethical behaviour and "doing the right thing" *beyond regulatory compliance*. The committee's overall objective is to drive integration of ethical outcomes throughout business operations, with a focus on transformation and environmental, social and governance imperatives while considering the interests of all FirstRand stakeholders. The committee's focus is guided by the Companies Act, King IV and leading global standards and codes.

The FirstRand code of ethics is the foundation for ensuring an ethical culture across the business, which in turn informs sustainable business practices. The code directs the group's business practices and is supported by frameworks and polices that describe practical elements of ethical behaviour and outcomes.

<table>
<tr><th colspan="2">SUMMARY OF RESPONSIBILITIES</th></tr>
<tr><td>The role of the committee is to assist the board with ensuring responsible social and ethical business practices within the group, as well as monitoring group activities with regard to the Companies Act, King IV, the committee terms of reference, other legal requirements and prevailing codes of best practice in respect of environmental, social, diversity and inclusion, sustainability and economic development matters. It is charged with providing oversight of:
> all ethics, culture, environmental and conduct risk programmes;
> the group's compliance with ESG frameworks;
> the group's engagement with key stakeholders.

The committee has jurisdiction in all group business units in South Africa and in all other countries in which the group operates.
The committee assists the board in monitoring the agreed performance measures and outcomes of responsible corporate citizenship.</td><td>The committee is satisfied that it has executed its duties during the past financial year in accordance with the terms of reference and relevant legislation, regulations and governance practices.
The committee chairman is customarily available to report to shareholders at the annual general meeting on matters within its mandate. Any specific questions to the committee may be sent to the company secretary prior to the annual general meeting.</td></tr>
</table>

Composition		**Record of attendance***
Z Roscherr (chair, appointed 3 December 2020)	Independent non-executive director	4/4
AT Nzimande (chair, retired 2 December 2020)	Independent non-executive director	2/2
F Knoetze	Non-executive director	4/4
TS Mashego (appointed 3 December 2020)	Independent non-executive director	2/2
SP Sibisi (appointed 7 June 2021)	Independent non-executive director	–
JP Burger (appointed 7 June 2021)	Non-executive director	–
The committee is supported by the operating businesses' social, ethics and transformation committees and the FirstRand conduct executive committee.		

* *In addition, one frameworks approval committee meeting was held during the year.*

During the year, the committee reviewed its mandate and the themes it oversees. The committee will focus on ensuring that the group's impact on the climate, both operational and financed, is appropriately considered and supported by clear policies within the context of its societal commitments and broader ESG policy.

More detail can be found in the group's report to society at www.firstrand.co.za/investors/annual-reporting/

FUNCTION	AREAS OF FOCUS
Broad-based black economic empowerment (B-BBEE)	The committee noted the group's B-BBEE scores. The group achieved level 1 B-BBEE status under the 2017 gazetted Financial Sector Code (FSC). The group's B-BBEE certificate is available on the FirstRand website, www.firstrand.co.za/investors/governance-and-compliance/ The committee reviewed management control, employment equity and succession plans.
Diversity, equity and inclusion	The group's focus on diversity, equity and inclusion goes beyond achieving numerical targets, and focuses on systemic and cultural aspects. The group aims to create an environment that "values our differences". The committee oversaw the following diversity, equity and inclusion matters: > oversaw the workplace and workforce analysis as required by section 19 of the Employment Equity Act (EEA); > oversaw the progress made in terms of the 2019 to 2022 employment equity (EE) plan; > reviewed the gender and race employment statistics in the group compared to the industry; > reviewed compliance with transformation legislation, including the annual submission to the Department of Employment and Labour and amendment to the EEA and regulations; > oversaw the group's continued involvement in the Banking Association of South Africa (BASA), > oversaw the group's engagement with the Department of Employment and Labour regarding proposed sectoral targets; > reviewed attrition of ACI (African, Coloured and Indian) employees and considered programmes to retain and develop ACI talent; > reviewed gender equality and the group's female empowerment initiatives; > reviewed the group's approach to addressing gender-based violence in the workplace; > reviewed the group's approach to ensuring race and gender income equality; and > was updated on changing legislative requirements for reporting income differentials. The group workforce profile is available on the FirstRand website, www.firstrand.co.za/investors/governance-and-compliance/
Skills development and decent working conditions	The Covid-19 pandemic and its impact continued to be a focus for the committee, specifically the impact on employee well-being and operational resilience. Significant focus was placed on supporting colleagues' mental well-being and helping them adapt to remote working. The committee discussed the numerous initiatives embedded across the group which provided employees with the necessary resources, skills and support to navigate and thrive in the complex environment created by the pandemic. Learning and development spend continues to be an enabler for: > diversity and inclusion; > the group's FirstJob initiative (aimed at addressing youth unemployment); > continued professional development; > employee retention; and > knowledge sharing.

FUNCTION	AREAS OF FOCUS
Ethical conduct	
FirstRand conduct programmes To assist the committee in monitoring the group's activities with regard to legislation, legal requirements and prevailing codes of best practice, the FirstRand conduct programmes are organised under three themes: ethics, business conduct and market conduct. During the year, the committee reviewed policies and frameworks which support entrenchment of an ethical culture and sound conduct outcomes.	
Business conduct	The committee oversaw the following business conduct matters: > conflict of interest management; > personal account trading; > anti-bribery and corruption risk, global trends and prevention; > client desirability/reputation risk; > the whistle-blowing programme, with the ethics line independently administered; and > the FirstRand Leading Light programme, which incentivises employees to assist the group in preventing and combating theft, fraud and corruption.
Market conduct	The committee oversaw the following market conduct matters: > Ethical considerations and principles in the development of the FirstRand digitisation strategy. The committee remains committed to sound conduct and vigilance on topics of digitisation, the deployment of artificial intelligence and machine learning, and the associated social impact. > Management's considerable effort to address service and customer complaints, including the introduction of an internal mediation process to ensure proactive engagement. > Financial inclusion and internal practices around dormant accounts. > The operationalisation of market conduct metrics which will improve the committee's oversight. > Initiatives across the group to manage potential conflicts of interest. > Deliberated on feedback from the Financial Sector Conduct Authority market conduct supervisory on-site. > Focused on the impact of Covid-19 on regulatory requirements, timelines, and overall customer treatment.
Ethics	A new group code of ethics was approved. The existing code was revised to create greater alignment with the FirstRand philosophy and promises and to better support the group operating model and strategy. The committee oversaw and deliberated on themes, including: > the ethical use of data; > the deployment of artificial intelligence and related ethical implications; > conduct risk introduced through third-party relationships (e.g. suppliers of FirstRand); > customer complaint resolution mechanisms; and > the role that financial services institutions can play in combating modern slavery and human trafficking.

FUNCTION continued	AREAS OF FOCUS continued
Ethical conduct	
Culture	The committee oversaw the following culture matters: > The results of the culture risk assessment conducted for specific businesses. > The introduction of a new organisational diagnostic assessment which will replace the current group engagement survey. The committee will continue to monitor culture risks and the implementation of associated action plans.
Environmental and social risk	The committee heightened its focus on climate change matters and received regular feedback on environmental, social and climate risks. This included in-depth reviews of the group's current operational and financed emissions. The following items were discussed, noted and/or approved by the committee during the year: > The FirstRand climate policy. > The updated FirstRand energy and fossil fuels financing policy. > The FirstRand ESG policy. > FirstRand's operational greenhouse gas emissions and associated reduction targets.
Corporate social investment (CSI)	The committee monitored the group's progress on corporate social investment activities, principally undertaken through the foundations, including the FirstRand Foundation, the FirstRand Staff Assistance Trust and the FirstRand Empowerment Foundation.

FUTURE AREAS OF FOCUS

The committee will proactively review focus areas against regulatory requirements and strategic priorities across all jurisdictions where the group operates. In addition to workplace, there will be enhanced focus on environmental and climate change and associated themes. The committee will be strengthened with environmental and climate skills. Internal and external stakeholder engagement will ensure the group is aware of and responds to material issues.

Transformation at all levels of the organisation remains a high priority. The committee continues to oversee the implementation of the employment equity plan for 2019 to 2022, which focuses on succession planning, gender inclusion, inclusive leadership and management.

As the social and economic environment remains unpredictable, the committee will proactively engage on issues to ensure ethical conduct and support sustainable business activities across the group.

The committee will ensure that ethics and conduct are managed in a manner that produces an ethical organisational culture at all times.

PUBLIC REPORTING AND ASSURANCE

The committee, together with the audit committee, is responsible for reviewing and approving the non-financial content included in the annual integrated report and published on the group website, as well as determining and making recommendations on the need for assurance of the group's public reporting on its sustainable performance.

Z ROSCHERR ~ Chair, social, ethics and transformation committee

Sandton
12 October 2021

responsible corporate citizenship

The board appreciates that there is an interdependent relationship between the group and its stakeholders, and that the group's ability to create value for itself depends on its ability to create value for others. Robust governance processes exist to balance this relationship and to oversee the sustainability of this value creation.

During the year, the board oversaw the creation of R138 billion in economic value for the group's stakeholders.

	2021		2020	
Statement of value added (IFRS)	**R million**	**%**	R million	%
Value added				
Interest income after impairment	**92 275**	**67.0**	97 504	70.6
Non-interest and other 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

Non-financial reporting policies

The board's responsibilities include oversight of financial and non-financial value drivers against agreed performance measures and targets, including environmental, social and governance issues impacting the sustainable profitability of the group, and ensuring that the group is a responsible corporate citizen.

FirstRand's non-financial reporting policies are guided by King IV, the FTSE/JSE Responsible Investment Index Series, the Equator Principles, the World Business Council for Sustainable Development/World Resources Institute (WBCSD/WRI) Greenhouse Gas Protocol, the Task Force on Climate-related Financial Disclosures, and BEE transformation requirements set out by the Financial Sector Charter and the Department of Trade and Industry's B-BBEE Codes of Good Practice.

Disclosures relating to non-financial issues have been selected based on principles of materiality and stakeholder inclusiveness. Materiality is defined as disclosures reflecting significant economic, environmental and social impacts, or those that would substantially influence the ability of stakeholders to make informed decisions about the company's performance. Data measurement techniques are replicable and measurement techniques, estimates and underlying assumptions are described when it is materially necessary to do so.

stakeholder engagement

In the execution of its governance role and responsibilities, the board adopts a stakeholder-inclusive approach that incorporates the legitimate needs, interests and expectations of material stakeholders.	The FirstRand group is cognizant of the significant role its stakeholders – employees, shareholders, customers, partners, suppliers, governments, civil society and communities – play in its continued success. The board aims to understand the requirements of its stakeholders and duly considers their legitimate needs and interests in the performance of its duties. The management of stakeholders is proactive and allocated to the appropriate central functions or business units. The group's governance structures ensure that material stakeholder concerns are escalated to appropriate committees to be addressed.

STAKEHOLDER	CHANNELS USED TO MANAGE RELATIONSHIP	KEY FOCUS AREAS
Government and regulators	> interviews and meetings; > reports and presentations; > conferences and round-table discussions; > website, media and Stock Exchange News Services (SENS); and > electronic correspondence.	> impact of Covid-19 on economy and FirstRand's response; > transformation, B-BBEE; > regulatory compliance; > economic development; > IT risk and governance; and > regulatory announcements as required.
Investors and analysts	> investor presentations; > integrated reporting; > roadshows, shareholder and analyst meetings; and > website, media and SENS.	> Governance roadshow with key shareholders, covering climate change and executive remuneration; > impact of Covid-19 on business performance and continuity; > dividend payments, current and future; > strategy and growth opportunities; > sustainable finance opportunities; and > transformation and economic development.
Employees	> webinars; > internal newsletters and interactive videos; > information sessions; > training and development; > website and intranet; > performance reviews; > functions and awards; and > employee wellness.	> impact of Covid-19 on working arrangements, job security and well-being; > group performance and business news; > industry trends and strategy implementation; > training; > compliance and ethics matters; > professional development programmes; and > awards and recognition initiatives.
Customers	> service level agreements; > digital channels, website, advertising; > customer surveys; > branches/front office, call centres; and > relationship managers.	> impact of Covid-19 and unrest on customers and assistance provided; > customer service; > innovation and new products; > climate change risks and opportunities; > small business development; and > customer education.
Suppliers	> service level agreements; > relationship with applicable business unit; > meetings and service deliverables; and > website.	> code of conduct; > business continuity and opportunity; > technology trends and requirements; and > innovation.
Communities	> sponsorships; > social responsibility investments; > FirstRand Foundations; > FirstRand Volunteers; and > website and advertising.	> job opportunities; > resource allocation; > FirstRand's response to Covid-19 impacts on broader society; > corporate social investment opportunities; > sponsorship and donations; and > education and skills development
Civil society	> webinars, meetings – ad hoc engagement; > collaborations; > FirstRand Foundation; > FirstRand Volunteers; and > website and advertising.	> impact of Covid-19 and assistance provided by FirstRand through the South African Pandemic Intervention and Relief Effort (SPIRE) and its foundations; > climate change roadshow with NGOs; > sponsorship; > fundraising; and > corporate social responsibility.

independent assurance report on selected non-financial information to the directors of FirstRand Limited

GIA has undertaken an assurance engagement on selected non-financial information, as presented in the group's annual integrated report for the year ended 30 June 2021.

Sustainability reporting aims to:

> improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital;
> promote a more cohesive and efficient approach to corporate reporting that draws on different reporting standards and communicates the full range of factors that materially affect the ability of an organisation to create value over time;
> enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies; and
> support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.

FirstRand applies its own sustainability performance reporting criteria, derived from the FTSE/JSE Responsible Investment Index Series, the Equator Principles, the World Business Council for Sustainable Development/World Resources Institute Greenhouse Gas Protocol, and BEE transformation requirements set out by the Financial Sector Charter and the Department of Trade, Industry and Competition's B-BBEE Codes of Good Practice and the King IV Code on Corporate Governance.

Directors' responsibility

The directors are responsible for:

> the selection, preparation and presentation of the sustainability information included in the integrated report;
> the identification of stakeholders and stakeholder requirements; and
> establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived and reported in FirstRand's integrated report.

Internal audit responsibility

GIA's responsibility is to express assurance conclusions on the selected non-financial information based on the procedures performed. We have conducted our engagement by applying guidance from the International Standard on Assurance Engagements, ISAE 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information. The standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected sustainability information is free from material misstatement.

Our procedures selected depend on our judgement including the risks of material misstatement of the selected sustainability information. In making our risk assessments, we considered internal controls relevant to FirstRand's preparation of the report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

GIA was not responsible for preparing any part of the report and confirms that we are not aware of any issue that could impair our objectivity in relation to this assurance engagement.

Multiple sources of sustainability assurance providers were utilised, reflecting technical and process competencies necessary for the evaluation of the sustainability information. The following items were included in the scope:

1. Verification and review of the accurate transfer and aggregation of information from supporting records to the group's annual integrated report relating to:

   > Driving strategic change through systemic social investing:
   - CSI spend – FirstRand Foundation;
   - CSI spend – FirstRand Empowerment Fund; and
   - CSI spend – FirstRand Staff Assistance Trust.

2. External assurance service providers perform verification assessments on selected non-financial data which forms the basis of disclosures in the group's annual integrated report. GIA did not replicate verification assessments performed by the external assurance service providers, and reliance was placed on the assurance opinions issued by these service providers where warranted. GIA, however, reviewed the assurance reports issued by the external assurance service providers, and reviewed the incorporation of the data assessed by them in the group's annual integrated report where relevant. These are reflected below:

   > Providing capital for inclusive economic development. This information was included in the scope of the review of the Department of Trade, Industry and Competition (the dtic) scorecard that was performed by Mosela Rating Agency:
   - lending to affordable housing;
   - spend on consumer financial education;
   - deepening access to financial services through electronic channels;
   - transformational infrastructure;
   - lending to black business growth financing (BBGF), BEE transactions and black agriculture;
   - spending on enterprise development; and
   - BEE procurement.

   > Creating an environment that maximises the potential of the group's employees. This information was included in the scope of the review of the dtic scorecard that was performed by Mosela Rating Agency:
   - SA workforce diversity;
   - middle and junior management diversity;
   - senior management diversity;
   - top management diversity;
   - workforce gender; and
   - skills development spend.

   > Doing business ethically, responsibly and sustainably:
   - Direct carbon footprint: Selected non-financial aspects in the 2021 suite of reports are independently assured by PricewaterhouseCoopers Inc. FirstRand Bank Limited's carbon footprint data for the South African operations has been prepared in accordance with the World Business Council for Sustainable Development/World Resources Institute Greenhouse Gas Reporting Guidelines. The assurance report will be included in the 2021 report to society when issued.
   - Equator Principles transactions funded: Selected non-financial aspects in the 2021 suite of reports are independently assured by PricewaterhouseCoopers Inc. The assurance report will be included in the 2021 report to society when issued.

Results of work performed

Based on the results of the work performed on the selected non-financial information as presented in the group's annual integrated report for the year ended 30 June 2021, GIA confirms that nothing has come to its attention that causes it to believe that the identified sustainability and governance related information selected for its review has not been prepared, in all material respects, in accordance with the defined reporting criteria.

As part of ongoing refinement of the annual integrated report, management has identified areas for enhanced aggregation and disclosure of sustainability information in future reporting periods. GIA concurs with management's assessment and will assess the refinements in future reviews of the annual integrated report.

A VAN DER COLFF ~ Chief Audit Executive

12 October 2021

FirstRand group summary consolidated financial statements

summary consolidated financial statements

Directors' responsibility statement and approval of the summary consolidated financial statements

for the year ended 30 June 2021

This summary consolidated financial statements comprise a summary of the audited consolidated financial statements of the group for the year ended 30 June 2021 and have been audited by the group's external auditors, PricewaterhouseCoopers Inc. and Deloitte & Touche. Their opinion on this summary consolidated financial statements appears on page 124.

The summary consolidated financial statements are not the group's statutory financial statements and do not contain all the disclosures required by IFRS. Reading the summary consolidated financial statements is not a substitute for reading the audited consolidated financial statements of the group, as it does not contain sufficient information to allow for a complete understanding of the results and state of affairs of the group. The consolidated financial statements have been audited by the group's external auditors.

The audited consolidated financial statements, including the full audit opinion and any key audit matters, are available online at www.firstrand.co.za/investors/annual-reporting/.

Basis of presentation

The summary consolidated financial statements are prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act of South Africa as applicable to summary financial statements. FirstRand prepares its summary consolidated financial statements in accordance with:

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

The consolidated financial statements, from which these summary consolidated financial statements are extracted are prepared in accordance with the going concern principle under the historical cost basis as modified by fair value accounting of certain assets and liabilities where required or permitted by IFRS, and presented in South African rand, which is the group's presentation currency.

The accounting policies are consistent with those applied for the year ended 30 June 2020, except for the implementation of new and revised standards as implemented below.

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

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

Effective 1 July 2020, the group adopted the amendments to IFRS 9 and IAS 39, as part of phase 1 of the interest rate benchmark reform (IBOR reform), which provided hedge accounting relief for hedging relationships affected by IBOR reform. The amendments allow an entity to apply the existing hedge accounting requirements as if the interest rate benchmarks that affects the hedging relationships are not altered as a result of IBOR reform. This results in hedge accounting not being discontinued solely on the basis of uncertainty arising from IBOR reform. The amendments provided relief for the group's hedges that are impacted by IBOR reform. The group elected to early adopt phase 2 of the IBOR reform, which provided a practical expedient to treat any contractual changes or changes to cash flows due to the transition of an IBOR benchmark rate to an economically equivalent risk-free rate (RFR) as changes to a floating interest rate. Phase 2 of the IBOR reform also permits changes to specific hedging designations and hedge documentation without the hedge relationship being discontinued. This provided temporary relief from having to meet the separately identifiable requirements of an RFR instrument designated as a hedge of a risk component. The adoption of these amendments did not impact the prior period.

The board acknowledges its responsibility to ensure the integrity of the summary consolidated financial statements. The board has applied its mind to the summary consolidated financial statements and believes that this document addresses all material issues and fairly presents the group's integrated performance and impacts.

Simonet Terblanche, CA(SA), supervised the preparation of the consolidated financial statements from which these summary consolidated financial statements were extracted. The consolidated annual financial statements were approved by the board of directors on 15 September 2021 and signed on its behalf by:

WR JARDINE ~ Chairman | AP PULLINGER ~ CEO | H KELLAN ~ CFO

Sandton
12 October 2021

Independent auditors' report on the summary consolidated financial statements

To the Shareholders of FirstRand Limited

OPINION

The summary consolidated financial statements of FirstRand Limited, set out on pages 126 to 168 of the annual integrated report, which comprise the summary consolidated statement of financial position as at 30 June 2021, the summary consolidated income statement, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of FirstRand Limited for the year ended 30 June 2021.

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

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

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

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

Deloitte & Touche

DELOITTE & TOUCHE
Registered Auditor
Per Partner: Kevin Black

Johannesburg, South Africa
12 October 2021

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INC.
Registered Auditor
Director: Johannes Grosskopf

Johannesburg, South Africa
12 October 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
12 October 2021

Summary 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		**105 935**	121 887
Interest expense and similar charges		**(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	2	**(13 400)**	(23 823)
– Fair value of credit on advances	2	**(260)**	(560)
Net interest income after impairment of advances		**49 630**	38 532
Non-interest revenue		**45 195**	41 691
– Net fee and commission income		**31 686**	30 058
– Fee and commission income		**37 462**	36 244
– Fee and commission expense		**(5 776)**	(6 186)
– Insurance income		**3 335**	3 941
– Fair value income		**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		**271**	561
– Other non-interest income		**3 329**	3 047
Income from operations		**94 825**	80 223
Operating expenses		**(57 556)**	(55 276)
Net income from operations		**37 269**	24 947
Share of profit of associates after tax		**1 133**	24
Share of profit of joint ventures after tax		**405**	5
Income before indirect tax		**38 807**	24 976
Indirect tax		**(1 516)**	(1 348)
Income before tax		**37 291**	23 628
Income tax expense		**(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		**476.9**	303.5
– Diluted		**476.9**	303.5

Summary 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

Summary consolidated statement of changes in equity

for the year ended 30 June

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

* *Refer to note 3.2 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 equityholders**	**Other equity instruments****	**Non-controlling interests**	**Total equity**
1	2 366	707	118 616	**121 579**	**10 734**	**4 186**	**144 578**
–	–	–	–	**–**	**–**	**(9)**	**(9)**
–	–	–	–	**–**	**–**	**–**	**–**
–	–	–	–	**–**	**–**	**–**	**–**
–	–	–	–	**–**	**761**	**–**	**761**
–	–	–	–	**–**	**(1 250)**	**–**	**(1 250)**
26	–	278	(303)	**1**	**–**	**(9)**	**(8)**
–	–	–	(16 716)	**(16 716)**	**–**	**(736)**	**(17 452)**
–	–	–	–	**–**	**(1 145)**	**–**	**(1 145)**
–	–	(2)	2	**–**	**–**	**–**	**–**
–	–	–	(12)	**(12)**	**–**	**4**	**(8)**
–	–	–	(20)	**(20)**	**–**	**–**	**(35)**
–	6 120	(193)	17 021	**24 634**	**1 145**	**710**	**26 489**
–	–	–	17 021	**17 021**	**1 145**	**614**	**18 780**
–	6 120	(193)	–	**7 613**	**–**	**96**	**7 709**
(3)	–	–	2	**(1)**	**–**	**–**	**(1)**
24	8 486	790	118 590	**129 465**	**10 245**	**4 146**	**151 920**
–	–	–	–	**–**	**–**	**(2)**	**(2)**
–	–	–	–	**–**	**–**	**–**	**–**
–	–	–	–	**–**	**–**	**376**	**376**
–	–	–	–	**–**	**1 400**	**–**	**1 400**
–	–	–	–	**–**	**–**	**–**	**–**
20	–	131	(148)	**3**	**–**	**3**	**6**
–	–	–	(6 170)	**(6 170)**	**–**	**(489)**	**(6 659)**
–	–	–	–	**–**	**(777)**	**–**	**(777)**
–	–	60	(60)	**–**	**–**	**–**	**–**
–	–	–	(134)	**(134)**	**–**	**(56)**	**(190)**
–	–	–	16	**16**	**–**	**–**	**(19)**
–	(5 713)	195	26 743	**20 408**	**777**	**647**	**21 832**
–	–	–	26 743	**26 743**	**777**	**790**	**28 310**
–	(5 713)	195	–	**(6 335)**	**–**	**(143)**	**(6 478)**
–	–	–	–	**–**	**–**	**–**	**–**
44	2 773	1 176	138 837	**143 588**	**11 645**	**4 625**	**167 887**

Summary consolidated statement of financial position

as at 30 June

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

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

Summary consolidated statement of cash flows

for the year ended 30 June

R million	2021	2020
Cash flows from operating activities		
Interest and fee commission receipts*	**131 715**	153 420
– Interest received	**97 326**	119 421
– Fee and commission received	**37 462**	36 975
– Insurance income received	**2 703**	3 210
– Fee and commission paid	**(5 776)**	(6 186)
Trading and other income	**3 238**	3 340
Interest payments	**(36 499)**	(57 696)
Other operating expenses	**(43 677)**	(45 895)
Dividends received	**2 929**	2 208
Dividends paid	**(6 947)**	(17 861)
Dividends paid to non-controlling interest	**(489)**	(736)
Taxation paid	**(10 698)**	(8 669)
Cash generated from operating activities	**39 572**	28 111
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

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

** Other liabilities have been disaggregated into the material line items making up the 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.

Summary consolidated statement of cash flows continued

for the year ended 30 June

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

Statement of headline earnings, earnings and dividends per share

for the year ended 30 June

	Earnings attributable R million		Cents per share	
	2021	2020	**2021**	2020
Headline earnings				
– Basic	**26 950**	17 326	**480.5**	308.9
– Diluted	**26 950**	17 326	**480.5**	308.9
Earnings attributable to ordinary equityholders				
– Basic	**26 743**	17 021	**476.9**	303.5
– Diluted	**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

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.

Statement of headline earnings, earnings and dividends per share continued

for the year ended 30 June

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

Selected notes to the summary consolidated financial statements

for the year ended 30 June

1 *Advances*

R million	Notes	2021	2020
Category analysis			
Overdrafts and cash management accounts		**67 798**	81 129
Term loans		**66 714**	73 658
Card loans		**35 025**	33 106
Instalment sales, hire purchase agreements and lease payments receivable		**233 533**	246 989
Property finance		**449 012**	461 876
Personal loans		**53 281**	56 658
Preference share agreements		**48 097**	48 739
Assets under agreements to resell		**65 584**	26 964
Investment bank term loans		**143 230**	164 792
Long-term loans to group associates and joint ventures		**2 508**	2 975
Other		**38 792**	43 775
Total customer advances		**1 203 574**	1 240 661
Marketable advances		**70 478**	70 434
Gross value of advances		**1 274 052**	1 311 095
Impairment and credit of fair value advances	2.1	**(50 618)**	(49 380)
Net advances		**1 223 434**	1 261 715

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

2 *Impairment of advances*

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

Note: Refer to note 2.3 on pages 144 to 147 for the reconciliation of the loss allowance per class.

BASIS OF PRESENTATION OF ANALYSIS OF THE 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 Covid-19 pandemic, the group incorporated a short-term stress scenario at 30 June 2021 as a temporary measure to capture this extreme uncertainty. The group believes that the advances within the South African retail and commercial portfolios will be hardest hit in the short term and as such, the stress scenario has only been applied to these portfolios. Due to the temporary nature of this stress scenario, the impact on the staging of the gross carrying amount and the additional ECL attributable to this scenario has been separately presented, in all tables where information per class is shown, in the line *Temporary stress scenario*.

RMB corporate and investment banking

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

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

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

2 *Impairment of advances continued*

2.1 ANALYSIS OF ADVANCES PER CLASS

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

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

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

2 *Impairment of advances continued*

2.1 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 page 139.*

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

2 *Impairment of advances continued*

2.1 ANALYSIS OF ADVANCES PER CLASS continued

Voluntary changes to the classes previously reported at 30 June 2020

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

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

Selected notes to the summary consolidated financial statements continued
for the year ended 30 June

2 *Impairment of advances continued*

2.2 RECONCILIATION OF THE GROSS ADVANCES AND LOSS ALLOWANCE ON TOTAL ADVANCES AS AT 30 JUNE 2021

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

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

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

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

2 *Impairment of advances continued*

2.2 RECONCILIATION OF THE GROSS ADVANCES AND LOSS ALLOWANCE ON TOTAL ADVANCES AS AT 30 JUNE 2020

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

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

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

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

2 *Impairment of advances continued*

2.3 RECONCILIATION OF THE LOSS ALLOWANCE ON TOTAL ADVANCES PER CLASS

Amortised cost

	Retail secured		Retail unsecured			Retail secured and unsecured
R million	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:*

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

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

Selected notes to the summary consolidated financial statements continued
for the year ended 30 June

2 *Impairment of advances continued*

2.3 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**

2 *Impairment of advances continued*

2.3 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)	–	–	–
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

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

2 *Impairment of advances continued*

2.4 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS RELATING TO THE IMPAIRMENT OF ADVANCES

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

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

South Africa

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

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

United Kingdom

Following the deep contractions experienced in 2020, the UK economy is steadily recovering, resulting in significant volatility driven by base effects relative to a year ago. However, as the economy rebases it remains apparent that the distribution of economic activity is likely to remain somewhat unequal across industries and regions. Microeconomic idiosyncrasies are particularly notable in employment markets, affected by the availability of migrant workers, and in the property market where suburban and rural areas have benefited more than urban areas. The rolling back of fiscal stimulus towards the end of 2021 is also likely to result in reduced tailwinds for the economy overall. With the unemployment scheme tapering away before being fully removed by the end of September, some workers will be made redundant, especially in sectors that may not fully recover, such as transport and tourism. As a result, unemployment is still expected to lift as economic activity normalises relative to 2020. With inflation beginning to lift, the BoE is also expected to gradually reduce monetary policy support, starting towards the end of 2023 and with a preference for reducing quantitative easing (QE) gradually before implementing rate hikes. The BoE has demonstrated a willingness to look through transitory inflation, but has highlighted the risk of complacency should there be a persistent overshoot of the 2% target.

Other Africa

General

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

2 Impairment of advances *continued*

2.4 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS RELATING TO THE IMPAIRMENT OF ADVANCES continued

Namibia

The Namibian economy contracted in nine of the last ten quarters since December 2018, with GDP growth lagging far behind population growth. The Covid-19 pandemic and associated lockdown measures exacerbated this weakness in GDP growth, with the country posting its largest contraction in real GDP on record at -8.0% for 2020. With the rebound in the current year expected to be significant due to base effects, this clouds the weak domestic demand backdrop, which continues to disappoint its rebound to significantly higher levels as consumer and investor confidence remains low. Finally, the government faces significant funding constraints and is unable to provide enough fiscal support to lift activity meaningfully and attract investment. With inflation lifting and low growth likely in the medium term, the expected rise in policy rates by the Bank of Namibia in 2022 may further constrain a full recovery in consumption, given the high household indebtedness ratios in the country.

Botswana

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

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

2 *Impairment of advances continued*

2.4 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS RELATING TO THE IMPAIRMENT OF ADVANCES continued

Forward-looking information

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

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

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

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

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

2 *Impairment of advances continued*

2.4 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS RELATING TO THE IMPAIRMENT OF ADVANCES continued

Temporary stress scenario

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

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

Scenario	Probability	Description
Base	50% (2020: 45%)	Global growth experiences a significant rebound in 2021 and recovers gradually thereafter. The economy grows rapidly as it unlocks while government support continues, enabling the release of pent-up demand. GDP returns to pre-pandemic levels but continues to grow more slowly. Government support comes to an end, demand falls and unemployment edges upwards.
Upside	10% (2020: 10%)	Global growth continues to bounce back, driven by the Covid-19 vaccine and/or significant fading of the pandemic, and trade becomes significantly more efficient following Brexit. Global inflation remains low but doesn't fall towards a deflationary environment, and major central banks (G3) and governments are successful in lifting potential growth. The UK services sector achieves an efficient and beneficial outcome for the trade relationship with the EU while health risks fade considerably. Fiscal austerity continues to be relaxed further to boost economic activity and wage growth picks up along with labour productivity, while a combination of higher consumer and business confidence and pent-up productive capacity lift economic activity to pre-global financial crisis (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 GFC. Global inflation remains low and falls towards deflation in large developed economies. G3 eases monetary policy to cushion the global slowdown but risk broadening the base of debt-yielding negative interest rates. In the UK new variants of Covid-19 and/or a vaccine programme failure result in ongoing iterations of lockdown and social distancing. Brexit legacy issues continue to plague services sector confidence and activity. Consumer and investor sentiment falls further and spare capacity in the economy increases significantly.
Stagnation	– (2020: 10%)	Removed as a scenario in 2021 as the UK operations moved from using six macroeconomic scenarios to four.
Mild upside	– (2020: 10%)	Removed as a scenario in 2021 as the UK operations moved from using six macroeconomic scenarios to four.

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

2 *Impairment of advances continued*

2.4 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS RELATING TO THE IMPAIRMENT OF ADVANCES continued

Significant macroeconomic factors for 30 June 2021

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

South Africa	Upside scenario			Baseline scenario			Downside scenario		
(%)	**2022**	2023	2024	**2022**	2023	2024	**2022**	2023	2024
Applicable across all portfolios									
Real GDP growth	4.20	4.70	4.20	3.10	1.70	1.20	(1.90)	(5.00)	(2.90)
CPI inflation	3.10	3.60	4.10	4.10	4.60	5.00	7.20	7.60	8.10
Repo rate	3.25	2.75	2.50	3.50	3.75	3.75	6.35	6.50	6.50
Retail-specific									
Retail real growth	4.20	4.70	4.20	1.10	1.30	0.80	(1.90)	(5.00)	(2.90)
House price index growth*	3.50	7.50	10.90	2.60	2.80	3.10	(1.60)	(8.00)	(7.50)
Household debt to income	75.90	76.00	76.00	75.80	75.80	75.80	76.20	76.50	76.70
Employment growth	0.60	1.00	1.30	0.45	0.39	0.36	(0.30)	(1.10)	(0.90)
Wholesale-specific									
Fixed capital formation	0.90	7.10	10.90	0.70	2.60	3.10	(0.40)	(7.50)	(7.50)
Foreign exchange rate (USD/ZAR)	12.00	11.90	12.00	15.20	15.90	16.60	19.70	22.00	23.00

* *Applicable to the secured portfolio.*

South Africa – significant macroeconomic factors relevant to the temporary stress scenario							
(%)	**Real GDP growth**	**CPI inflation**	**Repo rate**	**Retail real growth**	**House price index growth***	**Household debt-to-income**	**Employment growth**
2022	(1.2)	7.6	3.5	(0.4)	(1)	75.9	(0.2)
2023	(5.1)	10.3	6	(3.8)	(8.2)	76.0	(1.9)
2024	(6.2)	11.8	8.5	(4.1)	(16)	76.0	(1.1)

* *Applicable to the secured portfolio.*

2 *Impairment of advances continued*

2.4 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS RELATING TO THE IMPAIRMENT OF ADVANCES continued

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

* *Applicable to the secured portfolio.*

Other Africa

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

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

30 June 2020

South Africa	Upside scenario			Baseline scenario			Downside scenario		
(%)	**2021**	2022	2023	**2021**	2022	2023	**2021**	2022	2023
Applicable across all portfolios									
Real GDP growth	(0.60)	4.20	4.00	(0.60)	2.40	0.90	(2.00)	0.00	0.00
CPI inflation	3.30	3.00	3.00	3.00	3.80	4.50	4.70	5.90	7.60
Repo rate	2.75	2.75	2.75	3.25	3.25	3.25	6.00	6.25	6.50
Retail-specific									
Retail income growth	1.00	4.20	4.90	(1.80)	1.60	0.40	(0.90)	(0.20)	(0.30)
House price index growth*	6.30	17.90	17.80	(1.00)	6.40	3.80	(12.50)	(8.30)	(10.10)
Household debt income	71.50	71.50	71.50	71.50	71.50	71.50	71.50	71.50	71.50
Employment growth	(0.20)	1.30	1.20	(0.20)	0.70	(0.30)	(2.20)	(1.30)	(1.70)
Wholesale-specific									
Fixed capital formation	1.80	9.10	12.00	(12.30)	1.00	(1.00)	(2.10)	(1.90)	(1.60)
Foreign exchange rate (USD/ZAR)	12.30	11.80	12.00	15.40	15.90	16.70	17.30	19.70	22.00

* *Applicable to the secured portfolio.*

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

2 *Impairment of advances continued*

2.4 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS RELATING TO THE IMPAIRMENT OF ADVANCES continued

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

* *Applicable to the secured portfolio.*

Other Africa

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

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

3 Share capital, share premium and other reserves

3.1 ORDINARY 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.

3.2 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 Eswatini Mozambique, Nigeria and Tanzania.*

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

4 *Other equity instruments*

PREFERENCE SHARE CAPITAL

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).*

4 *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.

5 *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.*

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

6 *Fair value measurements*

6.1 FAIR VALUE HIERARCHY AND MEASUREMENTS

6.1.1 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 measurement				
Disposal group held for sale – financial assets	–	–	19	19
Total fair value assets	**137 091**	**251 585**	**39 267**	**427 943**
Liabilities				
Recurring fair value measurements				
Short trading positions	18 945	–	–	18 945
Derivative financial instruments	41	82 800	1 595	84 436
Deposits	1 046	39 989	4 471	45 506
Non-recourse deposits	–	9 017	–	9 017
Other liabilities	–	50	2	52
Policyholder liabilities under investment contracts	–	5 378	–	5 378
Non-recurring fair value measurement				
Disposal group held for sale – financial liabilities	–	1	–	1
Total fair value liabilities	**20 032**	**137 235**	**6 068**	**163 335**

6 *Fair value measurements continued*

6.1 FAIR VALUE HIERARCHY AND MEASUREMENTS continued

6.1.1 Fair value hierarchy continued

	2020			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	50	146 540	925	147 515
Advances	–	20 871	48 633	69 504
Investment securities	106 433	43 618	3 886	153 937
Non-recourse investments	–	8 611	–	8 611
Commodities	21 344	–	–	21 344
Investment properties	–	–	722	722
Non-recurring fair value measurement				
Disposal group held for sale – financial assets	–	58	–	58
Total fair value assets	127 827	219 698	54 166	401 691
Liabilities				
Recurring fair value measurements				
Short trading positions	5 062	–	–	5 062
Derivative financial instruments	292	160 045	1 856	162 193
Deposits	1 299	39 918	5 063	46 280
Non-recourse deposits	–	8 611	–	8 611
Other liabilities	–	2	300	302
Policyholder liabilities under investment contracts	–	4 960	–	4 960
Non-recurring fair value measurement				
Disposal group held for sale – financial liabilities	–	2	–	2
Total fair value liabilities	6 653	213 538	7 219	227 410

6.1.2 Fair value measurements

Non-recurring fair value measurements

For non-recurring fair value measurements, arising from non-current assets held for sale and disposal groups subject to IFRS 5, the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required, these items are included in the table above. The technique applied and the inputs into the models would be identical to those with recurring fair value measurements.

A subsidiary was classified as a disposal group held for sale at 30 June 2020 and again at 30 June 2021. The fair value less cost to sell of the disposal group was negative R74 million in the current year (2020: positive R165 million). The disposal group is categorised as level 3 in the IFRS 13 fair value hierarchy.

Valuation techniques and significant inputs used to determine fair values

The valuation techniques applied by the group for recurring and non-recurring fair value measurement of assets and liabilities categorised as level 2 and level 3 can be found in Note 34 – Fair value measurement in the annual financial statements available on the group's website at www.firstrand.co.za/investors/annual-reporting/.

Selected notes to the summary consolidated financial statements continued
for the year ended 30 June

6 *Fair value measurements continued*

6.2 ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

6.2.1 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 year and the fair value was determined using significant unobservable inputs.
Total transfers	**1 762**	**(1 762)**	

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

6 *Fair value measurements continued*

6.2 ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

6.2.2 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	Derivatives financial liabilities	Other liabilities	Deposits
Balance as at 30 June 2019	802	36 141	3 692	689	842	387	1 238
Gains/(losses) recognised in profit or loss	142	4 458	(407)	26	1 418	154	76
Losses recognised in other comprehensive income	–	–	(203)	–	–	–	–
Purchases, sales, issue and settlements	(86)	7 186	(55)	7	(434)	(241)	3 729
Net transfer to level 3	67	–	814	–	30	–	–
Exchange rate differences	–	848	45	–	–	–	20
Balance as at 30 June 2020	**925**	**48 633**	**3 886**	**722**	**1 856**	**300**	**5 063**
Gains/(losses) recognised in profit or loss	**816**	**669**	**280**	**(89)**	**319**	**(47)**	**(215)**
Losses recognised in other comprehensive income	**–**	**–**	**(356)**	**–**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**(535)**	**(14 146)**	**(509)**	**26**	**(580)**	**(251)**	**(351)**
Acquisitions/disposals of subsidiaries	**–**	**–**	**2**	**–**	**–**	**–**	**–**
Net transfer to level 3	**–**	**–**	**(106)**	**–**	**–**	**–**	**–**
Exchange rate differences	**–**	**(938)**	**(32)**	**–**	**–**	**–**	**(26)**
Balance as at 30 June 2021	**1 206**	**34 218**	**3 165**	**659**	**1 595**	**2**	**4 471**

Decreases in level 3 assets and liabilities are included in brackets. Decreases in asset values are the result of losses, sales and settlements or the disposal of subsidiaries. Decreases liability values are the result of gains, settlements or the disposal of subsidiaries.

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

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

6 *Fair value measurements continued*

6.2 ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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

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

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

	2021		2020	
R million	**Gains/(losses) recognised in the income statement**	**Gains/(losses) recognised in other com-prehensive income**	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other com-prehensive income
Assets				
Derivative financial instruments	**782**	**–**	83	–
Advances*	**799**	**–**	4 291	–
Investment securities	**287**	**(300)**	(575)	(211)
Investment properties	**(89)**	**–**	91	–
Total	**1 779**	**(300)**	3 890	(211)
Liabilities				
Derivative financial instruments	**(288)**	**–**	(978)	–
Deposits	**86**	**–**	(41)	–
Other liabilities	**–**	**–**	(40)	–
Total	**(202)**	**–**	(1 059)	–

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

6 *Fair value measurements continued*

6.2 ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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

	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

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

6 *Fair value measurements continued*

6.3 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

6.4 DAY 1 PROFIT OR LOSS

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

R million	**2021**	2020
Opening balance	**197**	50
Day 1 profits or losses not initially recognised on financial instruments recognised in the current year	**281**	329
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(370)**	(182)
Closing balance	**108**	197

7 *Summary segment information*

7.1 REPORTABLE SEGMENTS

R million	Year ended 30 June 2021										
	Retail and commercial										
	FNB										
	FNB SA	FNB rest of Africa	Total FNB	WesBank	Retail and commercial	RMB	Aldermore	FCC (including Group Treasury and other)	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
Profit before tax	21 851	1 607	23 458	1 749	25 207	10 032	3 272	(1 538)	36 973	318	37 291
Total assets	429 515	53 184	482 699	129 043	611 742	591 309	325 195	358 064	1 886 310	(30)	1 886 280
Total liabilities*	411 098	51 583	462 681	127 459	590 140	579 744	300 915	247 594	1 718 393	–	1 718 393

* *Total liabilities are net of interdivisional balances.*

R million	Year ended 30 June 2020										
	Retail and commercial										
	FNB										
	FNB SA	FNB rest of Africa	Total FNB	WesBank	Retail and commercial	RMB	Aldermore	FCC (including Group Treasury and other)	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
Profit before tax	16 653	1 146	17 799	1 226	19 025	8 113	956	(4 176)	23 918	(290)	23 628
Total assets	428 274	59 265	487 539	133 372	620 911	642 436	328 301	334 968	1 926 616	(77)	1 926 539
Total liabilities*	416 863	58 417	475 280	131 323	606 603	631 961	304 550	231 505	1 774 619	–	1 774 619

* *Total liabilities are net of interdivisional balances.*

7.2 GEOGRAPHICAL SEGMENTS

R million	Year ended 30 June 2021					
	South Africa	Other Africa	United Kingdom	Austra-lasia	Other	Total
Non-interest revenue	39 890	6 030	748	(1)	66	46 733
– Non-interest revenue from contracts with customers	34 902	4 871	451	–	53	40 277
– Other non-interest revenue	3 464	1 159	283	(1)	13	4 918
– Share of profits of associates and joint ventures after tax	1 524	–	14	–	–	1 538

R million	Year ended 30 June 2020					
	South Africa	Other Africa	United Kingdom	Austra-lasia	Other	Total
Non-interest revenue	34 769	5 567	1 209	(7)	182	41 720
– Non-interest revenue from contracts with customers	32 297	4 522	2 044	–	69	38 932
– Other non-interest revenue	2 432	1 059	(838)	(7)	113	2 759
– Share of profits of associates and joint ventures after tax	40	(14)	3	–	–	29

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

8 *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.

9 *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 page 63 for a simplified group structure.

9 *Subsidiaries and non-controlling interests continued*

9.1 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**	–

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

9 *Subsidiaries and non-controlling interests continued*

9.2 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.*

definitions, abbreviations and supplementary information

definitions, abbreviations and supplementary information

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

ALM	Asset and liability management
APE	Annual premium equivalent
AT1	Additional Tier 1
AUM	Assets under management
BASA	Banking Association of South Africa
BCBS	Basel Committee on Banking Supervision
BoE	Bank of England
BSE	Botswana Stock Exchange
CAE	Chief audit executive
CAF	Combined assurance forum
CAGR	Compound annual growth rate
CDO	Chief digital officer
CET1	Common Equity Tier 1
CIB	Corporate and investment banking
CLR	Credit loss ratio
COP26	26th United Nations Climate Change Conference
Covid-19	Coronavirus disease
CPI	Consumer price inflation
CSIR	Council for Scientific and Industrial Research
DAG	Directors' affairs and governance committee
DIP	Deferred incentive plan
DM	Developed market
D-SIB	Domestic systemically important bank
dtic	Department of Trade, Industry and Competition
ECL	Expected credit loss
EE	Employment equity
EEA	Employment Equity Act
eGRC	Enterprise governance, risk and compliance
EPS	Earnings per share
ESG	Environmental, social and governance
EY	Ernst & Young
FCC	FirstRand Corporate Centre
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
FSC	Financial Sector Code
FSR	FirstRand Limited
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
G3	Major central banks
GCA	Gross carrying amount
GFC	Global financial crisis
GHL	Ghana Home Loans
GIA	Group Internal Audit
HEPS	Headline earnings per share
IBOR reform	Interest rate benchmark reform
ICAAP	International capital adequacy assessment process
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IPP	Independent power producer
ISA	International Standards on Auditing
ISA	International Standard on Auditing
ITGF	IT governance framework
ITRGC	Information Technology Risk and Governance Committee
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
LCR	Liquidity coverage ratio
LGD	Loss given default
LSE	London Stock Exchange
LTI	Long-term incentive
LTV	Loan to value
MAFR	Mandatory audit firm rotation
MOI	Memorandum of incorporation
MPC	Monetary Policy Committee
MVNO	Mobile virtual network operator
NAV	Net asset value
NC	Nominations committee
NCNR	Non-cumulative non-redeemable
NEVs	New energy vehicles
NGO	Non-government organisation
NIACC	Net income after cost of capital
NII	Net interest income

Abbreviations continued

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
PPP	Public-private partnership
PwC	PricewaterhouseCoopers Inc.
QAIP	Quality assurance and improvement programme
QE	Quantitative easing
REIPPPP	Renewable energy independent power producer procurement programme
RFP	Request for proposal
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
SENS	Stock Exchange News Service
Setcom	Social, ethics and transformation committee
SME	Small and medium-sized enterprise
SPV	Special purpose vehicles
STI	Short-term incentive
TCFD	Task Force on Climate-related Financial Disclosures
TFS	Toyota Financial Services (Pty) Ltd
TRS	Total return swap
UK	United Kingdom
VAF	Vehicle asset finance
VAT	Value-added tax
VSI	Vertical sales index
VWFS	Volkswagen Financial Services (Pty) Ltd
WBCSD/WRI	World Business Council for Sustainable Development/World Resources Institute
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

Description of difference between normalised and IFRS results

Consolidated private equity subsidiaries

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

FirstRand shares held for client trading activities

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

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

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

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

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

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

Margin-related items included in fair value income

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

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

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

IAS 19 remeasurement of plan assets

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

Realisation on the sale of private equity subsidiaries

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

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

Cash-settled share-based payments and the economic hedge

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

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

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

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

Headline earnings adjustments

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

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 134.

Covid-19 impact

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

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

Reconciliation of normalised to IFRS summary consolidated income statement

for the year ended 30 June 2021

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

* *FirstRand shares held for client trading activities.*

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

Reconciliation of normalised to IFRS summary consolidated income statement continued

for the year ended 30 June 2020

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

* *FirstRand shares held for client trading activities.*

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

Reconciliation of normalised to IFRS summary consolidated statement of financial position

as at 30 June 2021

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

* *FirstRand shares held for client trading activities.*

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

as at 30 June 2020

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

* *FirstRand shares held for client trading activities.*

shareholders' information

shareholders' information

Analysis of ordinary shareholders

as at 30 June 2021

	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 prescribed 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.

notice of annual general meeting

notice of annual general meeting

invitation to shareholders by the chairman

William Roger Jardine
FirstRand Chairman

Dear Shareholder

2021 Notice of annual general meeting

In accordance with the memorandum of incorporation (MOI), FirstRand Limited's upcoming 25th annual general meeting (AGM or meeting) will be held by electronic meeting participation at 09:00 on Wednesday, 1 December 2021 to consider, and if deemed fit, pass with or without modification, the resolutions as set out in the notice.

The upcoming AGM will be conducted as a virtual meeting (i.e. by electronic communication), providing shareholders with the opportunity to attend the AGM and participate online using a smartphone, tablet or computer. Voting is also expected to be effected online (through the use of the Lumi virtual meeting platform at https://web.lumiagm.com).

Steps to follow in order to participate in the annual general meeting:

1. Prior registration is mandatory in order to be able to participate in the meeting. Registration can take place by:

   a. registering online using the online registration portal at https://smartagm.co.za; or

   b. applying to Computershare by sending an email with proof of identification to proxy@computershare.co.za.

2. Once the registration process has been approved, a username and password will be sent either via SMS or email to shareholders who have pre-registered and are entitled to participate in the meeting.

3. Shareholders can then access the online meeting platform at https://web.lumiagm.com.

4. A shareholders' guide is available in the *Notice of AGM* on pages 209 to 212 or on the FirstRand website at www.firstrand.co.za to assist and provide meeting participation guidelines.

* *Kindly note that registrations will still be accepted up until commencement of the meeting, but will be subject to a vetting and verification process which may delay the receipt of login credentials.*

Invitation to shareholders by the chairman continued

Summary of resolutions to be tabled at the AGM

The following will be dealt with as the ordinary business of the AGM and the ordinary resolutions below will be tabled for consideration at the AGM:

- present the audited annual financial statements of the company, as approved by the board of directors of the company (directors or board), including the reports of the external auditor, audit committee and directors, for the year ended 30 June 2021 (available on the company's website, www.firstrand.co.za) and the summary consolidated annual financial statements, which are included in the 2021 annual integrated report, of which this notice forms part, distributed to shareholders, as required by the Companies Act 71 of 2008 (the Act) and the JSE Limited Listings Requirements (Listings Requirements);
- present the report of the social, ethics and transformation committee of the company for the financial year ended 30 June 2021. This report can be found on pages 111 to 114 and is available on the company's website at www.firstrand.co.za;
- in terms of the provisions of the company's MOI on director rotation, the directors who retire offer themselves for re-election and their abridged curricula vitae have been included in the notice of AGM (ordinary resolutions number 1.1 and 1.2);
- in terms of the provisions of the company's MOI, the vacancy filled on the board by any person as a director during the year subsequent to the last AGM requires election by the shareholder at the AGM following such appointment (ordinary resolution number 1.3);
- to reappoint the company's joint auditors, Deloitte & Touche and PricewaterhouseCoopers Inc. (ordinary resolutions number 2.1 and 2.2);
- a general authority to issue authorised but unissued ordinary shares for cash up to a maximum of 1.5% (excluding treasury shares) of the ordinary shares in issue as at date of this notice (ordinary resolution number 3); and
- to provide signing authority to the directors and/or company secretary of the company to sign documents as deemed necessary for the implementation of resolutions passed at the AGM (ordinary resolution number 4).

The advisory endorsement will be tabled for consideration at the AGM:

- To consider and, if deemed fit, to endorse, by way of separate, non-binding advisory votes, the company's remuneration policy and remuneration implementation report. The full remuneration report is available at https://www.firstrand.co.za/media/investors/annual-reporting/firstrand-remuneration-report-2021.pdf

The following special resolutions will be tabled for consideration at the AGM:

- a renewal of the authority given by shareholders at the previous AGM that will allow the repurchase of the company's shares by the company or any subsidiary during the period of the authority, should the directors deem the circumstances to be appropriate. Any repurchases will be made in accordance with the provisions of the Act and the Listings Requirements of the JSE and Namibia Stock Exchange (NSX) where applicable (special resolution number 1);
- to provide financial assistance to directors and prescribed officers as employee share scheme beneficiaries and to provide financial assistance to related and interrelated entities. This is subject to compliance with the requirements of the MOI, the Act and any other relevant legislation and the Listings Requirements of the JSE and NSX where applicable (special resolutions number 2.1 and 2.2); and
- to approve the non-executive directors' fee increase of 3% with effect from 1 December 2021 in accordance with the provisions of section 66(9) of the Act (special resolution number 3).

WILLIAM RODGER JARDINE ~ Chairman

12 October 2021

Notice of annual general meeting

FirstRand Limited

(Incorporated in the Republic of South Africa)
(Registration number: 1966/010753/06)
JSE ordinary share code: FSR ISIN: ZAE000066304
NSX ordinary share code: FST
LEI: 529900XYOP8CUZU7R671
(FirstRand or the company)

Notice is hereby given to all holders of ordinary shares in the company (shareholders) that the 25th annual general meeting of FirstRand will be held by electronic meeting participation at 09:00 on Wednesday, 1 December 2021, to deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary resolutions, endorsements and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended (the Act), as read with the JSE Limited Listings Requirements (Listings Requirements) and the Banks Act 94 of 1990 (the Banks Act).

Electronic participation by shareholders

This meeting will be conducted by electronic communication as contemplated in section 63(2)(b) of the Act and shareholders can access the meeting platform at https://web.lumiagm.com. As part of the registration process, a unique meeting ID, username and password will be sent either via SMS or email to each shareholder who has pre-registered and is entitled to participate at the meeting. A shareholders' guide is available in the *Notice of AGM* on pages 209 to 212, or on the FirstRand website at www.firstrand.co.za, to assist and provide meeting participation guidelines.

Record date and proxies

Record date to be eligible to receive the notice of the annual general meeting	Friday, 22 October 2021
Posting date	Thursday, 28 October 2021
Last day to trade to be eligible to attend and vote at the annual general meeting	Tuesday, 23 November 2021
Record date to be eligible to attend and vote at the annual general meeting	Friday, 26 November 2021
Proxies due (for administrative purposes) by 09:00	Monday, 29 November 2021
Annual general meeting at 09:00*	Wednesday, 1 December 2021

Notes: The above dates and times are subject to amendment, provided that in the event of an amendment, an announcement will be released on the Stock Exchange News Service (SENS).

All times indicated above are references to South African times.

* *Results of AGM to be released on SENS by no later than 09:00am on Friday, 3 December 2021.*

Agenda

Presentation of audited annual financial statements

The presentation of the audited annual financial statements of the company as approved by the board of directors of the company (directors or board), including the reports of the external auditors, audit committee and directors' report for the year ended 30 June 2021, and the summary consolidated financial statements for the year ended 30 June 2021, which are included in the 2021 annual integrated report, of which this notice forms part, will be presented to the shareholders as required in terms of section 30(3)(d) of the Act.

The audited annual financial statements of the company are available on company's website, www.firstrand.co.za.

Presentation of social, ethics and transformation committee

The report of the company's social, ethics and transformation committee for the year ended 30 June 2021 is set out on pages 111 to 114 in this report, as required in terms of regulation 43(5)(c) of the Act's Regulations, 2011.

This report is available on company's website, www.firstrand.co.za.

Ordinary resolutions for consideration and adoption

1. ORDINARY RESOLUTIONS NUMBER 1.1 AND 1.2: RE-ELECTION OF DIRECTORS

The percentage of voting rights required for ordinary resolutions number 1.1 and 1.2 to be adopted is more than 50% (fifty per cent) of the voting rights exercised on each resolution.

Mr JP Burger and Mr T Winterboer, being eligible, offer themselves for re-election.

The nominations committee has considered the appropriate demographics and broader diversity (which applies to, *inter alia*, academic qualifications, technical expertise, relevant industry knowledge, nationality, age, culture, race and gender) together with the balance between non-executive and executive directors and the need for majority independent non-executive directors. Furthermore, the committee has considered balance of the board and evaluated the independence of the directors (where applicable), taking into consideration their expertise, performance and contribution, and has recommended to the board that these directors be proposed for re-election.

The board has considered the proposals of the nominations committee and recommends the re-election of Mr JP Burger and Mr T Winterboer.

Ordinary resolution number 1.1

Resolved that Mr JP Burger be and is hereby elected as a non-executive director of the company.

Ordinary resolution number 1.2

Resolved that Mr T Winterboer be and is hereby elected as an independent non-executive director of the company.

The abridged *curricula vitae* of directors standing for re-election for ordinary resolutions number 1.1 and 1.2 are set out on page 203 of this notice.

2. ORDINARY RESOLUTION NUMBER 1.3: VACANCY FILLED BY DIRECTOR

> The percentage of voting rights required for ordinary resolution number 1.3 to be adopted is more than 50% (fifty per cent) of the voting rights exercised on each resolution.

Vacancies on the board are filled by the appointment of directors during the year, upon the recommendation of the nominations committee and the board. Dr SP Sibisi was appointed by the board to fill a vacancy in accordance with the Act and the company's MOI and is now recommended by the board for election by shareholders by way of separate resolution.

Ordinary resolution number 1.3

Resolved that Dr SP Sibisi, be and is hereby elected as an independent non-executive director of the company.

The abridged curricula vitae of the director standing for election for ordinary resolution number 1.3 is set out on page 204 of this notice.

3. ORDINARY RESOLUTION NUMBER 2.1 TO 2.2: REAPPOINTMENT OF AUDITORS

> The percentage of voting rights required for ordinary resolution number(s) 2.1 and 2.2 to be adopted is more than 50% (fifty per cent) of the voting rights exercised on each resolution.

The audit committee has evaluated the independence, performance and skills of Deloitte & Touche and PricewaterhouseCoopers Inc. (PwC) and recommend their reappointment as joint auditors of the company.

Ordinary resolution number 2.1

Resolved that, as recommended by the audit committee of the company, Deloitte & Touche be and is hereby reappointed auditors of the company in terms of section 90(1A)(b) of the Act until the next annual general meeting.

Ordinary resolution number 2.2

Resolved that, as recommended by the audit committee of the company, PricewaterhouseCoopers Inc. be appointed auditors of the company in terms of section 90(1A)(b) of the Act until the next annual general meeting.

Additional information in respect of ordinary resolution number 2.1 and 2.2

The company's audit committee has recommended, and the directors have endorsed, the proposed appointments. It is proposed that the appointments be made on a joint basis. If one of the two resolutions proposed above (being resolutions 2.1 and 2.2) is not passed, the approved resolution passed shall be effective.

The remuneration of the company's auditors and the auditors' terms of engagement are determined by the audit committee pursuant to the Act.

4. ORDINARY RESOLUTION NUMBER 3: GENERAL AUTHORITY TO ISSUE AUTHORISED BUT UNISSUED ORDINARY SHARES FOR CASH

> The percentage of voting rights required for ordinary resolution number 3 to be adopted is at least 75% (seventy five per cent) of the voting rights exercised on the resolution.

Ordinary resolution number 3

Resolved that the directors be and are hereby authorised, by way of a renewable general authority, to issue all or any of the authorised but unissued ordinary shares in the capital of the company for cash (including the issue of any options/ convertible shares that are convertible into an existing class of ordinary shares) as and when they in their discretion deem fit, subject to the following:

- the aggregate number of shares to be allotted and issued in terms of this resolution shall be limited to 1.5% (one and a half per cent) representing 84 114 056 (excluding treasury shares) of the number of the company's shares in issue as at date of this notice; and
- the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, when applicable, on the basis that:
  - this authority shall be valid until the company's next annual general meeting or for 15 months from the date that this resolution is passed, whichever period is shorter;
  - the ordinary shares which are the subject of the issue for cash under this authority must be of a class already in issue or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
  - the ordinary shares which are the subject of the issue for cash under this authority must be issued to public shareholders and not to related parties;

- any such general issues are subject to exchange control regulations and approval at that point in time;
- an announcement giving full details will be published at the time of any issue representing the authority of 1.5% (one and a half per cent) in accordance with the Listings Requirements;
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the shares; and
- in respect of shares which are the subject of the general issue of shares for cash:
  - any ordinary shares issued under this authority during the period contemplated must be deducted from the aggregate number of shares to be allotted and issued in terms of this resolution;
  - in the event of a subdivision or consolidation of issued ordinary shares during the period contemplated above, the existing authority in terms of this resolution must be adjusted accordingly to represent the same allocation ratio; and
  - the calculation of the listed ordinary shares is a factual assessment of the listed ordinary shares as at the date of the notice of the annual general meeting, excluding treasury shares.

Reason and effect of ordinary resolution number 3

This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required.

5. ORDINARY RESOLUTION NUMBER 4: SIGNING AUTHORITY TO AUTHORISE DIRECTOR AND/OR GROUP COMPANY SECRETARY

The percentage of voting rights required for ordinary resolution number 4 to be adopted is more than 50% (fifty per cent) of the voting rights exercised on the resolution.

Ordinary resolution number 4

Resolved that each director and/or the company secretary of the company, be and is hereby authorised to do all such things and sign all such documents as may be necessary for, or incidental to, the implementation of the resolutions passed at the annual general meeting of the company and set out in this notice.

Additional information in respect of ordinary resolution number 4

For the sake of practicality, the directors and/or the company secretary of the company must be empowered to enforce the resolutions so passed by the shareholders at this annual general meeting, if any.

6. ADVISORY ENDORSEMENT OF THE REMUNERATION POLICY AND IMPLEMENTATION REPORT

6.1 Endorsement of remuneration policy

To endorse, through a non-binding advisory vote, the company's remuneration policy (excluding the remuneration of the non-executive directors and the members of board committees for their services as directors and members of committees), as set out on page 100 in the remuneration report of this report.

6.2 Endorsement of remuneration implementation report

To endorse, through a non-binding advisory vote, the company's remuneration implementation report, as set out on page 100 in the remuneration report of this report.

Additional information in respect of advisory endorsement of remuneration policy and implementation report

The endorsement of the remuneration policy and implementation report is tabled as a non-binding advisory vote; however, the outcome of each vote will be acknowledged when considering the remuneration policy and the implementation thereof. If either the remuneration policy or the implementation report, or both, are voted against by 25% (twenty-five per cent) or more of the voting rights exercised, the board will, as recommended by King IV and required by the Listings Requirements 3.84(j), implement certain measures to initiate engagement with the relevant shareholders. The outcome thereof will be disclosed in the 2022 annual integrated report.

7. SPECIAL RESOLUTION NUMBER 1: GENERAL AUTHORITY TO REPURCHASE ORDINARY SHARES

The percentage of voting rights required for special resolution number 1 to be adopted is at least 75% (seventy five per cent) of the voting rights exercised on the resolution.

Special resolution number 1

Resolved that the company and/or its subsidiary/subsidiaries (the group) be and are hereby authorised, in terms of a general authority, to acquire, as contemplated in section 48 of the Act, read with section 46, as amended, the company's issued shares from time to time on such terms and conditions and in such amounts as the directors may from time to time decide, but always subject to the approval, to the extent required, of the CEO of the Prudential Authority, the provisions of the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, and subject to the following conditions:

> this general authority will be valid only until the company's next annual general meeting, provided that it will not extend beyond 15 months from the date of the passing of this special resolution, whichever is shorter;

> the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);

> repurchases may not be made at a price greater than 10% (ten per cent) above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the repurchase of such securities by the company is effected;

> the acquisitions of ordinary shares shall in the aggregate in any one financial year, not exceed 10% (ten per cent) of the company's issued ordinary share capital as at the beginning of the financial year, provided that the number of shares purchased and held by a subsidiary/subsidiaries of the company shall not exceed 10% (ten per cent) in aggregate of the number of issued shares in the company at any time;

> any such general repurchase will be subject to the applicable provisions of the Act, including sections 114 and 115 to the extent that section 48(8)(b) is applicable in relation to that particular repurchase;

> neither the company nor its subsidiary/subsidiaries will repurchase securities during a prohibited period, as defined in paragraph 3.69 of the Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been submitted to the JSE in writing prior to the commencement of the prohibited period, as required;

> a resolution having been passed by the board of directors confirming that the board has authorised the repurchase, that the company and the group passed the solvency and liquidity test and that since the test was performed there have been no material changes to the financial position of the group;

> any such general repurchases are subject to exchange control regulations and approval at that time;

> when the company has cumulatively repurchased 3% (three per cent) of the initial number of the relevant class of securities, and for each 3% (three per cent) in aggregate of the initial number of that class acquired thereafter, an announcement shall be published on SENS in accordance with the Listings Requirements; and

> at any time, the company shall appoint only one agent to effect any repurchase(s) on its behalf.

Reason and effects of special resolution number 1

The reason for special resolution number 1 is to grant the company's directors a general authority, up to and including the date of the following annual general meeting of the company, to approve the company's repurchase of its shares or to permit a subsidiary of the company to purchase shares in the company.

The directors have no immediate intention to use this authority to repurchase company shares. The directors are, however, of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future.

The directors undertake that the company will not commence a general repurchase of shares as contemplated above unless:

> the company and the group will be in a position to repay their debts in the ordinary course of business for a period of 12 months after the date of the general repurchase of shares in the open market;

> the assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the general repurchase of shares in the open market, for which purpose the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Act;

> the ordinary share capital and reserves of the company and the group will be adequate for ordinary business purposes for the 12 months after the general repurchase of shares in the open market;

> the available working capital will be adequate to continue the operations of the company and the group for a period of 12 months after the repurchase of shares in the open market; and

> a resolution has been passed by the board of directors authorising the repurchase and confirming that the company and the group have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the company and the group.

Additional information in respect of special resolution number 1

Further information regarding special resolution number 1, as required by the Listings Requirements, is set out below.

For the purposes of considering special resolution number 1 and in compliance with paragraph 11.26 of the Listings Requirements, shareholders are referred to the additional information below.

1. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 79 and 80 of the annual integrated report, collectively and individually accept full responsibility for the accuracy of the information contained in special resolution number 1, as well as the explanatory notes, and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading, and that they have made all reasonable enquiries in this regard, and that this resolution contains all information required by law and the Listings Requirements.

2. MAJOR SHAREHOLDERS

Details of major shareholders of the company are set out on page 187 of this report.

3. SHARE CAPITAL OF THE COMPANY

Details of the share capital of the company are set out on page 155 of this report.

4. MATERIAL CHANGES

There have been no material changes in the financial or trading position of the company and its subsidiaries that have occurred since the publication of the annual financial statements and summary thereof included in the annual integrated report to which this notice is attached.

8. SPECIAL RESOLUTION NUMBER 2.1: FINANCIAL ASSISTANCE TO DIRECTORS AND PRESCRIBED OFFICERS AS EMPLOYEE SHARE SCHEME BENEFICIARIES

The percentage of voting rights required for special resolution number 2.1 to be adopted is at least 75% (seventy five per cent) of the voting rights exercised on the resolution.

Special resolution number 2.1

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the Listings Requirements of the JSE and NSX, when applicable, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any director or prescribed officer of the company or of a related or interrelated company on such terms and conditions as the directors may determine from time to time in order to facilitate the participation by such director or prescribed officer in any employee share incentive scheme, provided that nothing in this authority will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act, or falls within the exemptions contained in those sections.

Additional information in respect of special resolution 2.1

The company may elect to fund the long-term incentive schemes in which executive directors, prescribed officers and identified staff of the company, and related and interrelated companies, participate.

9. SPECIAL RESOLUTION NUMBER 2.2: FINANCIAL ASSISTANCE TO RELATED AND INTERRELATED ENTITIES

The percentage of voting rights required for special resolution number 2.2 to be adopted is at least 75% (seventy five per cent) of the voting rights exercised on the resolution.

Special resolution number 2.2

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the Listings Requirements of the JSE and NSX, when applicable, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any related or interrelated company, trust or other entity on such terms and conditions as the directors may determine from time to time, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act, or falls within the exemptions contained in those sections.

Additional information in respect of special resolution number 2.2

Companies within the group receive and provide loan financing and other direct and indirect financial assistance as contemplated in terms of the Act.

10. SPECIAL RESOLUTION NUMBER 3: REMUNERATION OF NON-EXECUTIVE DIRECTORS

The percentage of voting rights required for special resolution number 3 to be adopted is at least 75% (seventy five per cent) of the voting rights exercised on the resolution.

Special resolution number 3

Resolved that the proposed remuneration (plus value-added tax (VAT) thereon, when applicable, be and is hereby approved to be payable to non-executive directors for their services as directors of the company for the period 1 December 2021 to 30 November 2022 as set out in the table below. The proposed increase represents a 3% increase for each committee (0% increase in the prior year).

	Note	Proposed remuneration for the 12-month period from 1 December 2021 to 30 November 2022 (R excl. VAT)	Current remuneration for the 12-month period from 1 December 2020 to 30 November 2021 (R excl. VAT)
Board			
Chairman	1	**7 026 456**	**6 821 802**
Director	2	**600 035**	**582 558**
Audit committee			
Chairman	3	**857 193**	**832 225**
Member		**428 596**	**416 113**
Risk, capital management and compliance committee			
Chairman	3	**857 193**	**832 225**
Member		**428 596**	**416 113**
Remuneration committee			
Chairman	3	**514 314**	**499 335**
Member		**257 157**	**249 667**
Directors' affairs and governance committee			
Chairman	3	**164 580**	**159 787**
Member		**82 290**	**79 893**
Large exposures committee			
Chairman	3	**604 721**	**587 108**
Member		**302 361**	**293 554**
Social, ethics and transformation committee			
Chairman	3	**464 682**	**451 148**
Member		**232 341**	**225 574**
Information technology risk and governance committee			
Chairman	3	**343 917**	**333 900**
Member		**171 959**	**166 950**
***Ad hoc* work**			
Special technical	4	**5 252**	**5 099**
Standard	5	**3 429**	**3 329**

1. *The group chairman's fees cover chairmanship and membership of all board committees.*
2. *Executive directors of the company do not receive fees as members of the board.*
3. *Fees for board committee chairs represent a 3% increase.*
4. *Special technical rate payable for highly specialised ad hoc work on an hourly basis at the request of the board.*
5. *Standard ad hoc rate payable for additional work on an hourly basis at the request of the responsible executive.*

Summary of abridged curricula vitae of directors who are eligible for re-election and election at the annual general meeting

JOHAN PETRUS BURGER | 62

Non-executive director
South African
Appointed: September 2018
BCom (Hons), CA(SA)
Expertise in audit, risk and banking

Johan is qualified chartered accountant and graduated from the University of Johannesburg with a BCom (Hons) in 1983.

He has more than 20 years' experience as a seasoned banker in the financial services sector and his skills include strong business leadership, technical expertise and strategic planning. Johan is a mature businessman and banker who is renowned for his strong business acumen, commercial astuteness, extensive experience in broad macroeconomics, financial trends, investment management and private equity.

Prior to joining FirstRand, Johan completed his articles with Coopers & Lybrand (now PwC) and started his career at Rand Merchant Bank in 1986. He has had a illustrious business career, mostly serving in top executive positions. He was appointed as CFO of the group in 2002, and in addition to this role assumed the position of group COO in 2009. He was appointed as CEO in October 2015, delivered superior shareholder value during his tenure and lead highly trained executive teams of multidisciplinary managers and professionals. He retired in March 2018.

Johan is self-employed and provides invaluable institutional knowledge and wisdom to the group.

FirstRand – board committee memberships:

> Directors' affairs and governance

> Large exposures

> Remuneration

> Risk, capital management and compliance

> Social, ethics and transformation

External listed directorships:

Rand Merchant Investment Holdings Limited

THOMAS (TOM) WINTERBOER | 65

Independent non-executive director
South African
Appointed: April 2018
BCom (Hons), CA(SA), AEP
Expertise in audit, risk management and banking

Tom is a qualified chartered accountant and a well-known financial leader responsible for driving financial strategy. He is a member (and past chairman) of the SAICA Banking Project Group.

He has multinational experience that he acquired during his extensive business career and is a former member of PricewaterhouseCoopers Inc. global and central cluster financial services leadership team. Tom spent the greater part of his career at PricewaterhouseCoopers Inc. where he industrialised and launched various banking and financial services thought leadership material such as the strategic and emerging issues surveys in banking, and in other financial areas. He took a range of global thought leadership material to the market in addition to providing extensive advisory services to multinational industries.

During the course of his career, in addition to serving financial services clients, he served as partner to clients in various other industries outside financial services. He is a seasoned director with a broad reservoir of knowledge, extensive financial and investment banking experience, and robust business and leadership skills.

FirstRand – board committee memberships:

> Audit

> Directors' affairs and governance

> Risk, capital management and compliance

External listed directorships:

None

SIBUSISO PATRICK SIBISI | 66

Independent non-executive director
South African

Appointed: April 2021

BSc, PhD
Expertise in information technology, risk and strategy

Sibusiso has a BSc (Physics) from London University's Imperial College (1978) and a PhD (Mathematics) from Cambridge University (1983). He has a passion for science and technology and empowering the next generation of leaders. He has more than 35 years' experience in information technology, risk management, strategy, sustainability and technology innovation, supporting key initiatives and fostering socio-economic development.

Sibusiso was appointed executive director at Plessey in Cape Town in 1997 before joining the University of Cape Town as deputy vice-chancellor for research and innovation in 2000. In 2002 he was appointed president and CEO of the Council for Scientific and Industrial Research (CSIR), a position he held until 2016.

He was awarded the Order of Mapungubwe (Silver) by President Thabo Mbeki in 2007 for his contribution to technology and research. The official tribute accompanying this high award states: "Sibisi is a physicist and mathematician who is well-versed in the workings of the corporate world. His work recognises the importance of linking the academic world of science and the commercial world of business. This is heavily influenced by where he started his work, which was at one of the world's highest-profile innovation hubs, Cambridge Science Park."

FirstRand – committee memberships:

> Risk, capital management and compliance
> Information, technology risk and governance committee
> Social, ethics and transformation

External listed directorships:

Telkom SA

IMPORTANT NOTES REGARDING ATTENDANCE AT THE ANNUAL GENERAL MEETING

General

Shareholders wishing to attend the meeting should ensure beforehand with Computershare Investor Services (Proprietary) Limited that their shares are in fact registered in their name.

A shareholder entitled to attend and vote at the annual general meeting may appoint one or more persons as his/her proxy to attend, speak and vote in its stead. A proxy need not be a shareholder. Shareholders are referred to the attached form of proxy in this regard.

If you are a certificated shareholder or a dematerialised shareholder with own-name registration and are unable to attend the annual general meeting and wish to be represented thereat, you must complete and return the attached form of proxy in accordance with the instructions contained therein to be received, for the orderly arrangement of matters on the day of the annual general meeting, by Computershare Investor Services (Proprietary) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or Private Bag X9000, Saxonwold, 2132 or on email at proxy@computershare.co.za by no later than 09:00 on Monday, 29 November 2021, for administrative purposes.

If you are a dematerialised shareholder, other than with own-name registration, you must arrange with your broker or CSDP to provide you with the necessary letter of representation to attend the annual general meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered, between you and the broker or CSDP, in the manner and cut-off time stipulated therein.

Registration process and participation in the annual general meeting

Shareholders have the right to participate in the annual general meeting by way of electronic communication. All references in this notice to shareholders “attending” the annual general meeting (or cognate expressions) include a reference to attendance by way of electronic communication.

The upcoming AGM will be conducted as a virtual meeting (i.e. by electronic communication), giving you the opportunity to attend the AGM and participate online, using your smartphone, tablet or computer. Voting is also expected to be effected online (through the use of the Lumi virtual meeting platform at https://web.lumiagm.com).

Steps to follow to participate in the annual general meeting:

1. Prior registration is mandatory in order to be able to participate in the meeting. Registration can take place by (a) registering online using the online registration portal at https://smartagm.co.za; or (b) applying to Computershare by sending an email with proof of identification to proxy@computershare.co.za.
2. Once the registration process has been approved, a username and password will be sent either via SMS or email to the shareholder who has pre-registered and is entitled to participate in the meeting.
3. Shareholders can then access the online meeting platform at https://web.lumiagm.com.
4. A shareholders’ guide is available in *Notice of the AGM* on pages 209 to 212 or on the FirstRand website: www.firstrand.co.za to assist and provide meeting participation guidelines.

* *Kindly note that registrations will still be accepted until commencement of the meeting, but will be subject to a vetting and verification process which may delay the receipt of login credentials.*

The company will bear the cost of establishing the electronic communication whilst the cost of the shareholder dialling in will be for his/her account.

Dematerialised shareholders without own-name registration

Voting at the annual general meeting

> Your broker or CSDP should contact you to ascertain how you wish to cast your vote at the annual general meeting and thereafter cast your vote in accordance with your instructions.
> If you have not been contacted by your broker or CSDP, it is advisable for you to contact your broker or CSDP and furnish them with your voting instructions.
> If your broker or CSDP does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your broker or CSDP.
> You must not complete the attached proxy form.

Attendance and representation at the annual general meeting

> In accordance with the mandate between you and your broker or CSDP, you must advise your broker or CSDP if you wish to attend the annual general meeting and your broker or CSDP will issue the necessary letter of representation to you to attend the annual general meeting.

Dematerialised shareholders with own-name registration

Voting and attendance at the annual general meeting

> You may attend the annual general meeting and may vote at the annual general meeting.
> Alternatively, you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy in relation to the annual general meeting in accordance with the instructions it contains, and returning it to the Computershare Investor Services (Proprietary) Limited to be received at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or Private Bag X9000,

Saxonwold, 2132, or email proxy@computershare.co.za by no later than 09:00 on Monday, 29 November 2021 for administrative purposes, although proxies will still be accepted at proxy@computershare.co.za until commencement of the meeting.

Certificated shareholders

Voting and attendance at the annual general meeting

> You may attend the annual general and may vote at the annual general meeting.

> Alternatively, you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy in relation to the annual general meeting in accordance with the instructions it contains and returning it to Computershare Investor Services (Proprietary) Limited to be received at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or Private Bag X9000, Saxonwold, 2132, or emailing proxy@computershare.co.za by no later than 09:00 on Monday, 29 November 2021 for administrative purposes, although proxies will still be accepted at proxy@computershare.co.za up until commencement of the meeting.

Voting requirements

Voting will be by way of a poll and every shareholder of the company present or represented by proxy shall have one vote for every share held in the company by such shareholder.

Proof of identification required

In compliance with section 63 of the Act, note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Acceptable forms of identification include valid identity documents, drivers' licences and passports.

Summary of shareholder rights

In compliance with the provisions of section 58(8)(b)(i) of the Act, a summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Act, is set out immediately below:

> A shareholder entitled to attend and vote at the meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not be a shareholder of the company.

> A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the meeting.

> A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.

> The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Act or the company's MOI to be delivered by the company to the shareholder must be delivered by the company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the company to do so in writing; and (ii) paid any reasonable fee charged by the company for doing so.

Attention is also drawn to the notes to the proxy form.

Directions for obtaining a copy of annual financial statements

The complete annual financial statements are available for inspection at the registered office and/or downloading on the company's website www.firstrand.co.za, or a copy thereof can be requested in writing from the company secretary, 4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196.

By order of the board

C LOW ~ Company Secretary

12 October 2021

Transfer secretaries

Computershare Investor Services (Pty) Ltd
1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank
2196

Registered office address

4 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
2196

FirstRand

Proxy form – ordinary shareholders

FirstRand Limited

(Incorporated in the Republic of South Africa) (Registration number: 1966/010753/06)
Share code: (JSE): FSR ISIN: ZAE000066304 NSX ordinary share code: FST (**FirstRand** or the **company**)

Only for use by shareholders who have not dematerialised their shares or who have dematerialised their shares with own-name registration.

All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the annual general meeting.

For completion by the aforesaid registered shareholders who hold ordinary shares of the company and who are unable to attend the annual general meeting of the company to be held electronically, on Wednesday, 1 December 2021 at 09:00 (**the annual general meeting**).

I/We

Of (address)

Email: Mobile/contact number:

Being the holder(s) of (number of ordinary shares) shares in the company, appoint (see notes overleaf)

1. Or, failing him/her

2. Or, failing him/her

3. The chair of the annual general meeting as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the annual general meeting that will be held for the purpose of considering and, if deemed fit, passing with or without modification the ordinary and special resolutions to be proposed thereat and to vote for and/or against such ordinary and special resolutions and/or to abstain from voting in respect of the shares registered in my/our names, and at any adjournment thereof, in accordance with the following instructions (see notes overleaf):

	For	Against	Abstain
Ordinary resolutions Ordinary resolutions 1.1 and 1.2 – Re-election of directors of the company by way of separate resolution:			
1.1 JP Burger			
1.2 T Winterboer			
Ordinary resolution 1.3 – Vacancy filled by director during the year 1.3 SP Sibisi			
Ordinary resolution 2 – Appointment of external auditors 2.1 Appointment of Deloitte & Touche as external auditor			
2.2 Appointment of PricewaterhouseCoopers Inc. as external auditor			
Ordinary resolution 3 – General authority to issue authorised but unissued ordinary shares for cash			
Ordinary resolution 4 – Signing authority to director and/or group company secretary			
Advisory endorsement	**For**	**Against**	**Abstain**
Advisory endorsement on a non-binding basis for the remuneration policy			
Advisory endorsement on a non-binding basis for the remuneration implementation report			
Special resolutions	**For**	**Against**	**Abstain**
Special resolution 1 – General authority to repurchase ordinary shares			
Special resolution 2.1 – Financial assistance to directors and prescribed officers as employee share scheme beneficiaries			
Special resolution 2.2 – Financial assistance to related and interrelated entities			
Special resolution 3 – Remuneration of non-executive directors with effect from 1 December 2021			

Signed at (place) on (date) 2021

Signature

Assisted by me
(where applicable)

Forms of proxy should (but are not required to) be received by Computershare Investor Services (Proprietary) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or Private Bag X9000, Saxonwold, 2132 or on email proxy@computershare.co.za, or in Namibia by Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, Fax number +264 6124 8531, by no later than 09:00 on Monday, 29 November 2021 for administrative purposes although proxies will still be accepted until commencement of the meeting.

Forms of proxy may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with own-name registration.

PLEASE SEE NOTES ON REVERSE SIDE OF THE FORM

Notes to proxy form

Use of proxies

A shareholder who holds ordinary shares (shareholder) is entitled to attend and vote at the annual general meeting and to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company.

Instructions on signing and lodging the proxy form:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the chairman of the annual general meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy and participate in the electronic meeting to the exclusion of those whose names follow.

2. A shareholder's voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that shareholder in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder of his/her proxy.

3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

4. To be valid the completed proxy forms should (but are not required to) be received by the Computershare Investor Services (Proprietary) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or Private Bag X9000, Saxonwold, 2132, or on email proxy@computershare.co.za, or in Namibia by Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, fax number +264 6124 8531, by no later than 09:00 on Monday, 29 November 2021 for administrative purposes. Proxy forms may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

5. Documentary evidence establishing the authority of a person signing a proxy form in a representative capacity must be attached to the proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.

6. The completion and lodging of this proxy form shall not preclude the relevant shareholder from attending the annual general meeting and speaking and voting thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/signatories.

8. The chairman of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

9. A proxy may not delegate his/her authority to any other person.

Online shareholders' meeting guide 2021

Prior registration is mandatory for all shareholders to participate in the meeting.

Attending the AGM electronically

This year the group will be conducting a virtual AGM, giving shareholders the opportunity to attend the AGM and participate online, using a smartphone, tablet or computer.

If you choose to participate online, you will be able to view a live webcast of the meeting, ask the board questions and submit your votes in real time. You will need:

(a) To visit https://web.lumiagm.com on your smartphone, tablet or computer. You will need the latest version of Chrome, Safari, Internet Explorer 11, Edge or Firefox. Please ensure your browser is compatible.

MEETING ID: 182-219-828

To log in users must have a username and password, which must be requested from proxy@computershare.co.za.

USING THE AGM ONLINE FACILITY:

VIRTUAL SHAREHOLDERS' USER GUIDE

THE LUMI AGM PLATFORM

Meeting ID: **182-219-828**

To log in you must have your username and password which you will receive from smartagm-sa@lumiglobal.com after registering on https://www.lumiagm.com/.

You will be able to log into the site from **8:30 on 1 December 2021**.

Attending the AGM electronically

We will be conducting a virtual AGM, giving you the opportunity to attend the AGM and participate online, using your smartphone, tablet or computer.

If you choose to participate online you will be able to view a live webcast of the meeting, ask the board questions and submit your votes in real time. To access the platform, you will need to:

Visit https://web.lumiagm.com on your smartphone, tablet or computer. You will need the latest version of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible.

Online shareholders' meeting guide 2021 continued

ACCESS

Once you have entered **web.lumiagm.com** into your web browser, you'll be prompted to enter the **meeting ID.**

To login as a shareholder, select **'I am a shareholder'.**

You will then be required to enter your:

> **Username**; and

> **Password.**

If you are a guest, select **'I am a guest'.**

As a guest, you will be prompted to complete all the relevant fields including first name, last name and email address.

Please note, guests are not able to ask questions at the meeting, and they will not be able to vote.

NAVIGATION

When successfully authenticated, the info screen will be displayed. You can view company information, ask questions, view relevant documents and watch the webcast.

If you would like to watch the webcast on smaller devices, select the broadcast icon at the bottom of the screen in the broadcast band.

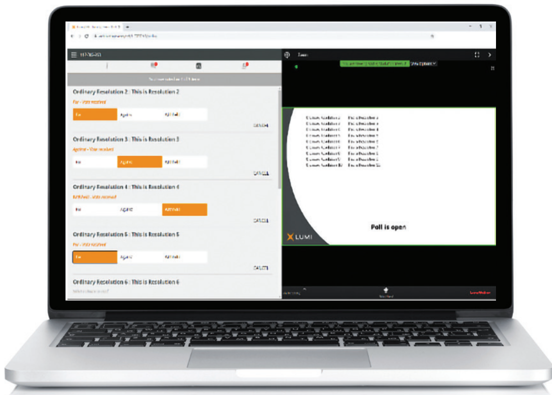
If viewing on a computer, the webcast will appear at the side automatically once the meeting has started.

VOTING

Once the voting has opened, the polling icon will appear on the navigation bar at the top of the screen. From here, the resolutions or motions and voting choices will be displayed.

To vote, simply select your voting direction from the options shown on screen. A confirmation message will appear to show your vote has been received.

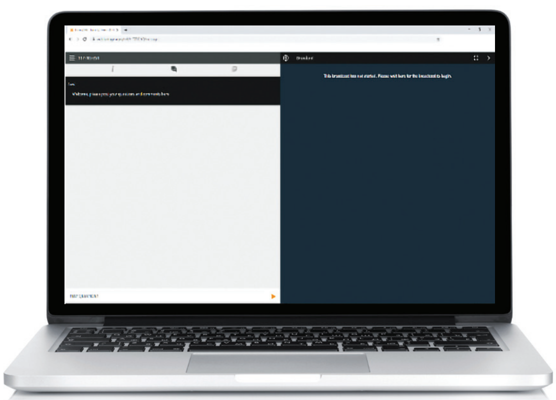
If you wish to change your mind, simply select an alternate choice while the voting is open or select cancel if you wish to cancel your vote.



Once opened, voting can be performed at any time during the meeting until the chairman closes the voting on the resolutions. At that point your last choice will be submitted.

You will still be able to send messages and view the webcast whilst voting is open.

QUESTIONS



Any shareholder or appointed proxy attending the meeting is eligible to ask questions.

Guests may not ask questions.

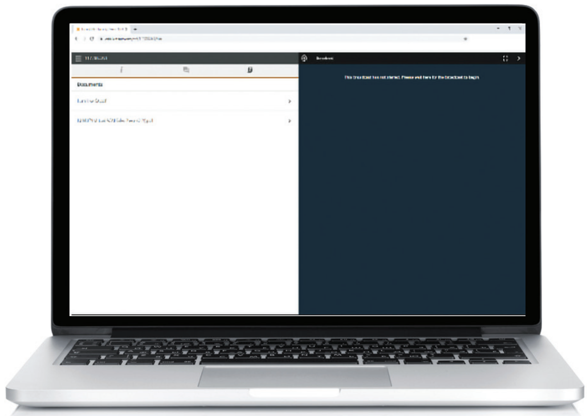
To ask a question, select the messaging icon at the top of the screen.

Type your message within the chat box at the bottom of the messaging screen and then press send.

Online shareholders' meeting guide 2021 continued

DOCUMENTS

Documents will be available for you in the documents vault, just click on the documents icon at the top of the screen.



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