FirstRand

analysis

of financial results

for the year ended 30 June 2023

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

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

FirstRand

Contents

About this report

This report and the accompanying commentary cover the primary results of the group and are presented on a normalised basis, as the group believes this most accurately reflects its economic performance. Normalised results have been derived from the International Financial Reporting Standards (IFRS) financial results.

Normalised results include a consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of financial position and a consolidated statement of changes in equity. A detailed description of the difference between normalised and IFRS results is provided on pages 138 and 139. Detailed reconciliations of normalised to IFRS results are provided on pages 143 to 149. Commentary is based on normalised results, unless indicated otherwise.

The preparation of the group's consolidated annual financial statements was supervised by Simonet Terblanche, CA(SA).

The group's audited consolidated financial statements for the year ended 30 June 2023, based on IFRS, are available on its website at www.firstrand.co.za/investors/integrated-reporting-hub/financial-reporting/.

Simplified group structure

FirstRand

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100% FirstRand Bank Limited (FRB) – SA banking

	First National Bank*
	WesBank*
	Rand Merchant Bank*
	FirstRand Bank London**
	FirstRand Bank Guernsey**,#
	FirstRand Bank Kenya†
	FirstRand Bank Angola†
	FirstRand Bank Shanghai †
	FirstRand Bank New York†

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

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

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

100%	Aldermore Group
100%	Aldermore Bank‡
100%	MotoNovo Finance‡
100%	RMB International Mauritius
100%	FirstRand Securities
100%	RMB Securities (USA)^
100%	RMB Capital India

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 Jersey
100%	FNB International Trustees
100%	FNB Investor Services
100%	FNB CIS Management Company (RF)
100%	Various general partners◊

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

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

* *Division*

** *Branch*

\# *Trading as FNB Channel Islands.*

† *Representative office*

DirectAxis is a business unit of FirstRand Bank Limited.

‡ *Wholly owned subsidiary of Aldermore Group.*

^ *Wholly owned subsidiary of FirstRand Securities.*

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

Notes:

There were no material changes to the group structure over the year.

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, WesBank, RMB or the Centre). The group's securitisations and other special purpose vehicles (SPVs) are in FRB, FRI and FRIHL.

overview

of results

FirstRand

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

Performance highlights

Normalised earnings

R36.7bn

2022: R32.7bn ▲12%

Normalised return on equity

21.2%

2022: 20.6% ▲60 bps

Normalised net asset value

R180.7bn

2022: R164.9bn ▲10%

CET1 ratio

13.2%

2022: 13.9% ▼70 bps

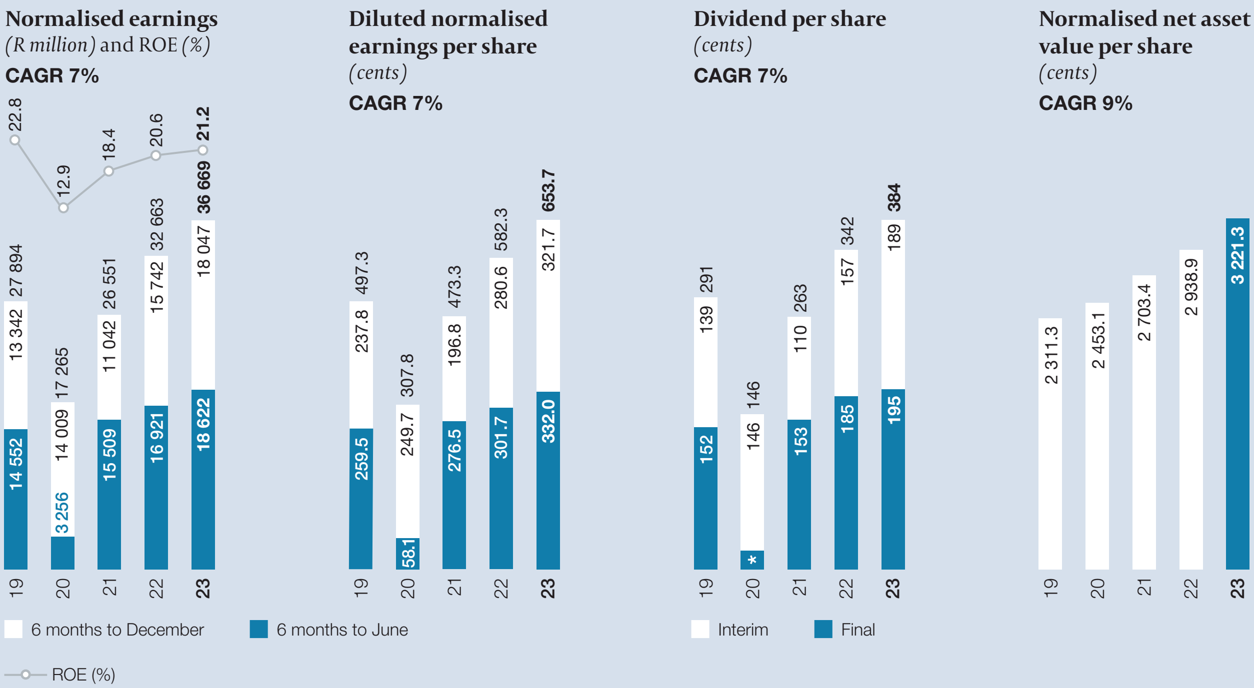
Ordinary dividend per share

384 cents

2022: 342 cents ▲12%
2022: 125 cents special dividend

FNB WesBank RMB Aldermore

Track record



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

Key financial and operational results, ratios and statistics – normalised

for the year ended 30 June

This section is based on normalised results. A detailed reconciliation between IFRS and normalised results is set out on pages 143 to 149.

R million	**2023**	2022	% change
Earnings performance			
Normalised earnings per share (cents)			
– Basic	**653.7**	582.3	12
– Diluted	**653.7**	582.3	12
Headline earnings per share (cents)			
– Basic	**655.3**	585.3	12
– Diluted	**655.3**	585.3	12
Earnings per share (cents) – IFRS			
– Basic	**648.7**	584.3	11
– Diluted	**648.7**	584.3	11
Attributable earnings – IFRS	**36 366**	32 761	11
Headline earnings	**36 735**	32 817	12
Normalised earnings	**36 669**	32 663	12
Normalised net asset value	**180 698**	164 857	10
Normalised net asset value per share (cents)	**3 221.3**	2 938.9	10
Average normalised net asset value	**172 778**	158 252	9
Net income after cost of capital	**12 048**	10 112	19
Market capitalisation	**384 250**	349 864	10
Ordinary dividend per share (cents)	**384**	342	12
– Interim	**189**	157	20
– Final	**195**	185	5
Dividend cover (times)	**1.70**	1.70	
– Interim	**1.70**	1.79	
– Final	**1.70**	1.63	
NCNR B preference dividend – paid (cents per share)*	**359.6**	544.6	(34)
Ratios and key statistics			
ROE (%)	**21.2**	20.6	
ROA (%)	**1.71**	1.69	
Price earnings ratio (times)	**10.5**	10.7	
Price-to-book ratio (times)	**2.1**	2.1	
Diversity ratio (%)	**40.7**	41.6	
Credit impairment charge (R million)	**10 949**	7 080	55
Credit loss ratio (%)	**0.78**	0.56	
Stage 3/NPLs as % of core lending advances	**3.80**	3.88	
Performing book coverage ratio (%)	**1.72**	1.78	
Specific coverage ratio (%)	**45.3**	49.8	
Cost-to-income ratio (%)	**51.8**	52.5	
Effective tax rate (%)	**23.8**	26.0	
Share price (closing – rand)	**68.50**	62.37	10

* *75.56% of FNB prime lending rate. Includes pro rata dividend. These non-cumulative, non-redeemable (NCNR) B preference shares were repurchased and cancelled on 27 September 2022.*

	2023	2022	% change
Balance sheet			
Normalised total assets* (R million)	**2 294 845**	1 999 645	15
Advances (net of credit impairment) (R million)	**1 539 375**	1 334 324	15
Average gross loan-to-deposit ratio (%)	**83.1**	83.1	
Deposits (R million)	**1 923 103**	1 655 972	16
Capital adequacy – IFRS**			
Capital adequacy ratio (%)	**15.6**	16.7	
Tier 1 ratio (%)	**13.8**	14.5	
Common Equity Tier 1 ratio (%)	**13.2**	13.9	
Leverage – IFRS**			
Leverage ratio (%)	**7.8**	8.0	
Liquidity – IFRS			
Liquidity coverage ratio (%)	**124**	121	
Net stable funding ratio (%)#	**121**	122	
Operational statistics			
Number of ATMs (including ADTs)	**5 727**	5 701	–
– South Africa	**4 789**	4 774	–
– Broader Africa	**938**	927	1
Number of branches	**748**	735	2
– South Africa	**614**	604	2
– Broader Africa	**134**	131	2
FNB CashPlus agents†	**3 581**	2 707	32
Number of employees	**50 493**	48 059	5
– South Africa	**40 610**	38 333	6
– Broader Africa	**6 238**	6 074	3
– UK operations	**2 166**	2 075	4
– Other	**683**	623	10
– FirstJob youth employment programme	**796**	954	(17)
FNB active customers (millions)	**11.49**	10.96	5
– South Africa	**9.46**	9.06	4
– Retail	**8.25**	7.86	5
– Commercial	**1.21**	1.20	1
– Broader Africa	**2.03**	1.90	7
FNB channel volumes (thousands of transactions)			
– ATM/ADT‡	**285 132**	280 269	2
– Digital	**737 469**	673 582	9
– Card acquiring	**968 928**	819 682	18
– Card issuing	**1 132 203**	992 896	14
Gross written premiums on group licences (R million)	**6 639**	5 420	22
Embedded value – FNB Life (gross of dividends) (R million)	**8 800**	6 880	28

* *Restated – refer to page 139 for more detail.*

** *Including unappropriated profits.*

Comparative ratio has been restated to reflect data quality improvements.

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

‡ *Comparatives have been restated to reflect the inclusion of transactions by non-FNB cardholders.*

Consolidated income statement – normalised

for the year ended 30 June

R million	**2023**	2022	% change
Net interest income before impairment of advances	**78 616**	67 856	16
Impairment charge*	**(10 949)**	(7 080)	55
Net interest income after impairment of advances	**67 667**	60 776	11
Total non-interest revenue	**53 863**	48 362	11
– Operational non-interest revenue	**53 370**	46 856	14
– Fee and commission income	**36 084**	33 396	8
– Insurance income	**5 393**	4 297	26
– Trading and other fair value income	**6 522**	5 603	16
– Investment income*	**1 579**	479	>100
– Other non-interest revenue	**3 792**	3 081	23
– Share of profit of associates and joint ventures after tax*	**493**	1 506	(67)
Income from operations	**121 530**	109 138	11
Operating expenses	**(68 640)**	(61 024)	12
Income before indirect tax	**52 890**	48 114	10
Indirect tax	**(1 632)**	(1 433)	14
Profit before tax	**51 258**	46 681	10
Income tax expense	**(12 193)**	(12 127)	1
Profit for the year	**39 065**	34 554	13
Other equity instrument holders	**(1 119)**	(838)	34
Non-controlling interests	**(1 277)**	(1 053)	21
Normalised earnings attributable to ordinary equityholders of the group	**36 669**	32 663	12

* *Impacted by a debt-to-equity restructure resulting in a gross-up of these items with no impact on earnings. Refer to note on page 79.*

Consolidated statement of other comprehensive income – normalised

for the year ended 30 June

R million	2023	2022	% change
Profit for the year	**39 065**	34 554	13
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**(738)**	(3 712)	(80)
Gains/(losses) arising during the year	**282**	(2 138)	(>100)
Reclassification adjustments for amounts included in profit or loss	**(1 333)**	(2 972)	(55)
Deferred income tax	**313**	1 398	(78)
FVOCI debt reserve	**33**	(50)	(>100)
Gains/(losses) arising during the year	**35**	(65)	(>100)
Reclassification adjustments for amounts included in profit or loss	**11**	(15)	(>100)
Deferred income tax	**(13)**	30	(>100)
Exchange differences on translating foreign operations	**8 081**	2 007	>100
Gains arising during the year	**7 974**	1 997	>100
Deferred income tax	**107**	10	>100
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**(3)**	13	(>100)
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	**33**	4	>100
Gains arising during the year	**38**	10	>100
Deferred income tax	**(5)**	(6)	(17)
Remeasurements on defined benefit post-employment plans	**108**	145	(26)
Gains arising during the year	**154**	203	(24)
Deferred income tax	**(46)**	(58)	(21)
Other comprehensive income/(loss) for the year	**7 514**	(1 593)	(>100)
Total comprehensive income for the year	**46 579**	32 961	41
Attributable to			
Ordinary equityholders	**44 106**	31 043	42
Other equity instrument holders	**1 119**	838	34
Equityholders of the group	**45 225**	31 881	42
Non-controlling interests	**1 354**	1 080	25
Total comprehensive income for the year	**46 579**	32 961	41

Consolidated statement of financial position – normalised

as at 30 June

R million	**2023**	2022*
ASSETS		
Cash and cash equivalents	**175 304**	143 636
Derivative financial instruments	**85 956**	65 667
Commodities	**17 252**	17 580
Investment securities	**416 423**	382 280
Advances	**1 539 375**	1 334 324
– Advances to customers**	**1 455 422**	1 262 083
– Marketable advances	**83 953**	72 241
Other assets	**3 760**	4 764
Current tax asset	**925**	624
Non-current assets and disposal groups held for sale	**1 359**	1 501
Reinsurance assets	**554**	583
Investments in associates	**10 400**	8 178
Investments in joint ventures	**3 057**	2 564
Property and equipment	**21 155**	19 725
Intangible assets	**10 278**	9 459
Investment properties	**353**	698
Defined benefit post-employment asset	**25**	35
Deferred income tax asset	**8 669**	8 027
Total assets	**2 294 845**	1 999 645
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**12 753**	14 623
Derivative financial instruments	**70 354**	64 547
Creditors, accruals and provisions	**43 389**	30 928
Current tax liability	**471**	803
Liabilities directly associated with disposal groups held for sale	**–**	824
Deposits	**1 923 103**	1 655 972
Employee liabilities	**17 074**	13 862
Other liabilities	**7 033**	8 248
Policyholder liabilities	**8 131**	7 424
Tier 2 liabilities	**16 869**	20 937
Deferred income tax liability	**752**	692
Total liabilities	**2 099 929**	1 818 860
Equity		
Ordinary shares	**56**	56
Share premium	**8 056**	8 056
Reserves	**172 586**	156 745
Capital and reserves attributable to equityholders of the group	**180 698**	164 857
Other equity instruments and reserves	**9 930**	11 645
Non-controlling interests	**4 288**	4 283
Total equity	**194 916**	180 785
Total equities and liabilities	**2 294 845**	1 999 645

* *Restated – refer to page 139 for more detail.*

** *Included in advances to customers are assets under agreements to resell of R79 410 million (2022: R70 617 million).*

Flow of funds analysis – normalised

R million	**June 2023 vs June 2022**	June 2022 vs June 2021
Sources of funds		
Capital account movement (including profit and reserves)	**14 131**	12 868
Working capital movement	**14 272**	12 165
Short trading positions and derivative financial instruments	**(16 352)**	(7 150)
Deposits and long-term liabilities	**263 063**	113 891
Total	**275 114**	131 774
(Outflow)/inflow in deployment of funds		
Advances	**(205 051)**	(110 890)
Investments	**(4 252)**	1 711
Cash and cash equivalents	**(31 668)**	(8 577)
Investment securities (e.g. liquid asset portfolio)	**(34 143)**	(14 018)
Total	**(275 114)**	(131 774)

Consolidated statement of changes in equity – normalised

for the year ended 30 June

	Ordinary share capital and ordinary equityholders' funds				
R million	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2021	56	8 056	**8 112**	369	1 355
Disposal of subsidiaries	–	–	**–**	–	–
Additional Tier 1 capital issued during the year	–	–	**–**	–	–
Preference shares redeemed during the year	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Transfer (from)/to general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Total comprehensive income for the year	–	–	**–**	145	(3 712)
– Profit for the year	–	–	**–**	–	–
– Other comprehensive income for the year	–	–	**–**	145	(3 712)
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2022	56	8 056	**8 112**	514	(2 357)
Disposal of subsidiaries	–	–	**–**	–	–
Additional Tier 1 capital issued during the year	–	–	**–**	–	–
Preference shares redeemed during the year	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Transfer to/(from) general risk reserves	–	–	–	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Total comprehensive income for the year	–	–	**–**	108	(738)
– Profit for the year	–	–	**–**	–	–
– Other comprehensive income for the year	–	–	**–**	108	(738)
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2023	56	8 056	**8 112**	622	(3 095)

* *Other reserves include fair value through other comprehensive income (FVOCI).*

** *Other equity instruments and reserves at June 2023 include nil (2022: R4 519 million) NCNR preference shares and R9 930 million (2022: R7 126 million) of AT1 instruments.*

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

Ordinary share capital and ordinary equityholders' funds							
Share-based payment reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	Reserves attributable to ordinary equity-holders	Other equity instruments and reserves**	Non-controlling interests	Total equity
44	2 773	1 176	137 818	143 535	11 645	4 625	167 917
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	203	(282)#	(79)	–	16#	(63)
–	–	–	(17 390)	(17 390)	–	(1 026)	(18 416)
–	–	–	–	–	(838)	–	(838)
–	–	(55)	55	–	–	–	–
–	–	–	(364)	(364)	–	(412)	(776)
–	1 993	(46)	32 663	31 043	838	1 080	32 961
–	–	–	32 663	32 663	838	1 053	34 554
–	1 993	(46)	–	(1 620)	–	27	(1 593)
–	–	–	–	–	–	–	–
44	4 766	1 278	152 500	156 745	11 645	4 283	180 785
–	–	–	–	–	–	1	1
–	–	–	–	–	2 804	–	2 804
–	–	–	–	–	(4 519)	–	(4 519)
12	–	295	(554)#	(247)	–	(48)#	(295)
–	–	–	(27 991)	(27 991)	–	(1 240)	(29 231)
–	–	–	–	–	(1 119)	–	(1 119)
–	–	6	(6)	–	–	–	–
–	–	–	2	2	–	(62)	(60)
–	8 003	64	36 669	44 106	1 119	1 354	46 579
–	–	–	36 669	36 669	1 119	1 277	39 065
–	8 003	64	–	7 437	–	77	7 514
(29)	–	–	–	(29)	–	–	(29)
27	12 769	1 643	160 620	172 586	9 930	4 288	194 916

These strong results are a direct outcome of key decisions taken at the beginning of the current macroeconomic cycle. The credit performance stands out, with the credit loss ratio below the group's through-the-cycle range. This is testament to the post-pandemic origination approach, and particularly pleasing given the higher-than-expected interest rate and inflationary cycles experienced across all jurisdictions.

The quality of the group's franchises, FNB, RMB, WesBank and Aldermore, is captured in their resilient operational performances, underpinned by healthy topline growth from solid new loan origination and impressive deposit gathering. Executing on the strategy to deliver more to customers has remained a cornerstone of the group's success.

Discipline in the deployment of financial resources supported the group's normalised ROE of 21.2%, which remained at the upper end of its stated range.

ALAN PULLINGER
Chief Executive Officer

Introduction and group strategy

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.

The group's long track record of delivering growth and superior returns is reflective of consistent execution on its core strategies. It also reflects the disciplined allocation of financial resources.

FirstRand's earnings remain tilted towards South Africa, which represents c. 80% of total earnings, mainly generated by its large lending, transactional and deposit franchises, which have resulted in deep and loyal customer bases. These domestic banking operations are mature and systemically important. Against the prevailing backdrop of weak macroeconomic growth and given the group's size, any aspiration to outperform requires strategic distinction combined with sound execution. The key growth imperatives in the domestic businesses are to grow customer numbers, do more business with customers, and do this more efficiently. The group is also investing in building capital-light revenues in adjacent activities such as insurance, and investment and asset management.

In the broader Africa portfolio, which represents 11% of earnings, FirstRand remains focused on growing its presence and offerings in certain key markets where it believes it can build competitive advantage and scale over time. The group's expansion strategy has been largely organic, complemented where possible by bolt-on acquisitions. There is a strong focus on building in-country customer and deposit franchises.

Contributing 9% to earnings, the group's UK operations represent long-term growth opportunities decoupled from South Africa and broader Africa, with the UK market offering attractive risk-adjusted returns through the cycle. The diversification is already supporting group net asset value (NAV) accretion.

As a specialist lender, Aldermore's business model targets the credit needs of individuals and entities which are underserved by mainstream providers. These customer pools in the UK market are large and growing. They also represent quality risk that is not catered for by the large incumbent players as it requires a bespoke approach to structuring and underwriting.

The group remains confident the UK business can grow at a higher rate than the domestic franchise given its presence in large profit pools, and given that UK system growth is expected to be stronger than current SA projections for GDP. The UK management team is executing on strategies to grow market share in core product sets where it has strong value propositions, modernise its platforms to achieve scale and efficiencies, and build a more diversified and sustainable funding franchise.

Operating environment

The operating environment during the year under review, globally and domestically, was characterised by persistently high inflation and rising interest rates.

The resultant slowdown in global economic activity translated into lower commodity prices and a reduction in the terms of trade tailwind enjoyed by commodity producing countries, including South Africa.

This gave rise to pressure for households in South Africa, causing lower demand for retail credit, particularly in the second half as interest rates lifted higher than initially expected. Corporate and commercial lending remained robust as the private sector increased investment in replacement infrastructure and sustainable energy generation. Whilst the pick-up in loadshedding during the winter months was ultimately less intense than expected, the ongoing need to stabilise energy supply and improve energy access remains an important macroeconomic challenge.

Employment data suggests that private sector employment and wage growth began to slow but still provided some support to household income in certain sectors. Conversely employment and wage growth in the public sector remained under pressure after more than a decade of above-inflation increases. The rising interest rates and inflation meant household debt service levels remained high, although still within historical averages.

In the UK, sticky inflation meant that policy rates continued to rise and the outlook for households remained divided between those with sufficient savings to manage the increase in prices and those without. This dynamic necessitated ongoing government fiscal support to households facing financial strain.

In the broader Africa portfolio, the most noteworthy developments were in Ghana and Nigeria. Ghana experienced a sovereign debt crisis and high inflation. In Nigeria, the beginning of an economic and financial market reform process sparked significant currency weakness and added to inflation pressures.

Financial performance

The 12% increase in the group's normalised earnings was driven by good topline growth, reflecting continued momentum in new business origination in all large lending portfolios, ongoing growth from the deposit franchise and the performance of the group's transactional franchise (measured by customer growth and volumes).

The relative size and quality of the transactional franchise allows the group to achieve high levels of capital-light earnings growth, translating into superior returns to shareholders. At the same time, FirstRand continues to employ a judicious and tactical approach to lending, supporting its customer franchises whilst protecting the balance sheet and return profile. This is a necessary balancing act given the operating environment, which is currently characterised by high inflation and interest rates, combined with sluggish system growth and competitive behaviour. The credit performance for the year was in line with expectations and is a direct outcome of the group's origination strategy from mid-2020 to late 2021, as the country emerged from the Covid-19 pandemic. The decision to tilt origination to low- and medium-risk customers has resulted in a credit loss ratio below the group's through-the-cycle range, despite a higher interest rate and inflation cycle than initially anticipated. Over the past 18 months, the group has gradually lifted origination back to pre-pandemic appetite.

FirstRand delivered a normalised return on equity (ROE) of 21.2% (2022: 20.6%), which is at the top end of the target range of 18% to 22%, and produced R12.0 billion of economic profit (2022: R10.1 billion), or net income after cost of capital (NIACC), which is its key performance measure.

Despite the record dividend payout for the year ended 30 June 2022, the group grew NAV 10% year-on-year. A significant portion (51% or R8 billion) of NAV accretion resulted from currency movements in the capital deployed in the UK operations.

Given the high return profile, the group remained capital generative, with the Common Equity Tier 1 (CET1) ratio at 13.2% (2022: 13.9%) notwithstanding the impact of the special dividend declared in the prior year. Taking into account this strong capital level, the board is comfortable to keep the dividend cover unchanged at 1.7 times. This translates into an annual ordinary dividend of 384 cents per share, an increase of 12% year-on-year.

The following table provides an overview of the group's performance.

FIRSTRAND GROUP FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2023**	2022	% change
NII	**78 616**	67 856	16
NIR*	**53 863**	48 362	11
Operating expenses	**(68 640)**	(61 024)	12
Impairment charge	**(10 949)**	(7 080)	55
Normalised earnings	**36 669**	32 663	12
NIACC	**12 048**	10 112	19
ROE (%)	**21.2**	20.6	
Gross written premiums on group licences	**6 639**	5 420	22
Embedded value – FNB Life** (gross of dividends)	**8 800**	6 880	28
Deposit franchise	**1 442 610**	1 260 047	14
Core lending advances	**1 511 037**	1 311 441	15
Credit loss ratio (%) – core lending advances	**0.78**	0.56	
Stage 3/NPLs as a % of core lending advances	**3.80**	3.88	

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

** *Embedded value grew 5% post dividends.*

FirstRand's performance, in particular the composition and quality of its earnings and high return profile, continues to reflect the consistent and disciplined execution on strategies designed to maximise shareholder value, tightly managed through the group's financial resource management (FRM) process.

The strength of the customer-facing businesses in the FirstRand portfolio has allowed the group to capitalise on profitable growth opportunities across all markets, sectors and segments – thus delivering resilient operating performances despite the challenging macroeconomic environment. This is demonstrated by the levels of growth in normalised earnings delivered by the customer-facing businesses, as indicated in the table below.

SOURCES OF NORMALISED EARNINGS

	Year ended 30 June				
R million	**2023**	**% composition**	2022	% composition	% change
FNB	**21 915**	**60**	19 636	60	12
WesBank	**1 859**	**5**	1 604	5	16
RMB	**9 152**	**25**	8 196	25	12
UK operations*	**3 345**	**9**	2 983	9	12
Centre*,**,#	**1 334**	**4**	908	3	47
Other equity instrument holders	**(936)**	**(3)**	(664)	(2)	41
Normalised earnings	**36 669**	**100**	32 663	100	12

* *In the UK operations management view shown in the table above and on pages 38 to 41, MotoNovo's front and back books are included. This differs from the segment report disclosed on pages 44 to 51, due to the fact that MotoNovo's front book is included under Aldermore and its back book in the Centre.*

** *Including Group Treasury – includes capital endowment, the impact of accounting mismatches, and interest rate, foreign currency and liquidity management.*

\# *Includes FirstRand Limited (company).*

Several variables shaped the Centre performance, including:

- the net endowment benefit;
- lower growth in capital endowment following the special dividend paid for the year ended 30 June 2022;
- lower returns earned on liquid assets;
- the impact of accounting mismatches; and
- the benefit of the reduction in the SA corporate tax rate.

Revenue and cost overview

Overall group net interest income (NII) increased 16%, driven by core lending advances growth (+15%), continued deposit gathering (+14%) and the endowment benefit.

FirstRand's focus on growing liability-related NII played out strongly across all deposit franchises and remains a key underpin to its superior return profile.

FNB and WesBank's approach to retail origination is informed by internal and external data analysis of affordability indicators which still suggest that low-to-medium-risk customers have the most capacity for credit. This has been even more evident in a higher-rate environment.

Growth in certain retail advances slowed in the second half of the year given customer affordability pressures, but on a year-on-year basis still delivered healthy increases with retail advances up 7% for FNB and 9% for WesBank.

In the commercial segment, advances growth of 8% reflects FNB's consistent strategy to originate tactically in those sectors showing above-cycle growth, and which are expected to perform well even in an inflationary and high interest rate environment. WesBank's corporate book delivered 20% growth in advances.

The FNB broader Africa portfolio also delivered good growth in advances across most jurisdictions, up 10%.

RMB's core advances growth continued (+21%), with origination also leaning towards lower-volatility sectors and better-rated counterparties.

Advances growth in the UK operations was resilient (+2%) despite the challenging inflationary and interest rate environment, underpinned by the focus on specialist buy-to-let.

Origination strategies combined with the focus on growing the deposit franchise, and conservative provisioning have resulted in a well-struck balance sheet. This is a direct outcome of FirstRand's FRM strategy and demonstrates the group's growth vs returns thesis.

Growth in advances and deposits is unpacked by operating business and segment in the following table.

	Growth in advances %	Growth in deposits %
FNB	**8**	**13**
– Retail	**7**	**10**
– Commercial	**8**	**14**
– Broader Africa	**10**	**18**
WesBank	**13**	**n/a**
RMB*	**21**	**7**
UK operations**	**2**	**7**

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

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

Total transactional NII increased 20%, driven by volume growth in transactional credit products, increased retail and commercial customer deposits, and deposit endowment.

FirstRand's approach to managing the endowment profile (the asset-liability management (ALM) strategy) has resulted in positive outcomes for shareholders since implementation in 2017, through the pandemic and to date. The principles of ALM are a cornerstone of the group's FRM process and aligned to the group's objective to optimise through-the-cycle returns to shareholders.

Rather than take a passive position (i.e. overnight) with regard to the impact of the rate cycle on its endowment profile, the group's overarching objective is to actively manage the profile to protect and enhance earnings through the cycle, and earn the structural term premium for shareholders by investing along the yield curve over and above the repo rate.

This active ALM strategy is managed by Group Treasury within the following underlying principles:

- do not add to the natural risk profile in aggregate;
- consistently apply investment philosophy;
- be countercyclical to operating businesses;
- reduce the natural earnings volatility introduced by the interest rate cycle;
- optimise for capital allocation and risk-adjusted return; and
- take cognizance of accounting and regulatory requirements.

The absolute year-on-year rate of growth in the group's endowment NII for the current financial year will therefore not reflect the full extent of the rise in interest rates. However, the converse was true in previous periods when rates were lower, as the endowment was protected and optimised by the ALM strategy.

The outcomes for shareholders of this approach should be assessed on a through-the-cycle basis. The table below shows the additional endowment NII earned from the group's ALM strategies in excess of an overnight (repo) investment profile.

	Year ended 30 June					
R billion	2018	2019	2020	2021	2022	**2023**
Capital endowment	0.5	1.0	1.3	2.9	3.2	**0.9**
Deposit endowment	0.2	0.3	0.8	3.2	3.0	**0.2**
Total endowment	0.7	1.3	2.1	6.1	6.2	**1.1**

This demonstrates that the group outperformed in the 2021 and 2022 financial years due to the cumulative additional NII generated by the ALM strategy, totalling R12.3 billion over this period. This performance more than offset the relatively lower growth in the current year.

In addition, this outperformance in earnings growth translated into superior shareholder value creation, captured in a further structural underpin to the ROE and significant NAV accretion.

Group net interest margin (NIM) improved 7 basis points to 4.47% (2022: 4.40%). Lending margins continue to come under pressure from the competitive environment, origination strategies and mix change (higher proportion of residential mortgages and corporate and investment banking (CIB) advances). This was, however, mitigated by the performance of the deposit franchise (and the net endowment benefit) from the domestic and broader Africa franchise given current rate cycles.

Total group non-interest revenue (NIR) increased 11%, supported by 8% growth in fee and commission income, 16% growth in trading and other fair value income, and a 26% increase in insurance income. The significant growth in investment income was partially offset by a R498 million impairment provision relating to the Ghana sovereign debt restructure.

FNB delivered NIR growth of 11%, driven by customer acquisition, and growth in underlying customer activity and transactional volumes across the domestic and broader Africa franchises. Good insurance premium growth and a more normalised claims experience further contributed. FNB Life's new business annual premium equivalent (APE) increased 18%, with premiums up 17%.

RMB's NIR increased 11%. Knowledge-based fee income grew strongly on the back of origination activities and advisory mandates. The private equity business also delivered resilient annuity income and a material realisation, slightly offset by impairments taken in the portfolio. Despite a strong performance from the broader Africa portfolio, domestic trading income was lower compared to the previous year. The softer performances from equities and commodities in the first half continued in the second half, and extended to fixed income, reflecting lower client volumes and spread compression.

Total operating expenses were 12% higher, including a 14% increase in direct staff costs, driven by targeted and general salary increases and a 5% increase in headcount. Other cost drivers include:

- the short-term insurance growth strategy;
- the build-out of the domestic enterprise platform;
- scaling the group's footprint and platform in broader Africa; and
- people, process and system investments in the UK business.

The cost-to-income ratio decreased to 51.8% (2022: 52.5%).

Credit performance

The group's credit performance was in line with expectations, with the credit loss ratio below the through-the-cycle (TTC) range despite the prevailing macroeconomic environment. The overall credit loss ratio increased to 78 bps (2022: 56 bps), driven largely by SA retail and the UK operations.

This underlying performance reflects the group's origination strategies, particularly post the pandemic, and was achieved despite the current pressures from high inflation and interest rates. However, given these pressures, balance sheet provision levels remained conservative against the in-force book as new origination adapts to macros dynamically. Overall performing coverage on core lending advances decreased slightly to 1.72% (2022: 1.78%), reflecting book growth, mix change and the removal of the additional stress scenario provisions raised in the prior year in anticipation of the current year macro impacts.

Non-performing loans (NPLs) increased to R57.4 billion (2022: R50.9 billion) but declined to 3.80% as a percentage of core lending advances (2022: 3.88%), due to book growth.

The overall impairment charge increased 55% to R10 949 million (2022: R7 080 million), driven by the:

- increase in overall stage 1 provisions, which was expected given current levels of advances growth and a marginal reduction in the coverage ratio since June 2022 across most of the portfolio;
- increase in stage 2 provisions reflecting book growth and expected origination strain. Coverage ratios have largely been maintained, increasing in the UK operations given the currency impact;
- 13% reduction in gross write-offs and an 11% reduction in post write-off recoveries;
- c. R1 billion year-on-year swing in RMB's impairment charge (given prior year releases); and
- 57% increase in impairments in the UK operations.

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended				June 2023 vs December 2022	December 2022 vs June 2022	June 2022 vs December 2021
	30 June	31 December	30 June	31 December			
R million	**2023**	2022	2022	2021	% change	% change	% change
Movement in balance sheet provisions							
Performing book provisions	**1 658**	964	(1 357)	627	72	(>100)	(>100)
NPL provision	**1 198**	(482)	(1 112)	(1 042)	(>100)	(57)	7
– Provision movements	**1 198**	339	(1 112)	(1 042)	>100	(>100)	7
– NPL release due to debt-to-equity restructure*	**–**	(821)	–	–	(100)	–	–
Credit provision increase/(decrease)	**2 856**	482	(2 469)	(415)	>100	(>100)	>100
Gross write-off and other	**5 344**	6 904	7 999	7 035	(23)	(14)	14
– Bad debts written off**	**6 778**	6 382	7 373	7 796	6	(13)	(5)
– Debt-to-equity restructure*	**–**	716	–	–	(100)	–	–
– Exchange rate and other	**(1 434)**	(194)	626	(761)	>100	(>100)	(>100)
Amounts recognised directly in income statement							
Modification loss	**317**	353	267	412	(10)	32	(35)
Interest suspended on stage 3 advances	**(1 251)**	(1 599)	(1 363)	(1 630)	(22)	17	(16)
Post write-off recoveries	**(1 325)**	(1 132)	(1 381)	(1 375)	17	(18)	–
Total impairment charge	**5 941**	5 008	3 053	4 027	19	64	(24)
Credit loss ratio (%) – core lending advances	**0.81**	0.74	0.47	0.65			
Credit loss ratio excluding UK operations (%) – core lending advances	**0.91**	0.75	0.45	0.79			

* *Refer to page 79 for more information on the debt-to-equity restructure.*

** *Write-off of gross balances, excluding prior year provisions held, which have been recognised in the income statement over various reporting periods.*

The table above shows changes in impairments on a rolling six-month view, based on movements in the balance sheet. The R1 658 million performing provision increase since December 2022 resulted from book growth. The overall impairment charge increase of R3 869 million year-on-year is explained largely by the change in performing provisions (including the exchange rate impact), given the release in the prior year of the last of the Covid-19 provisions and, to a lesser extent, the stage 3 release. The current year reflects origination strain and the weakening macro environment. With reference to coverage, performing coverage decreased on the back of advances growth. The benefit of the origination tilt explained earlier is still reflected in coverage, however, this has been offset by an increase in forward-looking information (FLI) provisions given the worsening macro assumptions.

CHANGE IN NPLs

	30 June 2023 vs 30 June 2022		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational NPLs*	**3 064**	**9**	**6**
Other paying NPLs**	**1 268**	**14**	**3**
NPLs (excluding UK operations)	**4 332**	**10**	**9**
UK operations	**2 214**	**28**	**4**
Change in total group NPLs	**6 546**	**13**	**13**

* *Include debt-review and other core lending advances ≥90 days in arrears.*

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

Group NPL balances increased in the second half of the financial year, resulting in year-on-year growth of 13% following multiple periods of declining NPL balances. This was in line with expectations.

SA retail NPLs increased 10% to R32.8 billion (2022: R29.9 billion) or 7.08% of core lending advances (2022: 6.97%). The overall increase was driven by residential mortgage NPLs (+R2.3 billion).

SA commercial (including FNB commercial and WesBank corporate) NPLs increased 6% to R5.8 billion (2022: R5.5 billion) or 3.42% of advances (2022: 3.62%). This decrease in the NPL ratio was as a result of the 12% growth in advances.

NPLs in the SA CIB portfolio increased 23% year-on-year, primarily reflecting the migration of certain high-value, highly secured cross-border exposures.

The broader Africa NPL ratio decreased to 4.62% (2022: 4.93%) as a result of lower NPLs in Botswana and Zambia following proactive write-offs, a slowdown in new inflows and ongoing good recoveries.

In the UK operations, NPLs increased to 2.72% of advances (2022: 2.61%). This was mainly due to growth in advances across all products. MotoNovo NPLs continued to be affected by slower repossessions in the UK, and the impact on collections due to the previously reported notice of sums in arrears (NOSIA) operational event.

NPL coverage decreased to 45.3% (2022: 49.8%), reflecting the change in mix. Whilst operational NPLs, which attract higher coverage, contributed a greater proportion than paying NPLs, this was offset by the lower coverage in corporate and commercial and the better-quality inflows into residential mortgages. These portfolios are highly secured and experiencing improved recovery rates. Corporate NPL coverage declined significantly to 37.4% (2022: 60.2%) due to the migration of the highly secured cross-border exposures. Residential mortgage NPL coverage marginally decreased to 20.2% (2022: 21.5%).

Financial resource management

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

Group Treasury also manages the interest rate and foreign exchange rate risk inherent in balance sheet activities within prudential and management limits, as well as the group's risk appetite. The aim is to protect and enhance earnings without adding to the natural risk profile.

Capital position

Capital ratios for the group and bank are summarised below.

CAPITAL ADEQUACY

%	Internal targets	Group* 2023	Group* 2022	Bank*,** 2023	Bank*,** 2022
		As at 30 June			
CET1	11.0 – 12.0	**13.2**	13.9	**12.6**	14.2
Tier 1	>12.0	**13.8**	14.5	**13.5**	14.9
Total	>14.75	**15.6**	16.7	**15.4**	17.7

* *Including unappropriated profits.*

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

The group's total capital adequacy target for FY24 has been lifted by 50 bps to >14.75% to cater for the reinstatement of the UK countercyclical buffer (CCyB) requirement during the year. The group's CET1 and Tier 1 targets remain unchanged. The bank's internal targets have not been affected.

The group's CET1 ratio remained well above the upper end of its internal target range. The group continued to focus on the efficient use of financial resources and optimisation of risk-weighted assets (RWA). There is ongoing effort to optimise the overall level and mix of capital across the group and its regulated subsidiaries.

Key factors driving the CET1 outcome are outlined below:

- positive earnings generation during the year, partly offset by the payment of ordinary and special dividends;
- an increase in the foreign currency translation reserve due to the rand's depreciation against hard currencies;
- successful capital optimisation strategies; and
- an increase in RWA mainly from credit risk, driven by higher volumes and rand depreciation. Higher revenue generation also resulted in an increase in operational risk RWA.

The bank has issued a combination of Additional Tier 1 (AT1) and Tier 2 instruments to ensure sustainable support for ongoing growth initiatives and redemption of existing capital instruments. The capital stack has been rebalanced with AT1 and Tier 2 instruments following payment of the special dividend in October 2022. Given the favourable conditions in the domestic market, the group issued Tier 2 instruments totalling R8 billion and AT1 instruments totalling R3 billion to replace existing Tier 2 instruments that were redeemed during the year ($500 million and R4 billion), reflecting a tilt towards a higher proportion of AT1 instruments in the capital stack. It remains the group's intention to continue to optimise its regulatory capital composition by issuing a combination of AT1 and Tier 2 capital instruments in the domestic and/or international markets to align to internal targets.

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

Capital allocation and returns

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

A summary of the capital allocated to the group's operating businesses is provided in the following table.

AVERAGE CAPITAL ALLOCATED

R million	Year ended 30 June 2023	Year ended 30 June 2022	% change
FNB*	**52 611**	48 395	9
WesBank*	**8 467**	8 627	(2)
RMB	**43 213**	37 040	17
UK operations**	**29 139**	24 742	18
Centre#	**10 715**	9 948	8
Unallocated capital†	**28 633**	29 500	(3)
FirstRand group	**172 778**	158 252	9

* *Average capital allocated to WesBank reduced year-on-year due to a reduction in allocated operational risk capital, following the integration into FNB. There was a corresponding increase in FNB's allocated operational risk capital.*

** *Aldermore and MotoNovo front and back books. UK operations' capital represents a quarterly average converted to rand using the period-end closing exchange rate.*

Excludes MotoNovo back book.

† *Includes excess capital. The decrease relates to the special dividend paid during the current year.*

ROEs for the group and its operating businesses are provided in the table below.

ROE

%	Year ended 30 June 2023	2022
FNB	**41.7**	40.6
WesBank	**22.0**	18.6
RMB	**21.2**	22.1
UK operations*	**11.6**	11.8
Centre (including Group Treasury)	**1.0**	0.6
FirstRand group	**21.2**	20.6

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

The superior returns generated by the group's portfolio have resulted in continued strong capital generation. With the proposed implementation of the final Basel reforms, which further incorporate standardised elements, the group is increasing its focus on the true economic risk introduced to its balance sheet. FirstRand's capital allocation considers both regulatory and economic capital views.

Liquidity position

Liquidity risk is a natural outcome of the business activities undertaken by the group. To manage the resultant risk and enable business to operate efficiently and sustainably, the group seeks to optimise its funding composition, subject to structural liquidity constraints and prudential requirements. The group continues to pursue a deposit-led funding strategy that provides diversification and stability with an inherent liquidity risk offset.

The prudential liquidity risk metrics, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) are managed with adequate buffers above the regulatory minimums to enable the group to comfortably withstand the natural liquidity seasonality and cyclicality that is a consequence of its chosen funding mix. The liquidity overlays above prudential requirements are determined using stress testing and scenario analysis of cash inflows and outflows.

The group's high-quality liquid assets (HQLA) portfolio provides a liquidity buffer against unexpected liquidity stress events or market disruptions, and serves to facilitate the changing liquidity needs of its operating businesses. The composition and quantum of available liquid assets are defined behaviourally by considering both the funding liquidity-at-risk and the market liquidity depth of these instruments. The HQLA portfolio has been constructed taking the group's funding composition and growth, liquidity risk appetite and prudential requirements into consideration. The portfolio is continually assessed and actively managed to ensure optimal composition, return and size.

The group remains well funded, with adequate liquidity buffers to meet both prudential liquidity requirements and internal risk targets. The group closely monitors key risk metrics and early warning indicators as part of its ongoing funding and liquidity planning.

PRUDENTIAL LIQUIDITY RATIOS

	Group*		Bank*	
	As at 30 June			
%	**2023**	2022	**2023**	2022
LCR				
Regulatory minimum	**100**	100	**100**	100
Actual	**124**	121	**129**	124
Average available HQLA (R billion)**	**416**	341	**364**	304
NSFR				
Regulatory minimum	**100**	100	**100**	100
Actual#	**121**	122	**120**	120

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

** *A breakdown of HQLA is provided in the liquid asset table on page 125.*

\# *The prior year group NSFR has been restated to reflect data quality improvements.*

The South African Reserve Bank (SARB) concluded the implementation of the updated monetary policy implementation framework (MPIF) in April 2023. The transition has been managed well and the new MPIF supports better liquidity transmission and payment capacity, which in turn support market functioning and financial stability.

Foreign currency balance sheet

The group adopts a disciplined and measured approach to the management of its foreign currency investments in subsidiaries and their balance sheets. Approved risk frameworks guide the allocation of resources and the management of local and foreign currency risks. The group's framework for the management of external debt considers sources of sovereign risk and foreign currency funding capacity, as well as the macroeconomic vulnerabilities of South Africa. The group continues to employ self-imposed structural borrowing and liquidity risk limits which are significantly more conservative than the regulatory macroprudential limits.

The group's philosophy is that, over the longer term, foreign currency assets should be supported by appropriate foreign currency liabilities, primarily in the same jurisdiction. The group's key foreign currency operations are outlined below:

- the UK operations of Aldermore (including MotoNovo) are funded through a sustainable and efficient savings deposit funding base and capital markets, as appropriate;
- RMB Mauritius and the London branch are hard currency platforms for the group's broader Africa and other foreign currency exposures;
- FirstRand Securities in the UK provides the group's South Africa-based businesses with a highly capitalised and matched principal trading platform and offers access to international market liquidity in the securities and derivative markets in which it is most active; and
- RMB Securities (USA) and the New York representative office (managed by RMB) are used to maintain the long-term viability of trading securities (in both primary and secondary markets) with institutional investors domiciled in the USA.

Prospects

Looking ahead, the macroeconomic environment should start to show signs of recovery next year. The worldwide disinflation process has progressed sufficiently for the major global central banks to consider pausing the current tight monetary policy cycle and begin to contemplate rate cuts in the second half of the 2024 calendar year. The outlook for the global economy remains uncertain.

The SARB and central banks in most of the broader Africa jurisdictions where the group operates, are likely to follow suit and policy rates appear to have peaked, with cuts in rates expected late in 2024. The UK may lag somewhat, with policy rates likely to lift further over the next few months.

As domestic inflation and interest rates trend lower, this will slowly provide real income relief to households and those businesses that cannot pass on input-price pressures. This will be supportive to South Africa's tertiary sector and help lift economic activity in the outer years.

Beyond the cycle, ongoing investment by South African businesses and households in energy capacity provides an underpin for credit extension and some upside to production capacity, GDP growth, and overall business and consumer confidence.

The outlook for the countries in broader Africa where the group operates will benefit from improved mining production, but this is expected to be offset by inflation pressures in some jurisdictions with weaker fiscal positions continuing to weigh on growth.

In South Africa, corporate advances growth will moderate from current levels but remain resilient. Retail portfolios probably soften on the back of lower demand, however, commercial lending is expected to maintain current growth trends. The momentum from the deposit franchise should continue – supporting overall NII growth.

Against this backdrop, the group believes the quality of its operating businesses means it will continue to capture a growing share of profitable growth opportunities in all the segments and markets where it operates.

The broader Africa portfolio is also expected to maintain current levels of growth in advances and deposits. Modest advances growth is anticipated from the UK operations in the year ahead.

NIR is likely to benefit from ongoing customer growth and commensurate volume increases. This will be partially offset by some contraction in customer spend as disposable income remains under pressure.

The group's credit loss ratio in the coming year is expected to marginally exceed the mid point of the group's through-the-cycle range. The group believes the credit cycle will be close to peak levels by the end of the financial year. The expected upward trend is a result of origination strain from written advances over the past 18 months, and the weak macroeconomic outlook.

Growth in earnings is expected to land within the group's long-term target band of real GDP plus CPI plus >0% to 3%.

FirstRand expects its ROE to remain at the upper end of its stated range of 18% to 22%.

Dividend strategy

FirstRand's dividend strategy is to provide its shareholders with an appropriate, sustainable payout over the long term. Given FirstRand's high-return profile and ongoing capital generation, the board is comfortable to pay a dividend at 1.7 times cover representing a payout ratio of 58.8%.

Events after reporting period

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

Board changes

Changes to the directorate are outlined below.

		Effective date
Resignation		
TS Mashego	Independent non-executive director	2 December 2022
Appointment		
TC Isaacs	Independent non-executive director	22 June 2023

Cash dividend declarations

The issued share capital on the dividend declaration dates outlined below was 5 609 488 001 ordinary shares and 45 000 000 preference shares.

Ordinary shares

The directors declared a final gross cash ordinary dividend totalling 195.0 cents per ordinary share out of income reserves for the year ended 30 June 2023.

Dividends

Ordinary shares

	Year ended 30 June	
Cents per share	**2023**	2022
Ordinary dividends:		
Interim (declared 1 March 2023)	**189**	157
Final (declared 13 September 2023)	**195**	185
Annual ordinary dividends	**384**	342
Special dividend	**–**	125
Total dividends	**384**	467

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

Last day to trade cum-dividend	Tuesday, 10 October 2023
Shares commence trading ex-dividend	Wednesday, 11 October 2023
Record date	Friday, 13 October 2023
Payment date	Monday, 16 October 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 October 2023, and Friday, 13 October 2023, both days inclusive.

For shareholders who are subject to dividend withholding tax (DWT), tax will be calculated at 20% (or such lower rate as is applicable if a double taxation agreement applies for foreign shareholders). FirstRand's income tax reference number is 9150/201/71/4.

For South African shareholders who are subject to DWT, the final ordinary dividend net of 20% DWT at 39.0000 cents per share will be 156.0000 cents per share.

Preference shares

On 25 August 2022, the group's ordinary and preference shareholders approved the repurchase of FirstRand's preference shares at par. The scheme consideration, which included the final *pro rata* preference dividend, was paid on 26 September 2022 and the listing was terminated on 27 September 2022.

The dividend rate was based on 75.56% of the prime lending rate of FNB, a division of FirstRand Bank Limited.

DIVIDENDS DECLARED AND PAID

Cents per share	Preference dividends
23 February 2021 – 30 August 2021	273.9
31 August 2021 – 28 February 2022	270.7
1 March 2022 – 29 August 2022	307.4
30 August 2022 – 26 September 2022 (final *pro rata* dividend)	52.2

WR JARDINE
Chairman

AP PULLINGER
CEO

C LOW
Company Secretary

HS KELLAN
CFO

13 September 2023

review

of operations

FNB

FNB represents the group's activities in the retail and commercial segments in South Africa and several countries in broader 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 with market-leading interfaces that enable the provision of contextual, cost-effective and innovative integrated financial services offerings to both retail and commercial customers on either an assisted (in-person) or unassisted (self-service) basis;
- using its deep customer relationships and extensive data insights to offer enhanced customer experiences and inform cross-sell opportunities across the full suite of financial services products, including banking, insurance and investment management;
- integrating WesBank's vehicle and asset finance offering;
- providing innovative products to incentivise and grow customer savings and investments and, in turn, the retail deposit franchise;
- applying disciplined and targeted credit origination strategies that appropriately support customer requirements and affordability across all credit products;
- utilising eBucks to reward desired customer behaviour, drive platform adoption and enable cross-sell;
- leveraging its mobile virtual network operator (MVNO) to augment customer value propositions, as well as to provide affordable telecommunication services to customers;
- managing the physical points-of-presence network to ensure cost optimisation through right-sizing, appropriate coverage from a geographic and segment perspective, and assisting customers with digital adoption; and
- leveraging traditional and alternative (agency banking – CashPlus) distribution channels in broader Africa.

FNB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2023**	2022	% change
Normalised earnings	**21 915**	19 636	12
Normalised profit before tax	**31 423**	28 442	10
– South Africa	**28 521**	26 143	9
– Broader Africa	**2 902**	2 299	26
Total assets	**547 152**	505 767	8
Total liabilities	**516 258**	480 169	8
Performing advances	**494 244**	459 172	8
Stage 3/NPLs as a % of advances	**6.59**	6.45	
Credit loss ratio (%) of average advances	**1.32**	1.04	
ROE (%)	**41.7**	40.6	
ROA (%)	**4.16**	4.03	
Cost-to-income ratio (%)	**52.6**	53.1	
Net advances margin (%)	**3.91**	4.13	

Overview of results

FNB delivered normalised profit before tax (PBT) growth of 10%, and its ROE improved to 41.7%, with a strong rebound in topline revenue resulting from ongoing customer acquisition and cross-sell.

The 15% growth in FNB's NII continued to benefit from strong increases in average deposits, both domestically and in broader Africa, and solid advances growth of 8%. The recent interest rate hikes resulted in an endowment benefit. The advances margin reduced to 3.91% (2022: 4.13%), impacted by portfolio mix changes due to higher levels of origination in commercial and retail advances at lower margins compared to the back book. Competitive pricing also reduced margins, particularly in the lower-risk customer cohorts. The positive uplift in the deposit margin offset this impact.

FNB's NIR was supported by growth in customer numbers, increased activity and higher transactional volumes. In support of the group's strategy to diversify sources of NIR, FNB's insurance activities continued to contribute significantly, driven by strong growth in insurance premiums and a more normalised claims experience and the final release of Covid-19 reserves of R326 million. Despite fee reductions in both retail and commercial, amounting to c. R300 million and c. R80 million, respectively, NIR increased 11% year-on-year.

Given the macroeconomic environment, with both inflationary and interest rate pressure on customers, FNB's impairment charge demonstrated some emerging strain, increasing 37%, with the credit loss ratio increasing to 132 bps (2022: 104 bps). This outcome is in line with expectations given the group's origination strategies.

Inflation pressures, headcount growth to support business and platform strategies, and staff incentives in line with performance, resulted in operating expenses increasing 12%. The cost of maintaining operations given higher levels of loadshedding in the year under review increased to R114 million (2022: R19 million). The weaker rand also led to higher dollar-denominated operating expenses, particularly with regard to IT infrastructure spend.

CHANNEL VOLUMES

	Year ended 30 June		
Thousands of transactions	**2023**	2022	% change
ATM/ADT*	**285 132**	280 269	2
Digital**	**737 469**	673 582	9
Card acquiring	**968 928**	819 682	18
Card issuing	**1 132 203**	992 896	14

* *Comparatives have been restated to reflect the inclusion of transactions by non-FNB card holders.*

** *Digital includes app, online and mobile (USSD).*

FNB's digital channels continued to deliver solid volume growth in line with its strategy to drive customer take-up of digital interfaces and migration to the FNB app (app volumes up 16%). Card activity also resulted in good growth in transactional volumes.

Customer segment performance

FNB segments its customer base to identify appropriate and differentiated product offerings. In South Africa, retail customers are split into personal and private segments based on relative income. Small and medium-sized enterprises (SMEs) and the public sector are serviced by the commercial segment. FNB's broader Africa portfolio represents a mix of mature businesses with significant scale and market share (Namibia, Botswana and Eswatini) and growing businesses in Mozambique, Zambia, Lesotho and Ghana.

FNB grew total active platform users (including eWallets) 4% year-on-year, with the active customer base (excluding eWallets) increasing 5%.

The table below unpacks growth in customers per segment, platform users and the change in vertical sales index (VSI), which captures cross-sell activities.

ACTIVE CUSTOMERS AND PLATFORM USERS

	Year ended 30 June		
Millions	**2023**	2022	% change
Retail	**8.25**	7.86	5
– Personal (≤R450k)	**6.28**	6.13	2
– Private (>450k)	**1.97**	1.73	14
Commercial*	**1.21**	1.20	1
Total SA customer base	**9.46**	9.06	4
FNB broader Africa	**2.03**	1.90	7
FNB active customers	**11.49**	10.96	5
eWallets**	**6.13**	5.95	3
Total platform users	**17.62**	16.91	4
FNB SA VSI	**2.98**	2.95	1

* *Commercial growth reflects resegmentation of some customers to retail.*

** *Represent all eWallets without another FNB relationship/product that had at least one transaction in the past six months. In addition, there are 1.78 million eWallets belonging to FNB customers. FNB customer eWallets represent 23% of total eWallets of 7.9 million.*

SEGMENTAL RESULTS

	Year ended 30 June		
R million	**2023**	2022	% change
Normalised PBT			
Retail	**15 031**	14 093	7
Commercial	**13 490**	12 050	12
Broader Africa	**2 902**	2 299	26
Total FNB	**31 423**	28 442	10

Retail's results were supported by NII, driven by the particularly strong performance of the deposit franchise and healthy advances growth. Advances growth continues to reflect an origination approach anchored to quality risk opportunities within the customer base, leveraging disciplined credit risk management and affordability metrics. The 5% increase in the active customer base supported growth in PBT, with private segment growth driven by both migration from the personal segment and net new customer acquisition. This reflects FNB's strategy to provide enhanced and appropriate product propositions as customer needs change.

In addition, although the macroenvironment deteriorated more than anticipated, retail impairments increased in line with expectations, given previous advances growth and the anticipated customer strain due to increasing interest rates.

Commercial's performance reflects ongoing strong growth in advances and deposits. The higher levels of transactional volumes in merchant acquiring, current account and foreign exchange activities benefited NIR. Impairments trended upwards from a modest base in the prior year. Strain has been noticed in certain agricultural sectors, but this represents a small part of the commercial portfolio.

PBT in broader Africa increased 26%, driven by improved NIR, underpinned by a 7% increase in the active customer base and higher transactional volumes. The 29% increase in NII was supported by balance sheet growth and the positive endowment impact from the rate hiking cycle. Impairments increased off a very low base and remain within expectations. The origination strategy, combined with good credit risk management and collections efforts, continues to yield positive outcomes. The portfolio's overall performance benefited from resilient results from Botswana, Namibia and Zambia. Ghana has been significantly affected by tough macroeconomic conditions, including a sovereign debt default and restructure, and expectations are that this will take some time to play out fully in the economy.

FNB's retail lending approach is informed by internal and external data analysis related to affordability indicators, which continue to suggest that low-to-medium-risk customers still have capacity for credit and a higher propensity to take up a broader range of financial services products. This approach, supported by appropriate credit risk management strategies, resulted in retail advances increasing 7% year-on-year, driven primarily by 7% growth in residential mortgages. Growth in unsecured lending, particularly card and FNB personal loans, has gained some momentum, but was offset by the continued contraction of the DirectAxis personal loans book (down 3%) and the runoff of the Covid-19 relief book. Excluding these, FNB personal loan advances grew 15% and card advances 13%. A shift in new business origination to the Fusion product has resulted in lower overdraft advances growth over the year. Revolving facilities bounced back off a previously declining base, growing 22% year-on-year.

Commercial advances continued to grow in accordance with FNB's consistent strategy of targeting specific customer cohorts, including agriculture and Islamic banking, as well as specialised finance lending focused on specific sectors and counterparties.

Broader Africa advances increased 10%, driven by good growth across the portfolio, particularly in Botswana. Overall deposit growth of 18% was supported by innovative product offerings across all segments.

The table below unpacks FNB's growth in total advances and deposits.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Deposit growth		Advances growth	
Segments	**%**	**R million**	**%**	**R million**
Retail	**10**	**34 763**	**7**	**24 154**
– Personal* (≤R450k)	**(3)**	**(2 288)**	**(5)**	**(2 496)**
– Private (>450k)	**15**	**37 051**	**10**	**26 650**
Commercial	**14**	**53 269**	**8**	**8 625**
Broader Africa**	**18**	**10 064**	**10**	**5 512**
Total FNB	**13**	**98 096**	**8**	**38 291**

* *Reflects customer migration from personal to private.*

** *On a local currency basis deposit growth in broader Africa was 15% and advances 9%.*

Credit performance

FNB's credit impairment charge increased 37% to R6 744 million (2022: R4 938 million), with the credit loss ratio increasing to 132 bps (2022: 104 bps), driven by:

- growth in performing advances leading to stage 1 provision growth;
- a gradual uptick in overall stage 2 arrears, as well as an increase in modelled significant increase in credit risk (SICR) in the retail personal loans, card and overdrafts portfolios, but in line with expectations and historical trends;
- a gradual increase in NPL formation, particularly in the second half of the financial year, with NPLs as a percentage of advances drifting up to 6.59% (2022: 6.45%); and
- a net increase in modelled FLI requirements as the macro outlook weakened.

This was partly offset by:

- resilient collections efforts across all portfolios;
- lower actual write-offs compared to the prior year; and
- the removal of the temporary stress scenario (R326 million).

ANALYSIS OF IMPAIRMENT CHARGE

R million	Year ended 30 June 2023	2022	% change
Movement in balance sheet provisions			
Performing book provisions	**114**	(407)	(>100)
NPL provision	**459**	(2 313)	(>100)
Credit provision increase/(decrease)	**573**	(2 720)	(>100)
Gross write-off and other	**9 895**	11 765	(16)
– Bad debts written off*	**10 139**	11 959	(15)
– Exchange rate and other	**(244)**	(194)	26
Amounts recognised directly in income statement			
Modification loss	**616**	591	4
Interest suspended on stage 3 advances	**(2 524)**	(2 566)	(2)
Post write-off recoveries	**(1 816)**	(2 132)	(15)
Total impairment charge	**6 744**	4 938	37

* *Write-off of gross balances, excluding prior year provisions held, which have been recognised in the income statement over various reporting periods.*

FNB's approach to provisioning remains appropriately prudent given the anticipated economic cycle. Forward-looking economic indicators have deteriorated when compared to June 2022, resulting in a net increase in FLI provisions.

Arrears have increased as expected, predominately in the second half of the financial year. In addition, the proportion of customers impacted by increased FLI requirements resulted in a modelled increase in SICR in stage 2 advances. The current debt relief portfolio continues to perform better than expected and specific debt-relief outstanding advances amounted to R1.1 billion (2022: R2.0 billion). These impacts resulted in overall performing coverage moderating downward to 2.38% (2022: 2.53%).

The NPL ratio increased to 6.59% (2022: 6.45%). NPL formation was more prominent in residential mortgages and personal loans, but not out of line with expectations. Pleasingly, there remains no evidence of commercial strain, which was better than expected. NPL coverage continues to be conservative at 47.7% (2022: 51.1%) and the reduction in coverage was due to a mix change and write-offs of higher-coverage loans.

Insurance

PBT from FNB's insurance activities increased 48%, driven by good premium income and reduced claims. These benefits were offset by additional investment into the short-term insurance business and costs associated with the rollout of comprehensive non-life products.

FNB Life new business APE increased 18%, with premiums up 17%. Credit life new business APE increased 38%, with a positive impact from DirectAxis-branded loans cover, now written on the group's life licence.

NEW BUSINESS APE

R million	Year ended 30 June 2023	2022	% change
Core life (including funeral)	**1 208**	1 090	11
Underwritten	**281**	276	2
Commercial	**159**	139	14
Standalone products	**1 648**	1 505	10
Credit life*	**921**	665	38
FNB Life	**2 569**	2 170	18
FNB Short-term	**691**	231	>100

* *The 2023 figure includes R288 million (2022: R90 million) of new business APE for DirectAxis business, which has been written on the group's life licence since January 2022.*

In the short-term insurance business, policies increased to c. 278k (up 9%) with good growth in new business APE. This resulted in a reduction in operating losses year-on-year. Gross premium income increased >100% year-on-year, driven by sales of homeowners' cover and motor insurance.

In addition, FNB is on track to implement IFRS17 from 1 July 2023.

Wealth and investment management

The wealth and investment management (WIM) strategy focuses on cross-selling investment products and solutions to FNB's retail customers. The retirement annuity, offered on the FNB app, and the Shares Zero product were launched in the prior year and continued to show growth. Overall investment accounts grew 5% to 629k, with penetration of the FNB customer base at 8%, predominantly in the private segment.

The number of active share trading accounts increased 4% to 244k, however, NIR was lower than in the prior year as volumes traded were 6% lower in line with overall JSE trade activity.

Total WIM assets increased 12% year-on-year as customers moved to cash and fixed income funds. Many of the funds were in the first and second quartile of investment performance.

WIM ASSETS

	Year ended 30 June		
R million	**2023**	2022	% change
Assets under management (AUM)	**74 438**	64 837	15
FNB Horizon series AUM	**6 655**	4 550	46
Assets under advice	**72 946**	69 573	5
Assets under administration	**75 033**	67 645	11
Assets under execution	**90 660**	79 506	14
Total WIM assets	**319 732**	286 111	12

Platform

FNB continues to invest in its integrated financial services platform and customers can fulfil most of their financial services requirements digitally. The platform enables customers to engage FNB via assisted interfaces (e.g. points of presence and call centres) and unassisted interfaces (mobile banking (USSD), online banking, the FNB app, ATMs and ADTs).

Key platform highlights for the year ended 30 June 2023 are outlined below.

- Since the launch on the FNB app, 4.6 million virtual cards have been activated and R27.6 billion in value transacted. The virtual card is key to facilitating more secure e-commerce transactions.
- Device payments (using Apple or Android) accounted for 100.1 million transactions worth R37.5 billion.
- Approximately 7.9 million eWallet users accounted for cash withdrawals of R49.2 billion.
- nav»Money provides customers with simple, easy-to-use money management tools which help them track their spend, view credit scores and more. It had 3.7 million users at 30 June 2023, up 29% year-on-year.
- nav»Home has placed c. 43k families in homes and paid out R52 billion in loans since inception. FNB now originates 24% of home loans through this channel. Estate agent functionality was activated on the app in FY21 and 187 estate agents have been onboarded, with 1 828 current listings.
- nav»Car had 896k vehicles loaded in the garage at the end of June 2023, and WesBank financed R591 million in vehicle loans through this channel. CarP2P was launched recently, with 173 active private listings at 30 June 2023.
- Commissionable e-commerce turnover and fulfilment on platform (i.e. electricity, mobile and digital vouchers sold) amounted to R18.0 billion (2022: R17.9 billion). Approximately three million customers use these services.
- eBucks travel sales increased to R934 million (2022: R594 million).
- Digitally active customers grew to 6.89 million (2022: 6.48 million). Digital includes mobile banking (USSD), online banking and the app.
- The banking app active transacting base reached new record levels, exceeding 5.2 million customers at 30 June 2023, with a new monthly record of 110 million logins in May 2023. Monthly app logins in June 2023 were 19% higher than in June 2022.
- Digital logins totalled 1.7 billion, with online and mobile banking (USSD) logins of 176 million and 361 million, respectively. The app contributed 1.2 billion logins.
- Total transactional volumes through digital interfaces included 159 million for online banking, 551 million (+16%) for the banking app and 28 million for mobile banking (USSD), highlighting the scalability of FNB's platform.
- In broader Africa, card transactions increased 21% from 80.3 million to 96.9 million and digital penetration increased from 39.3% to 45.5%.

WesBank represents the group's asset-based finance activities in the retail, commercial and corporate segments in South Africa. It is one of the leading providers of vehicle finance and fleet management in the country.

WesBank's strategy is underpinned by:

- leveraging its long-standing model of partnering with motor manufacturers, suppliers and large dealer groups and fulfilling motor financing requirements at point of sale;
- applying disciplined credit origination strategies that appropriately support customer requirements and affordability across asset-based credit products;
- integrating into the FNB platform to offer vehicle and asset-based finance solutions to existing FNB retail and commercial customers, entrenching main-banked relationships; and
- utilising FNB's loyalty programme, eBucks, to reward desired customer behaviours and drive platform adoption.

Despite the prevailing economic headwinds, the automotive industry has remained resilient, with industry sales growing 10.5% to 541 345 units for the 12 months to 30 June 2023. Market activity, however, started to slow in the second half of the financial year, as customer affordability levels came under pressure given higher inflation and the frequency of interest rate hikes.

Given this slowdown in overall activity, competition for new business, particularly for quality risk customers, has increased, resulting in margin pressure. This was partly mitigated by increased volumes in fixed-rate products as customers opted for instalment certainty.

Notwithstanding the slowdown in the second half, business production increased 26% year-on-year. WesBank's origination strategy remained tilted towards good-quality customers, with a specific focus on FNB main-banked customers. Competition is expected to continue to increase, with competitors pricing aggressively, particularly in the dealer space. This is likely to result in lower trend growth in new business origination going forward as the business looks to continue protecting returns.

WesBank's associates, Volkswagen Financial Services (VWFS) and Toyota Financial Services (TFS), experienced a rebound in new business volumes, up 35%, as vehicle supply normalised. TFS grew off a subdued base given the impact of the KwaZulu-Natal floods on production in the prior year.

The strong increase in origination in the current year led to growth in total advances of 13% year-on-year.

WESBANK FINANCIAL HIGHLIGHTS

R million	Year ended 30 June 2023	2022	% change
Normalised earnings	**1 859**	1 604	16
Normalised profit before tax	**2 451**	2 270	8
Total assets	**163 851**	145 798	12
Performing advances	**155 756**	137 376	13
Stage 3/NPLs as a % of advances	**4.44**	4.92	
Credit loss ratio (%) of average advances	**1.12**	0.98	
ROE (%)	**22.0**	18.6	
ROA (%)	**1.20**	1.11	
Cost-to-income ratio (%)	**52.6**	57.5	
Net interest margin (%)	**2.80**	2.99	

WesBank delivered normalised earnings growth of 16% year-on-year and an ROE of 22.0%, despite the competitive pressures outlined above. Growth in new business volumes offset margin compression, but also resulted in an increase in stage 1 expected loss provisions.

Operational NIR grew 4%, driven by:

- increased business production volumes;
- higher rental income; and
- card and maintenance commissions from the fleet management and leasing (FML) business.

WesBank PBT increased 8%, mainly driven by an excellent performance by the corporate and commercial business (up 71% year-on-year). Corporate and commercial advances grew 20% and impairments were well contained.

BREAKDOWN OF PRE-TAX PROFITS BY SEGMENT*

R million	Year ended 30 June 2023	2022	% change
Normalised PBT			
Retail VAF**	**1 595**	1 768	(10)
Corporate and commercial	**856**	502	71
Total WesBank	**2 451**	2 270	8

* *Refer to additional segmental disclosure on page 52.*

** *Includes MotoVantage.*

Retail vehicle asset finance (VAF) PBT declined 10%, largely attributed to a reduced contribution from associates in the current year as a result of large releases in credit provisions in the prior year that were not repeated. The 20% year-on-year increase in the retail VAF impairment charge also weighed on performance.

ANALYSIS OF IMPAIRMENT CHARGE

	Year ended 30 June		
R million	**2023**	2022	% change
Movement in balance sheet provisions			
Performing book provisions	**641**	278	>100
NPL provision	**(283)**	(918)	(69)
Credit provision increase/ (decrease)	**358**	(640)	(>100)
Gross write-off and other	**1 954**	2 619	(25)
– Bad debts written off*	**1 954**	2 619	(25)
– Exchange rate and other	**–**	–	–
Amounts recognised directly in income statement			
Modification loss	**54**	88	(39)
Interest suspended on stage 3 advances	**(232)**	(293)	(21)
Post write-off recoveries	**(406)**	(372)	9
Total impairment charge	**1 728**	1 402	23

* *Write-off of gross balances, excluding prior year provisions held, which have been recognised in the income statement over various reporting periods.*

WesBank's credit performance was in line with expectations. Although the credit loss ratio increased to 1.12% (2022: 0.98%), it benefited from the performance of the commercial asset-based finance business. Retail impairments increased year-on-year, although currently better than expected.

The drivers of the 23% increase in WesBank's credit impairment charge to R1 728 million (2022: R1 402 million) was mainly due to growth in advances and increased performing provisions. The overall composition of the charge is outlined below:

- Stage 1 provisions increased in line with book growth.
- Stage 2 advances declined 1%. Coverage increased to 12.62% (2022: 9.82%), which was driven by increased production volumes and model recalibrations in a weakening economy. Whilst there has been an increase in arrears, the key driver of growth in stage 2 advances was modelled SICR.
- Performing coverage increased to 2.06% (2022: 1.87%), reflecting the deteriorating macroeconomic environment as captured by the increased FLI offset by the removal of the temporary stress scenario.
- Stage 3 advances declined to 4.44% of total advances (2022: 4.92%) due to workouts of older, higher-provisioned accounts, hence NPL coverage reduced to 46.7% (2022: 51.6%).
- WesBank's write-off policy remains prudent and the proactive management of NPLs continued, with write-offs decreasing 25% year-on-year. This reflects better overall collections, reduced inflows compared to the prior year and higher curing, which resulted in modest growth in NPLs to R7.2 billion (2022: R7.1 billion).

Operating expenses remain well managed, decreasing 6% year-on-year. The decline in costs benefited from integration into FNB and was achieved despite inflationary increases in staff costs and continued investment in the business.

RMB

RMB represents the group's activities in the corporate and institutional segments of South Africa and on the broader African continent. In addition, it has niche offerings in the UK, USA and India.

RMB's strategy is to ensure delivery of integrated financial services value propositions to corporate and institutional clients. These propositions span across a comprehensive portfolio of activities including a leading lending and advisory franchise, a proven market-making and structuring business, a competitive transactional banking and specialised securities services offering, a best-in-class private equity business and a growing asset management capability. This diversified business portfolio, coupled with a disciplined approach to balancing risk, return and growth, is designed to deliver sustainable high-quality earnings, balance sheet resilience and superior returns.

RMB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2023**	2022	% change
Normalised earnings	**9 152**	8 196	12
Normalised profit before tax	**12 632**	11 615	9
– South Africa	**8 686**	9 065	(4)
– Broader Africa*	**3 946**	2 550	55
Total assets	**720 698**	621 725	16
Total liabilities	**706 722**	608 635	16
Stage 3/NPLs as a % of core lending advances	**1.23**	1.20	
– Lending	**1.11**	0.82	
– Private equity**	**6.76**	16.63	
Credit loss ratio (%) – core lending advances	**0.14**	(0.13)	
ROE (%)	**21.2**	22.1	
ROA (%)	**1.36**	1.35	
Cost-to-income ratio (%)	**49.5**	49.9	

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

** *The private equity portfolio has a few large NPL counters which are fully provided for.*

RMB delivered 9% growth in normalised PBT, with the broader Africa portfolio delivering strong results, mitigating a softer performance from the South African operations. ROE trended down slightly due to elevated capital levels, primarily a result of strong book growth.

RMB BROADER AFRICA PORTFOLIO FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2023**	2022	% change
Profit before tax	**3 946**	2 550	55
Core lending advances*	**94 504**	68 228	39
Total deposits**	**29 570**	25 943	14
Credit loss ratio (%) – core lending advances	**0.42**	0.14	
ROA (%)	**3.11**	2.84	
Cost-to-income ratio (%)	**41.6**	48.4	

* *Up 26% in constant currency terms.*

** *Up 13% in constant currency terms.*

The broader Africa portfolio grew PBT 55% to R3.9 billion (which now represents 31% of RMB's overall PBT). NII growth of 49% was driven by advances growth of 39%, as well as ongoing primary-banked client acquisition, which underpinned average deposit growth. Deposit margins improved on the back of interest rate increases, which bolstered liability NII growth. Markets' activity benefited from strong performances from Nigeria, Ghana and Mozambique due to increased secured financing activity, client flow volumes and structuring activities.

RMB's South African franchise experienced a decline in PBT, mainly affected by:

- a swing of >R600 million in credit provisions year-on-year (the prior year reflected a significant release on the back of improved forward-looking macro indicators and positive migration of counters from watch and surveillance lists, with current year provision raises primarily relating to strong book growth);
- softer performances from the commodities, equities and fixed-income portfolios compared to the previous year; and
- elevated cost growth with costs increasing 13%, reflecting above-inflation fixed staff costs and headcount increases in certain enablement and support areas, as well as building capacity in jurisdictions supporting the broader Africa strategy.

Overall cost growth was further negatively impacted by significant currency devaluation and elevated inflation levels in some of the jurisdictions outside of South Africa. Investment costs increased 21%, driven by:

- continued modernisation of core platforms;
- enhanced digital offerings to clients; and
- the establishment of a presence in the USA as part of the broader Africa strategy.

ANALYSIS OF IMPAIRMENT CHARGE

	Year ended 30 June		
R million	**2023**	2022	% change
Movement in balance sheet provisions			
Performing book provisions	**78**	(1 130)	(>100)
NPL provision	**(574)**	829	(>100)
– Provision movements	**247**	829	(70)
– NPL release due to debt-to-equity restructure*	**(821)**	–	–
Credit provision decrease	**(496)**	(301)	65
Gross write-off and other*	**1 134**	14	>100
– Bad debts written off**	**469**	126	>100
– Debt-to-equity restructure	**716**	–	–
– Exchange rate and other	**(51)**	(112)	(54)
Amounts recognised directly in income statement			
Interest suspended on stage 3 advances	**(45)**	(116)	(61)
Post write-off recoveries	**(42)**	(10)	>100
Total	**656**	(413)	(>100)
Debt-to-equity restructure	**(105)**	–	–
Total impairment charge	**551**	(413)	(>100)

* *The movement in NPL provision and gross write-off excludes the impact of the debt-to-equity restructure. Refer to page 79 for more information.*

** *Write-off of gross balances, excluding prior year provisions held, which have been recognised in the income statement over various reporting periods.*

The credit quality of RMB's core lending portfolio remained resilient. As expected, a limited number of counters have migrated to NPL status in South Africa and broader Africa. This reflects ongoing strain in specific sectors of the economy, a worsening macro environment in South Africa and elevated sovereign risk in Ghana. As a result, RMB raised new impairments on the core lending portfolio during the year.

RMB believes its consistent and prudent provisioning approach remains appropriate, with the performing book coverage ratio against core lending advances at 119 bps (2022: 141 bps).

BREAKDOWN OF PBT CONTRIBUTION

R million	Year ended 30 June 2023	Year ended 30 June 2022	% change
Investment banking	**7 306**	6 522	12
Corporate transactional banking	**1 189**	941	26
Markets	**2 523**	3 281	(23)
Private equity	**2 026**	1 186	71
Other*	**(412)**	(315)	(31)
Total RMB	**12 632**	11 615	9

* *Other includes support and head office activities.*

The operational performance of the portfolio is unpacked below.

Investment banking delivered PBT growth of 12%. This was underpinned by new business origination which resulted in a 23% increase in average advances, driving NII growth. Profit growth was also supported by structuring and commitment fee income, with advisory and trade revenues benefiting from increased market activity. The principal investment portfolio performed well, with resilient annuity and one-off income, although NIR was negatively impacted by impairments taken to derisk specific exposures. The business has retained prudent provisioning levels given the constrained macro environment and to buffer against negative credit migrations and defaults.

Corporate transactional banking produced an excellent performance, benefiting from particularly strong PBT growth of >100% from the broader Africa portfolio. This was driven by 14% growth in average deposits as the business continues to attract new clients, and a significant uplift in NII from an increasing rate cycle. The SA business achieved healthy average deposit growth of 10% due to higher operational balances from a greater number of primary-banked clients, increasing levels of cross-sell and good momentum in the scaling of investment deposit offerings.

NIR decreased, reflecting the competitive pricing landscape and higher merchant acquiring costs, despite cash and merchant services volume growth from the onboarding of strategic clients.

Markets PBT declined 23% year-on-year, mainly driven by elevated investment costs relating to geographical expansion and diversification strategies, and electronic client trading platforms. Overall topline performance remained resilient, despite reduced client volumes in the South African market. Furthermore, the introduction of the MPIF in South Africa reduced financing margins across a number of asset classes. Performance from commodities, equities and fixed-income portfolios declined relative to the prior year. The FX business delivered double-digit growth.

Broader Africa activities contributed more than 50% of markets PBT, with overall growth of >20% in Mozambique, Ghana and Nigeria on the back of flow execution and structuring businesses, and increased international and electronic channel volumes, benefiting from continued investment in the US and UK jurisdictions and e-trading platforms.

Ashburton Investments was incorporated into RMB to enable the distribution of asset management product offerings to corporate and institutional clients. The business benefited from strong inflows year-on-year as a result of more focused distribution efforts and an improved investment performance. AUM increased 20% to R130.4 billion year-on-year, with SA contributing R15.2 billion to flows. Inflows into the fixed-income portfolios contributed 72% of total flows. A turnaround in multi-asset and equity funds resulted in these products contributing 17% of flows, which bodes well for improved business margin in future.

Private equity posted an excellent result for the year, benefiting from a significant realisation contributing gross income of >R1 billion and a net earnings benefit of c. R800 million. Annuity income was supported by improved operational performances from portfolio companies. The current year provided several new acquisition opportunities resulting in the business investing c. R2 billion. The quality and diversity of the portfolio is reflected in the unrealised value of R5.7 billion despite the significant realisation during the year (2022: R5.9 billion).

UK operations

Aldermore

FirstRand's UK operations include Aldermore Bank and MotoNovo. The portfolio consists of specialist lending for property finance (individuals and landlords), structured and specialist finance for SMEs, motor finance, and retail and business savings products.

Aldermore's strategy is to meet the credit needs of individuals and entities which are underserved by mainstream providers. These customer pools in the UK market are large and growing, they also represent quality risk that is not catered for by the large incumbent players as it requires a bespoke approach to structuring and underwriting.

The UK operations are funded mainly by retail deposits from UK savers. With no branch network, Aldermore serves customers and intermediary partners online and telephonically, with motor finance offered through a network of dealerships across the UK.

The business is executing on its strategy to modernise platforms, streamline processes and focus on four core product solutions in segments where it has a strong and differentiated customer value proposition and believes it can scale over time.

The current focus areas for the core product sets are outlined below.

- **Property finance**
  - Grow profitably in existing markets and new subsegments.
  - Expand into sustainable property financing.
- **Structured and specialist finance**
  - Leverage structuring skillset to focus on larger opportunities with mid-size enterprises.
  - Focus on growing renewables and healthcare market shares.
- **Motor finance**
  - Increase growth trend in core market whilst improving returns.
  - Focus on electric vehicles and associated ecosystems.
- **Savings**
  - Diversify funding sources across retail and SME segments.
  - Optimise cost of funds and liquidity profile.

UK OPERATIONS FINANCIAL HIGHLIGHTS

£ million	Year ended 30 June 2023	2022	% change
Normalised earnings	**158**	149	6
Normalised profit before tax	**215**	203	6
Total assets*	**19 943**	18 576	7
Total liabilities*	**18 356**	16 904	9
Stage 3/NPLs as a % of advances	**2.72**	2.61	
Credit loss ratio (%) of average advances	**0.59**	0.39	
ROE (%)	**11.6**	11.8	
Aldermore Bank ROE** (%) – based on operational performance	**12.7**	11.9	
ROA (%)	**0.82**	0.82	
Cost-to-income ratio (%)	**50.8**	50.6	

* *Restated – refer to page 139 for more detail.*

** *Based on operational performance, excluding strategic technology spend and fair value gains. Refer to the table on page 40.*

Performance overview

The UK operations delivered a solid performance despite a challenging macroeconomic backdrop, delivering growth in normalised PBT of 6% and an ROE of 11.6% (2022: 11.8%).

This performance was characterised by an improved net interest margin and growth in advances, offsetting increased impairments and higher operating expenses, including strategic technology spend. Profits also benefited from accounting gains on instruments used to hedge interest rate risk. The motor finance performance continued to be impacted by remediation activity associated with the previously disclosed NOSIA operational event.

At an Aldermore Bank level, the operational performance resulted in 18% growth in PBT with an effective ROE of 12.7%. The return profile is a pleasing outcome given the high level of CET1 (18.5%) held by Aldermore Bank.

Overall UK operations advances grew 2% to £15.6 billion (2022: £15.2 billion). FRM discipline was applied to ensure loan growth was achieved at the appropriate returns.

- Property finance grew advances 4% year-on-year, with focus on the specialist buy-to-let segment.
- Structured and specialist finance advances were broadly flat year-on-year, totalling £3.6 billion. A strong operational performance by the asset financing and commercial real estate businesses was offset by the decision to sell the working capital finance business, which represented £33 million of advances.
- Motor finance front book advances grew 6%, albeit softening slightly in the second half. Healthy origination more than offset increased redemptions from a maturing portfolio.

Deposits increased 7% to £15 billion, emanating from all three core savings franchises.

- Personal savings grew 5% despite increased market volatility (and higher rates of switching because of rising interest rates), supported by an agile approach to pricing.
- Business savings and corporate treasury grew 9% year-on-year, benefiting from customers seeking to diversify their liquidity holdings on the back of the collapse of Silicon Valley Bank and Credit Suisse, as well as an ongoing focus on client engagement.

Deposits represent 80% of total funding (2022: 83%), resulting in a loan-to-deposit ratio of 101% (2022: 106%).

As a result of the above growth in assets and deposits, NII increased 16%, further supported by price discipline and the optimisation of funding costs amid rapidly rising interest rates. Margins on new lending contracted modestly as a result of competitive pressures, however, the business remained focused on maintaining price discipline to ensure appropriate returns. Lending margin pressures were offset by the benefit of rate hikes on deposit margins.

Fair value gains in the hedging portfolio amounted to £25.8 million (2022: £7.7 million). These gains were driven by the magnitude and velocity of interest rate increases during the year and will unwind across subsequent accounting periods.

ANALYSIS OF IMPAIRMENT CHARGE

£ million	Year ended 30 June 2023	2022	% change
Movement in balance sheet provisions			
Performing book provisions	**54.4**	25.5	>100
NPL provision	**20.9**	10.9	92
Credit provision increase	**75.3**	36.4	>100
Gross write-off and other	**26.4**	33.9	(22)
– Bad debts written off*	**26.4**	23.4	13
– Other	**–**	10.5	–
Amounts recognised directly in income statement			
Interest suspended on stage 3 advances	**(2.3)**	(0.9)	>100
Post write-off recoveries	**(9.0)**	(12.0)	(25.0)
Total impairment charge	**90.4**	57.4	57

* *Write-off of gross balances, excluding prior year provisions held, which have been recognised in the income statement over various reporting periods.*

The impairment charge increased 57% to £90.4 million (2022: £57.4 million), in line with expectations given the more uncertain economic outlook. The prior year impairment charge also included the release of the remaining Covid-19 provisions in structured and specialist finance. Property finance is well collateralised (with just 2.9% of the portfolio at greater than 85% loan-to-value), and measures to tighten risk appetite have been taken during the year, with arrears balances increasing only modestly year-on-year (off a low base). The impairment charge from motor finance includes amounts relating to the remediation activity associated with the previously disclosed NOSIA operational event.

The key credit metrics reflect the challenging operating environment:

- The credit loss ratio increased to 59 bps (2022: 39 bps).
- NPLs as a percentage of advances increased to 2.72% from 2.61% due to the increase in arrears balances, broadly in line with expectations amid persistent inflationary pressure. The NPL coverage ratio increased to 40.0% (2022: 37.3%), reflecting the commitment to maintaining an appropriate level of coverage given the uncertain economic outlook. Motor finance NPLs are expected to remain elevated until the NOSIA remediation process is finalised.
- Performing coverage increased to 1.27% (2022: 0.92%).

Operating expenses increased 19% to £334 million (2022: £281 million), driven by a significant technology investment spend of £34.6 million (2022: £0.7 million). This investment forms part of a multi-year strategy to modernise operating platforms, improve efficiencies, increase returns and position the business to deliver on its long-term growth ambitions. Operating costs also include the ongoing remediation associated with the previously disclosed NOSIA operational event.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

£ million	Year ended 30 June 2023	2022	% change
Normalised PBT			
Property finance	**98**	131	(25)
Structured and specialist finance	**109**	159	(31)
Central functions	**(7)**	(120)	94
Aldermore Bank operational	**200**	170	18
Motor finance (excluding fair value hedge gains)*	**24**	26	(8)
Strategic technology spend	**(35)**	(1)	>100
Fair value hedge gain*	**26**	8	>100
UK operations PBT	**215**	203	6

* *£9.5 million (2022: £6.5 million) of the fair value hedge gain relates to motor finance.*

Business unit performance highlights

Property finance

New business origination increased 22% to £1.4 billion (2022: £1.1 billion), led by a strong performance in the specialist buy-to-let product set. Owner-occupied advances contracted modestly with strong retention outcomes at repricing points largely offsetting the impact of the muted market activity.

Advances to customers increased to £7.6 billion (2022: £7.3 billion), supported by origination growth and the focus on retaining customers at the end of their fixed-rate term.

PBT declined to £98 million (2022: £131 million) as a result of margin compression and increased impairment charges.

Whilst the credit loss ratio increased to 40 bps (2022: 18 bps), arrears performance remained resilient and the portfolio is well collateralised.

The UK property market is expected to remain subdued in the near term due to rising interest rates and affordability pressures, but pockets of opportunity remain in subsegments of the market where Aldermore has inherent propositional strength, such as specialist buy-to-let.

Structured and specialist finance

New business origination reduced to £1.6 billion (2022: £1.8 billion) as FRM discipline continues to prioritise returns over volume.

PBT declined to £109 million (2022: £159 million) due to the final release of the Covid-19 provision in the prior year and the increase in credit impairments in the current year.

Whilst trading conditions have been challenging in 2023 the business is well positioned heading into 2024, supported by a strong pipeline of new business, the launch of a new fleet proposition and a strategic focus on more profitable, larger ticket size deal flow.

Savings

Personal savings grew to £10.2 billion (2022: £9.7 billion), achieved through price agility which enabled the business to maintain momentum in a highly competitive market (characterised by higher levels of switching as a result of rising interest rates). Business savings increased 11% year-on-year to £2.8 billion (2022: £2.5 billion), and corporate treasury deposits were up 7% to £2.1 billion (2022: £1.9 billion).

Competition for UK deposits is expected to remain elevated through next year as lenders look to replace maturing TFSME balances, and inflationary pressures continue to impact disposable incomes. Political and regulatory pressure on UK banks to pass on higher interest rates to customers is also likely to drive further price-led competition.

Central functions' NII growth benefited from widening margins and better yields from treasury assets held centrally, resulting in a significant decrease in the loss year-on-year.

Aldermore Bank operational performance

Aldermore Bank's operational PBT performance demonstrates the underlying diversification and strength of the business with the strain in the asset business being offset by the performance of the savings franchise. Aldermore Bank maintained a higher capital base with CET1 at 18.5%, given macros and growth strategies.

Motor finance

New business origination exceeded £2.0 billion for the third consecutive year, more than offsetting increased redemptions from the runoff of the maturing advances. Operational PBT (excluding the benefit of fair value hedge gains) declined to £24 million (2022: £26 million). The PBT impact of the NOSIA operational event was similar to the prior year impact, as operating costs increased from the ongoing remediation efforts.

The business is well positioned to continue to deliver growth, with the UK government's commitment to phasing out conventional vehicles by the end of the decade expected to sustain demand for new hybrid and electric vehicles.

SEGMENT ANALYSIS OF NORMALISED EARNINGS

	Year ended 30 June				
R million	**2023**	**% composition**	2022	% composition	% change
Retail	**13 288**	**36**	12 201	37	9
– FNB*	**12 067**		10 958		
– WesBank	**1 221**		1 243		
Commercial	**10 486**	**29**	9 039	28	16
– FNB	**9 848**		8 678		
– WesBank	**638**		361		
Corporate and investment banking	**9 152**	**25**	8 196	25	12
– RMB	**9 152**		8 196		
UK operations**	**3 345**	**9**	2 983	9	12
– Aldermore**,#	**2 878**		2 524		
– MotoNovo**	**467**		459		
Other	**398**	**1**	244	1	63
– Centre**,#,†	**1 334**		908		
– Other equity instrument holders	**(936)**		(664)		
Normalised earnings	**36 669**	**100**	32 663	100	12

* *Includes FNB broader Africa.*

** *In the UK operations management view, shown in the table above and on pages 38 to 41, Aldermore refers to Aldermore excluding MotoNovo front book. MotoNovo refers to the standalone performance of MotoNovo, which includes the front book and back book. This differs from the segment report disclosed on pages 44 to 51, as MotoNovo's front book is included under Aldermore and MotoNovo's back book is included in the Centre (including Group Treasury).*

After the coupons on internal AT1 instruments of R183 million (£8 million) (2022: R174 million and £8 million).

† *Includes Group Treasury.*

segmental *reporting*

Segment report

for the year ended 30 June 2023

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial	FNB broader Africa	**Total FNB**
Net interest income before impairment of advances	4 696	3 771	7 539	7 987	**23 993**	15 100	5 139	**44 232**
Impairment charge	(452)	(1 516)	(3 688)	(102)	**(5 758)**	(615)	(371)	**(6 744)**
Net interest income after impairment of advances	4 244	2 255	3 851	7 885	**18 235**	14 485	4 768	**37 488**
Non-interest revenue	88	3 807	948	17 722	**22 565**	10 840	4 917	**38 322**
Income from operations	4 332	6 062	4 799	25 607	**40 800**	25 325	9 685	**75 810**
Operating expenses	(1 706)	(3 087)	(2 614)	(17 704)	**(25 111)**	(11 769)	(6 578)	**(43 458)**
Net income from operations	2 626	2 975	2 185	7 903	**15 689**	13 556	3 107	**32 352**
Share of profit of associates and joint ventures after tax	–	–	53	32	**85**	–	–	**85**
Income before indirect tax	2 626	2 975	2 238	7 935	**15 774**	13 556	3 107	**32 437**
Indirect tax	(14)	(27)	(61)	(641)	**(743)**	(66)	(205)	**(1 014)**
Profit before tax	2 612	2 948	2 177	7 294	**15 031**	13 490	2 902	**31 423**
Income tax expense	(705)	(796)	(588)	(1 969)	**(4 058)**	(3 642)	(1 003)	**(8 703)**
Profit for the year	1 907	2 152	1 589	5 325	**10 973**	9 848	1 899	**22 720**
Attributable to								
Ordinary equityholders	1 907	2 152	1 589	5 325	**10 973**	9 848	1 094	**21 915**
Other equity instrument holders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	–	805	**805**
Profit for the year	1 907	2 152	1 589	5 325	**10 973**	9 848	1 899	**22 720**
Attributable earnings to ordinary equityholders	1 907	2 152	1 589	5 325	**10 973**	9 848	1 094	**21 915**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 907	2 152	1 589	5 325	**10 973**	9 848	1 094	**21 915**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity related	–	–	–	–	**–**	–	–	**–**
Normalised earnings	1 907	2 152	1 589	5 325	**10 973**	9 848	1 094	**21 915**

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

* *Refer to additional segmental disclosure on page 52.*

** *Refer to page 53 for additional analysis of UK operations, which includes the MotoNovo back book, included within Centre and other for segmental reporting.*

\# *Centre represents group-wide functions.*

Retail and commercial		Corporate and institutional					
WesBank*	**Retail and commercial**	**RMB**	**Aldermore****	Centre (including Group Treasury) and other#	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
5 098	**49 330**	**11 315**	**13 236**	4 735	**78 616**	(2 179)	**76 437**
(1 728)	**(8 472)**	**(551)**	**(2 415)**	489	**(10 949)**	–	**(10 949)**
3 370	**40 858**	**10 764**	**10 821**	5 224	**67 667**	(2 179)	**65 488**
3 504	**41 826**	**14 700**	**1 357**	(4 513)	**53 370**	1 944	**55 314**
6 874	**82 684**	**25 464**	**12 178**	711	**121 037**	(235)	**120 802**
(4 697)	**(48 155)**	**(13 126)**	**(7 032)**	(327)	**(68 640)**	(109)	**(68 749)**
2 177	**34 529**	**12 338**	**5 146**	384	**52 397**	(344)	**52 053**
327	**412**	**520**	**11**	(450)	**493**	(6)	**487**
2 504	**34 941**	**12 858**	**5 157**	(66)	**52 890**	(350)	**52 540**
(53)	**(1 067)**	**(226)**	**(383)**	44	**(1 632)**	–	**(1 632)**
2 451	**33 874**	**12 632**	**4 774**	(22)	**51 258**	(350)	**50 908**
(580)	**(9 283)**	**(3 275)**	**(1 101)**	1 466	**(12 193)**	(3)	**(12 196)**
1 871	**24 591**	**9 357**	**3 673**	1 444	**39 065**	(353)	**38 712**
1 859	**23 774**	**9 152**	**3 490**	253	**36 669**	(303)	**36 366**
–	**–**	**–**	**183**	936	**1 119**	–	**1 119**
12	**817**	**205**	**–**	255	**1 277**	(50)	**1 227**
1 871	**24 591**	**9 357**	**3 673**	1 444	**39 065**	(353)	**38 712**
1 859	**23 774**	**9 152**	**3 490**	253	**36 669**	(303)	**36 366**
–	**–**	**–**	**–**	–	**–**	369	**369**
1 859	**23 774**	**9 152**	**3 490**	253	**36 669**	66	**36 735**
–	**–**	**–**	**–**	–	**–**	–	**–**
–	**–**	**–**	**–**	–	**–**	17	**17**
–	**–**	**–**	**–**	–	**–**	(98)	**(98)**
–	**–**	**–**	**–**	–	**–**	15	**15**
1 859	**23 774**	**9 152**	**3 490**	253	**36 669**	–	**36 669**

Segment report continued

for the year ended 30 June 2023

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial	FNB broader Africa	**Total FNB**
Cost-to-income ratio (%)	35.7	40.7	30.6	68.8	**53.8**	45.4	65.4	**52.6**
Diversity ratio (%)	1.8	50.2	11.7	69.0	**48.6**	41.8	48.9	**46.5**
Credit loss ratio (%) – core lending advances	0.18	4.33	7.63	1.33	**1.68**	0.55	0.67	**1.32**
Stage 3/NPLs as a % of core lending advances	5.42	10.92	15.07	12.48	**7.51**	4.10	6.01	**6.59**
Consolidated income statement includes								
Depreciation	(3)	(6)	(17)	(2 154)	**(2 180)**	(248)	(405)	**(2 833)**
Amortisation	–	–	–	(61)	**(61)**	–	(20)	**(81)**
Net impairment charges	–	–	–	(68)	**(68)**	(111)	(4)	**(183)**
Consolidated statement of financial position includes								
Advances (before impairments)	259 635	37 149	50 072	7 406	**354 262**	116 448	58 418	**529 128**
Core lending advances	259 635	37 149	50 072	7 406	**354 262**	116 448	58 418	**529 128**
– Other core lending advances (AC and FV)	259 635	37 149	50 072	7 406	**354 262**	116 448	58 418	**529 128**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
Assets under agreements to resell	–	–	–	–	**–**	–	–	**–**
Stage 3/NPLs	14 073	4 057	7 547	924	**26 601**	4 773	3 510	**34 884**
Investments in associates	–	–	–	481	**481**	–	–	**481**
Investments in joint ventures	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	564	10 629	53	355 600	**366 846**	421 378	65 413	**853 637**
Total assets	255 335	32 592	41 460	38 550	**367 937**	117 157	62 058	**547 152**
Total liabilities†	255 001	31 344	41 407	20 455	**348 207**	109 909	58 142	**516 258**
Capital expenditure	–	114	14	2 915	**3 043**	321	709	**4 073**

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

* *Refer to additional segmental disclosure on page 52.*

** *Refer to page 53 for additional analysis of UK operations, which includes the MotoNovo back book, included within Centre and other for segmental reporting.*

Centre represents group-wide functions.

† *Total liabilities are net of interdivisional balances.*

Retail and commercial		Corporate and institutional					
WesBank*	**Retail and commercial**	**RMB**	**Aldermore****	Centre (including Group Treasury) and other#	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
52.6	52.6	49.5	48.2	(>100)	51.8		52.0
42.9	46.1	57.4	9.4	>100	40.7		42.2
1.12	1.28	0.14	0.72	(1.69)	0.78		0.78
4.44	6.09	1.23	2.48	3.27	3.80		3.80
(817)	(3 650)	(172)	(202)	(21)	(4 045)	–	(4 045)
(20)	(101)	(81)	(4)	(490)	(676)	–	(676)
10	(173)	(8)	–	215	34	(403)	(369)
162 991	692 119	484 649	371 150	42 529	1 590 447	–	1 590 447
162 991	692 119	419 644	371 150	28 124	1 511 037	–	1 511 037
159 645	688 773	419 644	336 602	28 124	1 473 143	–	1 473 143
3 346	3 346	–	34 548	–	37 894	–	37 894
–	–	65 005	–	14 405	79 410	–	79 410
7 235	42 119	5 171	9 222	920	57 432	–	57 432
2 810	3 291	4 626	–	2 483	10 400	–	10 400
6	6	3 067	–	(16)	3 057	48	3 105
67	853 704	306 561	415 962	346 876	1 923 103	–	1 923 103
163 851	711 003	720 698	477 424	385 720	2 294 845	2 765	2 297 610
161 005	677 263	706 722	440 574	275 370	2 099 929	–	2 099 929
1 383	5 456	665	120	40	6 281	–	6 281

Segment report continued

for the year ended 30 June 2022

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial	FNB broader Africa	**Total FNB**
Net interest income before impairment of advances	4 846	3 246	7 079	6 415	**21 586**	12 925	3 969	**38 480**
Impairment charge	(46)	(1 070)	(2 597)	(703)	**(4 416)**	(354)	(168)	**(4 938)**
Net interest income after impairment of advances	4 800	2 176	4 482	5 712	**17 170**	12 571	3 801	**33 542**
Non-interest revenue	102	3 103	891	16 021	**20 117**	9 854	4 453	**34 424**
Income from operations	4 902	5 279	5 373	21 733	**37 287**	22 425	8 254	**67 966**
Operating expenses	(1 804)	(2 843)	(2 778)	(15 205)	**(22 630)**	(10 318)	(5 791)	**(38 739)**
Net income from operations	3 098	2 436	2 595	6 528	**14 657**	12 107	2 463	**29 227**
Share of profit of associates and joint ventures after tax	–	–	33	26	**59**	–	–	**59**
Income before indirect tax	3 098	2 436	2 628	6 554	**14 716**	12 107	2 463	**29 286**
Indirect tax	(15)	59	(70)	(597)	**(623)**	(57)	(164)	**(844)**
Profit before tax	3 083	2 495	2 558	5 957	**14 093**	12 050	2 299	**28 442**
Income tax expense	(863)	(699)	(716)	(1 662)	**(3 940)**	(3 372)	(846)	**(8 158)**
Profit for the year	2 220	1 796	1 842	4 295	**10 153**	8 678	1 453	**20 284**
Attributable to								
Ordinary equityholders	2 220	1 796	1 842	4 295	**10 153**	8 678	805	**19 636**
Other equity instrument holders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	–	648	**648**
Profit for the year	2 220	1 796	1 842	4 295	**10 153**	8 678	1 453	**20 284**
Attributable earnings to ordinary equityholders	2 220	1 796	1 842	4 295	**10 153**	8 678	805	**19 636**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	2 220	1 796	1 842	4 295	**10 153**	8 678	805	**19 636**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity related	–	–	–	–	**–**	–	–	**–**
Normalised earnings	2 220	1 796	1 842	4 295	**10 153**	8 678	805	**19 636**

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

* *Refer to additional segmental disclosure on page 52.*

** *Refer to page 54 for additional analysis of UK operations, which includes the MotoNovo back book, included within Centre and other for segmental reporting.*

Centre represents group-wide functions.

Retail and commercial		Corporate and institutional					
WesBank*	**Retail and commercial**	**RMB**	**Aldermore****	Centre (including Group Treasury) and other#	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
4 877	**43 357**	**9 074**	**10 707**	4 718	**67 856**	(1 481)	**66 375**
(1 402)	**(6 340)**	**413**	**(1 159)**	6	**(7 080)**	–	**(7 080)**
3 475	**37 017**	**9 487**	**9 548**	4 724	**60 776**	(1 481)	**59 295**
3 378	**37 802**	**12 193**	**702**	(3 841)	**46 856**	1 392	**48 248**
6 853	**74 819**	**21 680**	**10 250**	883	**107 632**	(89)	**107 543**
(5 022)	**(43 761)**	**(11 329)**	**(5 852)**	(82)	**(61 024)**	255	**(60 769)**
1 831	**31 058**	**10 351**	**4 398**	801	**46 608**	166	**46 774**
476	**535**	**1 458**	**21**	(508)	**1 506**	(15)	**1 491**
2 307	**31 593**	**11 809**	**4 419**	293	**48 114**	151	**48 265**
(37)	**(881)**	**(194)**	**(285)**	(73)	**(1 433)**	–	**(1 433)**
2 270	**30 712**	**11 615**	**4 134**	220	**46 681**	151	**46 832**
(636)	**(8 794)**	**(3 252)**	**(939)**	858	**(12 127)**	(66)	**(12 193)**
1 634	**21 918**	**8 363**	**3 195**	1 078	**34 554**	85	**34 639**
1 604	**21 240**	**8 196**	**3 021**	206	**32 663**	98	**32 761**
–	**–**	**–**	**174**	664	**838**	–	**838**
30	**678**	**167**	**–**	208	**1 053**	(13)	**1 040**
1 634	**21 918**	**8 363**	**3 195**	1 078	**34 554**	85	**34 639**
1 604	**21 240**	**8 196**	**3 021**	206	**32 663**	98	**32 761**
–	**–**	**–**	**–**	–	**–**	56	**56**
1 604	**21 240**	**8 196**	**3 021**	206	**32 663**	154	**32 817**
–	**–**	**–**	**–**	–	**–**	(58)	**(58)**
–	**–**	**–**	**–**	–	**–**	2	**2**
–	**–**	**–**	**–**	–	**–**	(104)	**(104)**
–	**–**	**–**	**–**	–	**–**	6	**6**
1 604	**21 240**	**8 196**	**3 021**	206	**32 663**	–	**32 663**

Segment report continued

for the year ended 30 June 2022

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial	FNB broader Africa	**Total FNB**
Cost-to-income ratio (%)	36.5	44.8	34.7	67.7	**54.2**	45.3	68.8	**53.1**
Diversity ratio (%)	2.1	48.9	11.5	71.4	**48.3**	43.3	52.9	**47.3**
Credit loss ratio (%) – core lending advances	0.02	3.34	5.55	8.56	**1.37**	0.35	0.32	**1.04**
Stage 3/NPLs as a % of core lending advances	4.86	11.21	14.94	16.14	**7.19**	4.29	6.27	**6.45**
Consolidated income statement includes								
Depreciation	(4)	(9)	(16)	(2 139)	**(2 168)**	(213)	(409)	**(2 790)**
Amortisation	–	(3)	–	(149)	**(152)**	–	(14)	**(166)**
Net impairment charges	(2)	–	–	(49)	**(51)**	1	1	**(49)**
Consolidated statement of financial position includes								
Advances (before impairments)	242 757	32 821	46 623	7 907	**330 108**	107 823	52 906	**490 837**
Core lending advances	242 757	32 821	46 623	7 907	**330 108**	107 823	52 906	**490 837**
– Other core lending advances (AC and FV)	242 757	32 821	46 623	7 907	**330 108**	107 823	52 906	**490 837**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
Assets under agreements to resell	–	–	–	–	**–**	–	–	**–**
Stage 3/NPLs	11 802	3 678	6 964	1 276	**23 720**	4 627	3 318	**31 665**
Investments in associates	–	–	317	453	**770**	–	–	**770**
Investments in joint ventures	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	651	9 179	39	322 214	**332 083**	368 109	55 349	**755 541**
Total assets†	238 730	28 556	38 558	37 620	**343 464**	106 258	56 045	**505 767**
Total liabilities†,‡	238 016	27 854	39 000	21 557	**326 427**	100 467	53 275	**480 169**
Capital expenditure	–	20	21	2 243	**2 284**	360	441	**3 085**

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

* *Refer to additional segmental disclosure on page 52.*

** *Refer to page 54 for additional analysis of UK operations, which includes the MotoNovo back book, included within Centre and other for segmental reporting.*

\# *Centre represents group-wide functions.*

† *Restated – refer to page 139 for more detail.*

‡ *Total liabilities are net of interdivisional balances.*

Retail and commercial		Corporate and institutional					
WesBank*	**Retail and commercial**	**RMB**	**Aldermore****	Centre (including Group Treasury) and other#	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
57.5	**53.6**	**49.9**	**51.2**	22.2	**52.5**		**52.3**
44.1	**46.9**	**60.1**	**6.3**	>100	**41.6**		**42.8**
0.98	**1.03**	**(0.13)**	**0.41**	(0.02)	**0.56**		**0.56**
4.92	**6.10**	**1.20**	**2.35**	3.12	**3.88**		**3.88**
(845)	**(3 635)**	**(136)**	**(214)**	(11)	**(3 996)**	–	**(3 996)**
(31)	**(197)**	**(154)**	**(14)**	(466)	**(831)**	–	**(831)**
(31)	**(80)**	**(5)**	**–**	(30)	**(115)**	(195)	**(310)**
144 482	**635 319**	**395 137**	**298 568**	53 034	**1 382 058**	–	**1 382 058**
144 482	**635 319**	**347 920**	**298 568**	29 634	**1 311 441**	–	**1 311 441**
138 342	**629 179**	**347 920**	**271 765**	27 846	**1 276 710**	–	**1 276 710**
6 140	**6 140**	**–**	**26 803**	1 788	**34 731**	–	**34 731**
–	**–**	**47 217**	**–**	23 400	**70 617**	–	**70 617**
7 106	**38 771**	**4 187**	**7 002**	926	**50 886**	–	**50 886**
2 732	**3 502**	**3 669**	**123**	884	**8 178**	–	**8 178**
16	**16**	**2 564**	**–**	(16)	**2 564**	54	**2 618**
24	**755 565**	**287 434**	**324 557**	288 416	**1 655 972**	–	**1 655 972**
145 798	**651 565**	**621 725**	**365 767**	360 588	**1 999 645**	(76)	**1 999 569**
144 442	**624 611**	**608 635**	**338 250**	247 364	**1 818 860**	–	**1 818 860**
915	**4 000**	**340**	**68**	75	**4 483**	–	**4 483**

Additional segmental disclosure – WesBank

	Year ended 30 June 2023		
R million	**Retail**	**Corporate and commercial**	**Total WesBank**
NII before impairment of advances	**3 924**	**1 174**	**5 098**
Impairment of advances	**(1 670)**	**(58)**	**(1 728)**
Normalised profit before tax	**1 595**	**856**	**2 451**
Normalised earnings	**1 221**	**638**	**1 859**
Core advances	**108 779**	**54 212**	**162 991**
Stage 3/NPLs	**6 169**	**1 066**	**7 235**
Advances margin (%)	**3.03**	**2.32**	**2.80**
Stage 3/NPLs as a % of advances	**5.67**	**1.97**	**4.44**
Credit loss ratio (%) of average advances	**1.60**	**0.12**	**1.12**

	Year ended 30 June 2022		
R million	Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	3 794	1 083	4 877
Impairment of advances	(1 390)	(12)	(1 402)
Normalised profit before tax	1 768	502	2 270
Normalised earnings	1 243	361	1 604
Core advances	99 354	45 128	144 482
Stage 3/NPLs	6 203	903	7 106
Advances margin (%)	3.25	2.40	2.99
Stage 3/NPLs as a % of advances	6.24	2.00	4.92
Credit loss ratio (%) of average advances	1.39	0.03	0.98

Additional segmental disclosure – UK operations

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

	Year ended 30 June 2023					
£ million	Structured and specialist finance	Property finance	Central functions	Aldermore	Motor finance (total MotoNovo)	Total UK operations
Net interest income before impairment of advances	145	144	159	448	173	621
Impairment charge	(22)	(29)	–	(51)	(39)	(90)
Net interest income after impairment of advances	123	115	159	397	134	531
Non-interest revenue (including fair value hedges)	8	–	19	27	8	35
Income from operations	131	115	178	424	142	566
Operating expenses	(25)	(16)	(190)	(231)	(103)	(334)
Net income/(loss) from operations	106	99	(12)	193	39	232
Share of profit of associates and joint ventures after tax	–	–	1	1	–	1
Income/(loss) before indirect tax	106	99	(11)	194	39	233
Indirect tax	3	(1)	(14)	(12)	(6)	(18)
Profit/(loss) before tax	109	98	(25)	182	33	215
Income tax expense	–	–	(42)*	(42)	(7)	(49)
Profit/(loss) for the year	109	98	(67)	140	26	166
Attributable to						
Ordinary equityholders	109	98	(71)	136	22	158
Other equity instrument holders	–	–	4	4	4	8
Profit/(loss) for the year	109	98	(67)	140	26	166
Consolidated statement of financial position includes						
Cash and cash equivalents	–	–	2 138	2 138	89	2 227
Derivative financial instruments	–	–	677	677	35	712
Investment securities	–	–	2 049	2 049	–	2 049
Advances	3 508	7 492	–	11 000	4 200	15 200
– Gross core lending advances	3 583	7 581	–	11 164	4 397	15 561
– Impairment of advances	(75)	(89)	–	(164)	(197)	(361)
Other assets	3	(2)	(462)	(461)	216	(245)
Total assets	3 511	7 490	4 402	15 403	4 540	19 943
Derivative financial instruments	–	–	63	63	–	63
Total deposits	–	–	16 594	16 594	771	17 365
Other liabilities	3 402	7 393	(13 424)	(2 629)	3 557	928
Total liabilities	3 402	7 393	3 233	14 028	4 328	18 356
Stage 3/NPLs	59	228	–	287	136	423
Stage 3/NPLs as a % of advances	1.65	3.01	–	2.57	3.10	2.72
Credit loss ratio (%) of average advances	0.61	0.40	–	0.47	0.89	0.59
Advances margin (%)	3.98	1.91	–	3.99	3.66	3.89

* *Tax expense reflected in central functions.*

Additional segmental disclosure – UK operations continued

	Year ended 30 June 2022					
£ million	Structured and specialist finance	Property finance	Central functions	**Aldermore**	Motor finance (total MotoNovo)	**Total UK operations**
Net interest income before impairment of advances	171	166	45	**382**	155	**537**
Impairment charge	8	(13)	–	**(5)**	(52)	**(57)**
Net interest income after impairment of advances	179	153	45	**377**	103	**480**
Non-interest revenue (including fair value hedges)	9	–	(3)	**6**	10	**16**
Income from operations	188	153	42	**383**	113	**496**
Operating expenses	(29)	(22)	(154)	**(205)**	(76)	**(281)**
Net income/(loss) from operations	159	131	(112)	**178**	37	**215**
Share of profit of associates and joint ventures after tax	–	–	1	**1**	–	**1**
Income/(loss) before indirect tax	159	131	(111)	**179**	37	**216**
Indirect tax	–	–	(9)	**(9)**	(4)	**(13)**
Profit/(loss) before tax	159	131	(120)	**170**	33	**203**
Income tax expense	–	–	(43)*	**(43)**	(3)	**(46)**
Profit/(loss) for the year	159	131	(163)	**127**	30	**157**
Attributable to						
Ordinary equityholders	159	131	(165)	**125**	24	**149**
Other equity instrument holders	–	–	2	**2**	6	**8**
Profit/(loss) for the year	159	131	(163)	**127**	30	**157**
Consolidated statement of financial position includes						
Cash and cash equivalents	–	–	982	**982**	92	**1 074**
Derivative financial instruments	–	–	265	**265**	27	**292**
Investment securities	–	–	2 339	**2 339**	–	**2 339**
Advances	3 575	7 203	–	**10 778**	4 168	**14 946**
– Gross core lending advances	3 630	7 265	–	**10 895**	4 337	**15 232**
– Impairment of advances	(55)	(62)	–	**(117)**	(169)	**(286)**
Other assets**	3	–	(265)	**(262)**	187	**(75)**
Total assets**	3 578	7 203	3 321	**14 102**	4 474	**18 576**
Derivative financial instruments	–	–	25	**25**	–	**25**
Total deposits	–	–	15 333	**15 333**	935	**16 268**
Other liabilities**	3 419	7 074	(12 993)	**(2 500)**	3 111	**611**
Total liabilities**	3 419	7 074	2 365	**12 858**	4 046	**16 904**
Stage 3/NPLs	48	228	–	**276**	120	**396**
Stage 3/NPLs as a % of advances	1.33	3.15	–	**2.54**	2.78	**2.61**
Credit loss ratio (%) of average advances	(0.24)	0.18	–	**0.05**	1.27	**0.39**
Advances margin (%)	5.03	2.27	–	**3.57**	3.78	**3.63**

* *Tax expense reflected in central functions.*

** *Restated – refer to page 139 for more detail.*

Additional segmental disclosure – broader Africa

In order to provide a full strategic overview of the group's broader Africa operations, the information provided below reflects the in-country performance across the various subsidiaries, as well as the impact of cross-border transactions booked on the South African, London branch and RMB Mauritius balance sheets, where the deals originated in a broader Africa jurisdiction.

BROADER AFRICA FINANCIAL HIGHLIGHTS

	Strategy view		In-country		Cross-border	
R million	**2023**	2022	**2023**	2022	**2023**	2022
Normalised earnings	**4 141**	2 892	**2 443**	1 869	**1 698**	1 023
Normalised profit before tax	**7 471**	5 650	**5 145**	4 229	**2 326**	1 421
Impairment of advances	**713**	252	**474**	176	**239**	76
Core lending advances*	**152 922**	121 222	**76 804**	67 335	**76 118**	53 887
Stage 3/NPLs as a % of core lending advances*	**3.65**	2.74	**4.62**	4.93	**2.68**	–
Credit loss ratio (%) of average core lending advances*	**0.50**	0.23	**0.66**	0.27	**0.34**	0.16
Cost-to-income ratio (%)	**53.1**	58.2	**58.5**	62.5	**33.2**	36.1
ROE (%)	**20.9**	16.5	**17.3**	13.8	**29.4**	25.9

* *In-country advances include Group Treasury advances.*

FNB BROADER AFRICA FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2023**	2022	% change
Profit before tax	**2 902**	2 299	26
Total advances*	**58 418**	52 906	10
Total deposits**	**65 413**	55 349	18
Credit loss ratio (%) – core lending advances	**0.67**	0.32	
ROA (%)	**1.86**	1.47	
Cost-to-income ratio (%)	**65.4**	68.8	

* *Up 9% in constant currency terms.*
** *Up 15% in constant currency terms.*

RMB BROADER AFRICA PORTFOLIO FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2023**	2022	% change
Profit before tax	**3 946**	2 550	55
Core lending advances*	**94 504**	68 228	39
Total deposits**	**29 570**	25 943	14
Credit loss ratio (%) – core lending advances	**0.42**	0.14	
ROA (%)	**3.11**	2.84	
Cost-to-income ratio (%)	**41.6**	48.4	

* *Up 26% in constant currency terms.*
** *Up 13% in constant currency terms.*

Additional segmental disclosure – insurance activities

TOTAL INSURANCE PBT

R million	Year ended 30 June 2023	2022	% change
FNB	**2 895**	1 950	48
Credit life	**1 878**	1 423	32
Core life (including funeral)	**1 011**	672	50
Underwritten	**(126)**	(116)	9
Commercial	**18**	(29)	>100
Short-term insurance*	**114**	–	100
WesBank	**295**	356	(17)
Value-added products and services (VAPS)** and retail VAF credit life	**295**	356	(17)
Broader Africa	**242**	228	6
Other#	**72**	141	(49)
Total	**3 504**	2 675	31

* *Includes homeowners' book underwritten by OUTsurance.*

** *MotoVantage provides VAPS products.*

\# *Other includes UK operations and FNB insurance brokers.*

PREMIUMS RECOGNISED (ON GROUP INSURANCE LICENCES)

R million	Year ended 30 June 2023	2022	% change
Total life premiums	**5 842**	4 977	17
Credit life	**2 090**	1 733	21
Core life (including funeral)	**2 895**	2 552	13
Underwritten	**600**	516	16
Commercial	**232**	166	40
Investments	**25**	10	>100
Total short-term premiums	**668**	315	>100
Personal lines	**587**	256	>100
Commercial	**81**	59	37
Broader Africa	**129**	128	1
Total insurance premiums	**6 639**	5 420	22

FNB insurance activities

NEW BUSINESS APE

R million	Year ended 30 June 2023	2022	% change
Core life (including funeral)	**1 208**	1 090	11
Underwritten	**281**	276	2
Commercial	**159**	139	14
Standalone products	**1 648**	1 505	10
Credit life*	**921**	665	38
FNB Life	**2 569**	2 170	18

* *The 2023 figure includes R288 million (2022: R90 million) of new business APE for DirectAxis business, which has been written on the group's life licence since January 2022.*

VALUE OF NEW BUSINESS – FNB LIFE*

R million	Year ended 30 June 2023	2022	% change
Credit life	**702**	436	61
Core life (including funeral)	**290**	208	39
Underwritten	**3**	3	–
Commercial	**3**	1	>100
FNB Life	**998**	648	54

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

FNB SHORT-TERM INSURANCE

Key performance indicators	Year ended 30 June 2023	2022	% change
In-force APE (R million)	**879**	464	89
Number of in-force policies (thousands)	**278**	255	9
New business APE (R million)	**691**	231	>100

EMBEDDED VALUE – FNB LIFE

R million	Year ended 30 June 2023	2022	% change
EV gross of dividends*	**8 800**	6 880	28
EV net of dividends*	**6 850**	6 530	5

* *Gross of tax. Return on EV was 34.8%.*

NUMBER OF LIFE POLICIES

Thousands	Year ended 30 June 2023	2022	% change
Credit life	**2 467**	2 405	3
Core life (including funeral)	**1 763**	1 702	4
Underwritten	**183**	163	12
Commercial	**39**	25	56
Total	**4 452**	4 295	4

FNB LIFE IN-FORCE APE

R million	Year ended 30 June 2023	2022	% change
Credit life	**2 299**	1 945	18
Core life (including funeral)	**3 494**	3 113	12
Underwritten	**728**	635	15
Commercial	**270**	197	37
Total	**6 791**	5 890	15

Additional segmental disclosure – insurance activities continued

WesBank insurance activities

NUMBER OF POLICIES AND GROSS WRITTEN PREMIUM

	MotoVantage (VAPS)			Retail (credit life)		
	Year ended 30 June		% change	Year ended 30 June		% change
	2023	2022		**2023**	2022	
Number of policies (thousands)	**551**	594	(7)	**26**	33	(21)
Gross written premium (R million)	**1 292**	1 354	(5)	**66**	83	(20)

Additional segmental disclosure – investment management activities

TOTAL ASSETS UNDER MANAGEMENT

	As at 30 June		
R million	**2023**	2022	% change
Multi-asset and equity	**27 820**	20 205	38
Structured products and indexation	**11 990**	12 000	–
Alternatives	**37 414**	38 075	(2)
Fixed income	**64 905**	49 988	30
Private client portfolios	**70 363**	59 636	18
Total group AUM	**212 492**	179 904	18

REVENUE BY TYPE

	Year ended 30 June		
R million	**2023**	2022	% change
Investment management fees	**675**	677	–
Advice fees	**249**	284	(12)
Trust and estate income	**311**	302	3
Brokerage income	**116**	169	(31)
Administration and other income	**148**	169	(12)
Net interest income	**142**	100	42
Total revenue	**1 641**	1 701	(3)

Additional information on internal restructures

for the year ended 30 June 2022

Internal restructures took place during the year to better facilitate the execution of group strategy. These do not impact like-for-like comparisons at group level, excluding the restatement of Aldermore, but they are material to certain individual segments.
The segmental disclosure has been updated for the following:

- Transfer of the revolving facilities from retail other to personal loans within FNB retail.
- Restatement of Aldermore's total assets and total liabilities – refer to page 139 for more detail.

R million	**Total personal loans previously published**	Transfer of revolving facilities	**Total personal loans after reallocation**	**Retail other previously published**	Transfer of revolving facilities	**Retail other after reallocation**
Net interest income before impairment of advances	**6 375**	704	**7 079**	**7 119**	(704)	**6 415**
Impairment charge	**(2 354)**	(243)	**(2 597)**	**(946)**	243	**(703)**
Net interest income after impairment of advances	**4 021**	461	**4 482**	**6 173**	(461)	**5 712**
Non-interest revenue	**733**	158	**891**	**16 179**	(158)	**16 021**
Income from operations	**4 754**	619	**5 373**	**22 352**	(619)	**21 733**
Operating expenses	**(2 559)**	(219)	**(2 778)**	**(15 424)**	219	**(15 205)**
Net income from operations	**2 195**	400	**2 595**	**6 928**	(400)	**6 528**
Share of profit of associates and joint ventures after tax	**33**	–	**33**	**26**	–	**26**
Income before indirect tax	**2 228**	400	**2 628**	**6 954**	(400)	**6 554**
Indirect tax	**(70)**	–	**(70)**	**(597)**	–	**(597)**
Profit before tax	**2 158**	400	**2 558**	**6 357**	(400)	**5 957**
Income tax expense	**(604)**	(112)	**(716)**	**(1 774)**	112	**(1 662)**
Profit for the year	**1 554**	288	**1 842**	**4 583**	(288)	**4 295**
Attributable to						
Ordinary equityholders	**1 554**	288	**1 842**	**4 583**	(288)	**4 295**
Other equity instrument holders	**–**	–	**–**	**–**	–	**–**
Non-controlling interests	**–**	–	**–**	**–**	–	**–**
Profit for the year	**1 554**	288	**1 842**	**4 583**	(288)	**4 295**
Earnings attributable to ordinary equityholders	**1 554**	288	**1 842**	**4 583**	(288)	**4 295**
Headline earnings adjustments	**–**	–	**–**	**–**	–	**–**
Headline earnings	**1 554**	288	**1 842**	**4 583**	(288)	**4 295**
TRS and IFRS 2 liability remeasurement	**–**	–	**–**	**–**	–	**–**
Treasury shares	**–**	–	**–**	**–**	–	**–**
IAS 19 adjustment	**–**	–	**–**	**–**	–	**–**
Private equity related	**–**	–	**–**	**–**	–	**–**
Normalised earnings	**1 554**	288	**1 842**	**4 583**	(288)	**4 295**

Total FNB previously published	Transfer of revolving facilities	Total FNB after reallocation	Aldermore previously published	Restatement	Aldermore after restatement	Total restructures FNB	WesBank	RMB	Aldermore	Centre	FirstRand group
38 480	–	38 480	10 707	–	10 707	–	–	–	–	–	–
(4 938)	–	(4 938)	(1 159)	–	(1 159)	–	–	–	–	–	–
33 542	–	33 542	9 548	–	9 548	–	–	–	–	–	–
34 424	–	34 424	702	–	702	–	–	–	–	–	–
67 966	–	67 966	10 250	–	10 250	–	–	–	–	–	–
(38 739)	–	(38 739)	(5 852)	–	(5 852)	–	–	–	–	–	–
29 227	–	29 227	4 398	–	4 398	–	–	–	–	–	–
59	–	59	21	–	21	–	–	–	–	–	–
29 286	–	29 286	4 419	–	4 419	–	–	–	–	–	–
(844)	–	(844)	(285)	–	(285)	–	–	–	–	–	–
28 442	–	28 442	4 134	–	4 134	–	–	–	–	–	–
(8 158)	–	(8 158)	(939)	–	(939)	–	–	–	–	–	–
20 284	–	20 284	3 195	–	3 195	–	–	–	–	–	–
19 636	–	19 636	3 021	–	3 021	–	–	–	–	–	–
–	–	–	174	–	174	–	–	–	–	–	–
648	–	648	–	–	–	–	–	–	–	–	–
20 284	–	20 284	3 195	–	3 195	–	–	–	–	–	–
19 636	–	19 636	3 021	–	3 021	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
19 636	–	19 636	3 021	–	3 021	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
19 636	–	19 636	3 021	–	3 021	–	–	–	–	–	–

Additional information on internal restructures continued

for the year ended 30 June 2022

R million	Total personal loans previously published	Transfer of revolving facilities	Total personal loans after reallocation	Retail other previously published	Transfer of revolving facilities	Retail other after reallocation
Cost-to-income ratio (%)	35.8		34.7	66.1		67.7
Diversity ratio (%)	10.7		11.5	69.5		71.4
Credit loss ratio (%) – core lending advances	5.89		5.55	6.29		8.56
Stage 3/NPLs as a % of core lending advances	15.62		14.94	13.69		16.14
Consolidated income statement includes						
Depreciation	(16)	–	(16)	(2 139)	–	(2 139)
Amortisation	–	–	–	(149)	–	(149)
Net impairment charges	–	–	–	(49)	–	(49)
Consolidated statement of financial position includes						
Advances (before impairments)	40 173	6 450	46 623	14 357	(6 450)	7 907
Core lending advances	40 173	6 450	46 623	14 357	(6 450)	7 907
– Other core lending advances (AC and FV)	40 173	6 450	46 623	14 357	(6 450)	7 907
– Securitised advances	–	–	–	–	–	–
Assets under agreements to resell	–	–	–	–	–	–
Stage 3/NPLs	6 274	690	6 964	1 966	(690)	1 276
Investments in associates	317	–	317	453	–	453
Investments in joint ventures	–	–	–	–	–	–
Total deposits (including non-recourse deposits)	1	38	39	322 252	(38)	322 214
Total assets	32 981	5 577	38 558	43 197	(5 577)	37 620
Total liabilities	33 665	5 335	39 000	26 892	(5 335)	21 557
Capital expenditure	21	–	21	2 243	–	2 243

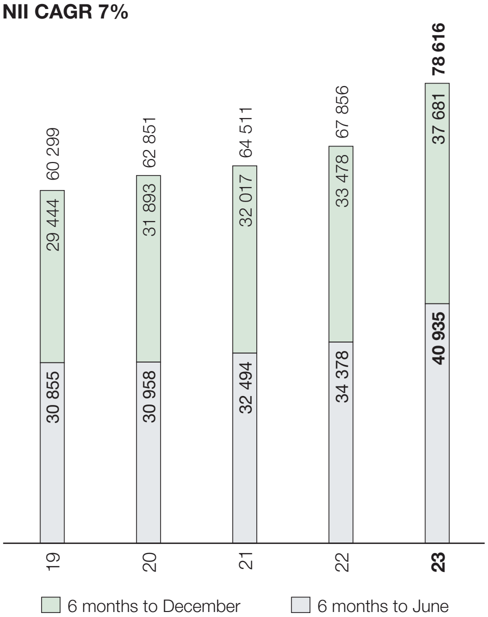
Total FNB previously published	Transfer of revolving facilities	Total FNB after reallocation	Aldermore previously published	Restatement	Aldermore after restatement	Total restructures					
						FNB	WesBank	RMB	Aldermore	Centre	FirstRand group
53.1		53.1	51.2		51.2						
47.3		47.3	6.3		6.3						
1.04		1.04	0.41		0.41						
6.45		6.45	2.35		2.35						
(2 790)	–	(2 790)	(214)	–	(214)	–	–	–	–	–	–
(166)	–	(166)	(14)	–	(14)	–	–	–	–	–	–
(49)	–	(49)	–	–	–	–	–	–	–	–	–
490 837	–	490 837	298 568	–	298 568	–	–	–	–	–	–
490 837	–	490 837	298 568	–	298 568	–	–	–	–	–	–
490 837	–	490 837	271 765	–	271 765	–	–	–	–	–	–
–	–	–	26 803	–	26 803	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
31 665	–	31 665	7 002	–	7 002	–	–	–	–	–	–
770	–	770	123	–	123	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
755 541	–	755 541	324 557	–	324 557	–	–	–	–	–	–
505 767	–	505 767	370 600	(4 833)	365 767	–	–	–	(4 833)	–	(4 833)
480 169	–	480 169	343 083	(4 833)	338 250	–	–	–	(4 833)	–	(4 833)
3 085	–	3 085	68	–	68	–	–	–	–	–	–

analysis
of results

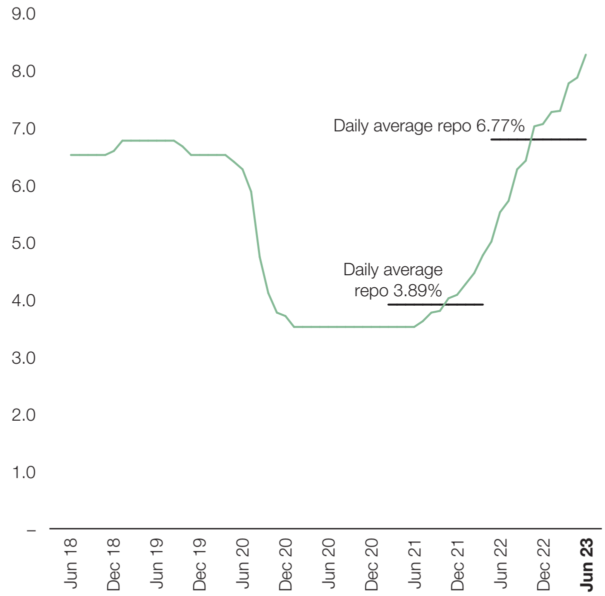
Net interest income (before impairment of advances)

Net interest income (before impairment of advances) – up 16%

Net interest income
(R million)
NII CAGR 7%



Repo rate
(%)



With the implementation of the new interest rate risk in the banking book framework and the resultant additional granularity, the components of the endowment book have been split out.

Note 1: The average endowment book for FirstRand Bank was c. R295 billion.

Note 2: The average endowment book for broader Africa and the bank's foreign branches was c. R45 billion.

Note 3: Given the substantial UK rate hikes, the UK business developed an ALM investment strategy. The average endowment book for the year was c. £450 million (based on updated endowment methodology).

MARGIN CASCADE TABLE

	Year ended 30 June			
	2023			2022*
Percentage of average interest-earning banking assets	**Average interest-earning assets (R million)**	**NII (R million)**	NIM (%)	NIM (%)
Opening normalised margin including UK operations	**1 542 403**	**67 856**	4.40	4.35
Impact of UK operations on margin	**(355 993)**	**(10 859)**	0.40	0.46
Opening normalised margin excluding UK operations	**1 186 410**	**56 997**	**4.80**	4.81
Asset growth	**149 500**	**7 176**		
Balances with central banks	**4 245**			
Cash and cash equivalents	**(869)**			
Liquid assets	**33 287**			
Loans and advances	**112 837**			
Lending interest-earning assets		**(2 178)**	(0.16)	(0.09)
Asset pricing		**(1 651)**	(0.12)	(0.10)
Change in advances mix and other		**(527)**	(0.04)	0.01
Liabilities		**1 194**	0.09	0.07
Deposit pricing and endowment		**805**	0.06	0.02
Change in deposit mix and volume		**389**	0.03	0.05
Capital endowment (including ALM strategies)		**966**	0.07	0.09
Group Treasury, Centre and other activities		**72**	0.01	(0.09)
FNB broader Africa		**1 170**	0.09	0.01
Closing normalised margin excluding UK operations	**1 335 910**	**65 397**	**4.90**	4.80
Impact of UK operations on margin	**422 171**	**13 219**	(0.43)	(0.40)
Motor finance	**103 464**	**3 660**	(0.10)	(0.06)
Aldermore bank	**318 707**	**9 559**	(0.33)	(0.34)
Closing normalised margin including UK operations	**1 758 081**	**78 616**	**4.47**	4.40

* *The methodology used to prepare the margin cascade was updated during the current year to align with industry practice and to reflect the drivers of the margin more appropriately. In prior years the group rebased the opening NIM to take into account the impact of the change in average interest-earning assets, based on the prior year NII earned. Thereafter the movements in the income statement were determined on the current year interest-earning assets. The group no longer calculates a rebased NIM, but instead includes the change in the average interest-earning assets based on last year's NIM as an adjustment to NII, and then reflects the movements as a result of pricing and mix changes, and other impacts.*

Net interest income (before impairment of advances) continued

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

R million	Year ended 30 June		
Net interest income	**2023**	2022*	% change
Lending	**25 825**	24 473	6
Transactional**	**20 022**	16 749	20
Investment deposits	**4 234**	3 558	19
Capital endowment (including ALM strategies)	**9 891**	8 926	11
Group Treasury, Centre and other#	**286**	(678)	(>100)
FNB broader Africa	**5 139**	3 969	29
Total NII excluding UK operations	**65 397**	56 997	15
UK operations	**13 219**	10 859	22
– Motor finance	**3 660**	3 125	17
– Aldermore bank	**9 559**	7 734	24
Total NII including UK operations	**78 616**	67 856	16

* *Comparative information has been represented in order to provide better attribution of NII by nature of activity. In addition, lending and transactional NII has been restated due to the reallocation of revolving facilities from retail other to personal loans. The total NII has remain unchanged.*

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

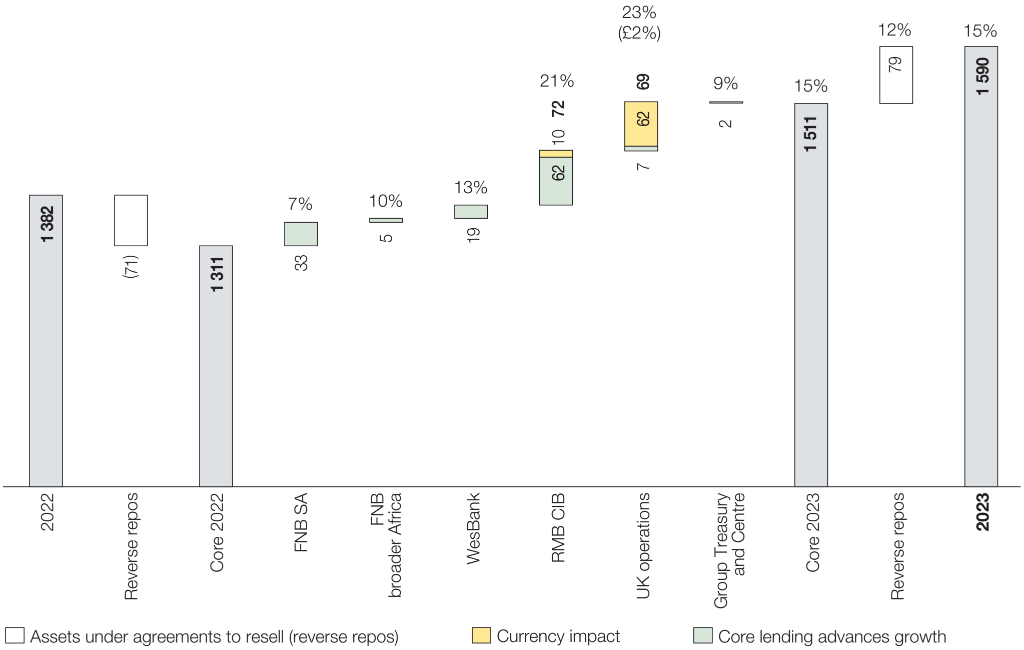
\# *Other includes negative endowment, e.g. fixed assets.*

Key drivers

- During the year under review average interest rates moved up 288 bps to 6.77% (2022: 3.89%). This, combined with rising interest rates in broader Africa, resulted in an uplift in capital endowment of 11%.
- *NII growth was also supported by continued strong growth in both transactional and investment deposits, and advances growth.*
- Lending NII increased 6%, driven by growth in average customer advances in RMB (29% year-on-year). Retail and commercial average advances grew 8%, driven by residential mortgages, with retail unsecured advances rebounding from previously muted growth and continuing to reflect the origination tilt to better-quality lower-margin credit.
- *The increase in transactional NII was driven by customer growth, and deposit endowment in particular.*
- The increase in NII from investment deposits was generated from the retail and commercial deposit franchises, underpinned by product offerings and customers taking advantage of higher-yielding products.
- *Capital endowment NII benefited from rate increases offset by changes in the composition of capital balances and ALM investment activities. The volume and mix change in capital is due to relatively lower levels of capital in FirstRand Bank SA versus higher levels of capital held outside of the South African operations.*
- Group Treasury, Centre and other NII increased due to:
  - *lower accounting mismatches following better management of accrual versus mark-to-market valuations;*
  - *improvement in rand funding costs driven by liability management; and*
  - more efficient management of foreign currency liquidity.
- *FNB broader Africa's NII benefited from endowment from the rate hiking cycle and growth in both advances and deposits. The broader Africa portfolio is not affected by the ALM strategies.*
- The UK operations NII increase was driven by portfolio growth, positive foreign currency translation effects, price discipline in lending and the optimisation of funding costs as UK interest rates continued to rise.

Core advances – up 15%

Gross advances growth by business
(R billion)



Note: Percentages are calculated on R million numbers.

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

	As at 30 June		
R million	**2023**	2022	% change
Total advances	**1 590 447**	1 382 058	15
Assets under agreements to resell	**(79 410)**	(70 617)	12
Total core lending advances (before currency impact)	**1 511 037**	1 311 441	15
UK operations and dollar cross-border book currency impact*	**(72 130)**	–	–
Core lending advances after currency impact	**1 438 907**	1 311 441	10

* *If the exchange rate (£1 = R23.95 and $1 = R18.84) had remained unchanged from 30 June 2022 (£1 = R19.95 and $1 = R16.41). For further information on the exchange rate, refer to page 154.*

Net interest income (before impairment of advances) continued

Key drivers

- Advances increased 15%, with 5% of the growth due to the currency impact of the UK operations and the RMB cross-border book. Operationally advances grew 10% (2022: 8%).
- *The 8% growth in the unsecured lending portfolio was driven by the personal loans portfolio and card. Personal loans growth benefited from larger size loans advanced to lower-risk customers, but continued to be negatively impacted by declining volumes in the DirectAxis portfolio. Increased utilisation of credit facilities by existing customers and growth in new client acquisition supported the growth in the card portfolio.*
- Residential mortgages maintained its strategy of low- and medium-risk main-banked origination, with growth marginally softer in the last six months of the financial year given the current environment of rising interest rates and sticky inflation.
- *WesBank VAF advances showed strong growth in the current year with good demand in both used and new vehicle sales, especially for light commercial vehicles.*
- The FNB commercial segment delivered good growth across the portfolios, in particular working capital, agric, property finance and specialised finance. This is aligned to FNB's strategy to focus on sectors showing above-cycle growth.
- *Asset-based finance into the banked customer base and dealer funding solutions supported growth in WesBank Corporate.*
- RMB's advances growth was underpinned by the focus on strategic sectors such as sustainable finance and private power coupled with the normalisation of clients' working capital cycle. Origination continued to lean towards better-rated counter-parties, with a tilt towards low-to-medium-volatility sectors. Strong growth in the cross-border book reflected at 23% in US dollar terms, further supported by the 15% depreciation of the rand against the US dollar, resulting in an overall 41% growth.
- *Total broader Africa advances increased in both rand (+14%) and local currency (+15%), reflecting focused growth strategies in the mid-corporate and retail segment. The largest contributors were Namibia (+10%), Botswana (+8%) and Nigeria (+ >100%).*
- UK operations grew advances in spite of a more difficult period for the UK economy. Origination discipline ensured that loan growth was achieved at appropriate returns.
  - *Growth in property finance was mainly driven by the specialist buy-to-let segment and strong end-of-term retention.*
  - Motor finance continued to grow new business, supported by elevated demand in the second-hand car market in the first half of the financial year offsetting increased redemptions from a maturing portfolio.
  - *Aldermore structured and specialised finance advances were broadly flat year-on-year, with growth in asset finance and commercial real estate lending offset by the decision to sell the working capital finance business.*
- Assets under agreement to resell (reverse repos) increased in RMB due to higher demand for high-quality liquid assets in the market. This growth was partially offset by a decrease in the Centre's reverse repos due to the maturity of high-value assets.

AVERAGE BALANCE SHEET

R million	Notes	June 2023			June 2022		
		Average balance*	**Interest income/ (expense)**	**Average rate %**	Average balance	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				**10.27**			7.39
Balances with central banks		**36 938**	**–**	**–**	32 693	–	–
Cash and cash equivalents		**45 876**	**2 276**	**4.96**	46 745	1 360	2.91
Liquid assets portfolio		**305 386**	**18 476**	**6.05**	272 099	12 694	4.67
Loans and advances to customers	1	**947 710**	**98 935**	**10.44**	834 873	69 687	8.35
Interest-earning assets		**1 335 910**	**119 687**	**8.96**	1 186 410	83 741	7.06
INTEREST-BEARING LIABILITIES							
Average repo rate (RSA)				**6.77**			3.89
Deposits due to customers	2	**(1 022 872)**	**(51 712)**	**5.06**	(903 152)	(25 761)	2.85
Group Treasury funding		**(290 757)**	**(18 331)**	**6.30**	(279 206)	(13 700)	4.91
Interest-bearing liabilities		**(1 313 629)**	**(70 043)**	**5.33**	(1 182 358)	(39 461)	3.34
ENDOWMENT AND TRADING BOOK							
Other assets**		**257 975**	**–**	**–**	288 216	–	–
Other liabilities#		**(134 332)**	**–**	**–**	(148 156)	–	–
AT1 instruments and NCNR preference shares		**(6 902)**	**–**	**–**	(9 409)	–	–
Equity		**(139 022)**	**–**	**–**	(134 703)	–	–
Endowment and trading book		**(22 281)**	**15 753**	**(70.70)**	(4 052)	12 717	(313.85)
Total interest-bearing liabilities, endowment and trading book		**(1 335 910)**	**(54 290)**	**4.06**	(1 186 410)	(26 744)	2.25
Net interest margin on average interest-earning assets – excluding UK operations		**1 335 910**	**65 397**	**4.90**	1 186 410	56 997	4.80
Net interest margin on average interest-earning assets – UK operations		**422 171**	**13 219**	**3.13**	355 993	10 859	3.05
– Motor finance		**103 464**	**3 660**	**3.54**	81 314	3 125	3.84
– Aldermore bank		**318 707**	**9 559**	**3.00**	274 679	7 734	2.82
Net interest margin on average interest-earning assets – including UK operations		**1 758 081**	**78 616**	**4.47**	1 542 403	67 856	4.40

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

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

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

Include trading liabilities.

Net interest income (before impairment of advances) continued

NOTE 1 – MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

	June 2023		June 2022*	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average prime rate (RSA)		**10.27**		7.39
Advances				
Retail – secured	**358 256**	**1.97**	334 176	2.23
Residential mortgages	**253 692**	**1.53**	234 972	1.80
VAF	**104 564**	**3.03**	99 204	3.25
Retail – unsecured	**90 189**	**10.93**	86 544	11.05
Card	**35 804**	**7.33**	32 597	7.90
Personal loans*	**47 868**	**14.01**	46 281	13.63
Retail other*	**6 517**	**8.12**	7 666	8.88
Corporate and commercial	**443 121**	**2.38**	362 084	2.55
FNB commercial	**108 080**	**3.41**	99 346	3.51
– Mortgages	**31 276**	**2.17**	29 941	2.23
– Overdrafts	**44 290**	**4.66**	39 692	4.97
– Term loans	**32 514**	**2.89**	29 713	2.84
WesBank corporate	**50 183**	**2.32**	42 504	2.40
RMB CIB	**284 858**	**2.00**	220 234	2.15
FNB broader Africa	**56 144**	**4.32**	52 069	4.34
Total advances excluding UK operations	**947 710**	**3.15**	834 873	3.41
UK operations	**342 816**	**3.86**	293 619	3.68
– Motor finance	**101 798**	**3.60**	81 314	3.78
– Aldermore bank	**241 018**	**3.97**	212 305	3.64
Total advances including UK operations	**1 290 526**	**3.34**	1 128 492	3.48

* *June 2022 was restated due to the reallocation of revolving facilities from the retail other segment to personal loans.*

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

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

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

Key drivers

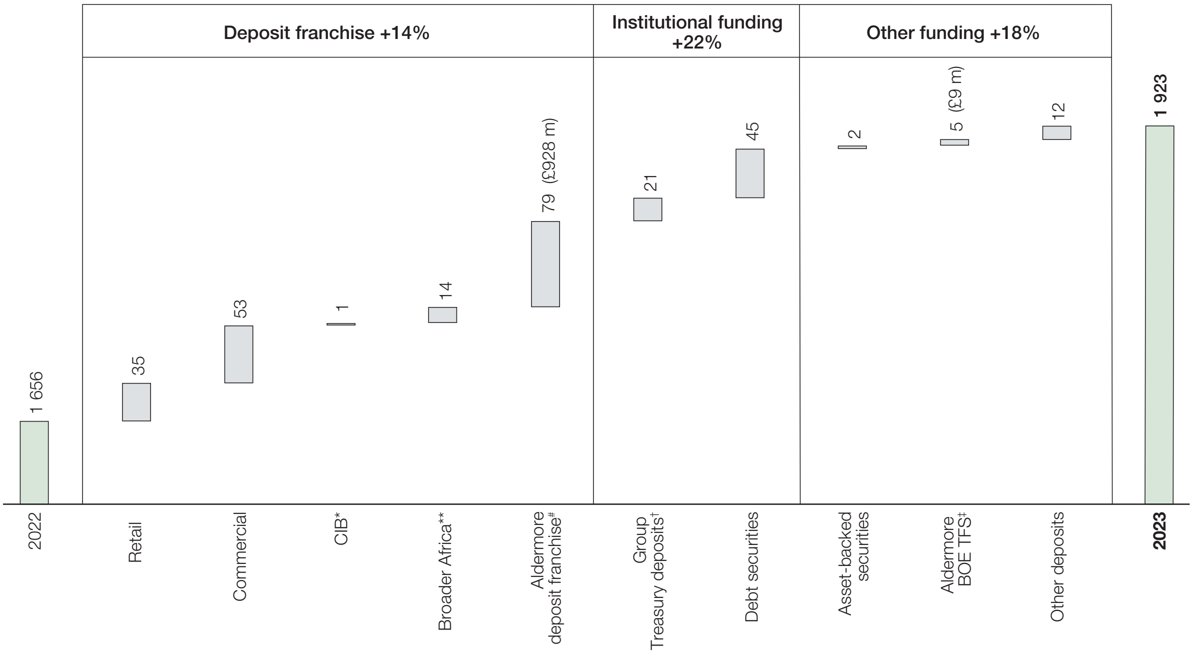
Advances margins

- Overall advances margins continue to reflect the origination strategy and portfolio mix changes weighted towards lower-margin secured advances. The market remained highly competitive for good-quality, lower- to medium-risk customers.
- *As a result of origination tilt and increased competition, SA retail margins decreased, largely due to a shift in asset mix, with higher levels of new business volumes written at lower margins gradually replacing the higher-margin book as it runs off. Therefore, margins on the new book have decreased. The increase in NPLs contributed further to margin compression as interest on these exposures is only recognised to the extent that it is recoverable, while interest on the performing book is recognised in full.*
- FNB commercial and WesBank corporate margins also decreased as a result of a change in mix of new business and the origination strategy.
- *RMB margins decreased, due to competitive pressure in the large corporate client sector coupled with origination towards better-rated corporates.*
- FNB broader Africa advances margins are broadly unchanged, with margin expansion from mix change more than offset by higher NPLs and regulatory limits in certain jurisdictions.
- *The UK operations margin reflected on page 72 is the net margin (advances, deposits and capital). The improvement in NIM was driven by higher interest on the Aldermore bank's deposit balances and capital, both of which benefited from the rapid rise in the Bank of England (BoE) base rate. This was complemented by a disciplined approach to lending across both motor finance and Aldermore bank, ensuring that portfolio growth was delivered at appropriate returns.*

Net interest income (before impairment of advances) continued

Funding – up 16%

Funding growth by segment
(R billion)



* Includes South Africa and the London branch.

** Broader Africa deposits include CIB deposits related to the broader Africa subsidiaries.

\# The Aldermore savings deposit franchise increased 7% to £15 billion.

† Group Treasury deposits include the SARB funding facility related to the South African Covid-19 government-guaranteed loan scheme and the government's bounce-back facility.

‡ Aldermore's utilisation of the BoE term funding scheme increased marginally by 1% to £1.08 billion.

Deposits and funding key drivers

Deposit franchise

- FNB retail deposit growth benefited from targeted client offerings. Investment deposits increased 13%, supported by a comprehensive product offering, client money management initiatives and improved investment rates. Despite client acquisition, transactional deposit growth (+3%) was subdued as macro pressures weighed on available disposal income and migration to higher-yielding products.
- *Commercial deposit growth was driven by customer growth across product offerings (investment +17% and transactional +10%).*
- RMB continues to focus on growing operational balances by pursuing a primary banked client strategy. However, good growth in operational balances was offset by investment deposit maturities.
- *Broader Africa deposit growth benefited from customer acquisition driven by innovative product offerings. Deposit growth was further aided by currency fluctuations, with the portfolio growth at 14% on a constant currency basis (17% in rand).*
- Aldermore delivered deposit growth across all three of its core deposit offerings: personal savings, business savings and corporate treasury. This growth was achieved despite higher rates of switching (driven by rising interest rates), with the business remaining agile on price to maintain its competitive position.

Institutional funding

- *Group Treasury deposits increased on the back of balance sheet growth, and liability and liquidity management strategies.*

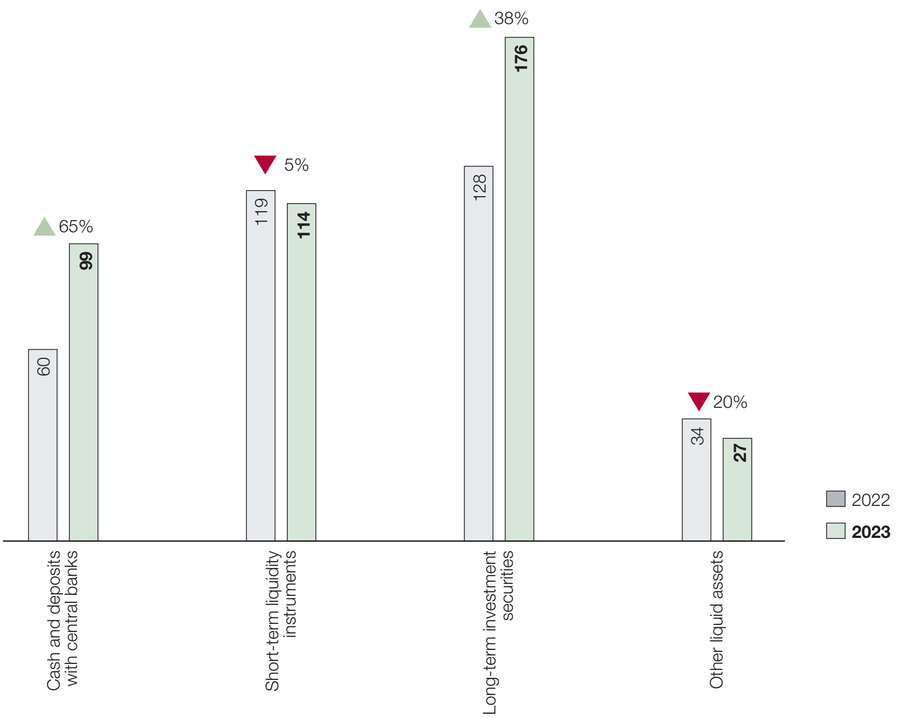
Other funding

- Securitisation funding, included in asset-backed securities, increased marginally following the execution of Aldermore's Oak 4 transaction in May 2023 offset by the continued amortisation of existing transactions.
- *Aldermore's term funding scheme increased as a consequence of interest accrual.*
- The increase in other funding was primarily due to increases in collateral received and secured funding transactions.

Net interest income (before impairment of advances) continued

The group utilises several deployment channels to manage excess liquidity. During the normal course of business, liquidity is deployed primarily into cash, central bank deposits treasury bills and government bonds (acquired outright and through reverse repos). The increase in central bank deposits follows the finalisation of the MPIF and the introduction of deposit quotas earning the policy rate.

Liquidity management by investment type*
(R billion)



* *Chart is based on rand liquid assets in FirstRand Bank (including foreign branches) and all other banking subsidiaries held by Group Treasury only.*

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

	June 2023		June 2022	
	Average balance	**Average margin %**	Average balance	Average margin %
Average repo rate (RSA)		**6.77**		3.89
Deposits				
Retail	**315 134**	**1.96**	289 266	1.49
Current and savings	**89 122**	**5.25**	85 160	3.60
Call	**118 940**	**0.85**	109 971	0.85
Term	**107 072**	**0.47**	94 135	0.33
Commercial	**390 151**	**2.52**	337 636	2.00
Current and savings	**141 003**	**5.46**	126 122	3.94
Call	**120 201**	**1.34**	105 276	1.34
Term	**128 947**	**0.40**	106 238	0.37
Corporate and investment banking	**257 867**	**1.03**	222 854	0.86
Current and savings	**115 070**	**1.79**	104 911	1.42
Call	**80 727**	**0.60**	62 197	0.51
Term	**62 070**	**0.16**	55 746	0.17
FNB broader Africa	**59 720**	**3.61**	53 396	2.47
Total deposits excluding UK operations	**1 022 872**	**2.04**	903 152	1.58
UK operations*	**363 779**	**–**	307 374	–
Total deposits including Aldermore	**1 386 651**	**1.50**	1 210 526	1.18

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

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

Margin key drivers

Deposit margins

- FNB SA retail and commercial deposit margins benefited from endowment (net of ALM strategies) and higher deposit balances. Migration to higher-yielding products softened the overall increase.
- *FNB broader Africa margins benefited from an improvement in product mix, driven by increased current and savings deposits, and the endowment benefit from rising interest rates with limited offset from ALM strategies.*
- RMB deposit margins, both domestically and in broader Africa, benefited from interest rate hikes, leading to higher endowment across the portfolio. In addition, operational margins increased due to market trends offset by an increase in lower-margin investment products.

Credit

CREDIT HIGHLIGHTS AT A GLANCE

R million	Notes	Year ended 30 June **2023**	2022	% change
Total gross advances		**1 590 447**	1 382 058	15
Total core lending advances	1 on p.94	**1 511 037**	1 311 441	15
– Performing core lending advances		**1 453 605**	1 260 555	15
– Stage 1		**1 338 938**	1 147 905	17
– Stage 2		**114 667**	112 650	2
– Stage 3/NPLs	3 on p.100	**57 432**	50 886	13
Assets under agreements to resell		**79 410**	70 617	12
Stage 3/NPLs as a % of core lending advances	3 on p.100	**3.80**	3.88	
Core lending advances (net of impairment)		**1 459 965**	1 263 707	16
Total impairments		**51 072**	47 734	7
Portfolio impairments	2 on p.98	**25 034**	22 412	12
– Stage 1		**12 779**	11 163	14
– Stage 2		**12 255**	11 249	9
Stage 3 impairments	3 on p.100	**26 038**	25 322	3
Coverage ratios				
Performing book coverage ratio (%) – core lending advances*	2 on p.98	**1.72**	1.78	
Specific coverage ratio (%)**	3 on p.100	**45.3**	49.8	
Income statement analysis				
Impairment charge	4 on p.104	**10 949**	7 080	55
Credit loss ratio (%) – core lending advances	4 on p.104	**0.78**	0.56	
Impairment charge excluding UK operations	4 on p.104	**9 023**	5 920	52
Credit loss ratio excluding UK operations (%) – core lending advances	4 on p.104	**0.84**	0.61	

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

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

Changes in presentation of the credit information

Revolving facilities

Revolving facilities have been reallocated from the retail other segment to personal loans. This change will enable a single view of unsecured lending products that serve similar client needs. The group has updated the comparative information.

Temporary stress scenario

An additional stress scenario was introduced during the financial year ended 30 June 2021 given the event-driven uncertainty in the global and South African economy. The scenario was initially introduced to capture the uncertainty around the impact of the Covid-19 pandemic and subsequently to address risks brought about by the impact of Russia's invasion of Ukraine and inflation and interest rate forecasting risks. Since June 2022, the forecasting risk associated with inflation and interest rates have manifested in actual inflation and interest rate outcomes, with provisions increasing as the impairment models incorporate these impacts. Therefore the application of this scenario is not required at 30 June 2023.

Impairment charge

Despite a higher impairment charge across all portfolios, the credit loss ratio (CLR) at 78 bps remains below the group's TTC range of 80 bps – 110 bps. This is in line with expectations given the strategy to originate in the low-to-medium-risk categories.

The increase of R3.87 billion in absolute impairment charge is largely attributable to the following, with a further analysis contained on pages 82 and 83, and in note 4 (page 104):

- Modelled FLI incorporates the weaker environment, resulting in a number of industry-specific and event-driven provisions being captured in modelled provisions. This together with the growth in advances, increased stage 1 provision balances further this year, by an additional R1.62 billion.
- *Prior year stage 2 provisions had a net release of R1.44 billion, representing the last of the Covid-19-related provision releases. With origination strain impacting arrears and SICR, this resulted in a net increase of R1.01 billion, a R2.45 billion swing in the impairment charge.*
- The overall stage 2 coverage increase results from the residential mortgages, unsecured loans and the UK operations portfolios. This was partially offset by the decline in stage 2 cover in the commercial and corporate portfolios. Corporate was impacted by the migration of certain large secured exposures to NPLs.
- *An increase in stage 3 provisions is expected as NPLs tick up, driven largely by the residential mortgages, broader Africa and UK operations portfolios.*
- Stage 3 coverage decreased, reflecting the improved ageing of the NPL book (i.e. new inflows with lower coverages) and the nature of the corporate stage 3 exposures (guaranteed with lower LGD), offset by
- *A decrease in net write-offs and post write-off recoveries as the average age of the NPL population decreased due to new inflows.*

The higher CLR is driven by the following:

- SA retail increased as economic strain plays out in the portfolio, yet remaining within the TTC range. The impact of the deteriorating economic environment resulted in a marginal increase in FLI provisions, offset by the temporary stress scenario release of R317 million.
- *The WesBank VAF CLR reflects strong advances growth, offset to some extent by lower stage 3 provisions (asset recovery rates) and good post write-off recoveries.*
- FNB commercial increased off a low base and is still markedly lower than the TTC midpoint. Balance sheet provisions were retained as uncertainty remains in the operating environment with regard to loadshedding, adverse weather, inflation and logistical challenges.
- *The core lending CLR of 12 bps for RMB was driven by strong advances growth, risk emergence in specific pockets of the portfolio, a normalisation of the credit charge and the generally distressed macroeconomic environment. In the prior year, RMB had a net provision release of 14 bps.*
- The CLR for broader Africa was also impacted by the macro environment, particularly Ghana and Nigeria, driving the impairment charge towards TTC levels. This increase was off a low base, as the prior year benefited from strong post write-off recoveries in Botswana and Zambia.
- *The UK operations increased in line with expectations given the economic downturn, resulting in the recalibration of the macroeconomic scenarios, increasing the provision stock and coverage. The prior year impairment charge included the benefit of remaining Covid-19 provision releases in the structured and specialised finance portfolio. The UK operations CLR continued to be impacted by the ageing of the motor finance NPL book due to the ongoing remediation of the NOSIA operational event.*
- During the financial year, a private equity investee company implemented a debt-to-equity restructure. As a result, a portion of the investee's loan was converted to equity while the other was settled according to the contractual terms of the loan. Due to IFRS requirements, a gain of R715 million was recognised in investment income relating to the portion of the loan that was converted to equity – refer to note 4, *Investment income*, on page 109. The portion of the advance settled resulted in a R105 million impairment release with the bulk of the loan being written off (R716 million). The impairment of the equity portion resulting from the restructure was recognised in share of profits from associates and joint ventures (R820 million). Refer to page 111. The net earnings impact of this transaction is zero.

Credit continued

Impairment charge

ANALYSIS OF IMPAIRMENT CHARGE

	Year ended 30 June		
R million	**2023**	2022	% change
Movement in balance sheet provisions			
Performing book provisions	**2 622**	(730)	(>100)
NPL provision	**716**	(2 154)	(>100)
– Provision movements	**1 537**	(2 154)	(>100)
– NPL release due to debt-to-equity restructure*	**(821)**	–	–
Credit provision increase/(decrease)	**3 338**	(2 884)	(>100)
Gross write-off and other	**12 248**	15 034	(19)
– Bad debts written off**	**13 160**	15 169	(13)
– Debt-to-equity restructure*	**716**	–	–
– Exchange rate and other	**(1 628)**	(135)	>100
Amounts recognised directly in income statement			
Modification loss	**670**	679	(1)
Interest suspended on stage 3 advances	**(2 850)**	(2 993)	(5)
Post write-off recoveries	**(2 457)**	(2 756)	(11)
Total impairment charge	**10 949**	7 080	55
Credit loss ratio (%) – core lending advances	**0.78**	0.56	
Credit loss ratio excluding UK operations (%) – core lending advances	**0.84**	0.61	

* *Refer to page 79 for more information on the debt-to-equity restructure.*

** *Write-off of gross balances, excluding prior year provisions held, which have been recognised in the income statement over various reporting periods.*

Income statement components

The table on the next page analyses the income statement charge based on total balance sheet provision movements and amounts that are recognised directly in the income statement. Below are the definitions of the income statement components.

Income statement component	Definition
Volume change in stage 1	Determined by using the same stage 1 coverage as in the prior year, applied to the movement between prior and current year stage 1 advances.
Change in stage 1 coverage	Calculated as the difference in coverage year-on-year multiplied by the comparative period stage 1 advances.
Volume change in stage 2	Determined by using the stage 2 coverage in the prior year applied to the movement between prior and current year stage 2 advances.
Change in stage 2 coverage	Calculated as the difference in coverage year-on-year, multiplied by the comparative period stage 2 advances.
Change in stage 3 provisions	Difference between current and prior year NPLs. Includes the movements in interest suspended on stage 3 advances.
Gross write-offs and other	Gross advances written off and foreign exchange movements, acquisition and disposal of advances and transfers to non-current assets held for sale.

Credit continued

INCOME STATEMENT ANALYSIS

	Year ended 30 June 2023						
	Movement in the balance sheet provisions						
R million	**Volume change in stage 1**	**Change in stage 1 coverage**	**Volume change in stage 2**	**Change in stage 2 coverage**	**Performing book provisions**	**Change in stage 3 provisions**	**Credit provision increase**
SA retail	**236**	**(412)**	**465**	**375**	**664**	**434**	**1 098**
– Secured	**114**	**(98)**	**285**	**387**	**688**	**50**	**738**
– Unsecured	**278**	**(314)**	**341**	**(12)**	**293**	**384**	**677**
– Temporary stress scenario	**(156)**	**–**	**(161)**	**–**	**(317)**	**–**	**(317)**
Commercial	**95**	**(151)**	**89**	**(49)**	**(16)**	**(335)**	**(351)**
Corporate**	**405**	**(252)**	**(47)**	**(103)**	**3**	**(599)**	**(596)**
Broader Africa	**124**	**126**	**236**	**(304)**	**182**	**102**	**284**
UK operations	**432**	**1 102**	**94**	**249**	**1 877**	**1 095**	**2 972**
Centre	**83**	**(172)**	**–**	**1**	**(88)**	**19**	**(69)**
Total	**1 375**	**241**	**837**	**169**	**2 622**	**716**	**3 338**

	Year ended 30 June 2022						
	Movement in the balance sheet provisions						
R million	Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage	**Performing book provisions**	Change in stage 3 provisions	**Credit provision decrease**
SA retail#	447	(10)	(147)	52	**342**	(2 839)	**(2 497)**
– Secured	93	(71)	58	303	**383**	(1 057)	**(674)**
– Unsecured#	224	166	(342)	(115)	**(67)**	(1 738)	**(1 805)**
– Temporary stress scenario	130	(105)	137	(136)	**26**	(44)	**(18)**
Commercial	180	(203)	(67)	(319)	**(409)**	(369)	**(778)**
Corporate	389	(713)	(226)	(620)	**(1 170)**	829	**(341)**
Broader Africa	129	(86)	(124)	59	**(22)**	(23)	**(45)**
UK operations	207	373	439	(484)	**535**	248	**783**
Centre	(335)	334	(25)	20	**(6)**	–	**(6)**
Total	1 017	(305)	(150)	(1 292)	**(730)**	(2 154)	**(2 884)**

* *Write-off of gross balances, excluding prior year provisions held, which have been recognised in the income statement over various reporting periods.*

** *The movement in stage 3 provisions includes the impact of the balance sheet provisions of R716 million written off as part of the debt-to-equity restructure. Refer to pages 79 for more information.*

Restated due to the reallocation of revolving facilities from the retail other segment to personal loans.

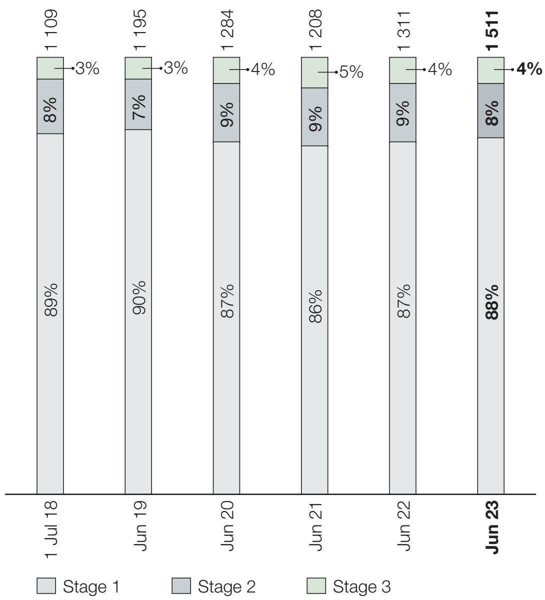
			Year ended 30 June 2023				
			Recognised directly in the income statement				
Gross write-off and other*	Current year ECL provided	Modification loss	Interest suspended on stage 3 advances	Post write-off recoveries	Total	CLR %
9 493	**10 591**	**675**	**(2 073)**	**(1 765)**	**7 428**	**1.66**
2 144	**2 882**	**179**	**(455)**	**(438)**	**2 168**	**0.61**
7 349	**8 026**	**496**	**(1 618)**	**(1 327)**	**5 577**	**6.13**
–	**(317)**	**–**	**–**	**–**	**(317)**	**–**
1 741	**1 390**	**(5)**	**(487)**	**(225)**	**673**	**0.42**
1 105	**509**	**–**	**(40)**	**(42)**	**427**	**0.12**
644	**928**	**–**	**(201)**	**(232)**	**495**	**0.69**
(804)	**2 168**	**–**	**(49)**	**(193)**	**1 926**	**0.57**
69	**–**	**–**	**–**	**–**	**–**	**–**
12 248	**15 586**	**670**	**(2 850)**	**(2 457)**	**10 949**	**0.78**

		Year ended 30 June 2022				
		Recognised directly in the income statement				
Gross write-off and other*	**Current year ECL provided**	Modification loss	Interest suspended on stage 3 advances	Post write-off recoveries	**Total**	CLR %
11 920	**9 423**	683	(2 232)	(2 068)	**5 806**	1.38
2 882	**2 208**	136	(468)	(415)	**1 461**	0.44
9 038	**7 233**	547	(1 764)	(1 653)	**4 363**	5.01
–	**(18)**	–	–	–	**(18)**	–
1 745	**967**	(4)	(460)	(137)	**366**	0.25
47	**(294)**	–	(116)	(10)	**(420)**	(0.14)
686	**641**	–	(167)	(299)	**175**	0.27
637	**1 420**	–	(18)	(242)	**1 160**	0.39
(1)	**(7)**	–	–	–	**(7)**	(0.03)
15 034	**12 150**	679	(2 993)	(2 756)	**7 080**	0.56

Credit continued

Stage distribution

Core lending advances by stage
(R billion)



Stage distribution of advances

Stage 1 advances

Stage 1 core lending advances increased year-on-year as a result of the group's origination strategy. A further analysis is contained in note 1 on pages 94 and 95.

Stage 2 advances

Stage 2 advances, both arrears and current status, increased, driven by origination strain coupled with the impact of rate hikes and inflation on customers, albeit off a lower base. The overall stage 2 balance benefited from the reduction in UK operations as clients migrated to NPL and lending criteria tightening. Despite the increase in arrears levels in certain portfolios, stage 2 advances continue to consist predominantly of current exposures that are triggered by SICR indicators.

Commentary in the following section refers to stage 2 movements excluding the temporary stress scenario.

A further analysis is contained in note 1, pages 94 and 95.

- The unwinding of the temporary stress scenario benefited stage 2, as the impact of the stress scenario SICR triggers were removed, given these have been captured across the products.
- *Underlying repayment pressure was noted across the SA retail portfolios as more customers entered debt counselling.*
- Residential mortgage arrears grew 51%, combining the impact of origination strain and higher interest rates and inflation.
- *Retail unsecured grew 12%, with the increase similarly driven by book growth, with debt counselling being most pronounced in these product sets. Since June 2022, stage 2 advances increased in card with the migration of accounts in current status, with arrears levels increasing only marginally. This increase is off a very low base, as a significant number of accounts cured in the comparative year. In the personal loans portfolio, the increase reflects payment strain emerging.*
- WesBank VAF increased due to origination strain. However, the main contributor was modelled SICR.
- *FNB commercial stage 2 growth is also due to paying accounts in current status. Given the faster than expected interest rate hikes, interest rate outlook and geopolitical events resulting in increased uncertainty, more exposures triggered the SICR indicators (mainly in the agricultural and property portfolio). Hence the composition mainly reflects the weakening macroeconomic outlook, as opposed to underlying repayment performance.*
- RMB stage 2 advances increased, partially offset by the curing of a significant exposure, repayments and certain large, secured counters migrating to stage 3. Stage 2 advances as a percentage of overall advances have however decreased, given the strong book growth.
- *Broader Africa increased year-on-year driven in part by additional SICR adjustments on economic outlook concerns, as well as increases emanating from Ghana.*
- The decline in stage 2 advances in the UK operations (in pounds) is brought about by the property finance and structured and specialised finance portfolios. This was due to curing and a decline in watchlist cases in the structured and specialised finance portfolio. The implementation of an enhanced SICR methodology in the property finance portfolio resulted in some migration to stage 1. Aldermore has refined its approach to determine when high-risk retail customers trigger SICR and utilises the customer's application score to determine the level of deterioration. This was partially offset by increases in motor finance, reflecting the impact of the macro environment and the ongoing NOSIA remediation project.

Credit continued

Stage distribution of advances

Stage 3/NPL advances

Stage 3 advances have, as expected, started trending upwards across most portfolios since bottoming in December 2022. This is a consequence of advances growth over the past two years and the weakening economic environment. NPLs as a percentage of core lending advances have marginally decreased as a result of growing advances, curing and strong collection efforts. A further analysis is contained in note 3 on pages 100 to 103.

- SA retail NPLs increased since June 2022. Apart from origination strain, the inflationary and interest rate pressures on customers also had an impact, most notably in the residential mortgage and unsecured portfolios, with personal loans NPL growth marginally outstripping advances growth. Paying stage 3 advances also increased, driven by paying debt review exposures that have not yet met the curing criteria. The increasing trend in paying stage 3 advances accelerated post December 2022, reflecting the impact of the strong collections process.
- *WesBank VAF NPLs decreased marginally thanks to improved collections, slower inflows and write-offs of long-outstanding accounts. Collections improved as a result of the clearing of post-Covid-19 court backlogs, bringing about an improvement in recovery values.*
- FNB commercial increased due to paying NPLs.
- *RMB stage 3 increased as a result of the migration of a limited number of larger collateralised counters in both South Africa and in West Africa, due to the deterioration of economic and sovereign conditions. NPLs in the private equity lending portfolio benefited from a restructured debt-to-equity transaction.*
- The deterioration of economic conditions across the continent also had an impact on broader Africa. NPLs as a percentage of advances have however decreased, assisted by book growth and further write-offs during the year.
- *UK operations NPLs (in pounds) increased in the structured and specialised finance and motor finance portfolios, with the normalisation of credit conditions following an improved performance post Covid-19, exacerbated by deteriorating economic conditions. In the property finance portfolio NPL levels remained flat, despite advances growth, partially offset by curing, settlement of relief accounts and model and default definition refinement. Motor finance NPLs continued to be impacted by the NOSIA remediation, despite lower-than-expected NPL inflows.*

STAGE 2 ADVANCES

R million	As at 30 June 2023			As at 30 June 2022		
	Stage 2 arrears	**Stage 2 current**	**Total stage 2**	Stage 2 arrears	Stage 2 current*	Total stage 2
Residential mortgages	**5 571**	**16 895**	**22 466**	3 689	15 960	19 649
WesBank VAF	**3 753**	**8 547**	**12 300**	3 219	7 857	11 076
FNB card	**462**	**2 557**	**3 019**	393	1 836	2 229
Personal loans**	**2 571**	**4 930**	**7 501**	2 099	5 050	7 149
Retail other**	**174**	**465**	**639**	193	3 068	3 261
Total SA retail	**12 531**	**33 394**	**45 925**	9 593	33 771	43 364
Temporary stress scenario	**–**	**–**	**–**	–	(2 688)	(2 688)
Total SA retail (excluding temporary stress scenario)	**12 531**	**33 394**	**45 925**	9 593	31 083	40 676
FNB commercial	**1 168**	**7 487**	**8 655**	725	6 833	7 558
WesBank corporate	**730**	**2 734**	**3 464**	574	4 234	4 808
Total SA commercial	**1 898**	**10 221**	**12 119**	1 299	11 067	12 366
Temporary stress scenario	**–**	**–**	**–**	–	(130)	(130)
Total SA commercial (excluding temporary stress scenario)	**1 898**	**10 221**	**12 119**	1 299	10 937	12 236
Total SA retail and commercial	**14 429**	**43 615**	**58 044**	10 892	44 838	55 730
Total SA retail and commercial (excluding temporary stress scenario)	**14 429**	**43 615**	**58 044**	10 892	42 020	52 912

* *June 2022 has been restated due to reallocation from Covid-19 relief to stage 2 current.*

** *June 2022 has been restated due to the reallocation of revolving facilities from the retail other segment to personal loans.*

Credit continued

Stage 3 non-performing loans

CHANGE IN NPLs

	30 June 2023 vs 30 June 2022		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational NPLs*	**3 064**	**9**	**6**
Other paying NPLs**	**1 268**	**14**	**3**
NPLs (excluding UK operations)	**4 332**	**10**	**9**
UK operations	**2 214**	**28**	**4**
Change in total group NPLs	**6 546**	**13**	**13**

* *Include debt-review and other core lending advances ≥90 days in arrears.*

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

The tables below provide an overview of operational and paying NPLs.

	As at 30 June 2023			As at 30 June 2022*		
R million	**Operational NPLs****	**Other paying NPLs#**	**Total NPLs**	Operational NPLs**	Other paying NPLs#	Total NPLs
Residential mortgages	**9 485**	**4 588**	**14 073**	7 654	4 148	11 802
WesBank VAF	**4 076**	**2 093**	**6 169**	3 990	2 213	6 203
FNB card	**3 152**	**905**	**4 057**	3 036	642	3 678
Personal loans†	**5 735**	**1 812**	**7 547**	5 370	1 594	6 964
Retail other†	**805**	**119**	**924**	1 107	169	1 276
Total SA retail NPLs	**23 253**	**9 517**	**32 770**	21 157	8 766	29 923
FNB commercial	**4 294**	**479**	**4 773**	4 440	187	4 627
WesBank corporate	**621**	**445**	**1 066**	683	220	903
Total SA commercial	**4 915**	**924**	**5 839**	5 123	407	5 530
Total SA retail and commercial	**28 168**	**10 441**	**38 609**	26 280	9 173	35 453

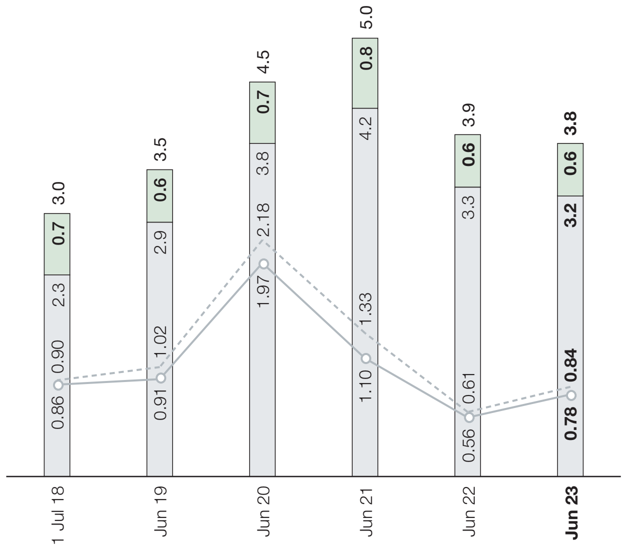
* *June 2022 has been restated due to reallocation from Covid-19 relief to other paying NPLs.*

** *Include core lending advances and debt-review advances ≥90 days in arrears.*

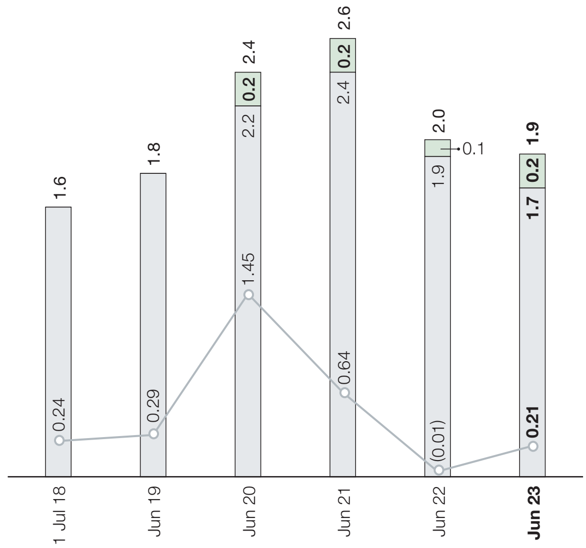
\# *Include debt-review and other core lending advances <90 days in arrears and still subject to curing criteria.*

† *June 2022 has been restated due to the reallocation of revolving facilities from the retail other segment to personal loans.*

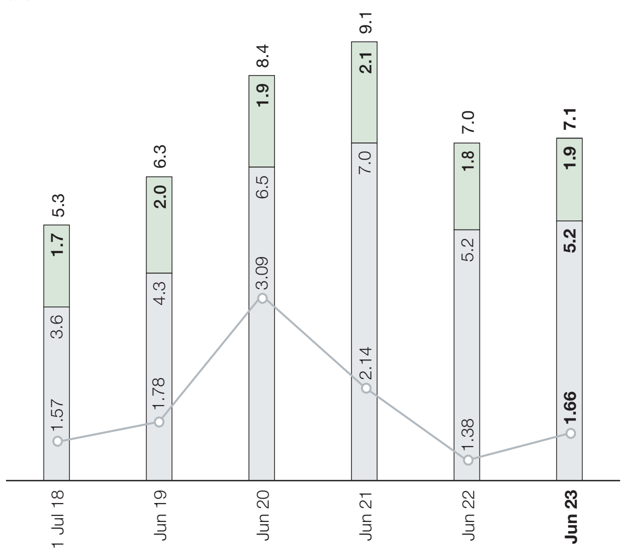
Group NPL and impairment history
(%)



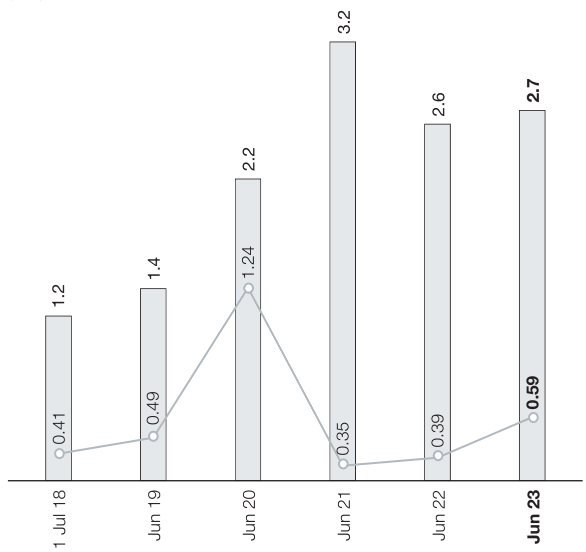
SA corporate and commercial NPLs and impairments
(%)



SA retail NPLs and impairments
(%)



UK operations NPLs and impairments
(£%)



- Restructured debt-review accounts and technical cures included in stage 3/NPLs as a % of core lending advances
- Stage 3/NPLs as a % of core lending advances
- Impairment charge as a % of average core lending advances
- Impairment charge as a % of average core lending advances excluding UK operations

Credit continued

Coverage

As a result of the uncertainty in the macroeconomic environment, most notably the outlook for GDP, inflation and the interest rates, forward-looking information (FLI) resulted in additional provision requirements for both stage 1 and stage 2. Balance sheet provision levels have, as a consequence, remained conservative.

Performing coverage declined this year, largely due to the change in mix to higher secured advances with lower LGDs. Net coverage across the portfolio has benefited from the tilt to low- and medium-risk origination. Net coverage decreased across the portfolios as a result. UK operations coverage increased, combining the impact of the macro environment and muted advances growth.

The change in mix also had an impact on NPL coverage, most notably the migration of lower-covered, higher-collateralised exposures in RMB. NPL coverage declined marginally across the portfolios, apart from the UK operations, where coverage increased off the back of model refinements.

Despite the decrease in overall coverage year-on-year, performing and NPL coverage remains above pre-Covid-19 levels.

Performing coverage

A further analysis is contained in note 2 on pages 98 and 99.

- **SA retail in the prior year included certain event-based provisions in stage 1, including the impact of the temporary stress scenario. As the data matures, these event-based provisions migrate to stage 2 as advances flow across default levels.**
- *WesBank VAF coverage increased as a result of higher probabilities of default.*
- **FNB commercial coverage reduced, mainly due to the release of industry-specific and event risk provisions in the current year.**
- *RMB core performing coverage declined, weighted towards strong book growth to better-rated counterparties.*
- **Broader Africa performing coverage declined from June 2022, impacted largely by book growth and an improved risk profile and macro outlook in certain countries.**
- *Performing coverage in the UK operations increased across all portfolios, mainly due to the environment. Additional provisions have also been raised in the property finance portfolio for further risk emergence expected to arise when fixed-rate mortgages reprice.*

Stage 3 coverage

A further analysis is contained in note 3 on pages 100 and 101.

- **The SA retail coverage marginally declined as the average time in NPL decreased due to lower covered new inflows, particularly with paying customers entering debt counselling coupled with the work-out of older accounts.**
- *WesBank VAF coverage decreased as older higher covered accounts are written off, and recovery rates improve.*
- **Lower FNB commercial coverage reflects write-offs and the migration of certain large highly collateralised clients in the agric and property finance portfolios.**
- *The RMB coverage decline resulted from the migration of highly collateralised counters in South Africa and West Africa migrating, thus increasing the absolute NPL balance considerably.*
- **The stage 3 coverage in broader Africa declined due to mix changes between the secured and unsecured book.**
- *UK operations stage 3 coverage increased, primarily driven by the motor finance portfolio given advances growth, and an ageing stage 3 portfolio as the NOSIA remediation continues to impact collection and write-off processes. In the Aldermore property finance portfolio, coverage increased marginally due to new model parameters. Structured and specialised finance coverage decreased despite the increase in stage 3 advances, as event-based provisions were removed from individually assessed provisions. These are now included in modelled provisions as experience matures.*

Movement in balance sheet provisions

BALANCE SHEET IMPAIRMENTS

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

	30 June 2023				30 June 2022			
R million	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	Total	Stage 1	Stage 2	Stage 3
Opening balance	**47 734**	**11 163**	**11 249**	**25 322**	50 618	10 451	12 691	27 476
Total credit provision increase/(release)	**3 338**	**1 616**	**1 006**	**716**	(2 884)	712	(1 442)	(2 154)
Transfers between stages	**–**	**833**	**(2 386)**	**1 553**	–	1 349	(1 999)	650
Current year impairment provided	**15 586**	**156**	**3 143**	**12 287**	12 151	(739)	416	12 474
ECL provided on new business*	**8 267**	**3 430**	**2 652**	**2 185**	7 397	2 926	2 318	2 153
ECL provided/(released) on back book*	**7 691**	**(3 095)**	**684**	**10 102**	4 865	(3 589)	(1 912)	10 366
Temporary stress scenario	**(372)**	**(179)**	**(193)**	**–**	(111)	(76)	10	(45)
Gross write-off and other**	**(12 248)**	**627**	**249**	**(13 124)**	(15 035)	102	141	(15 278)
Closing balance	**51 072**	**12 779**	**12 255**	**26 038**	47 734	11 163	11 249	25 322

* *Interest suspended on stage 3 core lending advances of R2 850 million (June 2022: R2 993 million) is included in the expected credit losses provided/(released) amounts.*

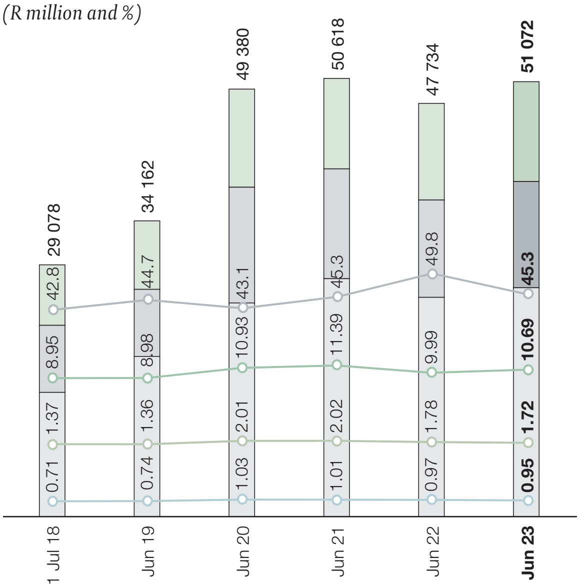
** *Write-off of gross balances, excluding prior year provisions held, which have been recognised in the income statement over various reporting periods.*

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

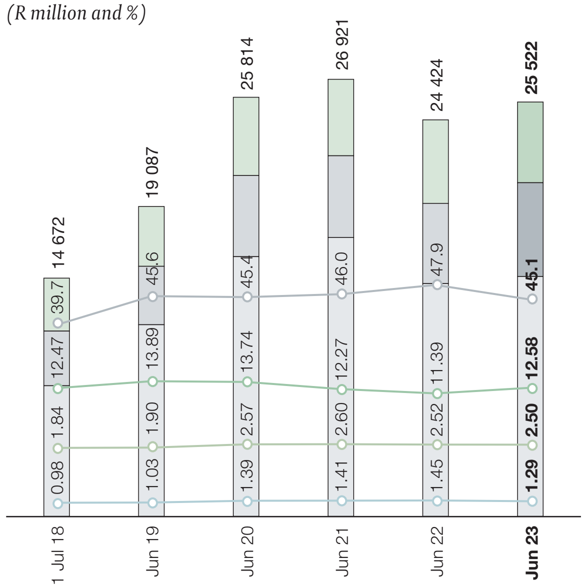
Credit continued

Balance sheet impairments and coverage ratios

Group balance sheet impairments and coverage ratios
(R million and %)

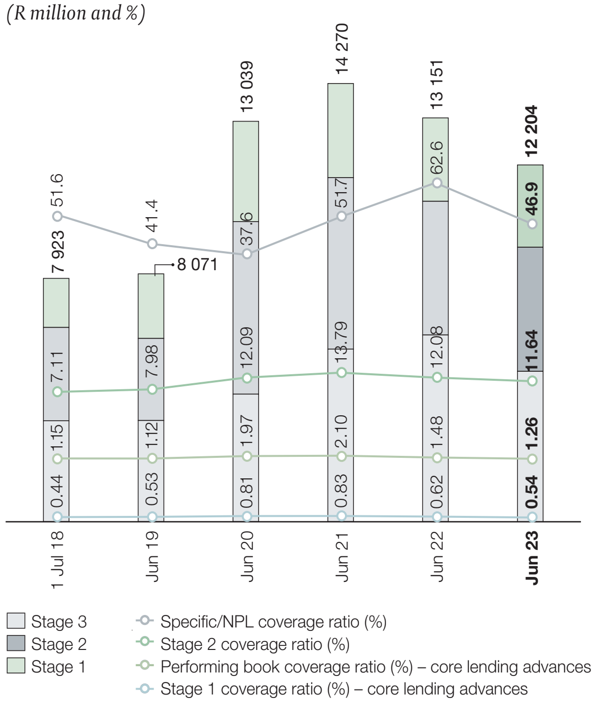


SA retail balance sheet impairments and coverage ratios
(R million and %)

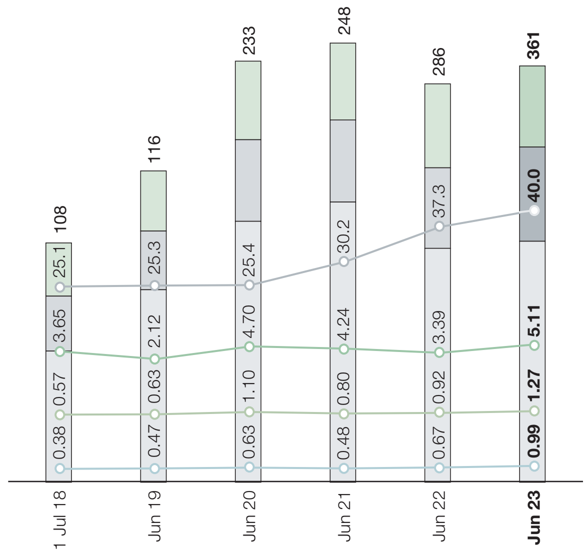


Stage 3
Stage 2
Stage 1
Specific/NPL coverage ratio (%)
Stage 2 coverage ratio (%)
Performing book coverage ratio (%) – core lending advances
Stage 1 coverage ratio (%) – core lending advances

SA corporate and commercial balance sheet impairments and coverage ratios
(R million and %)



UK operations balance sheet impairments and coverage ratios
(£ million and %)



Credit continued

Note 1: Analysis of advances

SEGMENTAL ANALYSIS OF ADVANCES

	Advances					
	As at 30 June			As at 30 June 2023		
R million	**2023**	2022	% change	**Stage 1**	**Stage 2**	**Stage 3**
SA RETAIL	**463 041**	429 462	8	**384 346**	**45 925**	**32 770**
Retail – secured	**368 414**	342 111	8	**313 406**	**34 766**	**20 242**
Residential mortgages	**259 635**	242 757	7	**223 096**	**22 466**	**14 073**
WesBank VAF	**108 779**	99 354	9	**90 310**	**12 300**	**6 169**
Retail – unsecured	**94 627**	87 351	8	**70 940**	**11 159**	**12 528**
FNB card	**37 149**	32 821	13	**30 073**	**3 019**	**4 057**
Personal loans*	**50 072**	46 623	7	**35 024**	**7 501**	**7 547**
– FNB and DirectAxis*	**48 926**	44 660	10	**34 276**	**7 290**	**7 360**
– Covid-19 relief	**1 146**	1 963	(42)	**748**	**211**	**187**
Retail other*	**7 406**	7 907	(6)	**5 843**	**639**	**924**
Temporary stress scenario	**–**	–	–	**–**	**–**	**–**
SA CORPORATE AND COMMERCIAL	**571 918**	486 530	18	**524 482**	**36 461**	**10 975**
FNB commercial	**116 448**	107 823	8	**103 020**	**8 655**	**4 773**
– FNB commercial	**115 533**	106 532	8	**102 188**	**8 655**	**4 690**
– SME government-guaranteed loan scheme	**915**	1 291	(29)	**832**	**–**	**83**
– Temporary stress scenario	**–**	–	–	**–**	**–**	**–**
WesBank corporate	**54 212**	45 128	20	**49 682**	**3 464**	**1 066**
RMB corporate and investment banking**	**387 137**	318 573	22	**357 659**	**24 342**	**5 136**
– Lending	**378 314**	310 317	22	**351 644**	**22 130**	**4 540**
– Loans to private equity investee companies	**8 823**	8 256	7	**6 015**	**2 212**	**596**
HQLA corporate advances,#**	**14 121**	15 006	(6)	**14 121**	**–**	**–**
BROADER AFRICA†	**76 804**	67 247	14	**65 913**	**7 346**	**3 545**
FNB	**58 418**	52 906	10	**48 417**	**6 491**	**3 510**
RMB (corporate and investment banking)**	**18 386**	14 341	28	**17 496**	**855**	**35**
Centre (INCLUDING GROUP TREASURY)	**26 532**	24 356	9	**26 489**	**43**	**–**
Securitisation notes	**25 359**	23 358	9	**25 359**	**–**	**–**
Other	**1 173**	998	18	**1 130**	**43**	**–**
Total core lending advances excluding UK operations	**1 138 295**	1 007 595	13	**1 001 230**	**89 775**	**47 290**
UK operations (£ million)	**15 561**	15 232	2	**14 099**	**1 039**	**423**
Property finance	**7 581**	7 265	4	**6 965**	**388**	**228**
Structured and specialist finance	**3 583**	3 630	(1)	**3 247**	**277**	**59**
Motor finance	**4 397**	4 337	1	**3 887**	**374**	**136**
UK operations (R million)	**372 742**	303 846	23	**337 708**	**24 892**	**10 142**
Total core lending advances including UK operations	**1 511 037**	1 311 441	15	**1 338 938**	**114 667**	**57 432**
Assets under agreements to resell	**79 410**	70 617	12	**79 410**	**–**	**–**
Total advances	**1 590 447**	1 382 058	15	**1 418 348**	**114 667**	**57 432**
Total advances excluding currency impact of UK operations and RMB cross-border‡	**1 518 317**	1 382 058	10	**1 352 792**	**110 051**	**55 474**
Of which:						
Amortised cost book	**1 459 196**	1 284 777	14	**1 292 764**	**109 777**	**56 655**
Fair value book	**131 251**	97 281	35	**125 584**	**4 890**	**777**

Advances			
As at 30 June			% composition 2023
2022			
Stage 1	Stage 2	Stage 3	
356 175	43 364	29 923	**29**
293 394	30 712	18 005	**23**
211 306	19 649	11 802	**16**
82 088	11 063	6 203	**7**
65 469	9 964	11 918	**6**
26 914	2 229	3 678	**2**
32 510	7 149	6 964	**3**
31 184	6 801	6 675	**3**
1 326	348	289	**–**
6 045	586	1 276	**1**
(2 688)	2 688	–	**–**
440 782	36 031	9 717	**36**
95 638	7 558	4 627	**7**
94 550	7 428	4 554	**7**
1 218	–	73	**–**
(130)	130	–	**–**
39 417	4 808	903	**3**
290 721	23 665	4 187	**25**
286 218	21 285	2 814	**24**
4 503	2 380	1 373	**1**
15 006	–	–	**1**
58 082	5 847	3 318	**5**
44 344	5 244	3 318	**4**
13 738	603	–	**1**
24 313	43	–	**2**
23 358	–	–	**2**
955	43	–	**–**
879 352	85 285	42 958	**72**
13 464	1 372	396	
6 325	712	228	
3 268	314	48	
3 871	346	120	
268 553	27 365	7 928	**23**
1 147 905	112 650	50 886	**95**
70 617	–	–	**5**
1 218 522	112 650	50 886	**100**
1 218 522	112 650	50 886	
1 124 857	109 916	50 004	**92**
93 665	2 734	882	**8**

* *June 2022 has been restated due to the reallocation of revolving facilities from the retail other segment to personal loans.*

** *Corporate and investment banking, HQLA and RMB broader Africa core lending advances of R419.6 billion (2022: R347.9 billion).*

\# *Managed by the Group Treasurer.*

† *Represents the in-country balance sheet excluding Group Treasury.*

‡ *If the exchange rate had remained unchanged from 30 June 2022.*

Credit continued

CIB ADVANCES BREAKDOWN

	Advances			
	As at 30 June			
R million	**2023**	2022	% change	**% composition 2023**
RMB corporate and investment banking core lending advances	**387 137**	318 573	22	**80**
– South Africa	**311 019**	264 686	18	**64**
– Cross-border (broader Africa) – $ million	**4 040**	3 284	23	
– Cross-border (broader Africa)	**76 118**	53 887	41	**16**
HQLA corporate advances*	**14 121**	15 006	(6)	**3**
RMB broader Africa (in-country)	**18 386**	14 341	28	**4**
CIB total core lending advances	**419 644**	347 920	21	**87**
CIB total lending advances	**410 821**	339 664	21	**85**
CIB shareholder loans to private equity investing companies	**8 823**	8 256	7	**2**
CIB total core lending advances	**419 644**	347 920	21	**87**
CIB core advances – South Africa**	**325 140**	279 692	16	**68**
CIB core advances – broader Africa#	**94 504**	68 228	39	**19**
CIB total core lending advances	**419 644**	347 920	21	**87**
Assets under agreements to resell	**65 005**	47 217	38	**13**
CIB total advances	**484 649**	395 137	23	**100**
RMB cross-border total advances excluding currency impact†	**66 293**	53 887	23	

* *Managed by the Group Treasurer.*

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

CIB core lending advances – broader Africa is the sum of RMB CIB cross-border core lending advances and RMB broader Africa in-country core lending advances.

† *If the exchange rate had remained unchanged from 30 June 2022.*

CENTRE (INCLUDING GROUP TREASURY) ADVANCES BREAKDOWN

	Advances			
	As at 30 June			
R million	**2023**	2022	% change	**% composition 2023**
Core lending advances	**26 532**	24 356	9	**65**
Assets under agreements to resell	**14 405**	23 400	(38)	**35**
Total advances	**40 937**	47 756	(14)	**100**

CREDIT OVERVIEW – TOTAL UK OPERATIONS

£ million	Total UK operations	Property finance	Structured and specialist finance	Motor finance
Year ended 30 June 2023				
Total gross advances	**15 561**	**7 581**	**3 583**	**4 397**
– Stage 1	**14 099**	**6 965**	**3 247**	**3 887**
– Stage 2	**1 039**	**388**	**277**	**374**
– Stage 3/NPLs	**423**	**228**	**59**	**136**
Stage 3/NPLs as a % of advances*	**2.72**	**3.01**	**1.65**	**3.10**
Total impairments	**361**	**89**	**75**	**197**
– Portfolio impairments	**192**	**60**	**56**	**76**
– Stage 1	**139**	**51**	**40**	**48**
– Stage 2	**53**	**9**	**16**	**28**
– Stage 3 impairments	**169**	**29**	**19**	**121**
Coverage ratios				
Performing book coverage ratio (%)*	**1.27**	**0.82**	**1.59**	**1.78**
– Stage 1 (%)*	**0.99**	**0.74**	**1.24**	**1.23**
– Stage 2 (%)*	**5.11**	**2.33**	**5.76**	**7.50**
Specific coverage ratio (%)*	**40.0**	**12.9**	**31.6**	**88.9**
Income statement analysis				
Impairment charge	**90**	**29**	**22**	**39**
Credit loss ratio (%)*	**0.59**	**0.40**	**0.61**	**0.89**
Year ended 30 June 2022				
Total gross advances	15 232	7 265	3 630	4 337
– Stage 1	13 464	6 325	3 268	3 871
– Stage 2	1 372	712	314	346
– Stage 3/NPLs	396	228	48	120
Stage 3/NPLs as a % of advances*	2.61	3.15	1.33	2.78
Total impairments	286	62	55	169
– Portfolio impairments	138	33	35	70
– Stage 1	91	22	26	43
– Stage 2	47	11	9	27
– Stage 3 impairments	148	29	20	99
Coverage ratios				
Performing book coverage ratio (%)*	0.92	0.46	1.00	1.63
– Stage 1 (%)*	0.67	0.34	0.81	1.09
– Stage 2 (%)*	3.39	1.50	2.90	7.73
Specific coverage ratio (%)*	37.3	12.3	42.6	82.6
Income statement analysis				
Impairment charge	57	13	(8)	52
Credit loss ratio (%)*	0.39	0.18	(0.24)	1.27

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

Credit continued

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

	Total portfolio impairments					
	As at 30 June			As at 30 June		
				2023		2022
R million	**2023**	2022	% change	**Stage 1**	**Stage 2**	Stage 1
SA RETAIL	**10 749**	10 085	7	**4 971**	**5 778**	5 147
Retail – secured	**4 382**	3 694	19	**1 427**	**2 955**	1 411
Residential mortgages	**1 508**	1 548	(3)	**432**	**1 076**	609
WesBank VAF	**2 874**	2 146	34	**995**	**1 879**	802
Retail – unsecured	**6 367**	6 074	5	**3 544**	**2 823**	3 580
FNB card	**1 919**	1 750	10	**1 165**	**754**	1 130
Personal loans*	**3 970**	3 792	5	**2 069**	**1 901**	2 065
– FNB and DirectAxis*	**3 885**	3 639	7	**2 026**	**1 859**	1 999
– Covid-19 relief	**85**	153	(44)	**43**	**42**	66
Retail other*	**478**	532	(10)	**310**	**168**	385
Temporary stress scenario	**–**	317	(100)	**–**	**–**	156
SA CORPORATE AND COMMERCIAL	**7 058**	7 071	–	**2 815**	**4 243**	2 718
FNB commercial	**2 171**	2 147	1	**958**	**1 213**	1 056
– FNB commercial	**2 144**	2 058	4	**931**	**1 213**	999
– SME government-guaranteed loan scheme	**27**	34	(21)	**27**	**–**	34
– Temporary stress scenario	**–**	55	(100)	**–**	**–**	23
WesBank corporate	**339**	379	(11)	**228**	**111**	186
RMB corporate and investment banking	**4 548**	4 545	–	**1 629**	**2 919**	1 476
– Lending	**3 509**	3 581	(2)	**1 530**	**1 979**	1 415
– Loans to private equity investee companies	**1 039**	964	8	**99**	**940**	61
BROADER AFRICA**	**2 093**	1 911	10	**1 285**	**808**	1 035
FNB	**1 704**	1 597	7	**1 098**	**606**	875
RMB (corporate and investment banking)	**389**	314	24	**187**	**202**	160
Centre (INCLUDING GROUP TREASURY)	**529**	617	(14)	**374**	**155**	463
Securitisation notes	**32**	21	52	**32**	**–**	21
Other	**497**	596	(17)	**342**	**155**	442
Total portfolio impairments excluding UK operations	**20 429**	19 684	4	**9 445**	**10 984**	9 363
UK operations	**4 605**	2 728	69	**3 334**	**1 271**	1 800
Property finance	**1 445**	646	>100	**1 228**	**217**	434
Structured and specialist finance	**1 344**	711	89	**962**	**382**	529
Motor finance	**1 816**	1 371	32	**1 144**	**672**	837
Total portfolio impairments including UK operations	**25 034**	22 412	12	**12 779**	**12 255**	11 163

* *June 2022 has been restated due to the reallocation of revolving facilities from the retail other segment to personal loans.*

** *Represents the in-country balance sheet excluding Group Treasury.*

	Total portfolio impairments						
As at 30 June	Performing book coverage ratios (% of performing core lending advances)						
2022	As at 30 June						
Stage 2	**2023**	**Stage 1**	**Stage 2**	2022	Stage 1	Stage 2
4 938	**2.50**	**1.29**	**12.58**	2.52	1.45	11.39
2 283	**1.26**	**0.46**	**8.50**	1.14	0.48	7.43
939	**0.61**	**0.19**	**4.79**	0.67	0.29	4.78
1 344	**2.80**	**1.10**	**15.28**	2.30	0.98	12.15
2 494	**7.76**	**5.00**	**25.30**	8.05	5.47	25.03
620	**5.80**	**3.87**	**24.98**	6.00	4.20	27.82
1 727	**9.34**	**5.91**	**25.34**	9.56	6.35	24.16
1 640	**9.35**	**5.91**	**25.50**	9.58	6.41	24.11
87	**8.86**	**5.75**	**19.91**	9.14	4.98	25.00
147	**7.37**	**5.31**	**26.29**	8.02	6.37	25.09
161	**–**	**–**	**–**	–	–	–
4 353	**1.26**	**0.54**	**11.64**	1.48	0.62	12.08
1 091	**1.94**	**0.93**	**14.02**	2.08	1.10	14.44
1 059	**1.93**	**0.91**	**14.02**	2.02	1.06	14.26
–	**3.25**	**3.25**	**–**	2.79	2.79	–
32	**–**	**–**	**–**	–	–	–
193	**0.64**	**0.46**	**3.20**	0.86	0.47	4.01
3 069	**1.19**	**0.46**	**11.99**	1.45	0.51	12.97
2 166	**0.94**	**0.44**	**8.94**	1.16	0.49	10.18
903	**12.63**	**1.65**	**42.50**	14.01	1.35	37.94
876	**2.86**	**1.95**	**11.00**	2.99	1.78	14.98
722	**3.10**	**2.27**	**9.34**	3.22	1.97	13.77
154	**2.12**	**1.07**	**23.63**	2.19	1.16	25.54
154	**1.99**	**1.41**	**360.47**	2.53	1.90	358.14
–	**0.13**	**0.13**	**–**	0.09	0.09	–
154	**42.37**	**30.27**	**360.47**	59.72	46.28	358.14
10 321	**1.87**	**0.94**	**12.24**	2.04	1.06	12.10
928	**1.27**	**0.99**	**5.11**	0.92	0.67	3.39
212	**0.82**	**0.74**	**2.33**	0.46	0.34	1.49
182	**1.59**	**1.24**	**5.76**	1.00	0.81	2.91
534	**1.78**	**1.23**	**7.50**	1.63	1.08	7.74
11 249	**1.72**	**0.95**	**10.69**	1.78	0.97	9.99

Credit continued

Note 3: Analysis of stage 3/NPLs and impairments

SEGMENTAL ANALYSIS OF STAGE 3/NPLS AND IMPAIRMENTS

	Stage 3/NPLs				Stage 3/NPLs as a % of core lending advances	
	As at 30 June				As at 30 June	
R million	**2023**	2022	% change	**% Composition 2023**	**2023**	2022
SA RETAIL	**32 770**	29 923	10	**58**	**7.08**	6.97
Retail – secured	**20 242**	18 005	12	**36**	**5.49**	5.26
Residential mortgages	**14 073**	11 802	19	**25**	**5.42**	4.86
WesBank VAF	**6 169**	6 203	(1)	**11**	**5.67**	6.24
Retail – unsecured	**12 528**	11 918	5	**22**	**13.24**	13.64
FNB card	**4 057**	3 678	10	**7**	**10.92**	11.21
Personal loans*	**7 547**	6 964	8	**13**	**15.07**	14.94
– FNB and DirectAxis*	**7 360**	6 675	10	**13**	**15.04**	14.95
– Covid-19 relief	**187**	289	(35)	**–**	**16.32**	14.72
Retail other*	**924**	1 276	(28)	**2**	**12.48**	16.14
SA CORPORATE AND COMMERCIAL	**10 975**	9 717	13	**19**	**1.92**	2.00
FNB commercial	**4 773**	4 627	3	**8**	**4.10**	4.29
– FNB commercial	**4 690**	4 554	3	**8**	**4.06**	4.27
– SME government-guaranteed loan scheme	**83**	73	14	**–**	**9.07**	5.65
WesBank corporate	**1 066**	903	18	**2**	**1.97**	2.00
RMB corporate and investment banking	**5 136**	4 187	23	**9**	**1.33**	1.31
– Lending	**4 540**	2 814	61	**8**	**1.20**	0.91
– Loans to private equity investee companies	**596**	1 373	(57)	**1**	**6.76**	16.63
BROADER AFRICA**	**3 545**	3 318	7	**5**	**4.62**	4.93
FNB	**3 510**	3 318	6	**5**	**6.01**	6.27
RMB (corporate and investment banking)	**35**	–	–	**–**	**0.19**	–
Centre (INCLUDING GROUP TREASURY)	**–**	–	–	**–**	**–**	–
Securitisation notes	**–**	–	–	**–**	**–**	–
Other	**–**	–	–	**–**	**–**	–
Total stage 3/NPLs excluding UK operations	**47 290**	42 958	10	**82**	**4.15**	4.26
UK operations	**10 142**	7 928	28	**18**	**2.72**	2.61
Property finance	**5 464**	4 563	20	**10**	**3.01**	3.15
Structured and specialist finance	**1 418**	963	47	**2**	**1.65**	1.33
Motor finance	**3 260**	2 402	36	**6**	**3.10**	2.78
Total stage 3/NPLs including UK operations	**57 432**	50 886	13	**100**	**3.80**	3.88
Of which:						
Amortised cost book	**56 655**	50 004	13	**99**	**3.88**	3.89
Fair value book	**777**	882	(12)	**1**	**0.59**	0.91

* *June 2022 has been restated due to the reallocation of revolving facilities from the retail other segment to personal loans.*

** *Represents the in-country balance sheet excluding Group Treasury.*

Stage 3 specific provisions			Coverage ratios (% of stage 3/NPLs)	
As at 30 June			As at 30 June	
2023	2022	% change	**2023**	2022
14 773	14 339	3	**45.1**	47.9
5 836	5 786	1	**28.8**	32.1
2 848	2 536	12	**20.2**	21.5
2 988	3 250	(8)	**48.4**	52.4
8 937	8 553	4	**71.3**	71.8
2 848	2 611	9	**70.2**	71.0
5 319	4 889	9	**70.5**	70.2
5 168	4 639	11	**70.2**	69.5
151	250	(40)	**80.7**	86.5
770	1 053	(27)	**83.3**	82.5
5 146	6 080	(15)	**46.9**	62.6
2 832	3 145	(10)	**59.3**	68.0
2 749	3 072	(11)	**58.6**	67.5
83	73	14	**100.0**	100.0
394	416	(5)	**37.0**	46.1
1 920	2 519	(24)	**37.4**	60.2
1 336	1 154	16	**29.4**	41.0
584	1 365	(57)	**98.0**	99.4
2 047	1 945	5	**57.7**	58.6
2 022	1 945	4	**57.6**	58.6
25	–	–	**71.4**	–
19	–	–	**–**	–
–	–	–	**–**	–
19	–	–	**–**	–
21 985	22 364	(2)	**46.5**	52.1
4 053	2 958	37	**40.0**	37.3
706	563	25	**12.9**	12.3
448	410	9	**31.6**	42.6
2 899	1 985	46	**88.9**	82.6
26 038	25 322	3	**45.3**	49.8

Credit continued

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES AND NPLs

	Advances			
	As at 30 June			% com-position
R million	**2023**	2022	% change	**2023**
Sector analysis				
Agriculture	**59 067**	52 102	13	**4**
Banks	**45 654**	48 384	(6)	**3**
Financial institutions*	**199 191**	160 606	24	**13**
Building and property development	**93 456**	80 398	16	**6**
Government, Land Bank and public authorities	**31 047**	30 027	3	**2**
Individuals	**727 042**	655 802	11	**44**
Manufacturing and commerce	**199 573**	164 324	21	**13**
Mining	**14 249**	8 045	77	**1**
Transport and communication	**50 786**	40 141	27	**3**
Other services	**170 382**	142 229	20	**11**
Total including UK operations	**1 590 447**	1 382 058	15	**100**
Geographical analysis				
South Africa	**1 015 147**	918 509	11	**63**
Broader Africa	**135 615**	106 647	27	**9**
UK	**394 661**	321 624	23	**25**
Other Europe	**19 841**	23 763	(17)	**1**
Asia, Americas and Australia**	**25 183**	11 515	>100	**2**
Total including UK operations	**1 590 447**	1 382 058	15	**100**

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

** *Restated. North and South America, Australia and Asia were previously disclosed separately.*

NPL distribution
(%)

	Stage 3/NPLs			
	As at 30 June			
	2023	2022	% change	**% composition 2023**
	2 578	2 473	4	**4**
	–	–	–	**–**
	289	338	(14)	**1**
	1 701	1 430	19	**3**
	2 150	191	>100	**4**
	41 895	37 212	13	**73**
	4 591	4 353	5	**8**
	158	103	53	**–**
	995	880	13	**2**
	3 075	3 906	(21)	**5**
	57 432	50 886	13	**100**
	41 454	39 416	5	**72**
	5 713	3 447	66	**10**
	10 149	7 930	28	**18**
	10	5	100	**–**
	106	88	20	**–**
	57 432	50 886	13	**100**

Credit continued

Note 4: Analysis of income statement credit impairments

	Total impairment charge			As a % of average core lending advances	
	Year ended 30 June			Year ended 30 June	
R million	**2023**	2022	% change	**2023**	2022
SA RETAIL	**7 428**	5 806	28	**1.66**	1.38
Retail – secured	**2 168**	1 461	48	**0.61**	0.44
Residential mortgages	**452**	46	>100	**0.18**	0.02
WesBank VAF	**1 716**	1 415	21	**1.65**	1.42
Retail – unsecured	**5 577**	4 363	28	**6.13**	5.01
FNB card	**1 516**	1 070	42	**4.33**	3.34
Personal loans*	**3 688**	2 597	42	**7.63**	5.55
– FNB and DirectAxis*	**3 731**	2 436	53	**7.97**	5.51
– Covid-19 relief	**(43)**	161	(>100)	**(2.77)**	6.32
Retail other*	**373**	696	(46)	**4.87**	8.48
Temporary stress scenario	**(317)**	(18)	>100	**–**	–
SA CORPORATE AND COMMERCIAL	**1 100**	(54)	(>100)	**0.21**	(0.01)
FNB commercial	**615**	354	74	**0.55**	0.35
– FNB commercial	**676**	446	52	**0.61**	0.44
– SME government-guaranteed loan scheme	**(6)**	1	(>100)	**(0.54)**	0.07
– Temporary stress scenario	**(55)**	(93)	(41)	**–**	–
WesBank corporate	**58**	12	>100	**0.12**	0.03
RMB corporate and investment banking	**427**	(420)	(>100)	**0.12**	(0.14)
– Lending	**397**	(368)	(>100)	**0.12**	(0.13)
– Loans to private equity investee companies	**30**	(52)	(>100)	**0.35**	(0.66)
BROADER AFRICA**	**495**	175	>100	**0.69**	0.27
FNB	**371**	168	>100	**0.67**	0.32
RMB (corporate and investment banking)	**124**	7	>100	**0.76**	0.06
Centre (INCLUDING GROUP TREASURY)	**–**	(7)	(100)	**–**	(0.03)
Securitisation notes	**11**	(3)	(>100)	**0.05**	(0.01)
Other	**(11)**	(4)	>100	**(1.01)**	(0.16)
Total impairment charge excluding UK operations	**9 023**	5 920	52	**0.84**	0.61
UK operations	**1 926**	1 160	66	**0.57**	0.39
Property finance	**628**	270	>100	**0.38**	0.19
Structured and specialist finance	**467**	(166)	(>100)	**0.59**	(0.25)
Motor finance	**831**	1 056	(21)	**0.87**	1.30
Total impairment charge including UK operations	**10 949**	7 080	55	**0.78**	0.56
Of which:					
Portfolio impairments charge	**3 397**	(206)	(>100)	**0.24**	(0.02)
Specific impairments charge	**7 552**	7 286	4	**0.54**	0.58

* *June 2022 has been restated due to the reallocation of revolving facilities from the retail other segment to personal loans.*

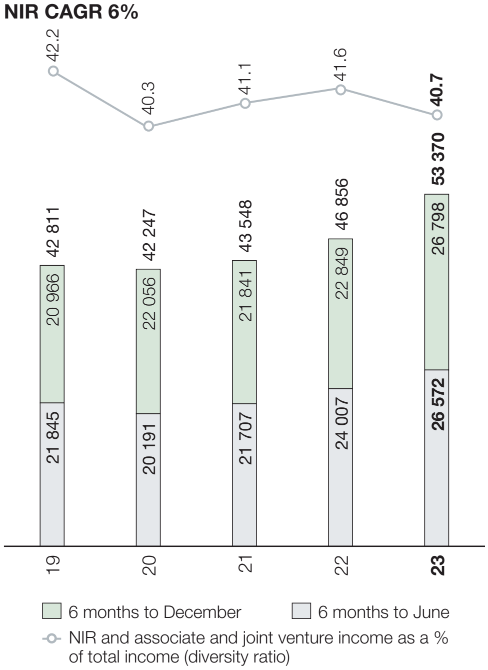
** *Represents the in-country balance sheet excluding Group Treasury.*

Non-interest revenue

Total non-interest revenue – 11%

Operational non-interest revenue – 14%

Operational non-interest revenue and diversity ratio*
(R million)



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

ANALYSIS OF TOTAL NIR

R million	Notes	**2023**	2022	% change
Net fee, commission and insurance income		**41 477**	37 693	10
– Fee and commission income	1	**36 084**	33 396	8
– Insurance income	2	**5 393**	4 297	26
Trading and other fair value income	3	**6 522**	5 603	16
Investment income	4	**1 579**	479	>100
– Debt-to-equity swap* (restructure with zero earnings impact)		**715**	–	–
– Investment Income**		**864**	479	80
Other non-interest revenue	5	**3 792**	3 081	23
Operational non-interest revenue		**53 370**	46 856	14
Share of profit from associates and joint ventures after tax		**493**	1 506	(67)
– Debt-to-equity swap* (restructure with zero earnings impact)		**(820)**	–	–
– Share of profit from associates and joint ventures after tax		**1 313**	1 506	(13)
Total non-interest revenue		**53 863**	48 362	11

* *Refer to note 4 on investment income and the analysis of share of profit from associates and joint ventures.*
** *Investment income includes the Ghana sovereign debt restructure provision and a significant realisation.*

Non-interest revenue continued

NOTE 1 – FEE AND COMMISSION INCOME – UP 8%

R million	2023	2022	% change
Banking fee and commission income	**38 462**	35 259	9
– Card commissions	**7 224**	6 169	17
– Cash deposit fees	**1 823**	1 812	1
– Exchange and other commissions	**3 379**	3 371	–
– Bank charges	**26 036**	23 907	9
– Commitment fees	**1 976**	1 662	19
– Other bank charges*	**24 060**	22 245	8
Knowledge-based fees	**1 455**	1 161	25
Management and fiduciary fees	**2 559**	2 571	–
– Investment management fees	**1 599**	1 637	(2)
– Management fees from associates and joint ventures	**801**	768	4
– Other management and brokerage fee income	**159**	166	(4)
Other non-bank commissions	**1 064**	976	9
Gross fee and commission income	**43 540**	39 967	9
Fee and commission expenditure	**(7 456)**	(6 571)	13
– Transaction-related fees	**(2 259)**	(1 735)	30
– Commission paid	**(328)**	(311)	5
– Customer loyalty programmes	**(2 361)**	(2 162)	9
– Cash sorting, handling and transportation charges	**(1 252)**	(1 173)	7
– Card-related	**(404)**	(392)	3
– Other	**(852)**	(798)	7
Net fee and commission income	**36 084**	33 396	8

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

Key drivers

- FNB NIR grew 11%, reflecting a 12% increase in transaction volumes and 5% growth in the active customer base, in spite of sub-inflation annual account fee increases and fee givebacks of c. R380 million.
- *Electronic platform volumes grew 9% in total across all interfaces, whilst manual volumes increased 2%. Branch and cash centre transaction volumes decreased 13% and 8%, respectively.*
- Card swipe volumes increased 14%, reflecting strong customer activity levels which contributed to the 18% overall growth in card commissions.
- *RMB's knowledge-based fee income was supported by increased deal flow, providing an uplift to both structuring and commitment fee income, coupled with strong advisory income.*
- The reduction in management and fiduciary fee income is largely due to margin compression and the outflow from the legacy Ashburton Jersey business. This was despite good growth in Ashburton's domestic AUM.
- *Overall group fee and commission income growth was marginally impacted by costs linked to transactional activity, mainly higher commissionable turnover in card-related fees, currency impacts and the cost of customer rewards.*

NOTE 2 – INSURANCE INCOME – UP 26%

R million	**2023**	2022	% change
Insurance risk-related income	**3 922**	2 797	40
– Insurance premiums*	**6 528**	5 416	21
– Reinsurance expenses	**(895)**	(642)	39
– Insurance benefits and claims paid	**(2 448)**	(2 596)	(6)
– Reinsurance recoveries	**531**	484	10
– Transfer from/(to) policyholder liabilities (gross)	**225**	(136)	(>100)
– Transfer (to)/from policyholder liabilities (reinsurance)	**(19)**	271	(>100)
Commissions, brokerage and cell captives	**1 471**	1 500	(2)
Total insurance income	**5 393**	4 297	26

* *These amounts are net of intergroup eliminations of R111 million (2022: R4 million).*

Key drivers

- Insurance premiums grew strongly, driven by the funeral, short-term and credit life books. The short-term business continues to exceed expectations, with the new business APE more than doubling over the year on the back of sales of the retail comprehensive suite of products.
- *Policyholder liabilities reduced due to a release of the last of the Covid-19-related reserves.*
- Commissions, brokerage and cell captive income is derived from all other insurance businesses and arrangements entered into by WesBank, MotoVantage, various cell captives and the subsidiaries in broader Africa. Cell captive income continued to decrease as certain books entered a run-off profile as the group builds out its own products.

Non-interest revenue continued

NOTE 3 – TRADING AND OTHER FAIR VALUE INCOME – UP 16%

R million	**2023**	2022	% change
Trading income	**4 963**	5 153	(4)
– Equities	**(161)**	81	(>100)
– Commodities	**312**	663	(53)
– Fixed income	**2 018**	2 212	(9)
– Currencies	**2 794**	2 197	27
Other fair value income	**1 559**	450	>100
– RMB banking activities and other	**521**	386	35
– UK operations fair value hedge	**549**	155	>100
– Group Treasury economic hedges and other	**489**	(91)	(>100)
Total trading and other fair value income	**6 522**	5 603	16

Key drivers

- Trading income reflects the following:
  - *Equities revenue was constrained in the current year due to lower client volumes and macroeconomic headwinds, further impacted by elevated funding costs given the interest rate hiking cycle and fair value costs of other equity-linked non-trading products.*
  - The commodities performance experienced margin compression with reduced client flows.
  - *The domestic fixed income business reflected a significant increase in client activity in cash and derivatives. This was offset by reduced activity in inflation and credit portfolios.*
  - Currencies' performance benefited from increased client flow driven by elevated market volatility in broader Africa, particularly Nigeria and Ghana. Domestic performance was adversely impacted by rand volatility related to the emerging market risk-off sentiment.
- *RMB banking activities include various one-off items, with the current year growth driven by some principal investment realisations.*
- The UK operations' fair value interest rate hedge portfolio reported a gain of £25.8 million (2022: £7.7 million). These gains were driven by the magnitude and velocity of interest rate increases in the year and will unwind over the life of the hedged exposures.
- *Group Treasury fair value income benefited from the derivative structure used to hedge the group share scheme liability.*

NOTE 4 – INVESTMENT INCOME – UP >100%

R million	2023	2022	% change
Private equity realisations and dividends received	**1 983**	34	>100
– Profit on realisation of private equity investments	**1 226**	1	>100
– Debt-to-equity swap* (restructure with zero earnings impact)	**715**	–	–
– Dividends received	**9**	29	(69)
– Other private equity income	**33**	4	>100
Other investment income	**(404)**	445	(>100)
– Profit on assets held against employee liabilities	**11**	102	(89)
– Ghana sovereign debt restructure	**(498)**	–	–
– Other investment income	**83**	343	(76)
Total investment income	**1 579**	479	>100

* *Refer to note on share of profit from associates and joint ventures where this is reflected as a loss.*

Key drivers

- The profit on realisation of private equity investments reflects a significant realisation during the year.
- *The debt-to-equity restructure of a private equity counter resulted in a gain on the conversion of the debt (R715 million) and a release of the credit impairment provision (R105 million), with a corresponding loss in the share of associate income (R820 million). Refer to page 79 for a detailed explanation of the transaction.*
- New private equity investments totalled c. R2 billion for the year (2022: R960 million). The unrealised value in the portfolio was c. R5.7 billion at June 2023 (2022: R5.9 billion), with the decrease reflecting the realisation. Adjusting for the realisation, the unrealised value grew 16%, reflecting the underlying earnings performance of the portfolio companies.
- *The decline in the group's post-retirement employee liability asset portfolio was impacted by negative mark-to-market on bonds due to the increase in the interest rate. The prior year reflects market value gains in the equity portfolio.*
- An impairment provision representing 57% of the nominal value was raised, which reflects the economic loss of the proposed Ghana government bond restructure. The group's accounting policy is to reflect impairments of investment securities in investment income because investment securities, including government bonds, are viewed as investment activities and not lending activities.
- *Other investment income has declined due to gains on the sale of bonds in the prior year, which was not repeated, as well as an increase in sovereign ECL provisions.*

NOTE 5 – OTHER NON-INTEREST REVENUE – UP 23%

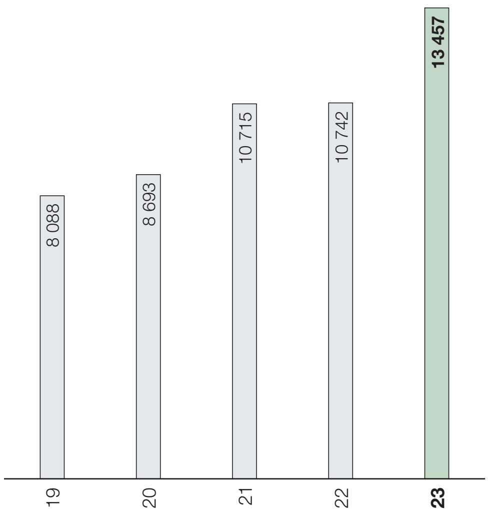
Key drivers

- Rental income represents 47% (2022: 55%) of total other NIR.
- *Improved other non-rental NIR performance was driven by WesBank, which benefited from higher early termination fees given larger settlements taking place, as well as increased income from leasing transactions (including maintenance and repairs) and other revenue streams, such as the MVNO.*

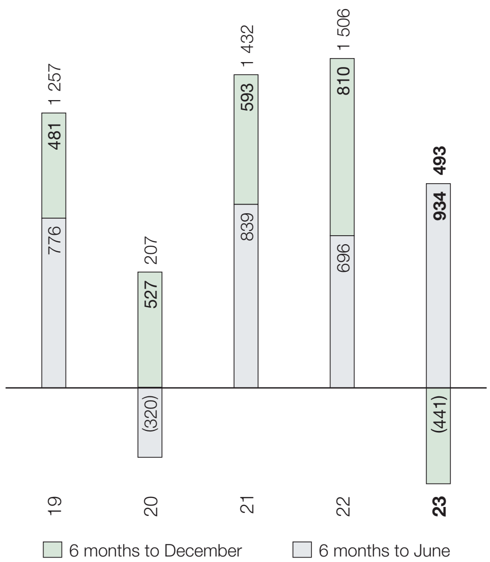
Non-interest revenue continued

Share of profits from associates and joint ventures – down 67%

Investments in associates and joint ventures
(R million)



Share of profits from associates and joint ventures
(R million)



SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES

R million	**2023**	2022	% change
Private equity associates and joint ventures	**1 336**	1 339	–
– Equity-accounted income	**1 573**	1 380	14
– Impairments	**(237)**	(41)	>100
Other operational associates and joint ventures	**452**	718	(37)
– TFS	**206**	265	(22)
– VWFS	**100**	193	(48)
– RMB Morgan Stanley	**183**	205	(11)
– Other	**(37)**	55	(>100)
Share of profits from associates and joint ventures before tax	**1 788**	2 057	(13)
Tax on profit from associates and joint ventures	**(475)**	(551)	(14)
Share of profits from associates and joint ventures after tax	**1 313**	1 506	(13)
– Debt-to-equity swap* (restructure with zero earnings impact)	**(820)**	–	–
Share of profits from associates and joint ventures after tax	**493**	1 506	(67)

* *Refer to note 4 on investment income where the benefit is recognised and a portion of this loss is accounted for as a release of credit impairments.*

Key drivers

- Despite the realisation in the first half of the year, the private equity related annuity share of profit from associates and joint ventures increased from new investments and improved underlying trading performance. This was offset by increased impairments on entities negatively impacted by the prevailing market stresses.
- *The debt-to-equity restructure of a private equity counter resulted in a loss reflected under private equity associate income (R820 million), with a corresponding increase in investment income and net release of impairment provisions. The net impact of the transaction is neutral on earnings. Refer to page 79 for a more detailed explanation.*
- Further impairments on investee companies were raised in the current year, resulting in an effective decrease in income.
- *TFS's performance was driven by advances growth, although at lower margins. Write-offs have reduced, but impairments are up as the prior year included provision releases.*
- VWFS new business production benefited from stock availability, albeit at lower margins. Normalised credit impairment charges (unlike the large release in 2022) resulted in lower earnings.
- *RMB Morgan Stanley's performance was impacted by a decline in exchange volumes coupled with margin compression and lower client activity than the previous year.*

Non-interest revenue continued

Total income from private equity activities (private equity division and other private equity related activities)

RMB earns private equity related income primarily from its private equity business, however, other areas in RMB also engage in or hold private equity related investments (as defined in *Circular 01/2023 – Headline Earnings*), which are not reported as part of RMB private equity's results. The underlying nature of the various private equity related income streams are reflected below.

R million	**2023**	2022	% change
RMB private equity division	**2 499**	1 373	82
Income from associates and joint ventures	**516**	1 339	(61)
– Equity-accounted income*	**1 573**	1 380	14
– Debt-to-equity swap**,# (restructure with zero earnings impact)	**(820)**	–	–
– Impairments*	**(237)**	(41)	>100
Realisations and dividends**	**1 235**	30	>100
Debt-to-equity swap**,# (restructure with zero earnings impact)	**715**	–	–
Other private equity income**	**33**	4	>100
Other business units	**(120)**	(62)	94
Income from associates and joint ventures and other investments	**(144)**	1	(>100)
– Equity-accounted income*	**25**	(62)	(>100)
– Impairments*,†	**(205)**	(27)	>100
– Other investment income**	**36**	90	(60)
Consolidated other income†	**24**	(63)	(>100)
Debt-to-equity swap – impairment provision release# (restructure with zero earnings impact)	**105**	–	–
Private equity activities before tax	**2 484**	1 311	89
Tax on equity-accounted private equity investments	**(326)**	(331)	(2)
Private equity activities after tax	**2 158**	980	>100

* *Refer to note on share of profit from associates and joint ventures on page 111.*

** *Refer to note 4 on investment income and the analysis of share of profit from associates and joint ventures.*

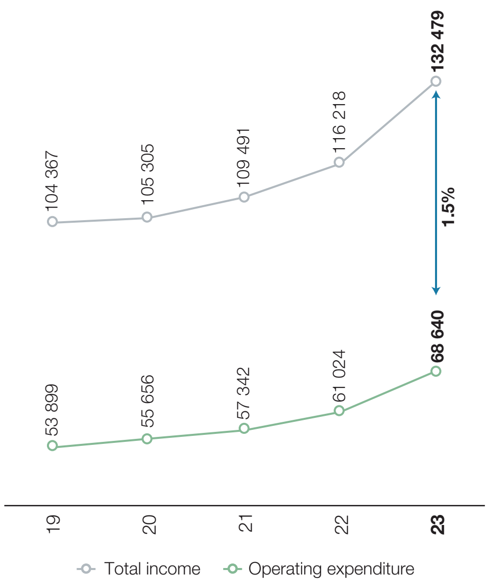
Restructuring reflects a neutral earnings impact with the delta of R105 million as an impairment provision release.

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

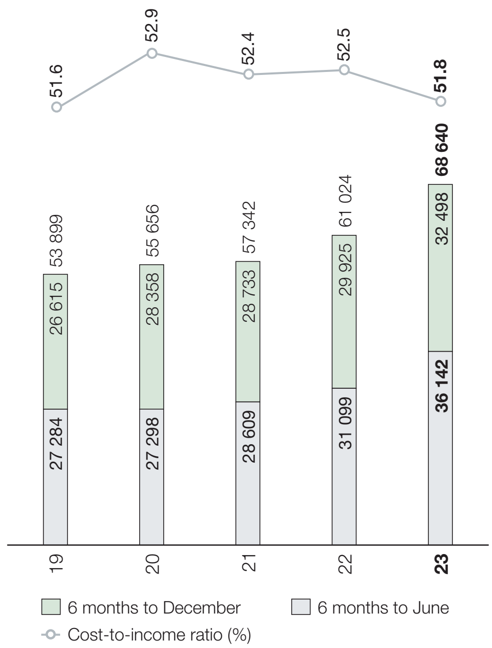
Operating expenses

Operating expenses – up 12%

Operating jaws
(R million)



Operating efficiency
(R million)



Operating expenses continued

OPERATING EXPENSES – UP 12%

R million	**2023**	2022	% change
Staff expenditure	**42 610**	37 081	15
– Direct staff expenditure	**31 049**	27 319	14
– Variable staff expenditure	**8 345**	6 986	19
– Short-term incentive payments	**5 772**	5 220	11
– Share-based incentive payments	**2 573**	1 766	46
– Other staff-related expenditure	**3 216**	2 776	16
Depreciation of property and equipment	**4 045**	3 996	1
Amortisation of intangible assets	**676**	831	(19)
Advertising and marketing	**1 921**	1 827	5
Insurance	**82**	115	(29)
Lease charges	**535**	560	(4)
Professional fees	**4 133**	3 053	35
Audit fees	**594**	537	11
Computer expenses	**4 821**	4 199	15
Repairs and maintenance	**1 567**	1 425	10
Telecommunications	**602**	568	6
Property	**1 369**	1 187	15
Business travel	**488**	240	>100
Assets costing less than R7 000	**229**	209	10
Stationery and printing	**139**	127	9
Donations	**340**	342	(1)
Legal fees	**661**	861	(23)
Other expenditure	**3 828**	3 866	–
Total operating expenses	**68 640**	61 024	12

Key drivers – operational

- **Depreciation is largely flat due to the additional cost arising from the new FML leases concluded in the second half of the financial year, offset by declining depreciation on assets reaching the end of its useful life.**
- *Amortisation of intangible assets declined due to the full amortisation of the SLOW lounge intangibles acquired in the prior year.*
- **Advertising and marketing costs increased from the FNB brand refresh campaigns.**
- *Professional fees increased considerably from additional resourcing on execution of platform-related projects.*
- **Computer expenses grew from currency devaluation and increased software licensing costs.**
- *Repairs and maintenance costs were negatively impacted by loadshedding and the impact on equipment, including generators.*
- **Property costs were impacted by higher diesel costs and higher security-related expenses.**
- *Business travel has returned to pre-pandemic levels, with associated costs structurally higher, including currency impacts.*
- **Other expenditure includes various items such as other provisions, entertainment, bank charges, insurance-related acquisition costs, subscriptions, and membership fees.**

Key drivers – staff

- **Staff costs represent 62% (2022: 61%) of the group's operating expenses and increased 15% in the current year.**

	% change	Reasons
Direct staff costs	**14%**	• Annual salary increases averaged above 6% (unionised staff at 6.5%). • Headcount increased 6%, excluding FirstJob employees. • Continued repricing of certain high-in-demand technical skills.
Variable staff expenditures		
Short-term incentive payments (STI)	**11%**	The growth in the short-term incentive payments is largely aligned to the group's performance of normalised earnings (+12%) and NIACC (+19%).
Share-price related incentive payments (LTI)	**46%**	The 2019 long-term incentive (LTI) did not vest and liabilities were released in the prior year decreasing the cost base. The 2020 LTI issuance will vest, hence widening the increase. Various revaluations, and the bonus deferral which is linked to the FirstRand share price also impacted the overall increase.
Other staff related costs	**16%**	Due to an increase in temporary and contract staff to provide additional capacity for projects and strategic initiatives.

IT spend

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

FUNCTIONAL PRESENTATION OF IT SPEND

R million	**2023**	2022*	% change
IT-related staff cost	**7 974**	6 560	22
Non-staff IT-related costs	**9 999**	8 449	18
– Computer expenses	**4 821**	4 199	15
– Professional fees	**2 472**	1 725	43
– Repairs and maintenance	**545**	486	12
– Depreciation of equipment	**1 250**	1 170	7
– Amortisation of software	**186**	280	(34)
– Other expenditure	**725**	589	23
Total IT spend	**17 973**	15 009	20

* *Prior year numbers have been amended to reflect:*
- *the continued refinement and alignment of the methodology applied by the UK operations to the rest of the group; and*
- *the reassessment of data roles to align to industry benchmarking and best practice.*

financial

resource management

Economic view of the balance sheet

The objective of the group's FRM framework is to protect and enhance FirstRand's financial performance through the holistic management of the balance sheet and income streams within the context of the macro environment. This includes the strategic positioning of the balance sheet relative to long-term trends, and tactical tilts associated with the current point in the cycle.

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

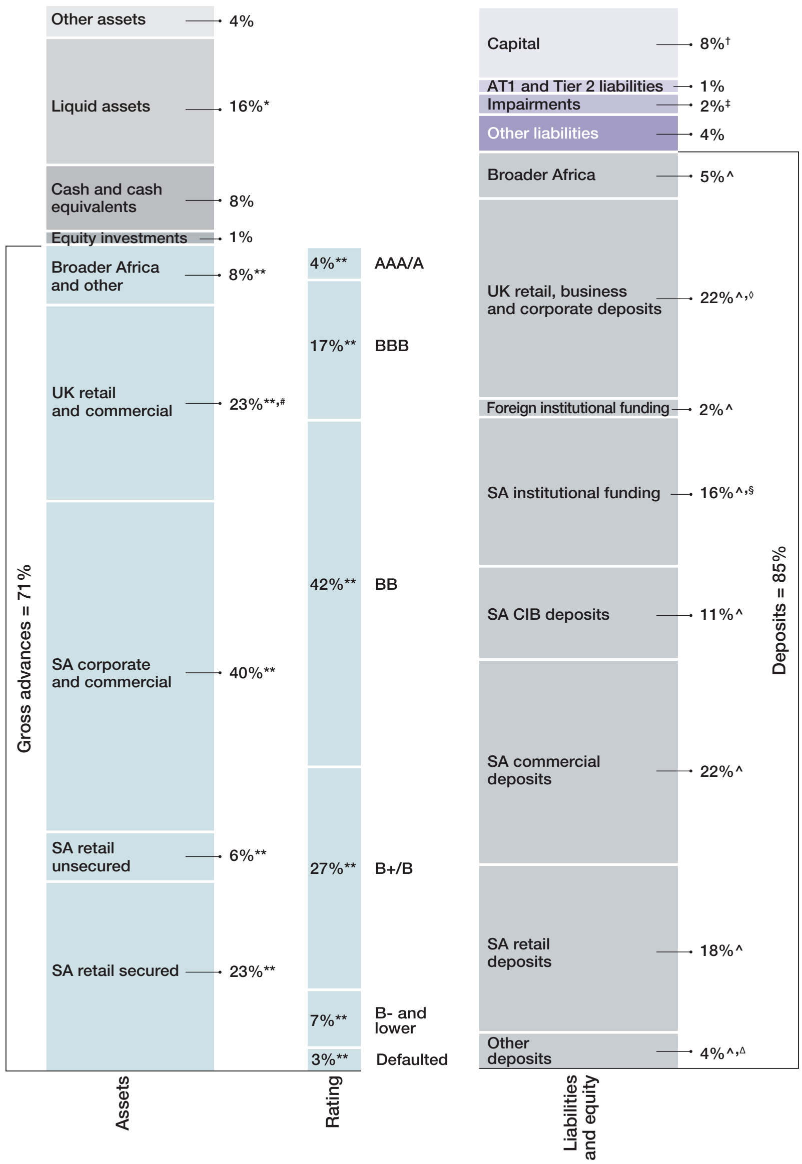
When assessing the underlying risk in the balance sheet, the group's asset profile reflects a diversified advances portfolio, which constitutes 71% of total assets. The composition of the gross advances portfolio consists of SA retail secured (23%), SA retail unsecured (6%), SA corporate and commercial (40%), UK retail and commercial (23%), and broader Africa and other (8%). At June 2023, the group reported total NPLs of R57 432 million (3.80% of core lending advances) and a credit loss ratio of average core lending advances of 78 bps.

Cash and cash equivalents, and liquid assets represent 8% and 16%, respectively, of total assets. The group's equity investments primarily relate to RMB's private equity activities.

FirstRand continues to enhance its risk-adjusted funding profile through further growth in its deposit franchise, which enables optimised use of institutional funding where required. The weighted average remaining term of domestic institutional funding reduced to 29 months at June 2023 (2022: 39 months). The reduction reflects an increase in money market issuances relative to longer-dated senior debt, Tier 2 and Additional Tier 1 issuance.

The group remained strongly capitalised with a CET1 ratio of 13.2%, a Tier 1 ratio of 13.8% and a total capital adequacy ratio of 15.6%. Gearing increased to 12.4 times (2022: 12.2 times), driven by 9% growth in average total equity and 11% growth in average total assets for the year.

Economic view of the balance sheet



* *Include government securities and treasury bills.*
** *As a proportion of gross advances.*
\# *Include advances originated in MotoNovo, Aldermore and the London branch.*
† *Includes ordinary equity and non-controlling interests.*
‡ *Include IFRS 9 impairment of advances and investment securities.*
^ *As a proportion of deposits.*
◊ *Deposits raised in Aldermore and Guernsey branch (FNB Channel Islands).*
§ *Includes CIB institutional funding.*
Δ *Consist of liabilities relating to other SPVs and securitisations.*
Note: Non-recourse deposits have been netted off against assets. Derivative, securities lending and short trading position assets and liabilities have been netted off.

Funding and liquidity

Funding and liquidity management approach

A comprehensive overview of the group's funding and liquidity management approach is provided in the Basel Pillar 3 disclosure for the year ended 30 June 2023, which is www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures/.

Funding conditions

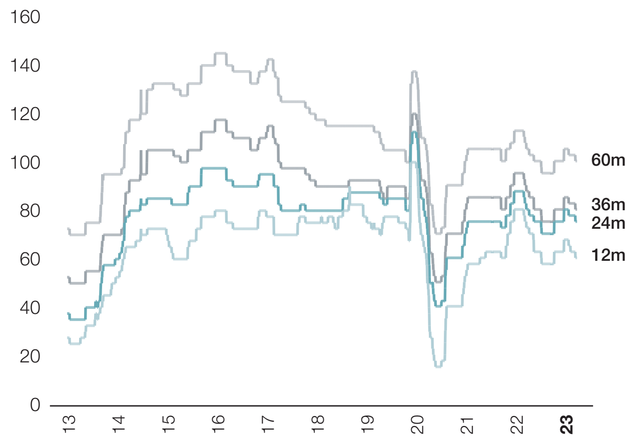
During the period under review, global and local macroeconomic pressures persisted as central banks continued to tighten monetary policy and global growth trended lower. The tighter policy stance globally and domestically has had a limited impact on funding access and liquidity availability for the group in both rand and hard currency. Funding conditions have remained expansive as money supply growth increased at a healthy pace. The SARB introduced further revisions to the MPIF in February 2023 to address additional liquidity expansion. To accommodate the additional market liquidity and avoid market disruptions or any weakening of monetary policy transmission, the SARB increased the quotas for market participants. The final phase of the MPIF implementation concluded in April 2023.

The spread to JIBAR paid on 12-month money market instruments is most representative of bank funding costs in the money markets. During the period under review institutional funding spreads tracked lower as participants processed the additional market liquidity introduced by the final implementation of the monetary policy implementation framework. Liquidity seasonality and attractive market levels enabled the bank to raise short- and medium-term institutional funding to bolster its liquidity buffers and fund advances growth. The higher-rate environment contributed to continued growth in customer deposits with savings and investment products attracting larger inflows.

12-month mid-market funding spread
(bps)

Sources: Bloomberg (RMBP screen) and Reuters.

Long-term funding spreads
(bps)



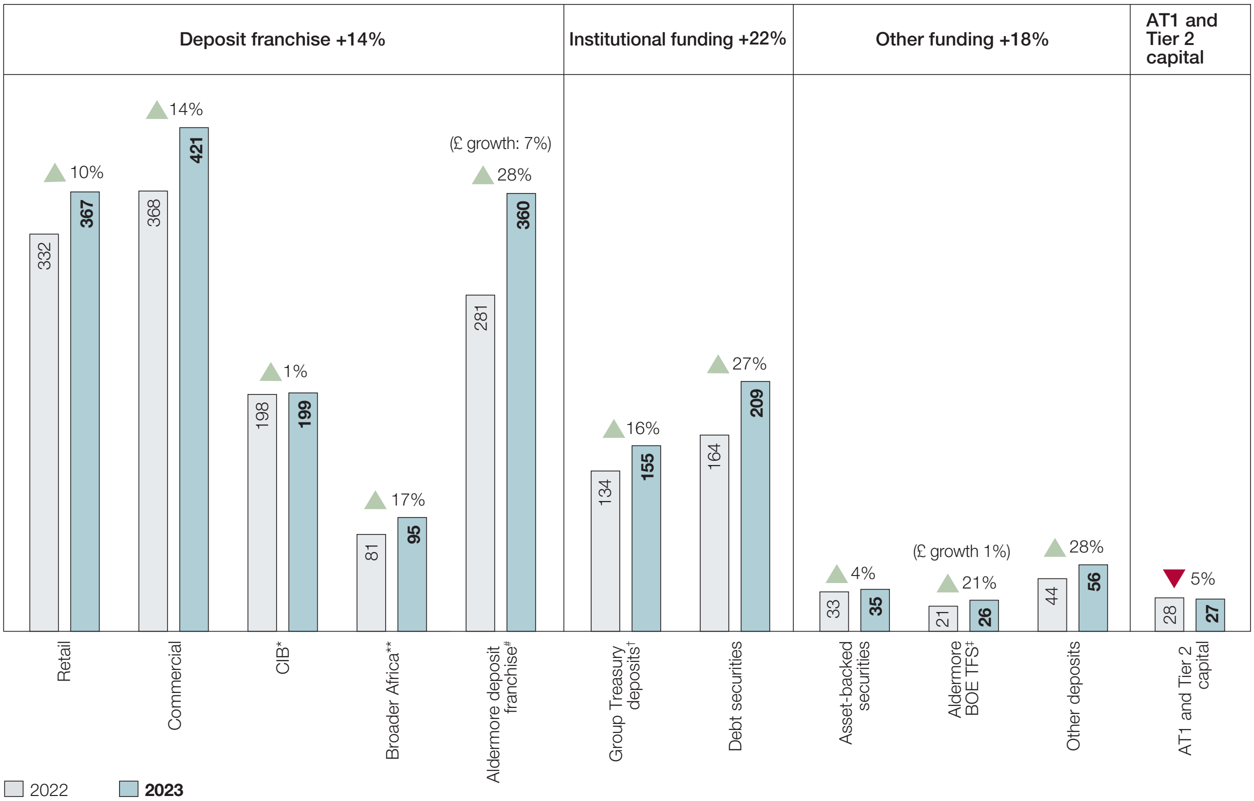
Sources: Bloomberg (RMBP screen) and Reuters.

Funding and liquidity continued

Funding measurement and activity

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

Funding portfolio growth
(R billion)

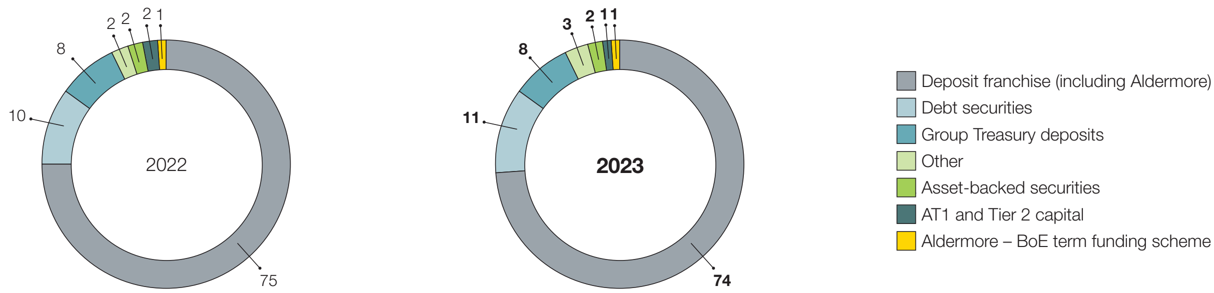


Note 1: Percentage change is based on actual underlying numbers rather than the rounded figures shown in the bar graphs above.
Note 2: Asset-backed securities include Aldermore's securitisation transactions.

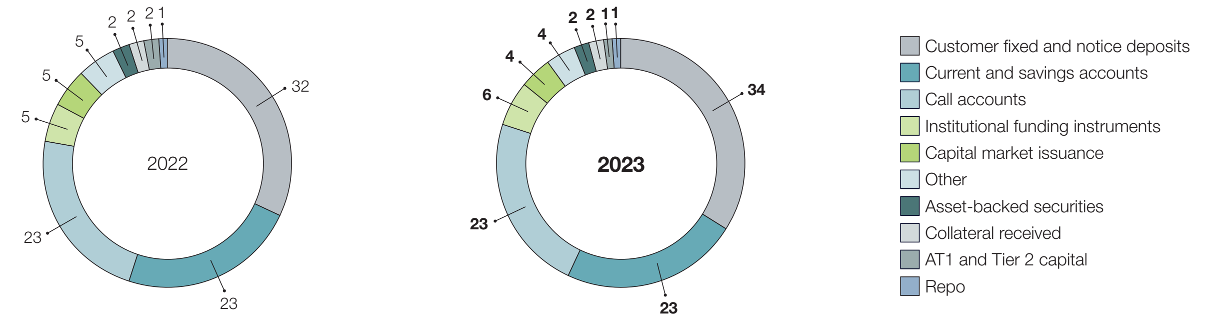
* *Includes South Africa and the London branch.*
** *Broader Africa deposits include CIB deposits related to the broader Africa subsidiaries.*
\# *The Aldermore savings deposit franchise increased 7% to £15 billion.*
† *Group Treasury deposits include the SARB funding facility related to the South African Covid-19 government-guaranteed loan scheme and the bounce back facility.*
‡ *Aldermore's utilisation of the BoE term funding scheme increased marginally by 1% to £1.08 billion.*

The group's funding mix remains anchored by its deposit franchises, resulting in marginal changes in overall composition only. Marginal growth in institutional funding reflects liquidity availability and improved market pricing dynamics.

Funding mix
(%)



Funding by instrument type
(%)



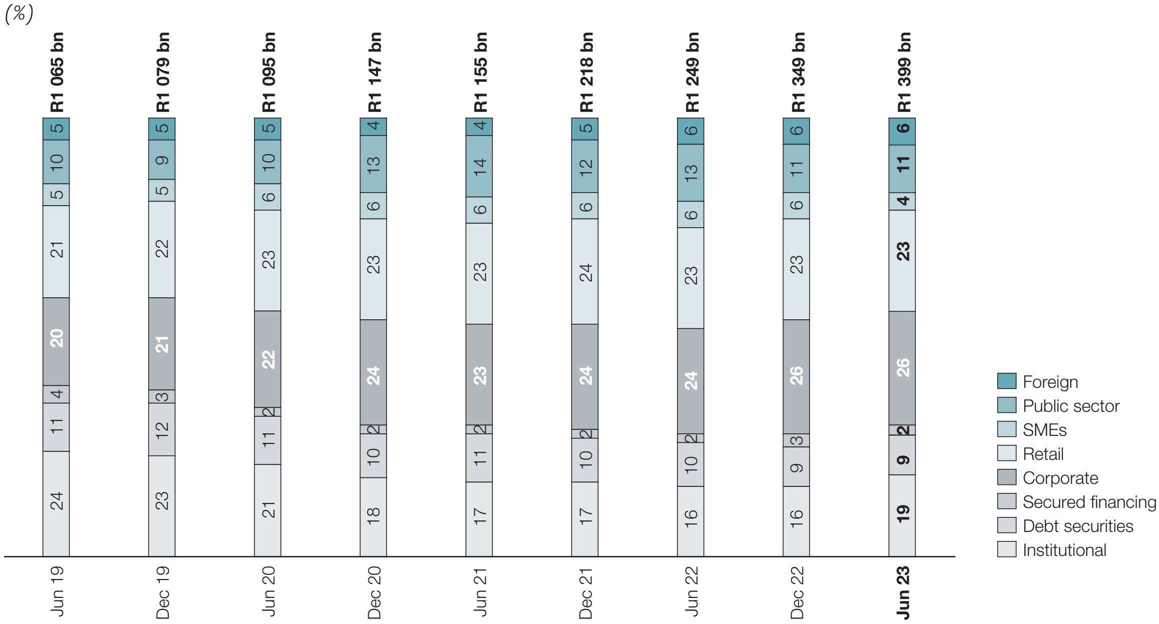
Funding and liquidity continued

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

BANK COUNTERPARTY FUNDING ANALYSIS*

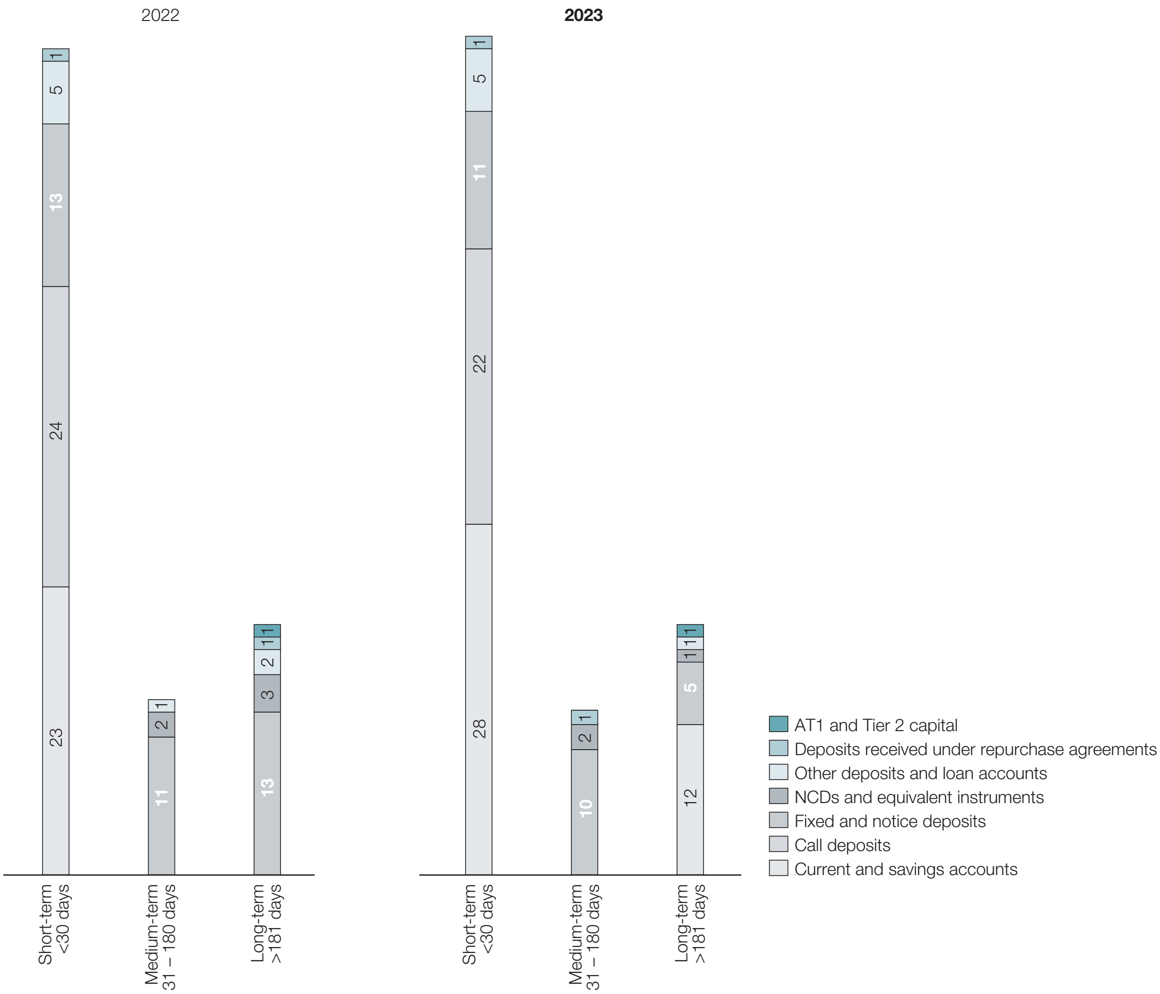
	As at 30 June				
	2023				2022
% of funding liabilities	**Total**	**Short term**	**Medium term**	**Long term**	Total
Institutional	**18.5**	**9.2**	**3.3**	**6.0**	15.5
ZAR	**18.0**	**8.9**	**3.2**	**5.9**	15.2
FX	**0.5**	**0.3**	**0.1**	**0.1**	0.3
Debt securities	**9.0**	**–**	**1.1**	**7.9**	9.9
Secured financing	**2.0**	**0.6**	**0.6**	**0.8**	1.8
Corporate	**26.4**	**23.9**	**2.1**	**0.4**	24.3
ZAR	**24.8**	**22.3**	**2.1**	**0.4**	22.6
FX	**1.6**	**1.6**	**–**	**–**	1.7
Retail	**23.3**	**17.9**	**3.3**	**2.1**	23.5
ZAR	**22.7**	**17.3**	**3.3**	**2.1**	22.9
FX	**0.6**	**0.6**	**–**	**–**	0.6
SMEs	**4.4**	**3.8**	**0.5**	**0.1**	6.1
Public sector	**10.9**	**9.1**	**1.3**	**0.5**	12.7
Foreign	**5.5**	**3.9**	**0.4**	**1.2**	6.2
Total	**100.0**	**68.4**	**12.6**	**19.0**	100.0

Bank funding analysis by source*
(%)



* *Excluding foreign branches.*

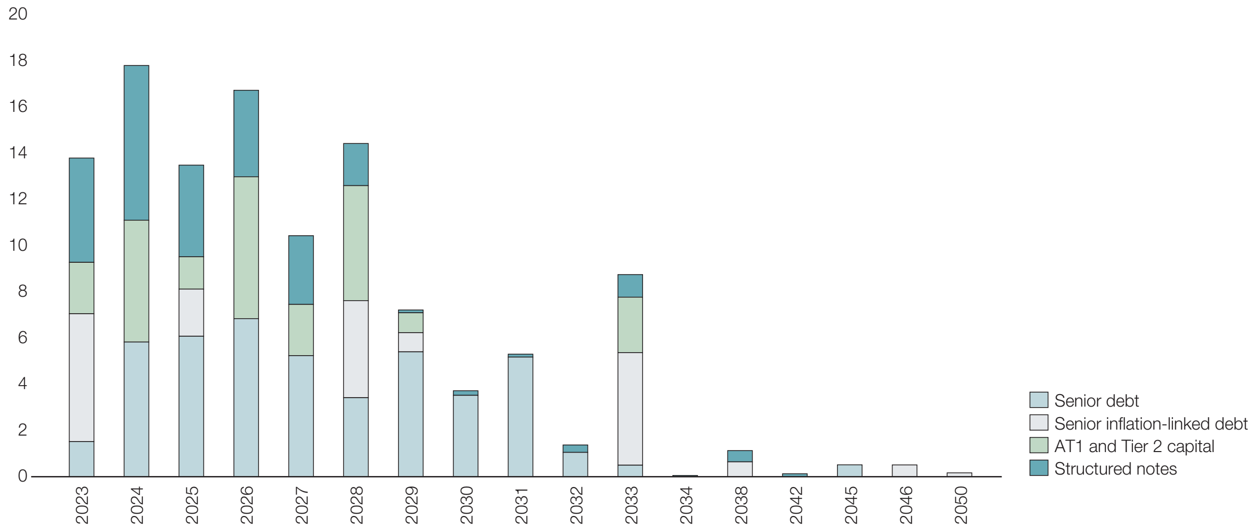
Funding liabilities by instrument type and term
(%)



Funding and liquidity continued

The maturity profile of the bank's capital market instruments is depicted in the following chart. The bank does not have significant instrument-specific concentration risk in any one year and seeks to issue across benchmark tenors, taking pricing and investor demand into consideration. Finalisation of regulations regarding flac and financial conglomerates will influence future issuance considerations.

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



* *Including foreign branches.*

Foreign currency balance sheet

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

UK operations

Aldermore has a diversified and flexible funding strategy and is predominantly funded by deposits from retail and business clients. Customer deposits amounted to £15 billion at June 2023.

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

MotoNovo is supported by Aldermore's funding resources, with new business funded via a combination of on-balance sheet deposits and institutional and structured funding, including market securitisations and warehouses.

MotoNovo's back book (originated prior to May 2019) forms part of the bank's London branch and remains funded through existing funding mechanisms. Back book net advances continue to amortise.

Liquidity risk position

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

COMPOSITION OF LIQUID ASSETS

	As at 30 June	
R billion	**2023**	2022
Cash and deposits with central banks	**99**	60
Short-term liquidity instruments	**114**	119
Long-term investment securities	**176**	128
Other liquid assets	**27**	34
Total liquid assets	**416**	341

The level of liquid assets increased during the year under review. This was a function of growth in the underlying deposit franchise, which requires a higher regulatory outflow factor compared to contractually longer-dated institutional funding. There was also an increase in deposits with central banks following the MPIF, which changed to a surplus system. The growth in long-term securities reflects an increase in repo activities where the underlying securities have long-term tenors.

The group recognises that although there is a regulatory requirement to hold certain types of liquid assets, these assets do come with credit risk. The group utilises an IMF-based framework for the assessment and monitoring of sovereign risk by jurisdiction. This process informs the composition and duration of liquid assets held, varying from central bank reserves to treasury bills and bonds.

Liquidity ratios for the group and bank at June 2023 are summarised below.

LIQUIDITY RATIOS

	Group*		Bank*	
%	**LCR****	**NSFR**	**LCR****	**NSFR**
Regulatory minimum	**100**	**100**	**100**	**100**
Actual	**124**	**121**	**129**	**120**

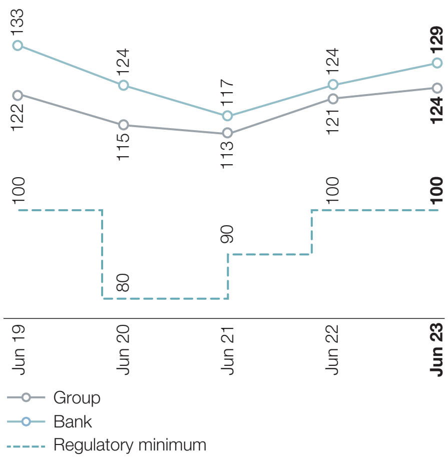
* *The group's LCR and NSFR include the bank's operations in South Africa, and all registered banks and foreign branches in the group. The bank's LCR and NSFR reflect South African operations only.*

** *The LCR is calculated as a simple average of 91 days of daily observations over the period ended 30 June 2023 for FirstRand Bank South Africa and the London branch. The remaining banking entities, including Aldermore and the India and Guernsey branches, are based on the month-end or quarter-end values. The figures are based on the regulatory submissions to the PA.*

Funding and liquidity continued

The graphs below provide a historical view of the prudential liquidity ratios for both the group and the bank.

LCR
(%)



NSFR
(%)

Capital

Capital management approach

A comprehensive overview of the group's capital management approach is provided in the Basel Pillar 3 disclosure for the year ended 30 June 2023, which is available at www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures/.

Year under review

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

CAPITAL ADEQUACY AND LEVERAGE RATIOS

	Capital			Leverage
%	CET1	Tier 1	Total	Total
Regulatory minimum*	8.8	11.0	13.3	4.0
Internal target**	11.0 – 12.0	>12.0	>14.75	>5.5
Actual (including unappropriated profits)#				
2023	**13.2**	**13.8**	**15.6**	**7.8**
2022	13.9	14.5	16.7	8.0

* *Includes the group's domestic systemically important bank (D-SIB) requirement of 1.5% and a CCyB requirement of 0.28% based on the 1% UK CCyB requirement. The individual capital requirement (Pillar 2B) is confidential and therefore excluded.*

** *Group total capital adequacy target revised to >14.75% given the CCyB for UK businesses. Bank total capital adequacy target remains at >14.25%.*

\# *Refer to the Basel Pillar 3 standardised disclosures at www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures/ for ratios excluding unappropriated profits.*

The Bank of England reinstated the UK CCyB add-on of 1% in December 2022, with a further step-up to 2% in July 2023. Given the reciprocity agreement in place with the PA in South Africa, the group's regulatory minimum requirement is expected to increase by a further 28 bps following the increase in the UK CCyB to 2% in July 2023. Consequently, the group's total capital adequacy target for FY24 has been lifted by 50 bps to >14.75% and no changes have been made to the group's CET1 and Tier 1 targets. The bank's internal targets remain unchanged.

There is ongoing focus on optimising the overall level and mix of capital across the group and its regulated subsidiaries. The bank has issued a combination of AT1 and Tier 2 instruments to ensure sustainable support for ongoing growth initiatives and redemption of existing capital instruments, as well as a focus on filling the buckets for AT1 and Tier 2. This follows the payment of the special dividend in October 2022 and redemption of the bank's US$500 million Tier 2 instrument in April 2023.

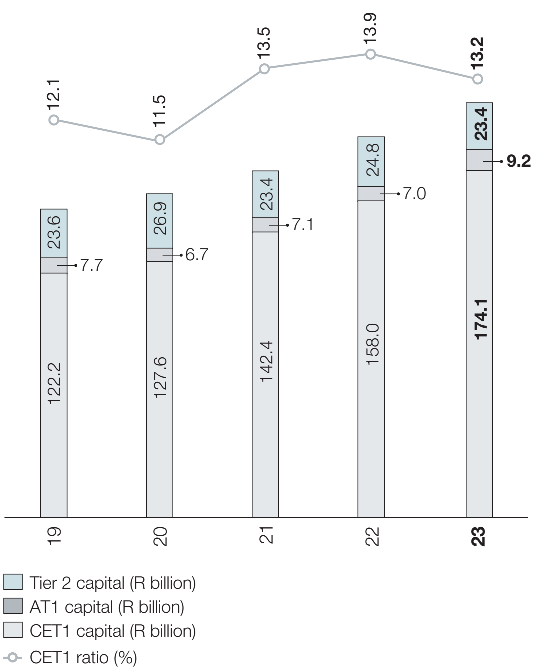
The group continues to enhance the use of economic capital in risk-based decision-making, including capital allocation. The assessment of economic risk aligns with FirstRand's economic capital framework to ensure the group remains solvent at a confidence interval of 99.93%, and that it can deliver on its commitments to stakeholders over a one-year horizon. Regular reviews of the economic capital position are carried out across the group, enabling efficient portfolio optimisation with respect to financial resource management and portfolio behaviour. For the year under review, the group continued to meet its economic capital requirements and reported an economic capital multiple (loss-absorbing capital/economic capital requirement) of 1.5 times on a post-diversified basis.

Capital continued

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

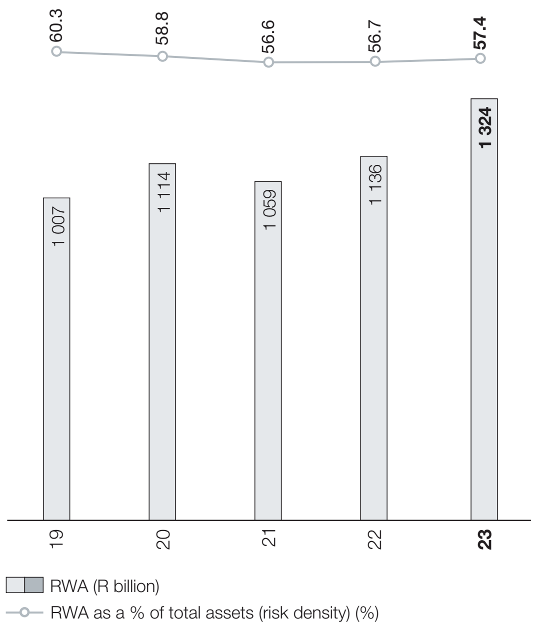
The increase in the group's risk density reflects changes in the balance sheet mix.

Capital adequacy*

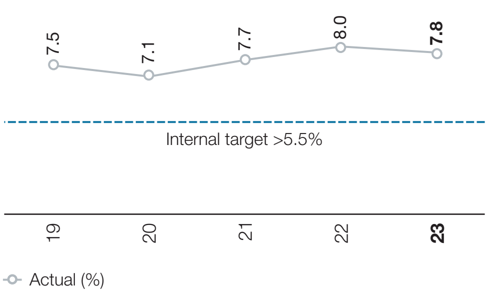


* *Including unappropriated profits.*

RWA history



Leverage*



* *Including unappropriated profits.*

The Basel III leverage ratio is a supplementary risk-based capital measure and is a function of Tier 1 capital, and total on- and off-balance sheet exposures. The decrease in the leverage ratio to June 2023 mainly relates to an increase in total exposures, partly offset by an increase in Tier 1 capital.

Supply of capital

COMPOSITION OF CAPITAL*

	As at 30 June	
R million	**2023**	2022
CET1 capital	**174 134**	157 988
Additional Tier 1 capital	**9 194**	7 040
Tier 1 capital	**183 328**	165 028
Tier 2 capital	**23 433**	24 834
Total qualifying capital	**206 761**	189 862

* *Including unappropriated profits. Refer to the Basel Pillar 3 standardised disclosures at www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures/ for additional detail on the composition of capital.*

Key drivers

June 2023 vs June 2022

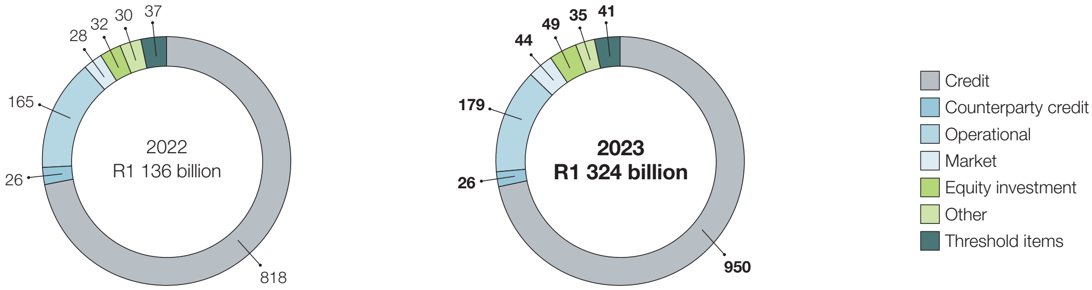
CET 1 capital	▲	• Positive earnings generation partly offset by the payment of ordinary and special dividends during the year. • Increase in the foreign currency translation reserve given significant rand depreciation against hard currencies.
AT1 capital	▲	• AT1 issuance (R3 billion) in line with the group's focus on rebalancing the overall capital stack.
Tier 2 capital	▼	• Tier 2 issuance (R8 billion) to replace existing instruments (US$500 million and R4 billion) redeemed during the year, reflecting a tilt towards a higher proportion of AT1 instruments in the capital stack.

Additional detail on the group's capital instruments is included on page 157.

Capital continued

Demand for capital

RWA analysis
(R billion)



Key drivers

2023 vs 2022

Credit	▲	• Foreign currency movements and volume growth, partly offset by model refinements and optimisation.
Counterparty credit	↔	• Decreased risk positions supported by increased central clearing and collateral activities to mitigate derivative risk.
Operational	▲	• Updates to model input data and the regulatory capital floor for entities on the advanced measurement approach, as well as changes in average gross income for entities on the basic indicator and standardised approaches.
Market	▲	• Increased exposure driven by the weakening local currency and tightening of global monetary policy impacting historical scenarios.
Equity	▲	• New investments, fair value movements and consolidation of the empowerment trusts.
Other	▲	• Increase in other assets, and property and equipment.
Threshold items	▲	• Increase in deferred income tax assets, and financial, banking and insurance investments.

Capital adequacy position for the group and its regulated entities

RWA AND CAPITAL ADEQUACY POSITIONS OF FIRSTRAND AND ITS REGULATED ENTITIES

	As at 30 June		
	2023		2022
	Total minimum requirement*	**Total capital adequacy**	Total capital adequacy
Banking (%)			
Basel III (PA regulations)			
FirstRand**	**13.3**	**15.6**	16.7
FirstRand Bank**,#	**13.0**	**15.4**	17.7
FirstRand Bank South Africa**	**13.0**	**15.1**	17.4
FirstRand Bank London	**13.3**	**19.6**	21.6
FirstRand Bank India†	**13.0**	**>100**	>100
FirstRand Bank Guernsey	**13.0**	**68.5**	43.0
Basel III (local regulations)			
Aldermore Bank	**13.6**	**21.0**	19.6
FNB Namibia	**10.0**	**17.1**	20.4
Basel II (local regulations)			
FNB Botswana	**12.5**	**18.1**	17.9
RMB Nigeria	**10.0**	**22.6**	35.7
FNB Eswatini	**8.0**	**21.5**	23.2
First National Bank Ghana	**10.0**	**16.1**	34.1
FNB Mozambique	**12.0**	**20.5**	28.7
Basel I (local regulations)			
FNB Zambia	**10.0**	**29.3**	34.0
FNB Lesotho	**8.0**	**16.5**	19.9
Insurance (times)‡			
FirstRand Life Assurance (FNB Life)	**1.0**	**1.8**	1.9
FirstRand STI	**1.0**	**5.0**	1.9
FRISCOL	**1.0**	**2.5**	1.8

* *Excluding any confidential bank-specific requirements.*

** *Including unappropriated profits.*

Including foreign branches.

† *The branch is in the process of being wound down.*

‡ *Solvency capital requirements as per quarterly returns as at 30 June 2023.*

Performance measurement

The group aims to deliver sustainable returns to its shareholders. Each business unit is evaluated on shareholder value created. The group's specific performance measures are economic profit (NIACC) and returns (ROE).

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

NIACC has increased by 19% due to the growth in normalised earnings of 12% and the 9% increase in average shareholders' equity after payment of the special dividend. The group's ROE improved from 20.6% to 21.2%, above the group's cost of equity (COE) of 14.25%.

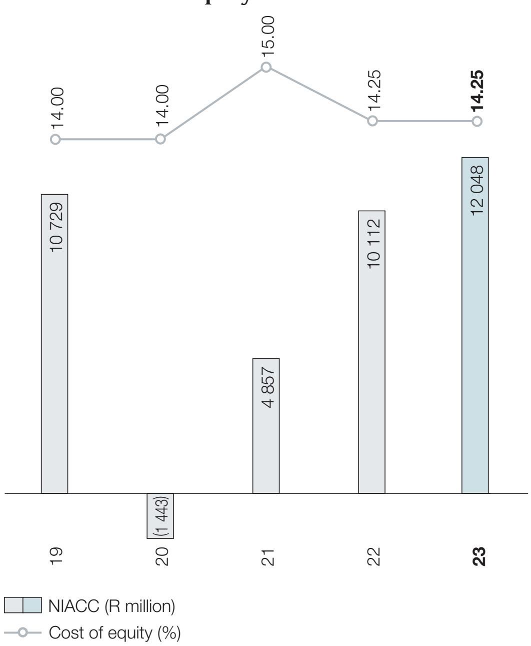
NIACC AND ROE

	Year ended 30 June		
R million	**2023**	2022	% change
Normalised earnings attributable to ordinary shareholders	**36 669**	32 663	12
Capital charge*	**(24 621)**	(22 551)	9
NIACC	**12 048**	10 112	19
Average ordinary shareholders' equity and reserves	**172 778**	158 252	9
ROE (%)	**21.2**	20.6	
Cost of equity (%)**	**14.25**	14.25	
Return on average RWA (%)	**2.98**	2.98	

* *Capital charge = cost of equity x average ordinary shareholders' equity and reserves.*

** *The group's cost of equity is calculated using the capital asset pricing model. The risk-free rate of 9.3% (2022: 9.3%) is determined through a fair value assessment of the South African risk-free rate, with the calculations referencing the global risk-free yield and the country risk premium as well as expected inflation adjusted for potential future inflation uncertainty. The risk premium of 4.95% (2022: 4.95%) is determined using the FirstRand beta and equity risk premium.*

NIACC and cost of equity



Shareholder value creation

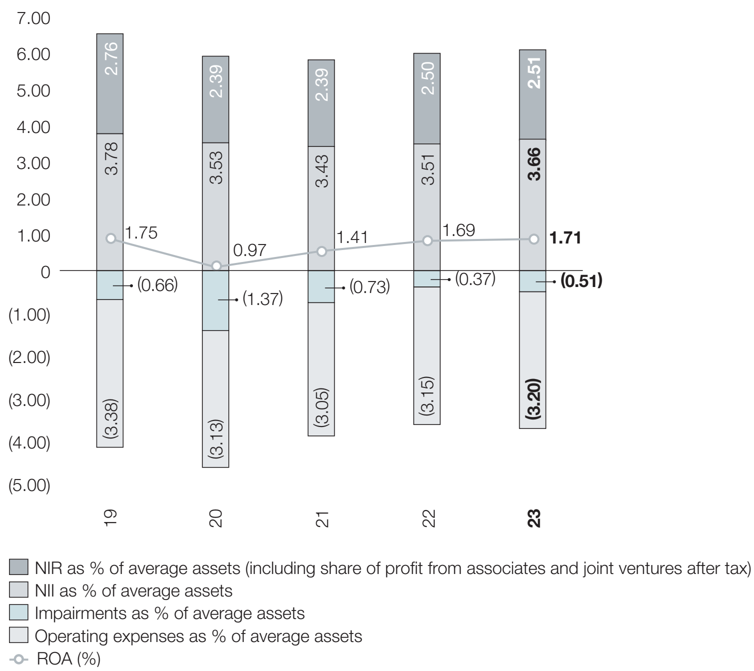
The decomposition of the ROE in the table below indicates that the improvement in ROE was largely driven by an improvement in return on assets (ROA).

	Year ended 30 June				
	2023	2022	2021	2020	2019
ROA (%)	**1.71**	1.69	1.41	0.97	1.75
Gearing*	**12.4**	12.2	13.0	13.3	13.0
ROE (%)	**21.2**	20.6	18.4	12.9	22.8

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

The following graph provides a summary of the drivers of the ROA over time. The increase in ROA from 1.69% at 30 June 2022 to 1.71% at 30 June 2023 was primarily driven by the increase in revenue for the year, which was offset by an increase in impairments. Average total assets increased 11%.

ROA analysis



Note: The graph shows each item before tax and non-controlling interests as a percentage of average assets.
ROA is calculated as normalised earnings (after tax and non-controlling interests) as a percentage of average assets.

Performance measurement continued

Operating business performance

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

ROE AND NORMALISED EARNINGS PER BUSINESS

	Year ended 30 June			
	2023		2022	
R million	**Normalised earnings**	**ROE %**	Normalised earnings	ROE %
Retail and commercial	**23 774**	**38.9**	21 240	37.2
– FNB	**21 915**	**41.7**	19 636	40.6
– WesBank	**1 859**	**22.0**	1 604	18.6
Corporate and institutional – RMB	**9 152**	**21.2**	8 196	22.1
UK operations*	**3 356**	**11.6**	2 981	11.8
Centre (including Group Treasury)**	**387**	**1.0**	246	0.6
FirstRand group	**36 669**	**21.2**	32 663	20.6
Broader Africa#	**4 141**	**20.9**	2 892	16.5

* *Aldermore and MotoNovo (front and back books). In the segment report on pages 44 to 51, the MotoNovo back book is included in the Centre. Normalised earnings include the return on capital and cost of other capital instruments allocated to the MotoNovo back book. ROEs are calculated in pound terms.*

** *Includes the unallocated capital.*

Comprises in-country as well as cross-border deals booked on the South Africa, London branch and RMB Mauritius balance sheets, where the deal originated in a broader Africa jurisdiction.

BUSINESS ROAs

	Year ended 30 June	
%	**2023**	2022
Retail and commercial	**3.49**	3.36
– FNB	**4.16**	4.03
– WesBank	**1.20**	1.11
Corporate and institutional – RMB	**1.36**	1.35
UK operations*	**0.82**	0.82
Centre (including Group Treasury)	**0.10**	0.07
FirstRand group	**1.71**	1.69

* *Aldermore and MotoNovo front and back books. ROAs are calculated in pound terms.*

The table below provides a geographical analysis of capital allocated.

GEOGRAPHICAL ANALYSIS OF AVERAGE CAPITAL ALLOCATED

	Year ended 30 June				
R million	**2023**	**% composition**	2022	% composition	% change
South Africa and other*	**123 779**	**72**	116 014	73	7
Broader Africa**	**19 860**	**11**	17 496	11	14
UK operations#	**29 139**	**17**	24 742	16	18
FirstRand group	**172 778**	**100**	158 252	100	9

* *Exclude cross-border deals.*

** *Comprises in-country as well as cross-border deals booked on the South Africa, London branch and RMB Mauritius balance sheets, where the deal originated in a broader Africa jurisdiction.*

Aldermore and MotoNovo front and back books. UK operations capital represents a quarterly average with pound sterling capital converted to rand using period-end closing exchange rates.

The table below provides a geographical ROE analysis.

GEOGRAPHICAL ROE ANALYSIS

	Year ended 30 June	
%	**2023**	2022
South Africa and other*	**23.6**	23.1
Broader Africa**	**20.9**	16.5
UK operations#	**11.6**	11.8
FirstRand group	**21.2**	20.6

* *Exclude cross-border deals.*

** *Comprises in-country as well as cross-border deals booked on the South Africa, London branch and RMB Mauritius balance sheets, where the deal originated in a broader Africa jurisdiction.*

Aldermore and MotoNovo front and back books. ROEs are calculated in pound terms.

Regulatory update

Resolution framework

In January 2022, the President signed into law the Financial Sector Laws Amendment Act 23 of 2021 (FSLAA), which amends the Financial Sector Regulation Act 9 of 2017. On 24 March 2023, a commencement schedule for the provisions of the FSLAA was published, setting out the implementation dates for key elements of the resolution framework. One of the pivotal provisions effected by the schedule was the designation of the SARB as the resolution authority effective 1 June 2023 and providing it with the necessary powers to operationalise an effective resolution regime and issue resolution standards. The SARB has commenced its engagement with SIFIs on resolution planning.

The Corporation for Deposit Insurance (CoDI) was also established as a legal entity in March 2023 and will be fully operational in April 2024. The group's initial impact assessments suggest an annual CoDI cost of between R230 million and R280 million for a covered deposit balance of approximately R110 billion.

A new tranche of loss-absorbing instruments (flac instruments), which will be subordinated to other unsecured creditors and intended for bail-in during resolution, has also been introduced. The cost of flac instruments will depend on final calibration levels and is expected to be incurred on a phased-in basis from the proposed implementation date of 2025. These costs will be incorporated into the group's ALM strategies with various transmission mechanisms being analysed and considered as part of the group's FRM process.

Capital

Guidance Note 3 of 2023, *Proposed implementation dates in respect of specified regulatory reforms*, was published in July 2023 and outlined the proposed implementation dates for the remaining Basel reforms. The implementation dates have been delayed to July 2025 onwards, however, the assessment and implementation of the final reforms remain a key focus area. FirstRand continues to actively engage with the industry and regulator, as well as to participate in impact assessments to better understand the effects of the proposed reforms on the group. These have been incorporated into the group's forward-looking capital plan. The impact on the group's capital adequacy ratios is expected to be neutral to positive, following the removal of the 6% scaling factor on advanced credit models and the implementation of the new standardised approach for operational risk. Areas of national discretion, however, have not been finalised and may still shift the final impact of the reforms.

Liquidity

The PA published Directive 11/2022 on 14 December 2022, addressing items of national discretion relating to the LCR. The primary update related to foreign currency liquid assets and their contribution to domestic currency LCR. The directive noted the inclusion of foreign currency denominated level 1 HQLA (subject to an 8% haircut) for purposes of domestic currency LCR, limited to the top 10 most liquid currencies.

The PA published Directive 1/2023 on 23 January 2023, addressing items of national discretion relating to the NSFR. At its inception, the PA amended the NSFR framework to assign a 35% available stable funding (ASF) factor to funding received from financial corporates, excluding banks, that will mature within six months. This amendment reflected an assessment of true liquidity risk and assisted the South African banking sector in meeting the NSFR requirements. To be fully compliant with the NSFR framework as stipulated in global regulations, the PA has decided to phase out the 35% ASF, as outlined in the following table.

Implementation dates	**ASF for funding from financial corporates (excluding banks) maturing within six months**
From 1 June 2023 to 31 December 2023	**30%**
From 1 January 2024 to 31 December 2024	**20%**
From 1 January 2025 to 31 December 2027	**10%**
From 1 January 2028 onwards	**0%**

The first step-down to 30% was implemented in June 2023, resulting in a minor reduction in the bank's NSFR.

Financial conglomerates

The Financial Sector Regulation Act empowers the PA to designate a group of companies as a financial conglomerate and to also regulate and supervise such designated financial conglomerates. The PA is also empowered to issue prudential standards relating to financial conglomerates, and these must be complied with by the holding companies of such financial conglomerates.

The PA published a revised version of the draft capital standard in December 2022. FirstRand has not been designated as a financial conglomerate, however, its designation will be reassessed on a frequent basis. The group voluntarily participates in the field testing of the proposed capital standards.

basis

of preparation

Presentation

Normalised results

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

All normalised entries, as included and described in the *Analysis of financial results* for the year ended 30 June 2023, remain unchanged other than for one new normalisation, being the consolidation of the empowerment vehicles.

This *pro forma* financial information, which is the responsibility of the group's directors, has been prepared for illustrative purposes to more accurately reflect operational performance. Due to its nature it may not fairly present, in terms of IFRS, the group's financial position, changes in equity, and results of operations or cash flows. Details of the nature of these adjustments and reasons therefore can be found below. The *pro forma* financial information should be read in conjunction with the unmodified Deloitte & Touche and PricewaterhouseCoopers Inc. independent reporting accountants report, in terms of International Standard on Assurance Engagements (ISAE 3420), on pages 140 and 141.

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 in the statement of financial position.

Margin-related items included in fair value income

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

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

- the margin on the component of the wholesale advances book in RMB that is measured at 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 01/2023 – 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-based awards.

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 is equal to the grant date fair value of the awards given.

Consolidation of fully vested empowerment vehicles

In terms of IFRS 10, when assessing if a structured entity is controlled by another entity, it must consider whether the sponsoring entity was instrumental in the design and purpose of the mandate and operational parameters of the entity being evaluated, and whether benefits are obtained. Where both these requirements are met, the sponsoring entity is deemed to have control over the entity.

FirstRand's black economic empowerment (BEE) transaction is fully vested and distributed to the broad-based black economic empowerment (B-BBEE) beneficiaries, which include the empowerment trusts. Although the trustees are empowered and responsible for making investment decisions and disbursements to beneficiaries, as FirstRand was instrumental in the initial design, and obtains non-financial benefits, namely BEE ownership points, in terms of IFRS 10, the group is deemed to have control and therefore consolidates the empowerment trusts.

For the purpose of calculating normalised results the consolidation of the trusts is reversed as the assets, liabilities and returns within the trusts are not for the benefit of FirstRand shareholders, either on distribution or dissolution of the trusts.

Headline earnings adjustments

All adjustments required by *Circular 01/2023 – Headline Earnings* in calculating headline earnings are included in normalised earnings on a line-by-line basis based, on the nature of the adjustment.

The description and amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 142.

The consolidated group and FirstRand Limited company audited annual financial statements are available on the group's website at www.firstrand.co.za/investors/integrated-reporting-hub/financial-reporting/.

Restatement of prior year numbers

The group has made the following changes to the presentation of other assets and creditors, accruals and provisions.

Description of restatement

Aldermore applies a dynamic portfolio fair value hedging strategy. IAS 39 requires the change in value of a hedged item (which represents the fair value of the interest rate risk component of the hedged portfolio) to be presented in a manner consistent with the position of the hedged item with a particular repricing period. The group restated its statement of financial position to reflect the change in value of hedged items in an asset position within other assets and in a liability position within creditors, accruals and provisions, respectively. The change in presentation has no impact on the profit or loss or net asset value of the group.

Independent Reporting Accountants' Assurance Report on the Compilation of Pro Forma Financial Information Included in Analysis of Financial Results

for the year ended 30 June 2023

To the Directors of FirstRand Limited

Report on the Assurance Engagement in respect of the Compilation of Pro Forma Financial Information included in the Analysis of Financial Results for the year ended 30 June 2023

We have completed our assurance engagement to report on the compilation of the Pro Forma Financial Information of FirstRand Limited (the "Group") by the directors of the Group. The Pro Forma Financial Information, as set out on pages 138 to 149 of the Analysis of Financial Results, consist of:

- Reconciliation from headline to normalised earnings for the year ended 30 June 2023;
- Reconciliation of normalised to IFRS summary consolidated income statement for the year ended 30 June 2023; and
- Reconciliation of normalised to IFRS summary consolidated statement of financial position as at 30 June 2023.

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

The Pro Forma Financial Information has been compiled by the directors to illustrate the impact of non-operational items and accounting anomalies, on the Group's financial performance and financial position for the year ended 30 June 2023. As part of this process, information about the Group's financial position and financial performance has been extracted by the directors from the Group's financial statements for the year ended 30 June 2023, on which an unmodified audit report was issued on 13 September 2023.

Directors' responsibility for the Pro Forma Financial Information

The directors of the Group are responsible for compiling the Pro Forma Financial Information based on the applicable criteria specified in the JSE Listings Requirements and described in the description of difference between normalised and IFRS results and financial position sections and headline and normalised section of the Analysis of Financial Results for the year ended 30 June 2023.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors' (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

The firms apply the International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibility

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

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

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

The purpose of Pro Forma Financial Information is solely to illustrate the impact of a significant event or transaction, non-operational items and accounting anomalies on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

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

DocuSigned by:
Deloitte & Touche
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Deloitte & Touche
Registered Auditor
Partner: Kevin Black

Johannesburg, South Africa
13 September 2023

DocuSigned by:
PricewaterhouseCoopers Inc.
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PricewaterhouseCoopers Inc.
Registered Auditor
Director: Keith Ackerman

Johannesburg, South Africa
13 September 2023

Statement of headline earnings – IFRS

for the year ended 30 June

R million	**2023**	2022	% change
Profit for the year	**38 712**	34 639	12
Other equity instrument holders	**(1 119)**	(838)	34
Non-controlling interests	**(1 227)**	(1 040)	18
Earnings attributable to ordinary equityholders	**36 366**	32 761	11
Adjusted for	**369**	56	>100
Impairment of non-private equity associates	**–**	25	(100)
Gain on disposal of investments in subsidiaries	**(25)**	(56)	(55)
Loss/(gain) on disposal of property and equipment	**43**	(8)	(>100)
Compensation from third parties for impaired/lost property and equipment	**–**	(109)	(100)
Fair value movement on investment properties	**25**	19	32
Impairment of goodwill*	**342**	60	>100
Impairment of assets in terms of IAS 36	**61**	136	(55)
Other	**–**	(3)	(100)
Tax effects of adjustments	**(27)**	5	(>100)
Non-controlling interest adjustments	**(50)**	(13)	>100
Headline earnings	**36 735**	32 817	12

* *Includes Ghana goodwill impairment of R89 million.*

Reconciliation from headline to normalised earnings

for the year ended 30 June

R million	2023	2022	% change
Headline earnings	**36 735**	32 817	12
Adjusted for	**(66)**	(154)	(57)
TRS and IFRS 2 liability remeasurement*	**–**	(58)	(100)
Treasury shares**	**17**	2	>100
IAS 19 adjustment	**(98)**	(104)	(6)
Private equity related#	**15**	6	>100
Normalised earnings	**36 669**	32 663	12

* *The group uses various total return swaps (TRS) with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's long-term incentive schemes. The TRS is accounted for as a derivative in terms of IFRS, with the fair value change recognised in NIR unless it qualifies for hedge accounting. FirstRand's share price increased R6.13 in the current year and R8.78 in the prior year. This results in mark-to-market volatility year-on-year being included in the group's IFRS attributable earnings. The normalised results reflect the adjustment to normalise this year-on-year IFRS fair value volatility from the TRS, as described in more detail on page 139.*

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

Realisation of private equity subsidiaries net of private equity related goodwill and other asset impairments.

Reconciliation of normalised to IFRS summary consolidated income statement

for the year ended 30 June 2023

R million	**Normalised**	Private equity related	Treasury shares*	Margin-related items included in fair value income
Net interest income before impairment of advances	**78 616**	–	–	(2 402)
Impairment charge	**(10 949)**	–	–	–
Net interest income after impairment of advances	**67 667**	–	–	(2 402)
Total non-interest revenue	**53 863**	(43)	(16)	2 402
– Operational non-interest revenue	**53 370**	(43)	(10)	2 402
– Share of profit of associates and joint ventures after tax	**493**	–	(6)	–
Income from operations	**121 530**	(43)	(16)	–
Operating expenses	**(68 640)**	21	–	–
Income before indirect tax	**52 890**	(22)	(16)	–
Indirect tax	**(1 632)**	–	–	–
Profit before tax	**51 258**	(22)	(16)	–
Income tax expense	**(12 193)**	7	(1)	–
Profit for the year	**39 065**	(15)	(17)	–
Attributable to				
Other equity instrument holders	**(1 119)**	–	–	–
Non-controlling interests	**(1 277)**	–	–	–
Ordinary equityholders	**36 669**	(15)	(17)	–
Headline and normalised earnings adjustments	**–**	15	17	–
Normalised earnings attributable to ordinary equityholders of the group	**36 669**	–	–	–

* *FirstRand shares held for client trading activities.*

	IAS 19 adjustment	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
	–	–	223	**76 437**
	–	–	–	**(10 949)**
	–	–	223	**65 488**
	–	(42)	(363)	**55 801**
	–	(42)	(363)	**55 314**
	–	–	–	**487**
	–	(42)	(140)	**121 289**
	134	(404)	140	**(68 749)**
	134	(446)	–	**52 540**
	–	–	–	**(1 632)**
	134	(446)	–	**50 908**
	(36)	27	–	**(12 196)**
	98	(419)	–	**38 712**
	–	–	–	**(1 119)**
	–	50	–	**(1 227)**
	98	(369)	–	**36 366**
	(98)	369	–	**303**
	–	–	–	**36 669**

Reconciliation of normalised to IFRS summary consolidated income statement

for the year ended 30 June 2022

R million	Normalised	Private equity related	Treasury shares*	Margin-related items included in fair value income
Net interest income before impairment of advances	67 856	–	–	(1 716)
Impairment charge	(7 080)	–	–	–
Net interest income after impairment of advances	60 776	–	–	(1 716)
Total non-interest revenue	48 362	3	(3)	1 716
– Operational non-interest revenue	46 856	3	(13)	1 716
– Share of profit of associates and joint ventures after tax	1 506	–	10	–
Income from operations	109 138	3	(3)	–
Operating expenses	(61 024)	(9)	–	–
Income before indirect tax	48 114	(6)	(3)	–
Indirect tax	(1 433)	–	–	–
Profit before tax	46 681	(6)	(3)	–
Income tax expense	(12 127)	–	1	–
Profit for the year	34 554	(6)	(2)	–
Attributable to				
Other equity instrument holders	(838)	–	–	–
Non-controlling interests	(1 053)	–	–	–
Ordinary equityholders	32 663	(6)	(2)	–
Headline and normalised earnings adjustments	–	6	2	–
Normalised earnings attributable to ordinary equityholders of the group	32 663	–	–	–

* *FirstRand shares held for client trading activities.*

IAS 19 adjustment	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
–	–	235	66 375
–	–	–	(7 080)
–	–	235	59 295
–	132	(471)	49 739
–	157	(471)	48 248
–	(25)	–	1 491
–	132	(236)	109 034
144	(196)	316	(60 769)
144	(64)	80	48 265
–	–	–	(1 433)
144	(64)	80	46 832
(40)	(5)	(22)	(12 193)
104	(69)	58	34 639
–	–	–	(838)
–	13	–	(1 040)
104	(56)	58	32 761
(104)	56	(58)	(98)
–	–	–	32 663

Reconciliation of normalised to IFRS summary consolidated statement of financial position

as at 30 June 2023

R million	Normalised	Treasury shares*	Empower-ment fund reserve	IFRS
ASSETS				
Cash and cash equivalents	175 304	–	–	175 304
Derivative financial instruments	85 956	–	–	85 956
Commodities	17 252	–	–	17 252
Investment securities	416 423	(199)	2 916	419 140
Advances	1 539 375	–	–	1 539 375
– Advances to customers	1 455 422	–	–	1 455 422
– Marketable advances	83 953	–	–	83 953
Other assets	3 760	–	–	3 760
Current tax asset	925	–	–	925
Non-current assets and disposal groups held for sale	1 359	–	–	1 359
Reinsurance assets	554	–	–	554
Investments in associates	10 400	–	–	10 400
Investments in joint ventures	3 057	48	–	3 105
Property and equipment	21 155	–	–	21 155
Intangible assets	10 278	–	–	10 278
Investment properties	353	–	–	353
Defined benefit post-employment asset	25	–	–	25
Deferred income tax asset	8 669	–	–	8 669
Total assets	2 294 845	(151)	2 916	2 297 610
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	12 753	–	–	12 753
Derivative financial instruments	70 354	–	–	70 354
Creditors, accruals and provisions	43 389	–	–	43 389
Current tax liability	471	–	–	471
Liabilities directly associated with disposal groups held for sale	–	–	–	–
Deposits	1 923 103	–	–	1 923 103
Employee liabilities	17 074	–	–	17 074
Other liabilities	7 033	–	–	7 033
Policyholder liabilities	8 131	–	–	8 131
Tier 2 liabilities	16 869	–	–	16 869
Deferred income tax liability	752	–	–	752
Total liabilities	2 099 929	–	–	2 099 929
Equity				
Ordinary shares	56	–	–	56
Share premium	8 056	(196)	–	7 860
Reserves	172 586	45	–	172 631
Capital and reserves attributable to equityholders of the group	180 698	(151)	–	180 547
Other equity instruments and reserves	9 930	–	2 916	12 846
Non-controlling interests	4 288	–	–	4 288
Total equity	194 916	(151)	2 916	197 681
Total equities and liabilities	2 294 845	(151)	2 916	2 297 610

* *FirstRand shares held for client trading activities.*

Reconciliation of normalised to IFRS summary consolidated statement of financial position

as at 30 June 2022

R million	Normalised**	Treasury shares*	IFRS**	Restatement	IFRS previously reported
ASSETS					
Cash and cash equivalents	143 636	–	143 636	–	143 636
Derivative financial instruments	65 667	–	65 667	–	65 667
Commodities	17 580	–	17 580	–	17 580
Investment securities	382 280	(131)	382 149	–	382 149
Advances	1 334 324	–	1 334 324	–	1 334 324
– Advances to customers	1 262 083	–	1 262 083	–	1 262 083
– Marketable advances	72 241	–	72 241	–	72 241
Other assets	4 764	–	4 764	(4 833)	9 597
Current tax asset	624	–	624	–	624
Non-current assets and disposal groups held for sale	1 501	–	1 501	–	1 501
Reinsurance assets	583	–	583	–	583
Investments in associates	8 178	–	8 178	–	8 178
Investments in joint ventures	2 564	54	2 618	–	2 618
Property and equipment	19 725	–	19 725	–	19 725
Intangible assets	9 459	–	9 459	–	9 459
Investment properties	698	–	698	–	698
Defined benefit post-employment asset	35	–	35	–	35
Deferred income tax asset	8 027	1	8 028	–	8 028
Total assets	1 999 645	(76)	1 999 569	(4 833)	2 004 402
EQUITY AND LIABILITIES					
Liabilities					
Short trading positions	14 623	–	14 623	–	14 623
Derivative financial instruments	64 547	–	64 547	–	64 547
Creditors, accruals and provisions	30 928	–	30 928	(4 833)	35 761
Current tax liability	803	–	803	–	803
Liabilities directly associated with disposal groups held for sale	824	–	824	–	824
Deposits	1 655 972	–	1 655 972	–	1 655 972
Employee liabilities	13 862	–	13 862	–	13 862
Other liabilities	8 248	–	8 248	–	8 248
Policyholder liabilities	7 424	–	7 424	–	7 424
Tier 2 liabilities	20 937	–	20 937	–	20 937
Deferred income tax liability	692	–	692	–	692
Total liabilities	1 818 860	–	1 818 860	(4 833)	1 823 693
Equity					
Ordinary shares	56	–	56	–	56
Share premium	8 056	(151)	7 905	–	7 905
Reserves	156 745	75	156 820	–	156 820
Capital and reserves attributable to equityholders of the group	164 857	(76)	164 781	–	164 781
Other equity instruments and reserves	11 645	–	11 645	–	11 645
Non-controlling interests	4 283	–	4 283	–	4 283
Total equity	180 785	(76)	180 709	–	180 709
Total equities and liabilities	1 999 645	(76)	1 999 569	(4 833)	2 004 402

* *FirstRand shares held for client trading activities.*

** *Restated – refer to page 139 for more detail.*

supplementary

information

Headline earnings additional disclosure

Set out below is additional information pertaining to section 1 of *Circular 01/2023 – Sector-Specific Rules for Headline Earnings*.

Issue 1 – Remeasurement relating to private equity activities (associates and joint ventures, excluding any private equity investments carried at fair value in terms of IFRS 9) regarded as operating or trading activities

R million	**2023**	2022	% change
Aggregate cost of portfolio	**3 205**	2 766	16
Aggregate carrying value	**6 922**	5 536	25
Aggregate fair value*	**12 725**	10 694	19
Equity-accounted income**	**10**	922	(99)
Profit on realisation#	**823**	3	>100

* *Aggregate fair value is disclosed, including non-controlling interests.*

** *Share of profits from associates and joint ventures is disposed post-tax and impacted by the debt-to-equity restructure. Refer to page 79.*

Profit on realisation is disclosed post-tax and non-controlling interests.

Issue 2 – Capital appreciation on investment products

R million	**2023**	2022	% change
Carrying value of investment properties	**353**	698	(49)
Fair value of investment properties	**353**	698	(49)

Number of ordinary shares in issue

as at 30 June

	2023		2022	
	IFRS	**Normalised**	IFRS	Normalised
Shares in issue				
Number of ordinary shares in issue	**5 609 488 001**	**5 609 488 001**	5 609 488 001	5 609 488 001
Less: treasury shares	**(2 900 304)**	**–**	(2 101 326)	–
– Shares held for client trading*	**(2 900 304)**	**–**	(2 101 326)	–
Number of shares in issue (after treasury shares)	**5 606 587 697**	**5 609 488 001**	5 607 386 675	5 609 488 001
Weighted average number of shares				
Weighted average number of shares before treasury shares	**5 609 488 001**	**5 609 488 001**	5 609 488 001	5 609 488 001
Less: treasury shares	**(3 768 649)**	**–**	(2 751 213)	–
– Shares held for client trading*	**(3 768 649)**	**–**	(2 751 213)	–
Basic and diluted weighted average number of shares in issue	**5 605 719 352**	**5 609 488 001**	5 606 736 788	5 609 488 001

* *For normalised reporting purposes, shares held for client trading activities are treated as externally issued.*

Key market indicators and share statistics

for the year ended 30 June

	2023	2022	% change
Market indicators			
$/R exchange rate			
– Closing	**18.84**	16.41	15
– Average	**17.73**	15.19	17
£/R exchange rate			
– Closing	**23.95**	19.95	20
– Average	**21.31**	20.21	5
SA prime overdraft (%)	**11.75**	8.25	
SA average prime overdraft (%)	**10.27**	7.39	
SA average CPI (%)	**7.05**	5.67	
JSE All Share Index	**76 028**	66 223	15
JSE Banks Index	**9 890**	9 248	7
Share statistics/performance on the JSE			
Number of shares in issue (thousands)	**5 609 488**	5 609 488	–
Share price			
– High for the year (cents)	**7 100**	7 934	(11)
– Low for the year (cents)	**5 680**	5 180	10
– Closing (cents)	**6 850**	6 237	10
Closing price/net asset value per share	**2.13**	2.12	
Closing price/earnings (headline)	**10.45**	10.66	
Shares traded			
– Number of shares (millions)	**3 356**	3 219	4
– Value of shares (R million)	**214 729**	203 812	5
– Turnover in shares traded (%)	**38.30**	36.34	
Market capitalisation (R million)	**384 250**	349 864	10
Share price performance			
FirstRand average share price (cents)	**6 406**	6 283	2
JSE Bank Index (average)	**9 691**	8 977	8
JSE All Share Index (average)	**73 187**	70 132	4

Company information

Directors

WR Jardine (chairman), AP Pullinger (chief executive officer), HS Kellan (financial director), M Vilakazi (chief operating officer), JP Burger, GG Gelink, TC Isaacs, RM Loubser, PD Naidoo, Z Roscherr, SP Sibisi, LL von Zeuner, T Winterboer

Company secretary and registered office

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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

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Auditors

PricewaterhouseCoopers Inc.

4 Lisbon Lane
Waterfall City
Jukskei View
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

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/prospectuses-and-programme-memoranda/
- 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:

Broader Africa

Issuer: First National Bank of Namibia Limited

NSX

Domestic medium-term note programme

ISIN code	
Senior unsecured	
NA000A3K3LR6	NA000A3K3LQ8

Issuer: First National Bank of Botswana Limited

BSE

Domestic medium-term note programme

ISIN code
Subordinated debt
BW0000002377
Senior unsecured
BW0000001916

Credit ratings

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

Capital instruments

BASEL III COMPLIANT AT1 AND TIER 2 INSTRUMENTS

	Maturity date	Call date	Currency (million)	As at 30 June	
				2023	2022
FirstRand Bank					
AT1					
FRB24	Perpetual	2023/11/08	ZAR	**2 265**	2 265
FRB25	Perpetual	2024/09/19	ZAR	**3 461**	3 461
FRB28	Perpetual	2025/12/02	ZAR	**1 400**	1 400
FRB34	Perpetual	2028/06/02	ZAR	**2 804**	–
Total AT1*			ZAR	**9 930**	7 126
Tier 2					
FRB22	2027/12/08	2022/12/08	ZAR	**–**	1 250
FRB23	2027/09/20	2022/09/20	ZAR	**–**	2 750
FRB26	2029/06/03	2024/06/03	ZAR	**1 910**	1 910
FRB27	2031/06/03	2026/06/03	ZAR	**715**	715
FRB29	2031/04/19	2026/04/19	ZAR	**2 374**	2 374
FRB30	2031/04/19	2026/04/19	ZAR	**698**	698
FRB31	2031/11/24	2026/11/24	ZAR	**2 500**	2 500
FRB32	2032/09/28	2027/09/28	ZAR	**2 296**	–
FRB33	2034/09/28	2029/09/28	ZAR	**890**	–
FRB35	2033/02/06	2028/02/06	ZAR	**2 300**	–
FRB36	2033/09/14	2028/09/14	ZAR	**2 500**	–
Reg S	2028/04/23	2023/04/23	USD	**–**	500
Total Tier 2*			ZAR	**16 183**	20 401

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

Refer to the www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures/ for additional information on the terms and conditions of the capital instruments.

Definitions

Additional Tier 1 (AT1) capital	AT1 capital instruments and 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
Core lending advances	Total advances excluding assets under agreements to resell
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 core lending 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 at end of period divided by basic normalised earnings per share
Price-to-book (times)	Closing share price at end of period 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, capital instruments issued out of fully consolidated subsidiaries to third parties, qualifying provisions less specified regulatory deductions
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE

Abbreviations

AC and FV	Amortised cost and fair value
ALM	Asset-liability management
APE	Annual premium equivalent
ASF	Available stable funding
AT1	Additional Tier 1
AUM	Assets under management
B-BBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
BoE	Bank of England
BSE	Botswana Stock Exchange
CAGR	Compound annual growth rate
CCyB	Countercyclical buffer
CET1	Common Equity Tier 1
CIB	Corporate and investment banking
CLR	Credit loss ratio
CoDI	Corporation for Deposit Insurance
COE	Cost of equity
Covid-19	Coronavirus disease
CPI	Consumer price inflation
D-SIB	Domestic systemically important bank
DWT	Dividend withholding tax
ECL	Expected credit loss
FLI	Forward-looking information
FML	Fleet management and leasing
FRB	FirstRand Bank Limited
FREF	FirstRand Empowerment Fund
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRI	FirstRand International Limited
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRISCOL	FirstRand Insurance Services Company
FRM	Financial resource management
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FX	Foreign exchange
GCA	Gross carrying amount
HQLA	High-quality liquid assets
IMF	International Monetary Fund
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
LCH	London Clearing House
LCR	Liquidity coverage ratio
LSE	London Stock Exchange
LTI	Long-term incentive
MPIF	Monetary policy implementation framework

MVNO	Mobile virtual network operator
NAV	Net asset value
NCNR	Non-cumulative non-redeemable
NIACC	Net income after cost of capital
NII	Net interest income
NIM	Net interest margin
NIR	Non-interest revenue
NOSIA	Notice of sums in arrears
NPLs	Non-performing loans
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
PA	Prudential Authority
PBT	Profit before tax
ROA	Return on assets
ROE	Return on equity
RWA	Risk-weighted assets
SA	South Africa
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SIFI	Systemically important financial institution
SME	Small and medium-sized enterprise
SPV	Special purpose vehicle
STI	Short-term incentive
TCFD	Task Force on Climate-related Financial Disclosures
TFS	Toyota Financial Services (Pty) Ltd
TFSME	Term Funding Scheme with additional incentives for SMEs
TRS	Total return swap
TTC	Through-the-cycle
UK	United Kingdom
VAF	Vehicle asset finance
VAPS	Value-added products and services
VSI	Vertical sales index
VWFS	Volkswagen Financial Services (Pty) Ltd
WIM	Wealth and investment management

Abbreviations of financial reporting standards

International Financial Reporting Standards

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

International Accounting Standards

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

IFRS Interpretations Committee Interpretations

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

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