FirstRand Bank

ANNUAL REPORT

for the year ended 30 June 2024

FirstRand Bank

1929/001225/06
Certain entities within the FirstRand group are authorised financial services and credit providers. This report is available on the group's website: **www.firstrand.co.za**

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

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About this report

This report covers the audited financial results of FirstRand Bank Limited based on IFRS® Accounting Standards (IFRS Accounting Standards) for the year ended 30 June 2024.

In the *Analysis of financial results* section of this report (section B), the primary results and accompanying commentary are presented on a normalised basis as FirstRand Bank Limited believes this most accurately reflects its economic performance. The normalised results have been derived from the audited financial results.

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

Simplified group structure

This report covers the results of FRB

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
75%	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%	FirstRand Investment Holdings Guernsey
100%	FirstRand Securities
100%	RMB International Mauritius
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
100%	FirstRand Social Impact Holdings

* *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:
Structure shows effective consolidated shareholding.

FNB Eswatini's shares were listed on the Eswatini Stock Exchange on 5 December 2023, with FREMA disposing of 20% of its shareholding in this process. The listing provides FNB Eswatini with a meaningful local shareholding component and contributes to the development and expansion of the local capital markets. A further 4.99% of shares was transferred into an employee share ownership trust (these shares will be considered treasury shares from a group reporting perspective). FREMA's effective shareholding in FNB Eswatini is now 75.01%.

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 are in FRB, FRI and FRIHL.

A

OVERVIEW OF FIRSTRAND BANK

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

Performance highlights

Normalised earnings
R24.7bn
2023: R24.8bn ↔

Return on equity
22.6%
2023: 23.5% ▼ **90 bps**

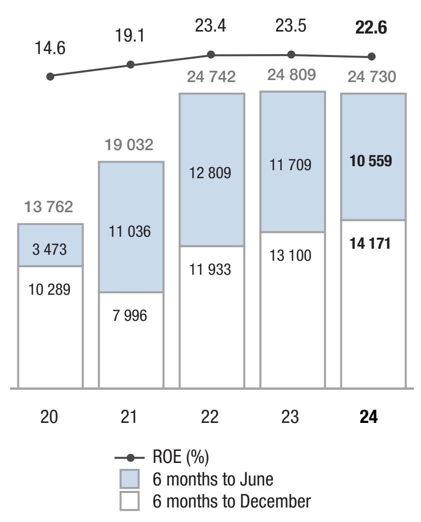
Net asset value
R114.4bn
2023: R104.4bn ▲ **10%**

CET1 ratio
12.4%
2023: 12.6% ▼ **20 bps**

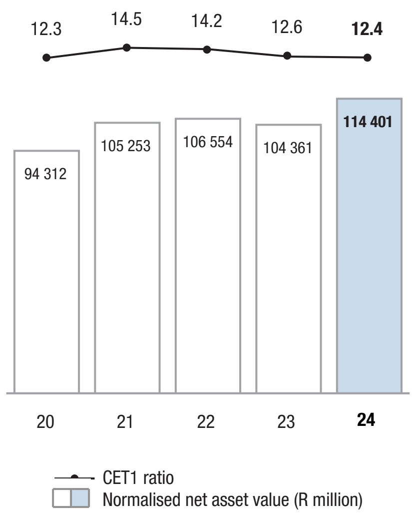
FNB WesBank RMB

Track record

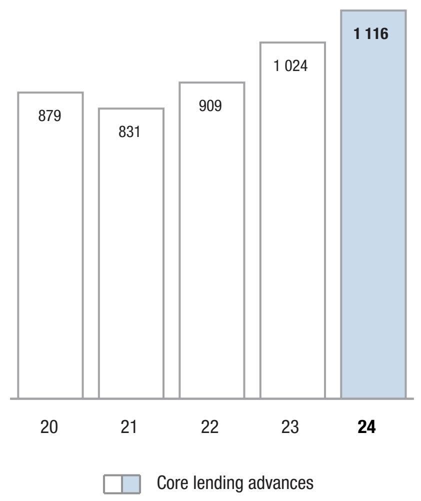
Normalised earnings *(R million)*
and ROE *(%)*
CAGR 16%



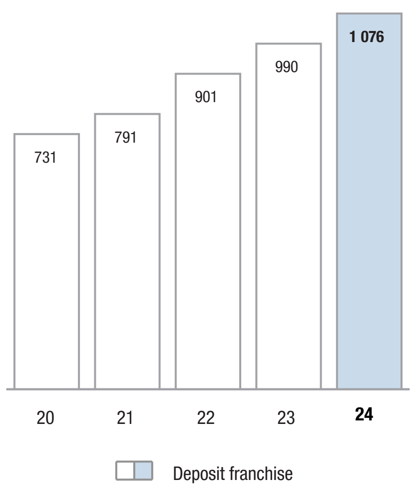
Normalised net asset value
(R million) **and CET1 ratio** *(%)*
CAGR 5%



Core lending advances
(R billion)
CAGR 6%



Deposit franchise
(R billion)
CAGR 10%



Group vs bank

The graphic below illustrates the differences between the group and the bank from a geographical and activity perspective.

FIRSTRAND GROUP

	Inside the bank	Outside the bank
Geographical presence	Branches: • London • Guernsey Representative offices: • Kenya • Angola • Shanghai, China • New York, USA	Full service banking subsidiaries: • Namibia • Botswana • Eswatini • Lesotho • Zambia • Mozambique • Ghana Corporate and investment banking subsidiary: • Nigeria Hard currency platform: • Mauritius Specialist UK bank: • Aldermore
Activities	• Banking in South Africa and in the branches outlined above • Cross-border activities booked on FRB's balance sheet • Insurance (commissions)	• Banking in the subsidiaries outlined above • RMB's private equity businesses • Insurance (life licence, short-term licence, MotoVantage and cell captives) • Asset management (Ashburton Investments) • RMB's USA broker-dealer business

Foreign branches and representation offices

Representative offices (managed by RMB):

- **Kenya:** RMB's offerings range from debt-leveraged finance to aviation, infrastructure and real estate finance, as well as structured trade and working capital solutions, and corporate finance advisory services.
- **Angola:** RMB offers a comprehensive range of financing products and services, as well as trade solutions, to local corporates, multinationals, governments and state-owned enterprises.
- **Shanghai:** Facilitates trade flows between China and the African continent and supports the ongoing investment and infrastructural development that China is able to provide.
- **New York:** RMB supports US-based corporate and institutional clients wishing to invest in and trade with Africa, and this representative office provides RMB with the opportunity to increase and access flows for investment opportunities on the African continent.

Branches:

- **London:** Focuses on funding through capital and banking markets. RMB has a strong track record in arranging and distributing Africa-based debt instruments.
- **Guernsey:** Primarily services high-income and high net worth customers, providing the bank with hard currency deposits, further enabling funding diversification to support hard currency lending activities.
- **India:** Following a review of RMB's strategy in India, it was decided to close the India branch and instead establish a representative office. The branch closure process is under way. RMB has recently established an advisory business in India (RMB Capital India) which is focused on capital raising and mergers and acquisitions (M&A) and has a licence from the Securities and Exchange Board of India. RMB Capital India is a subsidiary of FRI and does not form part of the bank.

Corporate governance

Compliance statement

FirstRand Bank Limited is a wholly owned subsidiary of FirstRand Limited (FirstRand or the group), which is a bank controlling company for the purposes of the South African Banks Act (1990). The governance structures for the bank were constituted at a group level in terms of authority received from the South African Registrar of Banks. The directors of the group ensure compliance with all relevant regulations, including the South African Banks Act, the South African Companies Act, and Basel Committee on Banking Supervision and Financial Stability Board requirements, and other best practice regulations flowing from both local and international authorities. The bank endorses and adheres to the guidelines and principles of King IV. The bank has applied King IV principles. Stakeholders are referred to the group's corporate governance report for the year ended 30 June 2024, which will be made available at https://www.firstrand.co.za/investors/integrated-reporting-hub/governance/ in October 2024, for detailed disclosures on the group's corporate governance practices.

In accordance with section 94(2)(b) of the Companies Act, the audit committee of the group performs the functions under this section on behalf of the bank. The roles of the chairman, lead independent director and chief executive officer are clearly defined in the board charter, demonstrating the clear balance of power and authority at board level that ensures that no one director has unfettered powers of decision-making.

Board changes

Changes to the directorate are outlined below.

Name	Position	Effective date
Appointment		
JP Burger*	Chairman and independent non-executive director (previously non-executive director)	1 December 2023
M Vilakazi**	Chief executive officer (previously chief operating officer)	1 April 2024
MG Davias#	Chief financial officer	1 April 2024
Resignation		
WR Jardine*	Chairman and independent non-executive director	30 November 2023
AP Pullinger**	Chief executive officer	31 March 2024
HS Kellan#	Chief financial officer	31 March 2024
Retirement		
RM Loubser†	Independent non-executive director	30 November 2023

* *JP Burger was an existing non-executive director and appointed as chairman (independent non-executive director) to replace WR Jardine who stepped down as chairman at the AGM held on 30 November 2023.*

** *Following a succession planning process, M Vilakazi was appointed as CEO to replace AP Pullinger who stepped down as CEO.*

\# *Following a succession planning process, MG Davias was appointed as CFO to replace HS Kellan who took up the role of CEO at FNB.*

† *RM Loubser retired, having reached his nine-year tenure on the board.*

Responsibilities of directors

The board of directors of the bank (the board) is responsible for reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, monitoring corporate performance and overseeing major capital expenditure, acquisitions and disposals, information technology and stakeholder relations, while still retaining full and effective control over the bank. The bank has a unitary board and the chairman is an independent non-executive director, in terms of the King IV definition. King IV is a voluntary code of recommendations to ensure good corporate governance practices in South Africa.

The code is, however, mandatory for all JSE-listed entities as per the JSE Listings Requirements.The board steers and sets direction for the bank and brings independent, informed and effective leadership and judgement to bear on the decisions and deliberations reserved for the board, whilst ensuring that strategy, risk, performance and sustainable developments are effectively integrated and appropriately balanced. The board is supported by senior management and the strategic executive committee in discharging its fiduciary duties, governance and responsibilities objectively and effectively.

Composition and frequency of meetings

A common, unitary board serves the group and the bank. Johan Petrus Burger has been appointed as the independent non-executive chairman with effect from 1 December 2023. Johan has extensive experience and has served previously as a non-executive director on the bank and group boards. His experience and knowledge of the group enable him to fulfil the role of chairman efficiently and effectively. The chairman's duties and responsibilities are clearly defined in the board charter and are in accordance with the provisions of King IV, JSE Listings Requirements and the Banks Act. It is also the view of the directors that a strong independent element of non-executive directors exists in the board and that this provides the necessary objectivity and independence of mind essential for its effective functioning. The roles of chairman and CEO are separate, with segregated duties. The group's audit committee is constituted in respect of its duties in terms of section 94(7) of the Companies Act no. 71 of 2008 and section 64 of the Banks Act (1990).

The board comprises ten directors of whom two serve in an executive capacity. The other eight directors are independent non-executive directors. The directors of the bank are listed on page A10. Non-executive directors are individuals of high calibre with diverse backgrounds and expertise. This ensures that their views carry significant weight in the board's deliberations and decisions.

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

The board operates in terms of an approved charter, which includes a formal schedule of matters it oversees. The board meets quarterly and, should an important matter arise between scheduled meetings, additional meetings are convened. Directors attend scheduled board meetings; a bilateral with the Prudential Authority (PA) held in November; a trilateral meeting with the board, PA and internal and external audit; and a strategic conference. Scheduled training programmes are also attended by the directors to ensure continued professional development.

The board adopted the FirstRand code of ethics which is aligned to best practice. Board members have access to accurate, relevant and timely information. Any director may call on the advice and professional services of the company secretary, who gives guidance on legislative or procedural matters. Directors are also entitled to seek independent professional advice, at the bank's expense, in support of their duties.

Limitation to appointment period

There is a formal and transparent nomination policy for the board in accordance with the JSE's Debt Listings Requirements. The Companies Act requirements for non-executive directors nominated to the bank must be met. At the company's annual general meeting, non-executive directors (aside from the chair) are up for re-election and rotate positions every three years. Re-election of the non-executive directors (apart from the chairman) is conducted in accordance with the company's memorandum of incorporation, regulations of the Companies Act, and JSE Listings Requirements.

The retirement age of non-executive directors (other than the chair) is set at age 70 and directors are eligible for re-election. After turning 70 a director will vacate his/her office at the close of the annual general meeting, unless the board resolves to extend their service for an additional one year in each instance, should their specialised skills be required and the board unanimously supports their nomination.

Company secretary

The company secretary is suitably qualified and experienced. She is, *inter alia*, responsible for the duties stipulated in section 88 of the Companies Act 71 of 2008, as amended. The certificate required to be signed in terms of subsection (2)(e) thereof appears on page C05.

Board of directors of FirstRand Bank Limited

Executive directors

Mary Vilakazi (47)
Chief executive officer (previously chief operating officer)
BCom (Hons), CA(SA)
Appointed April 2024

Markos George Davias (43)
Chief financial officer
BCom (Hons), CA(SA)
Appointed April 2024

Independent non-executive directors

Johan Petrus Burger (65)
Independent non-executive chairman since 1 December 2023 (previously non-executive director)
BCom (Hons), CA(SA)

Tamara Carol Isaacs (47)
Independent non-executive director
BCom (Hons), CA(SA)
Appointed June 2023

Grant Glenn Gelink (74)
Independent non-executive director
BCom (Hons), BCompt (Hons), CA(SA)
Appointed January 2013

Premilla Devi (Shireen) Naidoo (62)
Independent non-executive director
BSc
Appointed April 2022

Zelda Roscherr (57)
Independent non-executive director
BSc, BCom (Hons), MSc
Appointed April 2020

Sibusiso Patrick Sibisi (69)
Independent non-executive director
BSc, PhD
Appointed April 2021

Louis Leon von Zeuner (63)
Independent non-executive director
BEcon, Chartered Director (SA)
Appointed February 2019

Thomas (Tom) Winterboer (68)
Independent non-executive director
BCom (Hons), CA(SA) AEP
Appointed April 2018

For comprehensive CVs of the directors, please refer to the latest issuer disclosure document available at https://www.firstrand.co.za/media/investors/prospectus/FRB-issuer-disclosure-document-Jun-2024.pdf.

B

ANALYSIS OF FINANCIAL RESULTS

OVERVIEW OF RESULTS

Key financial and operational results, ratios and statistics – normalised

for the year ended 30 June 2024

This section is based on normalised results and includes the impact of the accounting provision related to the previously disclosed ongoing investigation by the UK Financial Conduct Authority (FCA) set out on pages B10 and B11. A detailed reconciliation between IFRS and normalised results is set out on pages B110 to B111.

R million	2024	2023	% change
Earnings performance			
Attributable earnings – IFRS	**24 803**	24 894	–
Headline earnings	**24 817**	24 907	–
Normalised earnings	**24 730**	24 809	–
Normalised net asset value	**114 402**	104 361	10
Average normalised net asset value	**109 382**	105 458	4
Ratios and key statistics			
ROE (%)	**22.6**	23.5	
ROA (%)	**1.47**	1.57	
Diversity ratio (%)	**41.8**	41.8	
Credit impairment charge (R million)	**12 451**	8 413	48
Credit loss ratio (%)	**1.16**	0.87	
Stage 3/NPLs as % of core lending advances	**4.58**	4.28	
Performing book coverage ratio (%)	**1.62**	1.68	
Specific coverage ratio (%)	**45.4**	45.8	
Cost-to-income ratio (%)	**55.2**	55.5	
Effective tax rate (%)	**21.5**	23.3	
Balance sheet			
Normalised total assets	**1 715 846**	1 654 964	4
Advances (net of credit impairment)	**1 143 128**	1 066 891	7
Average gross loan-to-deposit ratio (%)	**81.0**	80.2	
Deposits	**1 444 707**	1 379 175	5
Capital adequacy – IFRS*			
Capital adequacy ratio (%)	**15.6**	15.4	
Tier 1 ratio (%)	**13.6**	13.5	
Common Equity Tier 1 ratio (%)	**12.4**	12.6	
Leverage – IFRS*			
Leverage ratio (%)	**6.9**	6.6	
Liquidity – IFRS			
Liquidity coverage ratio (%)	**121**	129	
Net stable funding ratio (%)	**116**	120	

* *Ratios including foreign branches and unappropriated profits.*

	2024	2023	% change
Operational statistics			
Number of ATMs (including ADTs)	**4 750**	4 789	(1)
Number of branches	**623**	614	1
Number of employees	**38 581**	39 636	(3)
– South Africa	**37 531**	38 800	(3)
– Broader Africa (central support staff) and other	**165**	114	45
– FirstJob youth employment programme	**885**	722	23
FNB active customers (millions)	**9.87**	9.46	4
– Retail	**8.60**	8.25	4
– Commercial	**1.27**	1.21	5
FNB channel volumes (thousands of transactions)			
– ATM/ADT	**292 324**	285 132	3
– Digital	**800 924**	737 469	9
– Card acquiring	**1 059 275**	968 928	9
– Card issuing	**1 221 794**	1 132 203	8

Income statement – normalised

for the year ended 30 June 2024

R million	2024	2023	% change
Net interest income before impairment of advances	**61 062**	56 002	9
Impairment charge	**(12 451)**	(8 413)	48
Net interest income after impairment of advances	**48 611**	47 589	2
Non-interest revenue	**43 928**	40 290	9
– Fee and commission income	**31 882**	29 842	7
– Insurance income	**118**	437	(73)
– Trading and other fair value income	**5 156**	3 620	42
– Investment income	**(60)**	55	(>100)
– Other non-interest revenue	**6 832**	6 336	8
Income from operations	**92 539**	87 879	5
Operating expenses*	**(57 980)**	(53 455)	8
Income before indirect tax	**34 559**	34 424	–
Indirect tax	**(1 132)**	(810)	40
Profit before tax	**33 427**	33 614	(1)
Income tax expense	**(7 179)**	(7 848)	(9)
Profit for the year	**26 248**	25 766	2
Other equity instrument holders	**(1 518)**	(957)	59
Normalised earnings attributable to ordinary equityholders of the bank	**24 730**	24 809	–

* *Include R2 873 million relating to the UK motor commission matter.*

Statement of other comprehensive income – normalised

for the year ended 30 June 2024

R million	2024	2023	% change
Profit for the year	**26 248**	25 766	2
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**2 341**	(846)	(>100)
Gains arising during the year	**2 396**	42	>100
Reclassification adjustments for amounts included in profit or loss	**811**	(1 201)	(>100)
Deferred income tax	**(866)**	313	(>100)
FVOCI debt reserve	**(150)**	92	(>100)
(Losses)/gains arising during the year	**(194)**	70	(>100)
Reclassification adjustments for amounts included in profit or loss	**(11)**	56	(>100)
Deferred income tax	**55**	(34)	(>100)
Exchange differences on translating foreign operations	**(262)**	922	(>100)
(Losses)/gains arising during the year	**(233)**	815	(>100)
Deferred income tax	**(29)**	107	(>100)
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	**(3)**	16	(>100)
(Losses)/gains arising during the year	**(4)**	21	(>100)
Deferred income tax	**1**	(5)	(>100)
Remeasurements on defined benefit post-employment plans	**62**	119	(48)
Gains arising during the year	**85**	162	(48)
Deferred income tax	**(23)**	(43)	(47)
Other comprehensive income for the year	**1 988**	303	>100
Total comprehensive income for the year	**28 236**	26 069	8
Attributable to			
Ordinary equityholders	**26 718**	25 112	6
Other equity instrument holders	**1 518**	957	59
Total comprehensive income for the year	**28 236**	26 069	8

Statement of financial position – normalised

for the year ended 30 June 2024

R million	2024	2023*	2022*
ASSETS			
Cash and cash equivalents	**88 470**	80 505	70 984
Derivative financial instruments	**45 974**	63 307	61 674
Commodities	**15 109**	17 252	17 580
Investment securities	**307 698**	305 259	278 879
Advances	**1 143 128**	1 066 891	944 087
– Advances to customers**	**1 063 654**	981 244	871 338
– Marketable advances	**79 474**	85 647	72 749
Other assets	**28 333**	32 117	39 430
Current tax asset	**247**	530	125
Amounts due by holding company and fellow subsidiaries	**58 638**	63 205	70 753
Property and equipment	**19 526**	17 433	16 333
Intangible assets	**1 150**	787	512
Investment properties	**281**	281	249
Deferred income tax asset	**7 292**	7 397	6 741
Total assets	**1 715 846**	1 654 964	1 507 347
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**9 601**	12 473	14 183
Derivative financial instruments	**43 384**	66 533	70 284
Creditors, accruals and provisions	**27 019**	19 953	18 899
Deposits	**1 444 707**	1 379 175	1 216 363
Employee liabilities	**13 755**	14 282	11 684
Other liabilities	**3 046**	2 878	5 258
Amounts due to holding company and fellow subsidiaries	**28 419**	29 042	36 563
Tier 2 liabilities	**16 758**	16 337	20 433
Total liabilities	**1 586 689**	1 540 673	1 393 667
Equity			
Ordinary shares	**4**	4	4
Share premium	**16 804**	16 804	16 804
Reserves	**97 594**	87 553	89 746
Capital and reserves attributable to ordinary equityholders	**114 402**	104 361	106 554
Other equity instruments and reserves	**14 755**	9 930	7 126
Total equity	**129 157**	114 291	113 680
Total equities and liabilities	**1 715 846**	1 654 964	1 507 347

Note: There are no reconciling items between the condensed IFRS and normalised statements of financial position.

* *Restated – refer to page B105 for more detail.*

** *Included in advances to customers are assets under agreements to resell of R67 757 million (2023: R79 065 million).*

Flow of funds analysis – normalised

R million	June 2024 vs June 2023	June 2023 vs June 2022*
Sources of funds		
Capital account movement (including profit and reserves)	**14 866**	611
Working capital movement	**14 823**	7 551
Short trading positions and derivative financial instruments	**(8 688)**	(7 094)
Deposits and long-term liabilities	**65 953**	158 716
Total	**86 954**	159 784
(Outflow)/inflow in deployment of funds		
Advances	**(76 237)**	(122 804)
Investments	**(313)**	(1 079)
Cash and cash equivalents	**(7 965)**	(9 521)
Investment securities (e.g. liquid asset portfolio)	**(2 439)**	(26 380)
Total	**(86 954)**	(159 784)

* *Restated.*

The bank delivered a resilient set of results in a tough macro environment.

The bank's strong operational performance allowed it to absorb an accounting provision raised for the UK motor commission review, and still maintain normalised earnings at R24.7 billion whilst producing an excellent ROE of 22.6%.

Excluding this provision, the bank's normalised earnings grew 8% with the ROE at 24.3%. This is testament to the quality of the bank's operating businesses, FNB, RMB and WesBank, and its disciplined approach to allocating financial resources to deliver superior value creation.

Mary Vilakazi – CEO

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.

South Africa

FirstRand's earnings remain tilted towards South Africa, mainly generated by FirstRand Bank's 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 bank are to grow franchises profitably and efficiently.

The bank continues to employ a discerning and tactical approach to lending, supporting its customer franchises whilst protecting the balance sheet and return profile. This remains a necessary balancing act given an operating environment of high inflation and interest rates, combined with sluggish system growth and increased competition.

The relative size and quality of its transactional and insurance franchises in South Africa allows the group to achieve high levels of capital-light earnings growth, translating into superior returns for shareholders. The group's strategy to broaden its financial services offerings (insurance and asset management) also benefits FRB as these offerings further strengthen the bank's relationships with its core transactional customers. These activities are, however, carried out under the group's insurance and investment management subsidiaries (refer to the simplified group structure on page A02, which outlines the group's various legal entities,including FRB) and thus fall outside of the bank.

Broader Africa

In the broader Africa portfolio, FirstRand's strategy is to grow its on-the-ground presence in certain key markets where it believes it can build competitive advantage and scale over time. There has been good momentum in growing the in-country customer franchises, in particular deposit gathering and transactional.

In addition, the group's corporate and investment banking (CIB) business has a long and successful track record of cross-border transactions across the continent.The group utilises its hard currency platform, RMB Mauritius, and the bank's balance sheet for RMB's cross-border lending and trade finance activities in broader Africa.

The group's subsidiaries in the broader Africa portfolio form part of FREMA and thus fall outside the bank.

UK

The group's UK operations represent long-term growth opportunities decoupled from South Africa and broader Africa, with the UK market offering diversification to the risk-adjusted returns of the group.

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.

Aldermore is executing on a strategy anchored to supporting FirstRand's commitments to its shareholders. A key focus area is improving the return profile, with specific attention on incremental adoption of the group's financial resource management (FRM) framework, targeted capital stack optimisation, (including returning dividends to the shareholder), risk reward optimisation for enhanced margins and unlocking additional returns from the motor business.

The Aldermore group and its subsidiaries are part of FRI and thus fall outside the bank. Loans originated by MotoNovo prior to integration with Aldermore (the back book) are still housed in FirstRand Bank London branch (but managed by MotoNovo). The back book has run down significantly and is no longer material to the bank.

Operating environment

During the year under review, global inflation pressures continued to reduce, which combined with expectations of slowing economic growth, allowed central banks to signal future interest rate cuts. This supported risk sentiment towards emerging market economies and other risk assets.

In South Africa the positive outcome of the national election is likely to mean continuity in policy. The inclusive Government of National Unity is expected to focus on structural reform and service delivery. This has had a positive effect on markets, reflected in the pricing of the currency, government debt securities and other domestic risk assets including equities.

Real economic activity in South Africa however remained weak in the financial year to June 2024, with consumers' disposable income constrained by elevated interest rates and sticky inflation. This resulted in a further slowdown in credit demand and supply (bank sector asset growth) across most of the major categories other than corporate lending growth, which remained supported by private sector investment into energy generation. House price growth remained subdued, albeit with notable differences across provinces.

In the group's broader Africa operations, the most noteworthy macroeconomic developments included the conclusion of Ghana's and Zambia's engagements with sovereign debt holders. International Monetary Fund programmes provided a degree of stability to both economies. In Nigeria, the economic and financial market reform process continued, resulting in significant macroeconomic and financial market adjustments.

In Namibia foreign direct investment remained strong due to continued investor optimism around the outlook for natural resources. Despite a weak consumer sector, ongoing oil and gas exploration coupled with green hydrogen projects are expected to result in increased economic activity.

Financial performance

FirstRand Bank delivered a resilient performance against a challenging macroeconomic backdrop, reflecting the quality of the bank's customer-facing franchises, its consistent approach to new business origination and ongoing discipline in the allocation and management of financial resources.

The bank's strong operational performance enabled it to absorb the impact of a R2.6 billion (£112.3 million) pre-tax accounting provision relating to the previously disclosed ongoing investigation by the UK's FCA with regard to dealer commissions in the motor finance sector. In addition, R229 million (£9.7 million) of legal and professional fees were incurred. The total pre-tax impact of these two items relating to the UK motor commission matter was R2.9 billion (£122 million).

Despite this impact, the bank maintained normalised earnings at R24.7 billion and produced a normalised ROE of 22.6% (2023: 23.5%). NAV increased 10%.

The overall credit performance continued to trend slightly better than FRB's initial through-the-cycle (TTC) expectations and was a direct outcome of the bank's origination approach. The credit loss ratio (CLR) of 116 bps for the year under review remained within the bank's updated TTC range of 100 bps to 130 bps (previously 90 bps to 120 bps – refer to page B56 for more detail).

The bank maintained a Common Equity Tier 1 (CET1) ratio of 12.4% (2023: 12.6%), which remains above its internal target, despite strong growth in risk-weighted assets (RWA) and its contribution to group dividends.

The following table provides an overview of the bank's performance including the impact of the UK motor commission matter.

FIRSTRAND BANK FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	2024	2023	% change
NII	**61 062**	56 002	9
NIR	**43 928**	40 290	9
Operating expenses*	**(57 980)**	(53 455)	8
Impairment charge	**(12 451)**	(8 413)	48
Normalised earnings	**24 730**	24 809	–
ROE (%)	**22.6**	23.5	
Cost-to-income ratio	**55.2**	55.5	
Deposit franchise	**1 075 766**	990 217	9
Core lending advances	**1 115 828**	1 024 361	9
Credit loss ratio (%) – core lending advances	**1.16**	0.87	
Stage 3/NPLs as a % of core lending advances	**4.58**	4.28	

* *Includes R2 873 million relating to the UK motor commission matter.*

The bank's segment diversification underpinned its performance. The corporate and commercial franchises mitigated some of the strain emanating from the retail portfolios due to the prevailing high interest rate cycle and inflation pressures facing South African households.

The Centre, comprising Group Treasury and support functions, produced normalised earnings of R3.3 billion, excluding the impact of the motor commission matter. The main contribution to growth in normalised earnings came from Group Treasury profit before tax (PBT) growth of 33%, reflecting strong net interest income (NII) growth, which was positively impacted by active funding and liquidity management outcomes in both rand and hard currency, driven by liability management and franchise asset growth. Capital endowment NII benefited from rate increases partially offset by a decline in NII from asset-liability management (ALM) investment activities.

Sources of normalised earnings are unpacked in the table below:

SOURCES OF NORMALISED EARNINGS

	Year ended 30 June				
R million	2024	% composition	2023	% composition	% change
FNB	**17 627**	**71**	18 035	73	(2)
WesBank	**1 387**	**6**	1 177	5	18
RMB	**5 990**	**24**	4 419	18	36
Centre*	**1 244**	**5**	2 135	8	(42)
- Centre operations excluding UK motor commission	**3 342**		2 135		57
- UK motor commission matter	**(2 098)**		–		–
Other equity instrument holders	**(1 518)**	**(6)**	(957)	(4)	59
Normalised earnings	**24 730**	**100**	24 809	100	–

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

Notwithstanding the impact of the UK motor commission matter the bank produced a strong underlying operational performance. Excluding the impact, normalised earnings increased 8% for the year to 30 June 2024, with a normalised ROE of 24.3%.

Below is an unpack of performance highlights excluding the impact of the UK motor commission matter.

	Year ended 30 June		
R million	2024	2023	% change
Operating expenses	**(55 107)**	(53 455)	3
Normalised earnings	**26 828**	24 809	8
Normalised net asset value	**116 500**	104 361	12
ROE (%)	**24.3**	23.5	
Cost-to-income ratio (%)	**52.5**	55.5	

The detailed reconciliation between earnings pre and post the impact of the UK motor commission matter is provided in the table below.

	Year ended 30 June			£ million		
R million	2024	2023	% change	2024	2023	% change
Profit before tax	**33 427**	33 614	(1)			
UK motor commission matter	**2 873**	–	–	**122***	–	–
– Centre	**2 873**	–	–	**122**	–	–
Profit before tax – excluding UK motor commission matter	**36 300**	33 614	8			
Direct tax – excluding UK motor commission matter	**(7 954)**	(7 848)	1			
Other equity instrument holders	**(1 518)**	(957)	59			
Normalised earnings – excluding UK motor commission matter	**26 828**	24 809	8			

* *Post-tax impact to headline earnings of the UK motor commission matter is £89.1 million.*

It is important to note that the R2.6 billion provision has been raised mainly due to prevailing uncertainty as the regulatory and legal processes in the UK run their course. In addition, the FCA has published the following statement:

"We have observed firms taking different approaches to account for the potential impact of previous use of DCAs [discretionary commission arrangements] on their financial resources. So, we are writing to firms to remind them they must maintain adequate financial resources at all times."

The bank continues to believe it did not operate outside legislation in the UK. However, given the uncertainty and the FCA statement, it took the decision to raise an accounting provision based on probability-weighted scenario principles constructed from own data analysis, and which includes potential legal and redress costs. The amount provided is a best estimate of what can be raised as a conservatively struck accounting provision. Furthermore, most of the vehicle loans originated within the scope of the FCA process reside in the bank's London branch in the form of the MotoNovo back book.

Revenue and cost overview

The revenue and cost overview is presented excluding the impact of the UK motor commission matter to demonstrate the true operational performance delivered by the portfolio.

NII increased 9%, driven by core lending advances growth (+9%), continued deposit gathering (+9%) and the capital endowment benefit (+16%), which includes the outcomes from the ALM strategy, unpacked in more detail later. NII also benefited from the weakening rand.

Absolute levels of year-on-year advances growth in the secured lending portfolios softened relative to 2023 given customer affordability pressures and low demand. The previous momentum in residential mortgages has slowed, with healthy growth in unsecured lending origination anchored to low- and medium-risk customer cohorts. As expected, there was continued growth in commercial and corporate advances.

Advances increased 5% at FNB retail and 8% at WesBank. The solid growth in advances from FNB commercial (+11%) and RMB core (+12%) remains an outcome of focused origination in sectors showing above-cycle growth, and which are expected to perform well even in an inflationary and high interest rate environment.

Targeted origination strategies, consistent strong growth in the deposit franchise and appropriate provisioning have resulted in a well-struck balance sheet. This is a direct outcome of the group's FRM strategy and demonstrates the group's commitment to balancing growth with returns.

The bank's focus on growing liability-related NII played out strongly through all deposit franchises and remains a key underpin to its superior return profile. Year-on-year movements in advances and deposits are unpacked by operating business and segment in the following table.

	Growth in advances %	Growth in deposits %
FNB	7	10
– Retail	5	9
– Commercial	11	10
WesBank	8	n/a
RMB*	12	5

* *Advances growth for RMB is based on core advances, which exclude assets under agreements to resell, and core deposits, which exclude deposits under repurchase agreement and collateral deposits.*

Total transactional NII increased 3%, driven by growth in transactional credit product volumes and retail and commercial transactional deposits.

FirstRand's approach to managing the endowment profile (the ALM strategy) is designed to optimise through-the-cycle returns to shareholders and is a cornerstone of the group's FRM process.

Rather than take a passive position (i.e. overnight) with regard to the impact of the rate cycle on its endowment profile, the bank actively manages the profile to protect and enhance earnings through the cycle, and earn the structural term premium by investing along the yield curve over and above the repo rate.

This active ALM strategy is managed by Group Treasury in line with 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 cognisance of accounting and regulatory requirements.

Whilst the absolute year-on-year rate of growth in the bank's endowment NII for the current financial year declined, the converse was true in previous periods when rates were lower. The outcomes of this approach should be assessed on a TTC basis. The table below shows the cumulative additional endowment NII of R16 billion (2023: R17.5 billion) earned in excess of an overnight (repo) investment profile since the 2018 financial year, when the ALM strategies were introduced.

ALM STRATEGY NII OUTCOMES

R billion	Year ended 30 June 2024	2023	% change	Cumulative additional endowment NII*
Capital endowment	**0.4**	0.9	(56)	10.2
Deposit endowment	**(1.9)**	0.2	(>100)	5.8
Total	**(1.5)**	1.1	(>100)	16.0

* *Includes additional endowment NII from 1 July 2017 to 30 June 2024 (measured against repo).*

Financial years 2021 and 2022 delivered R12.3 billion of additional NII when interest rates were low. The bank expects, on a TTC basis, that this cumulative outperformance will offset the lower trend in endowment NII growth in the current year, which is characterised by higher rates. When the rate cycle turns, the strategy by design will again outperform.

In the year under review, there was an effective opportunity cost of R1.5 billion, compared to the R1.1 billion benefit in the prior year. This R2.6 billion swing had a negative impact of c. 4.6% on the bank's absolute NII growth rate.

The bank's net interest margin (NIM) increased 2 bps, whilst lending and deposit margins continued to come under pressure due to competitive pricing.

Total non-interest revenue (NIR) growth (+9%) was supported by 6% growth in net fee and commission income. FNB's total NIR increased 4%, driven by customer acquisition (+4%) and good growth in activity levels and transactional volumes across all channels.

Fee and commission income growth of 7% in the year under review was achieved despite sub-inflation fee increases across both retail and commercial accounts and R985 million in fee reductions. With the introduction of PayShap, FNB reviewed its pricing structures for low-value real-time payments, and took the decision to reduce all related fees. Despite the impact on fee and commission income in the year under review, FNB believes this is the correct outcome for customers, and is already seeing an increase in volumes in both commercial and retail.

RMB delivered excellent growth in NIR (+30%). Trading income was up 18% and structuring and advisory mandates delivered a 68% increase in knowledge-based fees. The investment banking client-led principal investing business also produced net realisations and one-off income of R624 million.

Group Treasury NIR growth benefited from foreign translation gains which were offset by increased funding and hedging costs associated with the group's share scheme.

Total operating expenses were tightly managed, resulting in 3% growth, including a 3% increase in direct staff costs, driven by targeted and general salary increases, and a 3% decrease in headcount.

At an operating business level, FNB kept costs flat, but this pleasing performance was offset by elevated costs from RMB (+10%) due to ongoing investment expenditure.

The cost-to-income ratio decreased to 52.5% (2023: 55.5%).

Credit performance

SUMMARISED CREDIT HIGHLIGHTS AT A GLANCE

	Year ended 30 June		
R million	2024	2023	% change
Total gross advances	**1 183 585**	1 103 426	7
Total core lending advances	**1 115 828**	1 024 361	9
– Performing core lending advances	**1 064 768**	980 481	9
– Non-performing loans (NPLs)	**51 060**	43 880	16
Assets under agreements to resell	**67 757**	79 065	(14)
NPLs as a % of core lending advances	**4.58**	4.28	
Core lending advances (net of impairment)	**1 075 371**	987 826	9
Total impairments	**40 457**	36 535	11
Portfolio impairments	**17 294**	16 427	5
NPL specific impairments	**23 163**	20 108	15
Coverage ratios			
Performing book coverage ratio (%) – core lending advances*	**1.62**	1.68	
Specific coverage ratio (%)**	**45.4**	45.8	
Income statement analysis			
Impairment charge	**12 451**	8 413	48
Credit loss ratio (%) – core lending advances	**1.16**	0.87	

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

** *Specific impairments as a % of NPLs (stage 3).*

The bank's CLR for the year under review concluded better than expectations at 116 bps which is within its updated TTC range of 100 bps to 130 bps. This is a positive outcome particularly given the higher-for-longer rate cycle, and continues to reflect the benefit of the bank's approach to origination, particularly post the pandemic when new business was weighted towards the low- and medium-risk categories.

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

Despite the challenging high interest rate and inflation environment during the year impairment volatility remained within expectations for the cycle. What has been noticeable, however, is that debt review service providers have become more active, targeting higher income customers not in debt distress. This has contributed to an increase in the retail debt counselling portfolio.

In the medium term this trend could change the quantum and timing of credit emergence, potentially resulting in structurally higher default rates and a lower loss given default (LGD) experience (negatively impacting CLR). The bank is monitoring this trend closely, with appropriate rebasing of appetite and underwriting criteria expected to adjust dynamically.

Consumer strain continues to be elevated and will only start to moderate as the rate environment eases. Lagged impacts are anticipated in the small business segment in commercial (early signs are already manifesting), with a resilient performance to date from medium and large corporates.

The table below shows the underlying credit performance from the operating businesses. What is demonstrable here is that the bank has benefited from portfolio diversification. The post-Covid-19 origination thesis has played out even better than expected, with all portfolios within or at the bottom of their respective TTC ranges, except for retail. Importantly, retail has peaked within origination expectations despite a higher rate cycle than initially anticipated, and benefited from forward-looking information (FLI) releases in the year under review.

The origination approach to target better-risk customers is reflected in the NPL formation, which was also well within expectations notwithstanding the strain emanating from retail given the current cycle.

Overall the bank believes these outcomes are testament to its approach to lending over the past 36 months, balancing customer needs with risk-adjusted returns.

	Advances mix %	CLR %	NPLs %	Total coverage %	TTC range %
FNB and WesBank					
June 24	**63**	**1.80**	**6.89**	**5.18**	**1.45 – 1.85**
June 23	65	1.35	6.10	4.94	
Retail					
June 24	**46**	**2.25**	**8.39**	**5.98**	**1.70 – 2.10**
June 23	47	1.70	7.09	5.53	
Commercial					
June 24	**17**	**0.61**	**3.07**	**3.15**	**0.80 – 1.20**
June 23	18	0.42	3.42	3.36	
RMB					
June 24	**37**	**0.22**	**0.98**	**1.15**	**0.30 – 0.50**
June 23	35	0.21	1.24	1.23	
FirstRand Bank					
June 24	**100**	**1.16**	**4.58**	**3.63**	**1.00 – 1.30**
June 23	100	0.87	4.28	3.57	

FNB's CLR increased mainly as a result of strain in the retail portfolios both in residential mortgages and personal loans, and is now trending above its TTC range, mainly due to inflows into NPL and a softer house price growth index. Commercial has started to show early signs of strain in the unsecured small and medium-sized enterprises (SME) portfolio. However, despite this, the overall commercial credit performance continues to be more resilient than expected, exceeding expectations, and the CLR remains below its TTC range.

Retail NPLs increased due to origination strain related to book growth, a noticeable increase in debt counselling restructures, and ongoing inflationary and interest rate pressures.

WesBank's credit performance remained well within expectations, with retail vehicle asset finance (VAF) showing limited strain compared to other secured retail portfolios. The CLR increased as a function of the significant growth in new production in corporate and commercial, which resulted in higher stage 1 provisions.

RMB's core advances credit impairments increased on the back of strong book growth and stress in certain sectors, however, the CLR was below the TTC range. As expected, certain counters migrated onto the watchlist and into NPL status in South Africa over the last 12 months. Watchlist counters increased 5% during the year. As a result, RMB raised new impairments to reflect the net migration of counters to stage 2 and the watchlist, offset by the curing of two large NPLs in the current year.

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 bank are summarised below.

CAPITAL ADEQUACY*

%	Internal targets	As at 30 June 2024	2023
CET1	11.0 – 12.0	**12.4**	12.6
Tier 1	>12.0	**13.6**	13.5
Total	>14.25	**15.6**	15.4

* *Including unappropriated profits and the bank's foreign branches.*

The PA's proposed directive requiring a positive cycle-neutral countercyclical buffer (CCyB) of 1% for South African banks (effective January 2026) will be incorporated in the bank's internal targets when appropriate.

The bank's CET1 ratio remained above the upper end of its internal target range. The bank continued to focus on the efficient use of financial resources and optimisation of RWA. There is ongoing effort to optimise the overall level and mix of capital.

Key factors driving the CET1 outcome include:

- an increase in RWA mainly from credit risk, driven by higher volumes net of foreign currency movements from rand appreciation. Higher revenue generation increased operational risk RWA;
- positive earnings generation partly offset by the payment of dividends and a decrease in the foreign currency translation reserve due to the rand's appreciation against USD compared to June 2023; and
- successful capital optimisation strategies.

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 a tilt towards a higher proportion of AT1 instruments during the current financial year.

The Resolution Authority (RA) published the draft standard *Flac instrument requirements for designated institutions* in December 2023, which sets out the qualifying criteria of Flac instruments and the level of required instruments to ensure sufficient loss absorption and recapitalisation capacity. The issuance of Flac instruments will follow the transitional phase-in from the proposed implementation date of 1 January 2025. The estimated annual post-tax cost, ranging from R200 million to R300 million at the end state, will be incorporated into the bank's ALM strategies and considered as part of the FRM process.

It remains the bank's intention to continue to optimise its total loss-absorbing capacity by issuing a combination of capital and Flac instruments in the domestic and/or international markets.

Liquidity position

Liquidity risk is a natural outcome of the business activities undertaken by the bank. To manage and mitigate the liquidity risk introduced by its business activities, the bank seeks to optimise its funding profile within structural and regulatory constraints and hold appropriate liquidity buffers.

The prudential liquidity risk metrics, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) are managed with a buffer above the regulatory minimums. This enables the bank to comfortably withstand the natural liquidity seasonality and cyclicality arising from its chosen funding mix. The buffer is sized using stress testing and scenario analysis of the cash inflows and outflows that result from the group's balance sheet profile.

The bank's portfolio of high-quality liquid assets (HQLA) provides a liquidity buffer against unexpected liquidity stress events or market disruptions, and serves to facilitate the changing liquidity needs of its operating businesses. The HQLA portfolio has been formulated by considering the bank's funding composition, asset growth and liquidity risk appetite, and regulatory requirements. The composition and quantum of available HQLA is determined behaviourally by considering both funding liquidity risk and the market liquidity depth of the assets. The portfolio is reviewed continually and actively managed to ensure optimal composition, return and size.

The bank's deposit-led funding strategy remains a core component of its funding profile where client franchise deposits offer funding diversification, stability and a liquidity risk offset. Deposit funding is supplemented with both money and capital market issuances where benchmark tenors are targeted to achieve a stable profile. The bank closely monitors market developments, key risk metrics and early warning indicators as part of its ongoing funding and liquidity management and planning. The bank remains well funded, with adequate liquidity buffers to meet both prudential liquidity requirements and internal risk targets.

PRUDENTIAL LIQUIDITY RATIOS*

%	As at 30 June 2024	2023
LCR		
Regulatory minimum	**100**	100
Actual	**121**	129
Average available HQLA (R billion)**	**380**	364
NSFR		
Regulatory minimum	**100**	100
Actual	**116**	120

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

** *A breakdown of HQLA is provided in the liquid asset table on page B95.*

The Corporation for Deposit Insurance (CoDI) was established as a legal entity in March 2023 and became fully operational in April 2024. The annual levy and fund liquidity loan were paid to CoDI in April 2024, with the Deposit Insurance Scheme (DIS) premium and fund liquidity top-ups paid monthly thereafter. The bank's covered deposit balance for June 2024 was R128.8 billion. Further detail of the DIS costs incurred for the financial year can be found on page B48.

Foreign currency balance sheet

The bank'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 bank continues to employ self-imposed structural borrowing and liquidity risk limits which are significantly more conservative than the regulatory macroprudential limits.

The bank's philosophy is that, over the longer term, foreign currency assets should be supported by appropriate foreign currency liabilities.

Prospects

From a macroeconomic perspective, the global cyclical outlook will be characterised by the interest rate easing in the US, resulting in a weaker US dollar, stronger local currencies and declining inflation and interest rates in the jurisdictions where the group operates. In August, the BoE implemented a 25 bps reduction in interest rates and the South African Reserve Bank (SARB) is expected to follow in the third quarter of the 2024 calendar year.

In South Africa, the economy should benefit from an increase in business and household confidence and the new Government of National Unity is expected to push ahead with the structural reform programme.

Whilst absolute advances growth from the South African franchises is expected to exceed the year under review, this growth will continue to be tilted to commercial and corporate, written at lower margins than retail unsecured. Retail advances growth will remain muted until households begin to feel the benefits of lower inflation and lower rates.

All of the above, combined with the impact of rate cuts, will result in weaker NII growth, which will be partially offset by a reduction in the "opportunity cost" emanating from the ALM strategy and ongoing growth in the deposit franchise.

NIR growth is likely to be stronger than in the year under review. Fee and commission income will bounce back from the c. R1 billion base effect of the fee reductions in the year under review.

The bank's credit loss ratio will trend up but is expected to remain within the TTC range.

The bank's retail books will continue to experience strain until the lower rate cycle is felt by households. The commercial and corporate books are expected to trend at the bottom of their TTC ranges.

With the motor commission matter in the cost base, combined with a strict focus on operational efficiencies and cost management, operating expenses growth is expected to be sub-inflation. This, combined with expected strong topline, should result in an improved cost-to-income ratio.

The bank's portfolio of businesses remain well placed to capture growth opportunities from any uplift in system growth.

Events after reporting date

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.

Change in auditors

Ernst & Young Incorporated was appointed as one of the joint auditors of the bank for the financial year ending 30 June 2024.

JP BURGER
CHAIRMAN

M VILAKAZI
CEO

C LOW
COMPANY SECRETARY

MG DAVIAS
CFO

11 September 2024

REVIEW OF OPERATIONS

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

FNB's strategy is underpinned by:

- a main-banked client strategy anchored to growing and retaining 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;
- offering vehicle and asset finance through WesBank;
- 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 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 and appropriate coverage from a geographic and segment perspective, as well as to assist customers with digital adoption; and
- leveraging traditional and alternative (agency banking – AgencyPlus) distribution channels.

FNB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	2024	2023*	% change
Normalised earnings	**17 627**	18 035	(2)
Normalised profit before tax	**24 154**	24 707	(2)
– South Africa	**24 537**	25 136	(2)
– Broader Africa**	**(383)**	(429)	(11)
Core lending advances	**502 273**	470 710	7
Core deposits	**864 176**	788 224	10
Performing advances	**464 066**	439 336	6
Stage 3/NPLs as a % of advances	**7.61**	6.67	
Credit loss ratio (%) of average advances	**1.99**	1.40	
Cost-to-income ratio (%)	**51.5**	53.6	
Net advances margin (%)	**3.70**	3.86	

* *Restated. Refer to pages B43 to B44.*

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

Overview of financial performance

FNB's normalised PBT declined 2%.

FNB's NII growth of 5% year on year was mainly driven by the consistently strong performance from the deposit franchise, which increased 10%. In addition, despite challenging macroeconomic conditions and the resultant pressure on customer affordability levels, FNB grew advances 7%.

The current interest rate cycle resulted in a net endowment benefit, however, this was lower year on year given the group's ALM strategy. In addition, increases in the behavioural tenor of certain lending portfolios impacted the effective interest rates used to recognise origination fees over the tenor of the loans, with a more pronounced impact in the commercial segment. The change in estimates reduced NII by R243 million for the year under review.

The advances margin reduced to 3.70% (2023: 3.86%), mainly reflecting the origination mix, which continues to tilt to commercial and low-to-medium-risk customers in retail. Increased interest in suspense, driven by higher NPLs and the update to the behavioural tenor estimates, further contributed to margin contraction.

Despite the positive effect of the deposit endowment, deposit margins were impacted by lower liquidity spreads and changes in the savings products mix, which reduced FNB's NII growth by one percentage point.

FNB's NIR growth of 4% was supported by new customer acquisition and higher transactional volumes.

Fee and commission income growth of 4% in the year under review was achieved despite sub-inflation fee increases across both retail and commercial accounts and R985 million in fee reductions. With the introduction of PayShap, FNB reviewed its pricing structures for low-value real-time payments, and took the decision to reduce all related fees. Despite the impact on fee and commission income in the current year, FNB believes this is the correct outcome for customers, and retail and commercial have already experienced a 34% increase in volumes since the reductions were implemented.

Despite the macroeconomic environment, with customers experiencing both inflationary and interest rate pressures, FNB's cost of credit outcome of 199 bps (2023: 140 bps) reflects the bank's origination strategies and a changing economic environment. Pressure was most evident in the retail portfolios. Commercial portfolios are showing limited impact at this point in the cycle while also benefiting from targeted sector-specific origination strategies.

FNB delivered excellent cost management, with expenses remaining flat and overall headcount reducing 3%, resulting in positive jaws. The cost-to-income ratio improved to 51.5% (2023: 53.6%), highlighting the solid operational performance of the FNB business despite the retail credit strain.

CHANNEL VOLUMES

	Year ended 30 June		
Thousands of transactions	**2024**	2023	% change
ATM/ADT	**292 324**	285 132	3
Digital*	**800 924**	737 469	9
Card acquiring	**1 059 275**	968 928	9
Card issuing	**1 221 794**	1 132 203	8

* *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 14%). Increased 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. Retail customers are divided into personal and private segments based on relative income. SMEs, mid-market corporates and the public sector are serviced by the commercial segment.

FNB grew both its total active customer base (excluding eWallets) and platform users 4% year on year.

The following table unpacks growth in customers per segment and platform users.

ACTIVE CUSTOMERS AND PLATFORM USERS

	Year ended 30 June		
Millions	**2024**	2023	% change
Retail	**8.60**	8.25	4
– Personal* (≤R600k)	**6.84**	6.58	4
– Private* (>R600k)	**1.76**	1.67	5
Commercial	**1.27**	1.21	5
Total SA customer base	**9.87**	9.46	4
SA eWallets**	**6.40**	6.13	4
Total platform users	**16.27**	15.59	4

* *The income cut-off between the personal and private segments has been updated from R450k to R600k, resulting in the restatement of June 2023 figures.*

** *Represent all eWallets without another FNB relationship/product that had at least one transaction in the past six months. In addition, there are 1.77 million eWallets belonging to FNB customers. FNB customer eWallets represent 22% of the total 8.17 million eWallets.*

The table below presents a segmental breakdown of FNB's performance.

SEGMENT RESULTS

	Year ended 30 June		
R million	**2024**	2023*	% change
Normalised PBT			
Retail	**10 857**	11 725	(7)
Commercial	**13 680**	13 411	2
Broader Africa**	**(383)**	(429)	(11)
Total FNB	**24 154**	24 707	(2)

* *Restated. Refer to pages B43 and B44.*

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

Retail's decline in PBT was mainly as a result of credit performance.

NII growth remained resilient driven by the deposit franchise. Advances growth continued to reflect an origination approach anchored to quality risk opportunities within the customer base, leveraging disciplined credit risk management and affordability metrics. The 4% increase in the active customer base supported growth in revenue, with private segment growth driven by both migration from the personal segment and new customer acquisition. This reflects FNB's strategy to provide enhanced and appropriate product offerings as customer needs change.

FNB's retail lending approach remains informed by internal and external data analyses 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 5% year on year, supported by residential mortgages (+4%) and unsecured lending (+8%).

Good growth in unsecured lending, particularly card and FNB personal loans, continued but was offset by the ongoing contraction of the DirectAxis personal loans book (down 6%) and the run-off of the Covid-19 relief book. Excluding these, FNB personal loan advances grew 13% and card advances 11%. A shift in new business origination towards the Fusion product has resulted in lower overdraft advances growth over the year. Revolving facilities bounced back off a previously declining base, growing 23% year on year.

The overall retail portfolio is trending above its TTC range, given the worse-than-expected interest rate cycle, with all retail lending lines remaining profitable – a direct consequence of FNB's consistent origination in low-to-medium-risk customer cohorts.

Commercial's performance reflects ongoing growth in advances (+11%) and deposits (+10%). Commercial advances continued to grow in accordance with FNB's consistent strategy of targeting specific customer cohorts (including in Islamic banking), property finance as well as specialised finance lending focused on specific sectors and counterparties.

Commercial's transactional franchise produced good growth in NIR. Higher volumes were somewhat offset by the previously mentioned fee reductions, value proposition updates and margin compression in business lines such as forex. Credit losses increased 37%, off a low base.

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	**9**	**33 932**	**5**	**18 173**
– Personal* (≤R600k)	**1**	**294**	**(1)**	**(584)**
– Private* (>R600k)	**11**	**33 638**	**7**	**18 757**
Commercial	**10**	**42 020**	**11**	**13 390**
Total FNB	**10**	**75 952**	**7**	**31 563**

* *The income cut-off between the personal and private segments has been updated from R450k to R600k, resulting in the restatement of June 2023 figures.*

Credit performance

FNB's credit impairment charge increased 52% to R9 682 million (2023: R6 373 million) and the credit loss ratio increased to 199 bps (2023: 140 bps).

This was driven by:

- strong growth in unsecured advances at higher coverage ratios, creating front-book strain;
- accelerated non-performing loan (NPL) formation, especially in retail mortgages and in the retail unsecured lending books on the back of the higher interest rates and sticky inflation;
- increase in both arrears as well as a significant increase in credit risk (SICR);
- notable increases in debt counselling related restructures;
- in anticipation of an improving macroeconomic outlook, releases from FLI models (mainly in H1) which benefited performing coverage with appropriate FLI stock remaining;
- softer house price index growth, impacting coverage ratios in the residential mortgage portfolio; and
- marginal increase in write-offs and a reduction in post write-off recoveries year on year.

ANALYSIS OF IMPAIRMENT CHARGE

R million	Year ended 30 June 2024	2023	% change
Movement in balance sheet provisions			
Performing book provisions	**174**	7	>100
NPL provision	**2 963**	382	>100
Credit provision increase	**3 137**	389	>100
Gross write-off and other	**9 639**	9 280	4
– Bad debts written off*	**9 639**	9 379	3
– Exchange rate and other	**–**	(99)	(100)
Amounts recognised directly in income statement			
Modification loss	**814**	616	32
Interest suspended on stage 3 advances	**(2 636)**	(2 328)	13
Post write-off recoveries	**(1 272)**	(1 584)	(20)
Total impairment charge	**9 682**	6 373	52

* *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 economic cycle. Expected improvements in the economic outlook resulted in some FLI releases during the year, resulting in a downward impact on coverage ratios versus prior years.

Arrears and SICR buckets increased, with arrears rolling into NPLs accelerating. The debt relief portfolio, which is in run-down, continued to perform better than expected, and outstanding specific debt-relief advances amounted to R558 million (2023: R1.15 billion). These factors resulted in overall performing coverage moderating downwards to 2.20% (2023: 2.29%).

The NPL ratio increased to 7.61% (2023: 6.67%). NPL formation was more prominent in residential mortgages and personal loans, but not out of line with expectations considering interest rate and inflation strain on SA consumers. The retail CLR of 243 bps has peaked above the TTC range, but it is expected to remain elevated until macros are more supportive of consumer affordability. Commercial has started to show early signs of strain in the SME portfolio, however despite this, overall commercial credit performance remained resilient, exceeding expectations, and remains below its TTC range. NPL coverage marginally decreased to 46.0% (2023: 46.6%) and the reduction in coverage was due to new NPL inflows (including more debt counselling accounts) requiring lower coverage, coupled with the write-offs of higher-coverage loans.

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 2024 are outlined below.

- Since the launch on the FNB app, 5.1 million virtual cards have been activated and R68.1 billion in value transacted. The virtual card is key to facilitating more secure e-commerce transactions.
- Device payments (using Apple or Android) accounted for 175 million transactions worth R67 billion.
- Approximately 8.2 million eWallet users accounted for cash withdrawals of R53.7 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 4.6 million users at 30 June 2024, up 25% year on year.
- nav»Home has placed c. 51k families in homes and paid out R62 billion in loans since inception. FNB now originates 31% of home loans through this channel. Estate agent functionality was activated on the app in FY21 and 214 estate agents have been onboarded, with 3k current listings.
- At 30 June 2024, nav»Car had 1.06 million vehicles loaded in the garage, and WesBank has financed R1.1 billion in vehicle loans through this channel since inception.
- Commissionable e-commerce turnover and fulfilment on platform (i.e. electricity, mobile and digital vouchers sold) amounted to R18.6 billion (2023: R18 billion). Approximately three million customers use these services.
- eBucks travel sales increased by 28% to R1.2 billion (2023: R934 million).
- Digitally active customers grew by 7% to 7.35 million (2023: 6.89 million). Digital includes mobile banking (USSD), online banking and the app.
- In June 2024, the banking app active transacting base exceeded 5.8 million customers, with a monthly record of 130 million logins during December 2023. Monthly app logins in June 2024 were 15% higher than in June 2023.
- Digital logins totalled 1.95 billion for the year, with online and mobile banking (USSD) logins of 176 million and 307 million, respectively. The app contributed 1.5 billion logins.
- Total transactional volumes through digital interfaces during the year included 151 million for online banking, 627 million (+14%) for the banking app and 23 million for mobile banking (USSD), highlighting the scalability of FNB's platform.

WesBank represents the bank'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

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.

The automotive industry experienced significant strain in the first half of the financial year, with industry sales down 6% to 510 115 units year on year.

Market activity in the second half of the financial year continued to slow as customer affordability levels remained under pressure given higher inflation and elevated interest rates. Given this slowdown in overall activity, competition for new business increased, particularly for quality-risk customers, resulting in some margin pressure to secure deals. Competitive pricing pressures at point of sale in the dealer space, which comprises the majority of the financed vehicle transactions in the market, also weighed on margins, however, pricing discipline was maintained to protect returns. WesBank's origination remained tilted towards quality new business. The strategy of protecting and servicing FNB main-banked customers at point of sale means that WesBank continues to focus on opportunities to originate through FNB's digital platform.

Overview of financial performance

Despite the industry challenges, the commercial and corporate portfolio delivered strong growth in advances, up 11% year on year, emanating from the asset-based finance portfolio. Retail VAF advances grew 6%. This resulted in overall advances growth of 8%. Both segments' performances were tempered by increased impairments in light of the economic climate as customers began to show signs of strain.

WESBANK FINANCIAL HIGHLIGHTS

R million	Year ended 30 June 2024	2023*	% change
Normalised earnings	**1 387**	1 177	18
Normalised profit before tax	**1 901**	1 612	18
Core lending advances	**171 639**	159 645	8
Performing advances	**163 420**	152 579	7
Stage 3/NPLs as a % of advances	**4.79**	4.43	
Credit loss ratio (%) of average advances	**1.24**	1.20	
Cost-to-income ratio (%)	**54.9**	55.6	
Net interest margin (%)	**2.71**	2.81	

** Restated. Refer to pages B43 to B44.*

WesBank delivered normalised PBT growth of 18% year on year. The business performance benefited from the prior year's strong origination and the sustained momentum in commercial in the year under review. This solid multi-year advances growth and higher endowment on capital contributed to NII increasing 17%, with some offset from an increase in expected loss provisions across all stages.

Total NIR growth of 8% reflects:

- higher rental income, particularly in the fleet management and leasing (FML) business; and
- card and maintenance commissions; partly offset by
- a lower absolute number of financed vehicle accounts in retail year on year.

BREAKDOWN OF PRE-TAX PROFITS BY ACTIVITY*

R million	Year ended 30 June 2024	2023**	% change
Normalised PBT			
Retail VAF	**1 062**	762	39
Corporate and commercial	**839**	850	(1)
Total WesBank	**1 901**	1 612	18

** Refer to additional segmental disclosure on page B42.*
*** Restated. Refer to pages B43 and B44.*

Both customer segments performed well, with retail VAF delivering particularly strong PBT growth of 39% year on year. This was driven by the prior year growth in advances, a flat credit impairment charge and moderate cost growth.

Corporate and commercial PBT decreased 1%, with good topline growth offset by an increase in credit provisions and higher operating costs as platform and business integration continued.

WesBank's credit performance was in line with expectations and retail VAF is showing limited strain compared to other secured retail portfolios. The credit loss ratio increased to 124 bps (2023: 120 bps) as a function of the significant growth in new production in corporate and commercial, which resulted in higher stage 1 provisions.

ANALYSIS OF IMPAIRMENT CHARGE

R million	Year ended 30 June 2024	2023	% change
Movement in balance sheet provisions			
Performing book provisions	**44**	693	(94)
NPL provision	**561**	(247)	(>100)
Credit provision increase	**605**	446	36
Gross write-off and other	**1 864**	1 914	(3)
– Bad debts written off*	**1 871**	1 914	(2)
– Exchange rate and other	**(7)**	–	–
Amounts recognised directly in income statement			
Modification loss	**47**	55	(15)
Interest suspended on stage 3 advances	**(286)**	(226)	27
Post write-off recoveries	**(178)**	(394)	(55)
Total impairment charge	**2 052**	1 795	14

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

The 14% increase in WesBank's credit impairment charge to R2 052 million (2023: R1 795 million) was mainly due to growth in advances and increased modelled provisions.

The overall composition of the charge is outlined below:

- Stage 1 provisions increased in line with book growth.
- Stage 2 advances increased 5%, driven by increased production volumes and interest rate strain on customers. Coverage marginally decreased to 12.40% (2023: 12.80%). Whilst there has been an increase in arrears, the majority of stage 2 remains modelled SICR provisions.
- Performing coverage decreased to 1.98% (2023: 2.09%), reflecting changes in portfolio mix. Since June 2023, coverage decreased marginally as forward-looking macro assumptions improved, resulting in a net FLI release.
- NPLs increased to R8.2 billion (2023: R7.1 billion). Stage 3 advances increased to 4.79% of total advances (2023: 4.43%) due to average increases in workout periods and an increase in higher-provisioned accounts.
- NPL coverage increased to 47.2% (2023: 47.0%).
- WesBank's write-off policy remains prudent and the proactive management of NPLs continued, with write-offs decreasing 2% year on year. The significant drop-off in post write-off recoveries year on year was a function of the extended time of recovery and lower levels of realisation on assets at date of recovery.

Operating expenses increased 12% year on year, largely as a function of the continued investment in the fleet management and leasing business, and higher profit shares due to alliance partners given the portfolio outperformance.

Pleasingly, operational leverage continues to improve as WesBank further integrates its operating model with FNB. WesBank's cost-to-income ratio improved to 54.9% (2023: 55.6%).

RMB represents the bank'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, India and the USA.

RMB

RMB's strategy is to deliver 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, and a treasury and trade solutions business focusing on providing integrated solutions to improve clients' cash management and cash conversion cycles. 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

R million	Year ended 30 June 2024	2023*	% change
Normalised earnings	**5 990**	4 419	36
Normalised profit before tax	**8 206**	6 054	36
Core lending advances	**408 252**	363 232	12
Core deposits	**239 065**	225 946	6
Core performing advances coverage	**0.89**	0.88	
Stage 3/NPLs as a % of core lending advances	**0.98**	1.24	
Credit loss ratio (%) – core lending advances	**0.22**	0.21	
Cost-to-income ratio (%)	**56.5**	61.3	

* *Restated. Refer to pages B43 to B44.*

RMB delivered excellent normalised PBT growth of 36% year on year, benefiting from NIR growth of 30%, which was underpinned by knowledge-based fee income growth of 68%, which reflects success in winning structuring and advisory mandates, and a one-off principal investment (PI) realisation of R624 million.

RMB's NII growth was driven by a 12% increase in core advances, particularly in high-quality corporate credit, infrastructure and renewables. Average operational deposits grew 7%. Pleasingly, positive operating jaws resulted in the cost-to-income ratio trending lower to 56.5% (2023: 61.3%).

The underlying operational business performance across the portfolio was mixed, with strong growth from the investment banking division (IBD) and global markets (GM) offset by a weaker performance from treasury and trade solutions (TTS).

Overview of financial performance

NII increased 8%, underpinned by 12% growth in core advances and 7% growth in average operational deposits, coupled with increased endowment on deposit and custody balances. Advances margins in the core IBD lending portfolios trended down 13 bps to 188 bps, in part reflecting ongoing client retention strategies, competitive pressures, portfolio mix changes with a larger proportion of advances to high-quality corporate clients, and significant growth in infrastructure and renewable energy exposures. In addition, a year-on-year increase in statutory reserve costs further depressed margins.

NIR increased 30% year on year. New deal origination resulted in significant structuring opportunities as well as advisory mandates won, translating into excellent growth in knowledge-based fee income of 68%. NIR growth was further supported by realisations and one-off income in the PI portfolio of R624 million. GM's NIR growth reflects a solid performance from fixed income driven by increased flows and event-driven income on the back of client structuring activity. This was, however, offset by lower trading income from foreign exchange (FX) and commodities.

Credit impairments increased 24% (R165 million) year on year, with the credit impairment charge on the core lending portfolio (excluding repos) increasing marginally to 22 bps (2023: 21 bps), remaining below the portfolio TTC range. The credit quality of RMB's core lending portfolio remains resilient, with the overall performance broadly in line with expectations.

An analysis of the impairment charge is set out in the table below:

ANALYSIS OF IMPAIRMENT CHARGE

R million	Year ended 30 June 2024	2023	% change
Movement in balance sheet provisions			
Performing book provisions	**446**	173	>100
NPL provision	**(225)**	183	(>100)
Credit provision increase	**221**	356	(38)
Gross write-off and other	**701**	379	85
– Bad debts written off*	**675**	446	51
– Exchange rate and other	**26**	(67)	(>100)
Amounts recognised directly in income statement			
Interest suspended on stage 3 advances	**(61)**	(2)	>100
Post write-off recoveries	**(5)**	(42)	(88)
Total impairment charge	**856**	691	24

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

Strong new business origination resulted in normal front-book impairment raises, and therefore performing book impairments are up more than 100% year on year.

As expected, certain counters migrated onto the watchlist and into NPL status over the last 12 months. This reflects ongoing strain in specific sectors of the domestic economy given the constrained economic environment during the year. Watchlist counters increased 5% during the year. As a result, RMB raised new impairments to reflect the net migration of counters to stage 2 and the watchlist.

RMB believes its consistent and prudent provisioning approach remains appropriate, with the performing book coverage ratio against core lending advances at 89 bps (2023: 88 bps).

RMB's cost growth of 10% continues to trend above inflation and reflects ongoing investments into enablement capabilities. Platform modernisation and digital transformation investment to enhance RMB's digital offerings and create a more efficient operating model are up 6% year on year. RMB has also further invested in capacity in its UK and USA based offices to support its broader Africa international flows strategy.

Overview of performance

BREAKDOWN OF PBT CONTRIBUTION BY DIVISION

R million	Year ended 30 June 2024	2023	% change
Investment banking	**5 355**	3 703	45
Treasury and trade solutions	**1 925**	1 938	(1)
Global markets	**1 392**	1 184	18
Other*	**(466)**	(771)	(40)
Total RMB	**8 206**	6 054	36

* *Other includes support and head office activities.*

IBD

IBD delivered strong PBT growth of 45%, underpinned by >100% growth in NIR which benefited from knowledge-based fee income growth of 48%. This was driven by robust new deal origination (with advances increasing 13%), resulting in material structuring transactions, coupled with advisory fee mandates emanating from increased market activity. The client-led PI portfolio delivered a strong annuity income growth of 19% and further benefited from realisations and one-off income of R624 million. IBD has retained prudent provisioning levels given the ongoing constrained macro environment.

TTS

TTS PBT decreased 1%. Revenue growth of 5% was underpinned by a 19% uplift in NIR, which was driven by increased trade and structuring activities, growth in cash volumes of 5%, and an increase in merchant services turnover of 17%. Merchant services margins remained constrained given competitive pricing and association fees.

Average advances increased 12%, driven by demand for structured lending, traditional trade and general banking facilities from clients. The 2% decline in NII reflects margin compression on advances.

Credit impairments increased 36% (R24 million), driven by growth in performing book impairments in line with advances growth.

Cost growth of 18% reflects elevated volume-related operating expenses and increased staff costs relating to the build-out of capabilities and platforms to support TTS's medium-term growth strategies.

GM

GM's PBT increased 18% year on year, reflecting strong revenue growth of 16% benefiting from fixed income and strong cross-border performance. Cost growth remained elevated at 18% due to IT licencing costs and capacity building (a large portion of which was US dollar denominated).

GM's performance was mixed across asset classes, as unpacked below:

- Fixed income, specifically the inflation desk, benefited from increased structuring activity relating to:
  - renewable energy transactions;
  - a modest uplift in market activity around the medium-term budget speech; and
  - increased client flow and market activity post the SA election results.
- The equity derivative trading business was up 36%, benefiting from increased activity in index and equity-linked structured products.
- FX and commodities were down 16% year on year, negatively impacted by range-bound USD/ZAR, combined with constrained market volumes leading up to the SA elections. Cross-border FX activities benefited from increased flows. Pleasingly, turnover volumes on electronic platforms grew >50%, although margin pressure continued. Commodities' performance was impacted by lower hedging opportunities for clients in the year under review in comparison to the prior year.

SEGMENT ANALYSIS OF NORMALISED EARNINGS

R million	Year ended 30 June 2024	% composition	2023	% composition	% change
Retail	**8 416**	**34**	8 802	35	(4)
– FNB*	**7 641**		8 245		
– WesBank	**775**		557		
Commercial	**10 598**	**43**	10 410	42	2
– FNB	**9 986**		9 790		
– WesBank	**612**		620		
Corporate and investment banking	**5 990**	**24**	4 419	18	36
– RMB	**5 990**		4 419		
Other	**(274)**	**(1)**	1 178	5	(>100)
– Centre**	**1 244**		2 135		
– Other equity instrument holders	**(1 518)**		(957)		
Normalised earnings	**24 730**	**100**	24 809	100	–

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

** *Centre (including Group Treasury and MotoNovo back book).*

SEGMENTAL REPORTING

Segment report

for the year ended 30 June 2024

	Retail and commercial										Corporate and institutional				
	FNB														
	Retail														
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial	FNB broader Africa*	**Total FNB**	**WesBank****	**Retail and commercial**	**RMB**	Centre (including Group Treasury) and other#	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
Net interest income before impairment of advances	4 593	4 482	8 309	7 717	**25 101**	15 595	(43)	**40 653**	**5 701**	**46 354**	**9 431**	5 277	**61 062**	(1 638)	**59 424**
Impairment charge	(1 185)	(2 256)	(4 814)	(583)	**(8 838)**	(844)	–	**(9 682)**	**(2 052)**	**(11 734)**	**(856)**	139	**(12 451)**	–	**(12 451)**
Net interest income after impairment of advances	3 408	2 226	3 495	7 134	**16 263**	14 751	(43)	**30 971**	**3 649**	**34 620**	**8 575**	5 416	**48 611**	(1 638)	**46 973**
Non-interest revenue	77	4 475	848	13 397	**18 797**	10 346	1 652	**30 795**	**3 151**	**33 946**	**11 981**	(1 999)	**43 928**	1 723	**45 651**
Income from operations	3 485	6 701	4 343	20 531	**35 060**	25 097	1 609	**61 766**	**6 800**	**68 566**	**20 556**	3 417	**92 539**	85	**92 624**
Operating expenses	(1 735)	(3 228)	(2 437)	(16 075)	**(23 475)**	(11 349)	(1 991)	**(36 815)**	**(4 858)**	**(41 673)**	**(12 101)**	(4 206)	**(57 980)**	15	**(57 965)**
Income before indirect tax	1 750	3 473	1 906	4 456	**11 585**	13 748	(382)	**24 951**	**1 942**	**26 893**	**8 455**	(789)	**34 559**	100	**34 659**
Indirect tax	(13)	(26)	(58)	(631)	**(728)**	(68)	(1)	**(797)**	**(41)**	**(838)**	**(249)**	(45)	**(1 132)**	–	**(1 132)**
Profit before tax	1 737	3 447	1 848	3 825	**10 857**	13 680	(383)	**24 154**	**1 901**	**26 055**	**8 206**	(834)	**33 427**	100	**33 527**
Income tax expense	(469)	(931)	(499)	(1 038)	**(2 936)**	(3 694)	103	**(6 527)**	**(514)**	**(7 041)**	**(2 216)**	2 078	**(7 179)**	(27)	**(7 206)**
Profit for the period	1 268	2 516	1 349	2 787	**7 921**	9 986	(280)	**17 627**	**1 387**	**19 014**	**5 990**	1 244	**26 248**	73	**26 321**
Attributable to															
Ordinary equityholders	1 268	2 516	1 349	2 787	**7 921**	9 986	(280)	**17 627**	**1 387**	**19 014**	**5 990**	(274)	**24 730**	73	**24 803**
Other equity instrument holders	–	–	–	–	**–**	–	–	**–**	**–**	**–**	**–**	1 518	**1 518**	–	**1 518**
Profit for the period	1 268	2 516	1 349	2 787	**7 921**	9 986	(280)	**17 627**	**1 387**	**19 014**	**5 990**	1 244	**26 248**	73	**26 321**
Attributable earnings to ordinary equityholders	1 268	2 516	1 349	2 787	**7 921**	9 986	(280)	**17 627**	**1 387**	**19 014**	**5 990**	(274)	**24 730**	73	**24 803**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**	**–**	**–**	**–**	–	**–**	14	**14**
Headline earnings	1 268	2 516	1 349	2 787	**7 921**	9 986	(280)	**17 627**	**1 387**	**19 014**	**5 990**	(274)	**24 730**	87	**24 817**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**	**–**	**–**	**–**	–	**–**	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**	**–**	**–**	**–**	–	**–**	(87)	**(87)**
Normalised earnings	1 268	2 516	1 349	2 787	**7 921**	9 986	(280)	**17 627**	**1 387**	**19 014**	**5 990**	(274)	**24 730**	–	**24 730**

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

* *FNB broader Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page A02) and are not reported in bank.*

** *Refer to additional segmental disclosure on page B42.*

\# *Centre represents group-wide functions and includes MotoNovo back book.*

Segment report

for the year ended 30 June 2024

R million	Residential mortgages	Card	Total personal loans	Retail other	Retail	Commercial	FNB broader Africa*	Total FNB	WesBank**	Retail and commercial	RMB	Centre (including Group Treasury) and other#	FRB – normalised	Normalised adjustments	FRB – IFRS
	Retail and commercial										Corporate and institutional				
	FNB														
	Retail														
Cost-to-income ratio (%)	37.2	36.0	26.6	76.1	**53.5**	43.7	>100	**51.5**	**54.88**	**51.90**	**56.5**	128.3	**55.2**		**55.2**
Diversity ratio (%)	1.6	50.0	9.3	63.5	**42.8**	39.9	>100	**43.1**	**35.6**	**42.3**	**56.0**	(61.0)	**41.8**		**43.4**
Credit loss ratio (%) – core lending advances	0.45	5.75	9.32	7.92	**2.43**	0.69	–	**1.99**	**1.24**	**1.80**	**0.22**	(0.43)	**1.16**		**1.16**
Stage 3/NPLs as a % of core lending advances	6.74	12.65	16.91	13.88	**8.99**	3.65	–	**7.61**	**4.79**	**6.89**	**0.98**	1.87	**4.58**		**4.58**
Income statement includes															
Depreciation	(2)	(21)	(17)	(2 201)	**(2 241)**	(291)	(2)	**(2 534)**	**(792)**	**(3 326)**	**(154)**	(3)	**(3 483)**	–	**(3 483)**
Amortisation	–	–	–	(19)	**(19)**	–	–	**(19)**	**(6)**	**(25)**	**(40)**	(101)	**(166)**	–	**(166)**
Net impairment charges	–	–	–	(82)	**(82)**	(34)	–	**(116)**	**1**	**(115)**	**–**	–	**(115)**	(2)	**(117)**
Statement of financial position includes															
Advances (before impairments)	270 461	41 374	53 286	7 314	**372 435**	129 838	–	**502 273**	**171 639**	**673 912**	**468 553**	41 120	**1 183 585**	–	**1 183 585**
Core lending advances	270 461	41 374	53 286	7 314	**372 435**	129 838	–	**502 273**	**171 639**	**673 912**	**408 252**	33 664	**1 115 828**	–	**1 115 828**
– Other core lending advances (AC and FV)	270 461	41 374	53 286	7 314	**372 435**	129 838	–	**502 273**	**171 639**	**673 912**	**408 252**	33 664	**1 115 828**	–	**1 115 828**
Assets under agreements to resell	–	–	–	–	**–**	–	–	**–**	**–**	**–**	**60 301**	7 456	**67 757**	–	**67 757**
Stage 3/NPLs	18 218	5 233	9 008	1 015	**33 474**	4 733	–	**38 207**	**8 219**	**46 426**	**4 003**	631	**51 060**	–	**51 060**
Total deposits (including non-recourse deposits)	562	12 039	32	388 145	**400 778**	463 398	–	**864 176**	**78**	**864 254**	**287 806**	292 647	**1 444 707**	–	**1 444 707**
Total assets	265 054	35 974	43 158	25 992	**370 178**	136 596	302	**507 076**	**169 826**	**676 902**	**649 422**	389 522	**1 715 846**		**1 715 846**
Total liabilities†	265 247	34 240	43 023	10 861	**353 371**	128 637	685	**482 693**	**167 907**	**650 600**	**643 171**	292 918	**1 586 689**	–	**1 586 689**
Capital expenditure	1	57	4	3 250	**3 312**	617	2	**3 931**	**2 726**	**6 657**	**401**	28	**7 086**	–	**7 086**

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

* *FNB broader Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page A02) and are not reported in bank.*

** *Refer to additional segmental disclosure on page B42.*

\# *Centre represents group-wide functions and includes MotoNovo back book.*

† *Total liabilities are net of interdivisional balances.*

Segment report

for the year ended 30 June 2023

	Retail and commercial										Corporate and institutional				
	FNB														
	Retail*														
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial*	FNB broader Africa**	**Total FNB***	**WesBank*,#**	**Retail and commercial***	**RMB***	Centre (including Group Treasury) and other#,†	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
Net interest income before impairment of advances	4 696	3 771	7 539	7 731	**23 737**	15 084	(19)	**38 802**	**4 867**	**43 669**	**8 716**	3 617	**56 002**	(1 490)	**54 512**
Impairment charge	(452)	(1 516)	(3 688)	(102)	**(5 758)**	(615)	–	**(6 373)**	**(1 795)**	**(8 168)**	**(691)**	446	**(8 413)**	–	**(8 413)**
Net interest income after impairment of advances	4 244	2 255	3 851	7 629	**17 979**	14 469	(19)	**32 429**	**3 072**	**35 501**	**8 025**	4 063	**47 589**	(1 490)	**46 099**
Non-interest revenue	88	3 807	861	12 873	**17 629**	10 706	1 297	**29 632**	**2 918**	**32 550**	**9 209**	(1 469)	**40 290**	1 348	**41 638**
Income from operations	4 332	6 062	4 712	20 502	**35 608**	25 175	1 278	**62 061**	**5 990**	**68 051**	**17 234**	2 594	**87 879**	(142)	**87 737**
Operating expenses	(1 720)	(3 095)	(2 626)	(15 853)	**(23 294)**	(11 701)	(1 706)	**(36 701)**	**(4 325)**	**(41 026)**	**(10 990)**	(1 439)	**(53 455)**	255	**(53 200)**
Income before indirect tax	2 612	2 967	2 086	4 649	**12 314**	13 474	(428)	**25 360**	**1 665**	**27 025**	**6 244**	1 155	**34 424**	113	**34 537**
Indirect tax	(14)	(27)	(60)	(488)	**(589)**	(63)	(1)	**(653)**	**(53)**	**(706)**	**(190)**	86	**(810)**	–	**(810)**
Profit before tax	2 598	2 940	2 026	4 161	**11 725**	13 411	(429)	**24 707**	**1 612**	**26 319**	**6 054**	1 241	**33 614**	113	**33 727**
Income tax expense	(701)	(794)	(547)	(1 125)	**(3 167)**	(3 621)	116	**(6 672)**	**(435)**	**(7 107)**	**(1 635)**	894	**(7 848)**	(28)	**(7 876)**
Profit for the period	1 897	2 146	1 479	3 036	**8 558**	9 790	(313)	**18 035**	**1 177**	**19 212**	**4 419**	2 135	**25 766**	85	**25 851**
Attributable to															
Ordinary equityholders	1 897	2 146	1 479	3 036	**8 558**	9 790	(313)	**18 035**	**1 177**	**19 212**	**4 419**	1 178	**24 809**	85	**24 894**
Other equity instrument holders	–	–	–	–	**–**	–	–	**–**	**–**	**–**	**–**	957	**957**	–	**957**
Profit for the period	1 897	2 146	1 479	3 036	**8 558**	9 790	(313)	**18 035**	**1 177**	**19 212**	**4 419**	2 135	**25 766**	85	**25 851**
Attributable earnings to ordinary equityholders	1 897	2 146	1 479	3 036	**8 558**	9 790	(313)	**18 035**	**1 177**	**19 212**	**4 419**	1 178	**24 809**	85	**24 894**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**	**–**	**–**	**–**	**–**	**–**	13	**13**
Headline earnings	1 897	2 146	1 479	3 036	**8 558**	9 790	(313)	**18 035**	**1 177**	**19 212**	**4 419**	1 178	**24 809**	98	**24 907**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**	**–**	**–**	**–**	–	**–**	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**	**–**	**–**	**–**	–	**–**	(98)	**(98)**
Normalised earnings	1 897	2 146	1 479	3 036	**8 558**	9 790	(313)	**18 035**	**1 177**	**19 212**	**4 419**	1 178	**24 809**	–	**24 809**

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

* *Restated. Refer to pages B43 to B44.*

** *FNB broader Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page A02) and are not reported in bank.*

Refer to additional segmental disclosure on page B42.

† *Centre represents group-wide functions and includes MotoNovo back book.*

Segment report

for the year ended 30 June 2023

	Retail and commercial										Corporate and institutional				
	FNB														
	Retail*														
R million	Residential mortgages	Card	Total personal loans	Retail other	Retail	Commercial*	FNB broader Africa**	Total FNB*	WesBank*,#	Retail and commercial*	RMB*	Centre (including Group Treasury) and other#,†	FRB – normalised	Normalised adjustments	FRB – IFRS
Cost-to-income ratio (%)	36.0	40.8	31.3	76.9	**56.3**	45.4	>100	**53.6**	**55.6**	**53.8**	**61.3**	67.0	**55.5**		**55.3**
Diversity ratio (%)	1.8	50.2	10.3	62.5	**42.6**	41.5	>100	**43.3**	**37.5**	**42.7**	**51.4**	(68.4)	**41.8**		**43.3**
Credit loss ratio (%) – core lending advances	0.18	4.33	7.63	1.33	**1.68**	0.55	–	**1.40**	**1.20**	**1.35**	**0.21**	(1.50)	**0.87**		**0.87**
Stage 3/NPLs as a % of core lending advances	5.42	10.92	15.07	12.48	**7.51**	4.10	–	**6.67**	**4.43**	**6.10**	**1.24**	2.99	**4.28**		**4.28**
Income statement includes															
Depreciation	(3)	(6)	(17)	(2 088)	**(2 114)**	(248)	(4)	**(2 366)**	**(794)**	**(3 160)**	**(144)**	(1)	**(3 305)**	–	**(3 305)**
Amortisation	–	–	–	(10)	**(10)**	–	–	**(10)**	**(8)**	**(18)**	**(75)**	–	**(93)**	–	**(93)**
Net impairment charges	–	–	–	(63)	**(63)**	(111)	–	**(174)**	**16**	**(158)**	**–**	–	**(158)**	(48)	**(206)**
Statement of financial position includes															
Advances (before impairments)	259 635	37 149	50 072	7 406	**354 262**	116 448	–	**470 710**	**159 645**	**630 355**	**427 982**	45 089	**1 103 426**	–	**1 103 426**
Core lending advances	259 635	37 149	50 072	7 406	**354 262**	116 448	–	**470 710**	**159 645**	**630 355**	**363 232**	30 774	**1 024 361**	–	**1 024 361**
– Other core lending advances (AC and FV)	259 635	37 149	50 072	7 406	**354 262**	116 448	–	**470 710**	**159 645**	**630 355**	**363 232**	30 774	**1 024 361**	–	**1 024 361**
Assets under agreements to resell	–	–	–	–	**–**	–	–	**–**	**–**	**–**	**64 750**	14 315	**79 065**	–	**79 065**
Stage 3/NPLs	14 073	4 057	7 547	924	**26 601**	4 773	–	**31 374**	**7 066**	**38 440**	**4 520**	920	**43 880**	–	**43 880**
Total deposits	564	10 629	53	355 600	**366 846**	421 378	–	**788 224**	**67**	**788 291**	**273 334**	317 550	**1 379 175**	–	**1 379 175**
Total assets	255 335	32 592	40 895	28 391	**357 213**	116 700	257	**474 170**	**157 198**	**631 368**	**642 123**	381 473	**1 654 964**	–	**1 654 964**
Total liabilities‡	255 015	31 352	41 346	14 136	**341 849**	109 273	685	**451 807**	**155 261**	**607 068**	**637 630**	295 975	**1 540 673**	–	**1 540 673**
Capital expenditure	–	114	14	2 858	**2 986**	321	2	**3 309**	**1 354**	**4 663**	**602**	22	**5 287**	–	**5 287**

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

* *Restated. Refer to pages B43 to B44.*

** *FNB broader Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page A02) and are not reported in bank.*

\# *Refer to additional segmental disclosure on page B42.*

† *Centre represents group-wide functions and includes MotoNovo back book.*

‡ *Total liabilities are net of interdivisional balances.*

Additional segmental disclosure – WesBank

	Year ended 30 June 2024		
R million	Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	4 297	1 404	5 701
Impairment of advances	(1 799)	(253)	(2 052)
Normalised profit before tax	1 062	839	1 901
Normalised earnings	775	612	1 387
Core advances	111 421	60 218	171 639
Stage 3/NPLs	7 110	1 109	8 219
Advances margin (%)	3.00	2.15	2.71
Stage 3/NPLs as a % of advances	6.38	1.84	4.79
Credit loss ratio (%) of average advances	1.66	0.44	1.24

	Year ended 30 June 2023		
R million	Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	3 693	1 174	4 867
Impairment of advances	(1 737)	(58)	(1 795)
Normalised profit before tax	762	850	1 612
Normalised earnings	557	620	1 177
Core advances	105 433	54 212	159 645
Stage 3/NPLs	6 000	1 066	7 066
Advances margin (%)	3.06	2.32	2.81
Stage 3/NPLs as a % of advances	5.69	1.97	4.43
Credit loss ratio (%) of average advances	1.75	0.12	1.20

Additional information on internal restructures

The segmental disclosure has been updated for the Centre cost allocation model which was refined during the current year. This resulted in restatements of the June 2023 numbers, in certain segments, with no impact at bank level.

Detailed below is a breakdown of the effect of the restatements on the key income statement and statement of financial position lines by operating segment:

Operating expenses – internal costing changes

	Year ended 30 June 2023		
R million	As reported	Cost allocation	Restated
Residential mortgages	1 706	14	1 720
Card	3 087	8	3 095
Personal loans	2 613	13	2 626
Retail other	15 772	81	15 853
FNB Commercial	11 645	56	11 701
FNB broader Africa	1 706	–	1 706
Total FNB	36 529	172	36 701
WesBank	4 312	13	4 325
Total Retail and Commercial	40 841	185	41 026
RMB	10 940	50	10 990
Centre	1 674	(235)	1 439
Total bank	53 455	–	53 455

Normalised earnings – internal costing changes

	Year ended 30 June 2023		
R million	As reported	Cost allocation	Restated
Residential mortgages	1 907	(10)	1 897
Card	2 152	(6)	2 146
Personal loans	1 488	(9)	1 479
Retail other	3 095	(59)	3 036
FNB Commercial	9 831	(41)	9 790
FNB broader Africa	(313)	–	(313)
Total FNB	18 160	(125)	18 035
WesBank	1 186	(9)	1 177
Total Retail and Commercial	19 346	(134)	19 212
RMB	4 456	(37)	4 419
Centre	1 007	171	1 178
Total bank	24 809	–	24 809

Total liabilities – internal costing changes

	Year ended 30 June 2023		
R million	As reported	Cost allocation	Restated
Residential mortgages	255 001	14	255 015
Card	31 344	8	31 352
Personal loans	41 333	13	41 346
Retail other	14 055	81	14 136
Commercial	109 217	56	109 273
FNB broader Africa	685	–	685
Total FNB	451 635	172	451 807
WesBank	155 248	13	155 261
Total Retail and Commercial	606 883	185	607 068
RMB	637 580	50	637 630
Centre	296 210	(235)	295 975
Total bank	1 540 673	–	1 540 673

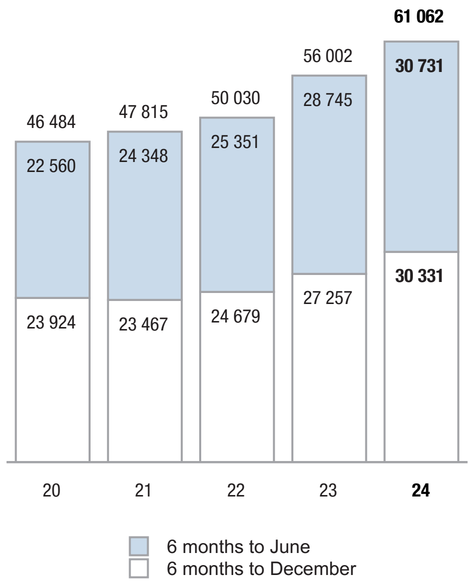
ANALYSIS OF RESULTS

Net interest income (before impairment of advances)

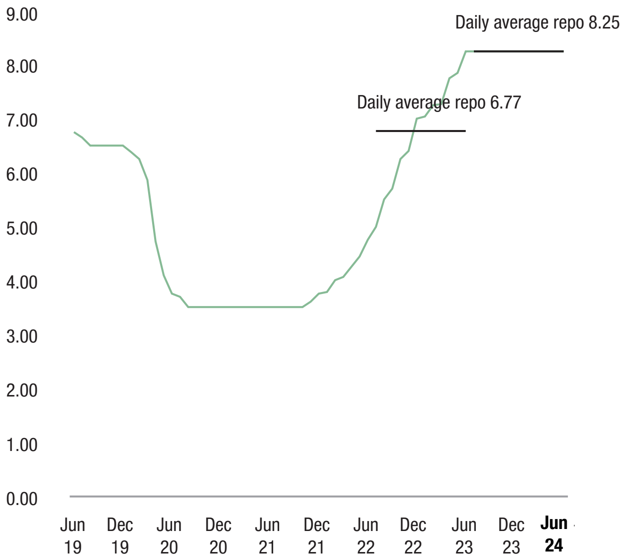
Net interest income (before impairment of advances) – up 9%

Net interest income
(R million)

NII CAGR 7%



Repo rate
(%)



The average endowment book for FirstRand Bank was c. R321 billion.

Refer to the Basel Pillar 3 disclosures for details of the bank's interest rate risk management approach, which is available at www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures/.

MARGIN CASCADE TABLE

	Year ended 30 June			Year ended 30 June
	2024			2023
Percentage of average interest-earning banking assets (%)	**Average interest-earning assets (R million)**	**NII (R million)**	**NIM (%)**	NIM (%)
Opening normalised margin	**1 191 059**	**56 002**	**4.70**	4.74
Asset growth	**101 766**	**4 783**		
Balances with central banks	**2 919**			
Cash and cash equivalents	**(11 488)**			
Liquid assets	**15 377**			
Loans and advances	**94 958**			
Lending interest-earning assets		**(261)**	**(0.03)**	(0.18)
Asset pricing		**(738)**	**(0.09)**	(0.14)
Change in advances mix and other		**477**	**0.06**	(0.04)
Liabilities		**(833)**	**(0.06)**	0.18
Deposit endowment		**369**	**0.03**	0.24
Deposit pricing		**(1 580)**	**(0.12)**	(0.09)
Change in deposit mix and volume		**378**	**0.03**	0.03
Capital endowment (including ALM strategies)		**1 543**	**0.12**	0.04
Group Treasury, Centre and other activities		**(172)**	**(0.01)**	(0.08)
Closing normalised margin	**1 292 825**	**61 062**	**4.72**	4.70

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	**2024**	2023	% change
Lending	**26 346**	24 292	8
Transactional*	**19 932**	19 352	3
Investment deposits	**4 188**	4 178	–
Capital endowment (including ALM strategies)	**9 939**	8 533	16
Group Treasury, Centre and other**	**657**	(353)	(>100)
Total net interest income	**61 062**	56 002	9

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

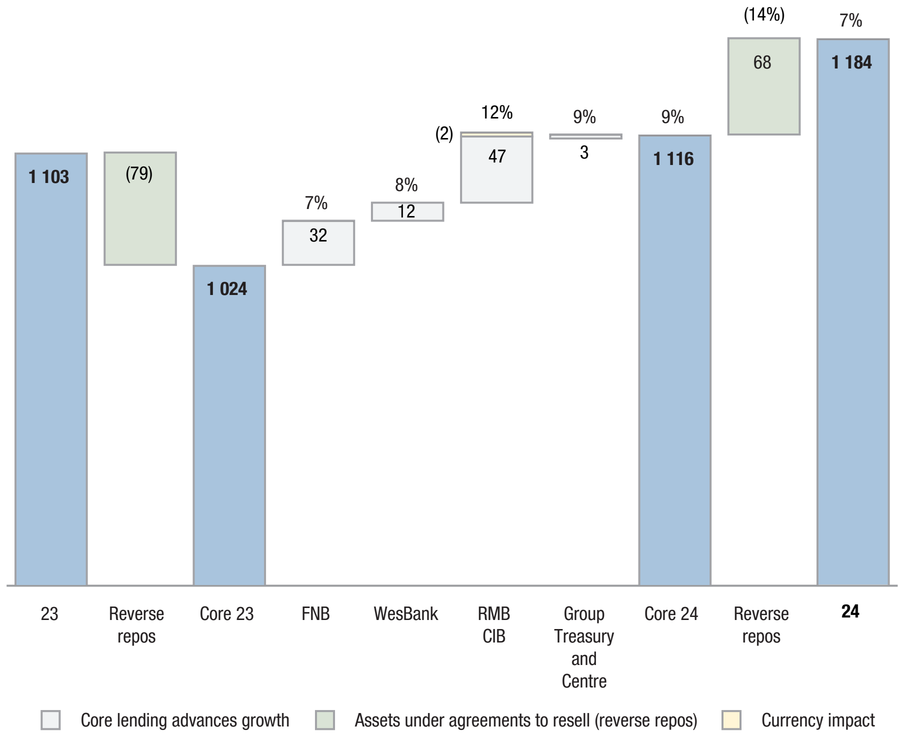
** *Other includes negative endowment, e.g. fixed assets.*

Key drivers – NII

- During the year average interest rates increased 148 bps to 8.25% (2023: 6.77%). This had a positive impact on the bank's capital and deposit endowment.
- NII growth was driven by continued growth in advances and transactional deposits, supported by the endowment uplift and liquidity management activities.
- Lending NII increased 8%, underpinned by growth in average customer advances. Retail and commercial average advances growth of 7% was driven by residential mortgages, retail unsecured and commercial lending, with margin outcomes still reflecting the origination tilt to better-quality credit. In addition, increases in the behavioural tenor of certain portfolios impacted the effective interest rates used to recognise origination fees over the tenor of the loans. This change in estimates reduced NII by R243 million for the June 2024 financial year. RMB average advances (excluding marketable advances and preference shares) increased 19% year on year due to strong demand for structured lending and general banking facilities.
- The growth in NII on transactional balances reflects increased product volumes and new offerings in FNB retail and commercial, and RMB. The endowment benefit from deposits was largely offset by the ALM strategies. Overall NII growth on transactional balances was also impacted by the shift to investment deposits and the implementation of the deposit insurance scheme (R93 million).
- NII on investment deposits was flat year on year.
- NII on capital endowment benefited from interest rate increases during the reporting period as well as from better investment rates achieved from market volatility. However, this was partially offset by lower ALM investment income.
- Group Treasury, the Centre and other NII increased due to:
  - improved liquidity management outcomes year on year, in rand and hard currencies, driven by liability management, lower institutional funding costs and franchise asset growth; and
  - improvements in accounting mismatches.

Core lending advances – up 9%

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 RMB cross-border book.

R million	As at 30 June 2024	2023	% change
Total advances	**1 183 585**	1 103 426	7
Assets under agreements to resell	**(67 757)**	(79 065)	(14)
Total core lending advances (before currency impact)	**1 115 828**	1 024 361	9
Centre and dollar cross-border book currency impact*	**2 349**	–	–
Core lending advances after currency impact	**1 118 177**	1 024 361	9

* *If the exchange rate (£1 = R22.99 and $1 = R18.22) had remained unchanged from 30 June 2023 (£1 = R23.95 and $1 = R18.84).*

Net interest income (before impairment of advances) continued

Key drivers – advances

- Core lending advances increased 9% as growth remained resilient across most portfolios, with a deceleration in certain portfolios given the current economic challenges.
- Retail secured advances increased 5% with growth in residential mortgages advances continuing to slow, in line with expectations, given the demand contraction in the housing market due to continued elevated interest rates. WesBank VAF also experienced a slowdown, with 6% advances growth as payouts declined 12% due to lower demand and affordability pressures.
- The unsecured lending portfolio increased 8% year on year. The growth in card (+11%) reflects increased sales and utilisation. The personal loans portfolio growth (+6%) continued to be impacted by declining volumes in the DirectAxis portfolio and the rundown of the Covid-19 relief book, offset by customer demand for term loan products.
- FNB and WesBank commercial delivered good growth given the consistent strategy to focus on targeted origination in sectors and specific customer cohorts, which are expected to perform well even in an inflationary and high interest rate environment. The largest contributors to the growth were asset-based finance (+19%), property finance (+16%), specialised finance (+18%) and the transaction product house (+16%).
- RMB's core advances growth of 12% reflects the targeted origination approach focusing on specific counters (large corporates, infrastructure and private power enablement), as well as a focus on TTS clients trade flows and capital conversion cycles. The portfolio continued to lean to better-rated counterparties, balancing growth and returns. The cross-border book reflected year on year growth of 21% in rand terms and 25% in dollar terms.
- Group Treasury and Centre advances increased following the extension of a R3.8 billion liquidity facility to the CoDI related to the deposit insurance scheme.
- Assets under agreements to resell (reverse repos) decreased due to competitive pricing pressures led by increased system liquidity and availability. Larger deposit quotas with the SARB reduced the demand for interbank reverse repo transactions to clear excess liquidity.

AVERAGE BALANCE SHEET

		June 2024			June 2023		
R million	Notes	Average balance	Interest income/ (expense)	Average rate %	Average balance	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				**11.75**			10.27
Balances with central banks		**34 300**	**–**	**–**	31 381	–	–
Cash and cash equivalents*		**32 123**	**1 903**	**5.92**	43 611	2 234	5.12
Liquid assets portfolio**		**279 749**	**18 976**	**6.78**	264 372	15 995	6.05
Loans and advances to customers	1	**946 653**	**112 550**	**11.89**	851 695	88 585	10.40
Interest-earning assets		**1 292 825**	**133 429**	**10.32**	1 191 059	106 814	8.97
INTEREST-BEARING LIABILITIES							
Average repo rate (RSA)				**8.25**			6.77
Deposits due to customers	2	**(1 013 599)**	**(67 366)**	**6.65**	(935 400)	(49 368)	5.28
Group Treasury funding		**(279 965)**	**(24 185)**	**8.64**	(273 681)	(17 242)	6.30
Interest-bearing liabilities		**(1 293 564)**	**(91 551)**	**7.08**	(1 209 081)	(66 610)	5.51
ENDOWMENT AND TRADING BOOK							
Other assets#		**262 341**	**–**	**–**	273 505	–	–
Other liabilities†		**(136 836)**	**–**	**–**	(143 668)	–	–
AT1 instruments		**(12 730)**	**–**	**–**	(8 762)	–	–
Equity		**(112 036)**	**–**	**–**	(103 053)	–	–
Endowment and trading book		**739**	**19 184**	**>100**	18 022	15 798	87.66
Total interest-bearing liabilities, endowment and trading book		**(1 292 825)**	**(72 367)**	**5.18**	(1 191 059)	(50 812)	4.27
Net interest margin on average interest-earning assets		**1 292 825**	**61 062**	**4.72**	1 191 059	56 002	4.70

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

* *Includes margin balances related to derivative transactions.*
** *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 2024		June 2023	
R million	Average balance	Average margin %	Average balance	Average margin %
Average prime rate (RSA)		**11.75**		10.27
Advances				
Retail – secured	**376 692**	**1.84**	355 530	1.93
Residential mortgages	**267 685**	**1.34**	253 692	1.53
VAF	**109 007**	**3.05**	101 838	2.93
Retail – unsecured	**98 747**	**10.57**	90 190	10.93
Card	**40 419**	**7.20**	35 804	7.33
Personal loans	**52 401**	**13.62**	47 869	14.00
Retail other	**5 927**	**6.55**	6 517	8.12
Corporate and commercial	**471 214**	**2.18**	405 975	2.34
FNB commercial	**118 266**	**3.30**	108 080	3.41
– Mortgages	**35 101**	**1.91**	31 276	2.17
– Overdrafts	**48 690**	**4.63**	44 290	4.66
– Term loans	**34 475**	**2.83**	32 514	2.89
WesBank corporate	**57 637**	**2.15**	50 183	2.32
RMB CIB	**295 311**	**1.74**	247 712	1.87
Total advances	**946 653**	**2.92**	851 695	3.08

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 bank 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

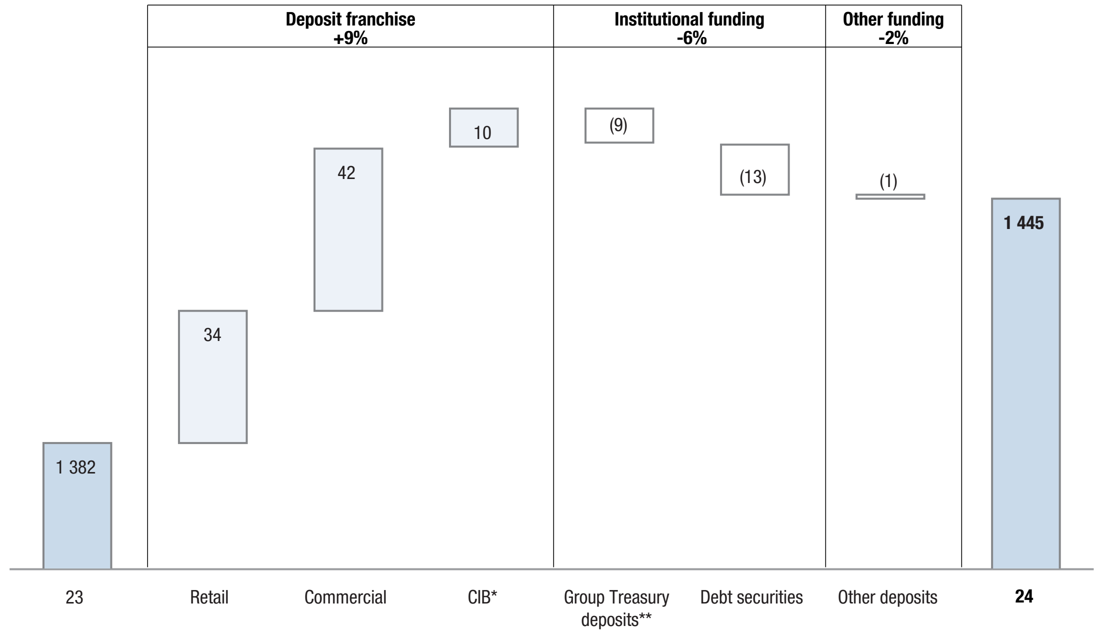
Key drivers – advances margin

- Advances margins continue to reflect the bank's origination approach in retail and stronger growth in lower-margin commercial and corporate portfolios.The market remained highly competitive for all customer segments.
- As a result this origination tilt and the shift in asset mix, given stronger growth in secured origination replacing the higher margin books as they run off, retail margins decreased. Increased interest in suspense on non-performing loans further contributed to margin contraction.
- FNB and WesBank commercial margins decreased as a result of a change in mix of new business, with significant counters repricing on the back of competitive pricing pressures.
- In addition to the factors set out above, retail and commercial mortgage and personal loans margins were impacted by the increases in the behavioural tenor estimates and the cumulative adjustment recognised in the current year, which contributed to margin contraction.
- RMB margins decreased, reflecting competitive pressure in the large corporate client sector as well as portfolio mix changes and client retention strategies.

Funding – up 5%

Funding growth by segment

(R billion)



* *Includes South Africa and the London branch.*

** *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.*

Net interest income (before impairment of advances) continued

Key drivers – deposits and funding

Deposit franchise

- The ongoing growth in FNB retail (+9%) and commercial (+10%) deposits reflects the focus on maintaining competitive pricing, appropriate client offerings given the cycle and customer take up of on-platform deposit offerings. Growth was driven by higher client rate investment deposits (+11% retail and +15% in commercial). Transactional deposit growth (+2% in both portfolios) reflects macro pressures weighing on available disposable income and customers seeking higher yields on savings and investments given the rate cycle.
- RMB's strategy to grow primary-banked clients resulted in good growth in operational balances, translating into an overall increase in the deposit franchise of 5%.

Institutional funding

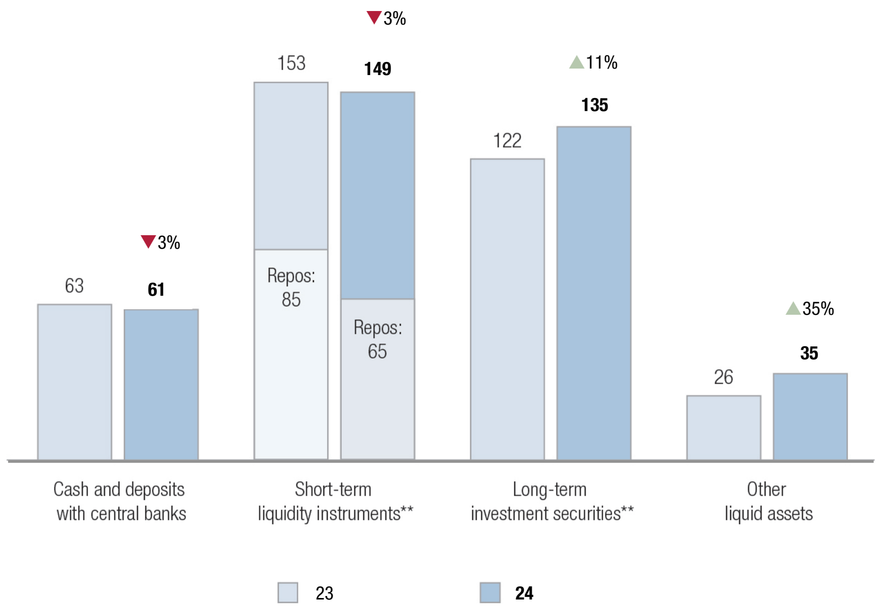
- Strong growth in the deposit franchise reduced reliance on institutional funding. Lower money market issuance was offset by additional senior and thematic capital market issuance, together with Tier 2 and AT1 issuances.

Other funding

- The small decrease in other funding was primarily due to decreases in collateral received.

The bank manages excess liquidity by deploying it primarily into cash, central bank deposits, treasury bills and government bonds (acquired outright and through reverse repos) in the normal course of business.

Liquidity management by investment type*
(R billion)



Note 1: Percentage change is based on actual underlying numbers rather than the rounded figures shown in the bar graphs above.
** Chart is based on rand liquid assets in FirstRand Bank South Africa held by Group Treasury only.*
*** Restated to reflect a portion of repo as short-term liquidity instruments reflecting the transaction tenor rather than the tenor of underlying repo asset.*

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

	June 2024		June 2023	
R million	Average balance	Average margin %	Average balance	Average margin %
Average repo rate (RSA)		**8.25**		6.77
Deposits				
Retail	**344 165**	**1.96**	315 135	1.96
Current and savings	**92 080**	**5.74**	89 122	5.25
Call	**131 797**	**0.75**	118 941	0.85
Term	**120 288**	**0.39**	107 072	0.47
Commercial	**438 182**	**2.52**	390 151	2.52
Current and savings	**148 241**	**6.05**	141 003	5.46
Call	**133 978**	**1.14**	120 201	1.34
Term	**155 963**	**0.36**	128 947	0.40
Corporate and investment banking	**231 252**	**0.87**	230 114	0.83
Current and savings	**106 611**	**1.52**	100 731	1.53
Call	**78 010**	**0.38**	73 762	0.45
Term	**46 631**	**0.19**	55 621	0.08
Total deposits	**1 013 599**	**1.95**	935 400	1.92

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

Key drivers – deposit margins

- FNB's retail and commercial deposit margins reflect the strategy to offer savings and investment products, which are sold at better rates for customers. Competitive pressures and the implementation of the deposit insurance scheme also impacted margins.
- RMB deposit margins expanded, attributable to a decrease in lower margin-earning investment balances and an increase in transactional balances.

Credit

CREDIT HIGHLIGHTS AT A GLANCE

R million	Notes	Year ended 30 June 2024	2 023	% change
Total gross advances		**1 183 585**	1 103 426	7
Total core lending advances	1 on p.B70	**1 115 828**	1 024 361	9
– Performing core lending advances		**1 064 768**	980 481	9
– Stage 1		**982 427**	901 786	9
– Stage 2		**82 341**	78 695	5
– Stage 3/NPLs	3 on p.B76	**51 060**	43 880	16
Assets under agreements to resell		**67 757**	79 065	(14)
Stage 3/NPLs as a % of core lending advances	3 on p.B76	**4.58**	4.28	
Core lending advances (net of impairment)		**1 075 371**	987 826	9
Total impairments		**40 457**	36 535	11
Portfolio impairments	2 on p.B74	**17 294**	16 427	5
– Stage 1		**7 862**	7 379	7
– Stage 2		**9 432**	9 048	4
Stage 3 impairments	3 on p.B76	**23 163**	20 108	15
Coverage ratios				
Performing book coverage ratio (%) – core lending advances*	2 on p.B74	**1.62**	1.68	
Specific coverage ratio (%)**	3 on p.B76	**45.4**	45.8	
Income statement analysis				
Impairment charge	4 on p.B80	**12 451**	8 413	48
Credit loss ratio (%) – core lending advances	4 on p.B80	**1.16**	0.87	

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

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

Updated through-the-cycle range

The bank updated its TTC range to 100 bps - 130 bps (previously 90 bps - 120 bps). This was as a result of changes in the underlying retail portfolios' ranges to cater for product composition shifts and long run actual credit losses.

Impairment charge

The impairment charge increased 48%, driven mainly by retail portfolios on the back of average book growth over the last two financial years, combined with the impact of continued weak macros on the back book. The CLR at 116 bps (2023: 87 bps) is within the the bank's TTC range of 100 bps – 130 bps.

The impairment charge increased R4 038 million, largely attributable to the following factors (a further analysis is contained on pages B58 to B60, and in note 4 on page B80):

- Overall stage 1 provisions increased R483 million, primarily driven by the commercial and corporate portfolios, as a result of strong new business origination. Overall stage 1 provisions benefited from a decrease in stage 1 coverage as FLI provisions were released in the retail portfolios, as the macro-economic outlook improved.
- Overall stage 2 provisions increased R384 million, driven by higher stage 2 advances due to a few significant exposures migrating into stage 2 within RMB and new inflows in the retail unsecured portfolios, reflecting the stressed macro environment and its impact on customers across these portfolios.
- Stage 2 coverage decreased, largely driven by the retail unsecured and commercial portfolios as the forward looking macro-economic outlook improved and the release of industry-specific and event risk provisions. Stage 2 coverage on the remaining portfolios increased and is unpacked on page B67.
- Stage 3 provisions increased as NPL inflows accelerated in line with expectations given the macros, driven largely by the retail personal loans, card, and residential mortgage portfolios.
- The bank's stage 3 coverage was largely maintained at June 2023 levels as changes in coverage levels in the underlying portfolios offset each other. NPL formation in the retail portfolio was as a result of new inflows and debt counselling inflows, which have lower coverage. This was partially offset by increases in stage 3 coverage in the commercial portfolio due to mix changes between the secured and unsecured book. These changes are unpacked on page B67.
- Net write-offs increased, driven by higher bad debts written off in the retail unsecured and corporate portfolios with post-write off recoveries declining from June 2023 levels.

The increase in the CLR was driven by:

- Retail's CLR increased to 225 bps, due to strong growth in the unsecured portfolio resulting in front book strain, at higher coverages, increases in both arrears and SICR levels and accelerated NPL formation as economic strain continued to play out in the portfolio. The overall increase was partially offset by moderate reductions in forward looking balance sheet impairments due to an improving macro-outlook in the current year. In addition, the following portfolio specific drivers were noted:
  - Residential mortgages' CLR increased to 45 bps (2023: 18 bps), primarily driven by house-price pressure impacting LGDs, reflected in a year-on-year increase in performing and stage 3 coverage.
  - The WesBank VAF CLR decreased to 166 bps (2023: 179 bps), reflecting slowing advances growth and supported by moderate reductions in forward looking impairments.
- FNB commercial's CLR increased to 69 bps, driven by advances growth as origination strain plays out in the portfolio. The impact of the current economic conditions is less pronounced in this portfolio due to the lag effect of the economic cycle, impacting commercial on a latent basis to retail.
- The RMB (excl HQLA) CLR of 23 bps (2023: 22 bps) reflect strong book growth, stress in certain sectors of the South African economy, together with the overall challenging macro environment, which resulted in additional stage 2 provisions being raised, offset by a lower charge on stage 3 advances year on year.

Credit continued

ANALYSIS OF IMPAIRMENT CHARGE

R million	Year ended 30 June 2024	2023	% change
Movement in balance sheet provisions			
Performing book provisions	**867**	747	16
NPL provision	**3 055**	439	>100
Credit provision increase	**3 922**	1 186	>100
Gross write-off and other	**12 266**	11 321	8
– Bad debts written off*	**12 218**	11 774	4
– Exchange rate and other	**48**	(453)	(>100)
Amounts recognised directly in income statement			
Modification loss	**861**	671	28
Interest suspended on stage 3 advances	**(2 983)**	(2 556)	17
Post write-off recoveries	**(1 615)**	(2 209)	(27)
Total impairment charge	**12 451**	8 413	48
Credit loss ratio (%) - core lending advances	**1.16**	0.87	

* *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 year 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 year 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 2024													
	Movement in the balance sheet provisions									Recognised directly in the income statement				
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	Gross write-off and other*	Current year ECL provided	Modification loss	Interest suspended on stage 3 advances	Post write-off recoveries	Total	CLR %
Retail	187	(433)	434	6	194	3 291	3 485	9 972	13 457	861	(2 391)	(1 290)	10 637	2.25
– Secured	64	(90)	49	161	184	1 330	1 514	2 262	3 776	84	(645)	(231)	2 984	0.80
– Unsecured	123	(343)	385	(155)	10	1 961	1 971	7 710	9 681	777	(1 746)	(1 059)	7 653	7.79
– Temporary stress scenario	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Commercial	139	115	46	(276)	24	233	257	1 531	1 788	–	(531)	(160)	1 097	0.61
Corporate	137	128	146	35	446	(225)	221	701	922	–	(61)	(5)	856	0.22
Centre	5	205	(10)	3	203	(244)	(41)	62	21	–	–	(160)	(139)	(0.43)
Total	468	15	616	(232)	867	3 055	3 922	12 266	16 188	861	(2 983)	(1 615)	12 451	1.16

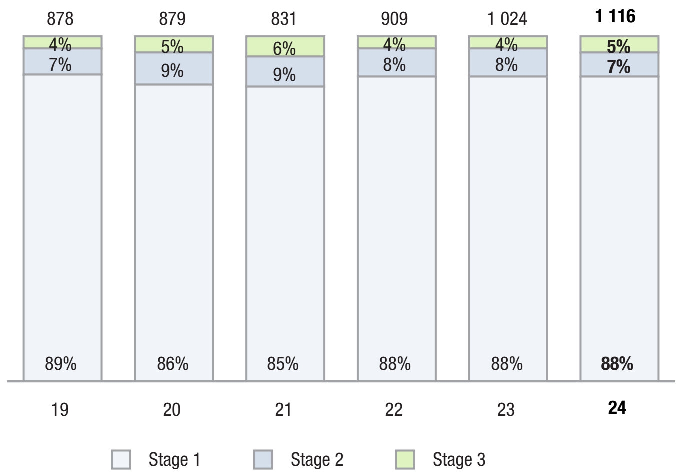
	Year ended 30 June 2023													
	Movement in the balance sheet provisions									Recognised directly in the income statement				
R million	Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage	**Performing book provisions**	Change in stage 3 provisions	**Credit provision increase**	Gross write-off and other*	**Current year ECL provided**	Modification loss	Interest suspended on stage 3 advances	Post write-off recoveries	**Total**	CLR %
Retail	268	(429)	496	380	**715**	470	**1 185**	9 454	**10 639**	676	(2 067)	(1 753)	**7 495**	1.70
– Secured	143	(114)	317	392	**738**	86	**824**	2 104	**2 928**	180	(449)	(426)	**2 233**	0.64
– Unsecured	278	(315)	341	(12)	**292**	384	**676**	7 350	**8 026**	496	(1 618)	(1 327)	**5 577**	6.13
– Temporary stress scenario	(153)	–	(162)	–	**(315)**	–	**(315)**	–	**(315)**	–	–	–	**(315)**	–
Commercial	95	(151)	89	(48)	**(15)**	(335)	**(350)**	1 740	**1 390**	(5)	(487)	(225)	**673**	0.42
Corporate	279	(164)	42	16	**173**	183	**356**	379	**735**	–	(2)	(42)	**691**	0.21
Centre	4	(107)	(25)	2	**(126)**	121	**(5)**	(252)	**(257)**	–	–	(189)	**(446)**	(1.50)
Total	646	(851)	602	350	**747**	439	**1 186**	11 321	**12 507**	671	(2 556)	(2 209)	**8 413**	0.87

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

Credit continued

Stage distribution

Core lending advances by stage
(% per stage in R billion)



Stage 2 advances

	As at 30 June 2024			As at 30 June 2023		
R million	**Stage 2 arrears**	**Stage 2 current**	**Total stage 2**	Stage 2 arrears	Stage 2 current	Total stage 2
Residential mortgages	**5 362**	**16 857**	**22 219**	5 571	16 895	22 466
WesBank VAF	**4 204**	**8 132**	**12 336**	3 729	8 215	11 944
FNB card	**537**	**2 493**	**3 030**	462	2 557	3 019
Personal loans	**2 777**	**6 156**	**8 933**	2 571	4 930	7 501
Retail other	**194**	**390**	**584**	174	465	639
Total retail	**13 074**	**34 028**	**47 102**	12 507	33 062	45 569
FNB commercial	**999**	**7 902**	**8 901**	1 168	7 487	8 655
WesBank corporate and commercial	**802**	**3 039**	**3 841**	730	2 734	3 464
Total commercial	**1 801**	**10 941**	**12 742**	1 898	10 221	12 119
Total retail and commercial	**14 875**	**44 969**	**59 844**	14 405	43 283	57 688

Stage distribution of advances

Stage 1 advances

The increase in stage 1 core lending advances reflects the current year advances growth. A further analysis is contained in note 1 on page B70.

Stage 2 advances

The increase in stage 2 advances reflects advances growth coupled with the impact of interest rate hikes and inflation on customers, with continued repayment pressure being experienced. This resulted in an increase in both stage 2 advances in current status and in arrears. 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. A further analysis is contained in note 1 on page B70.

- The increase in stage 2 advances across the retail portfolios reflects the continued repayment pressure experienced by customers, with an increase in customers entering the debt counselling process. The composition of the stage 2 portfolio continues to be largely driven by exposures triggering the SICR indicators, with the drivers across the portfolios as follows:
  - Residential mortgage stage 2 advances have declined marginally as arrears exposures flowed into NPL. Stage 2 exposures in current status have remained flat.
  - The increase in WesBank VAF stage 2 advances was driven by SICR exposures flowing into arrears, reflecting ongoing pressure from the economic conditions. Overall arrears levels as a percentage of stage 2 advances increased from June 2023.
  - Retail unsecured stage 2 advances increased since June 2023, driven primarily by stage 2 modelled SICR. Although arrears continue to see inflows, a slowdown in the increase in arrears was noted.
- The increase in FNB commercial and WesBank's commercial and corporate stage 2 advances was driven by origination strain given book growth. The main contributor was paying accounts in current status as ongoing pressures from interest rate hikes, inflation and logistical constraints triggered SICR indicators in the agric and commercial property finance portfolios.
- RMB stage 2 advances increased year on year as a result of the migration into stage 2 of a few significant exposures, offset to some extent by the migration of a limited number of counters to stage 3. Stage 2 advances as a percentage of overall advances have decreased marginally as a result of the strong book growth.

Stage 3 advances/NPLs

Stage 3 drift continued as the impact of elevated interest rates combined with weak macros played out. As a result, stage 3 advances continued to trend upwards across most portfolios and NPLs as a percentage of core lending advances increased to 4.58% (June 2023: 4.28%). A further analysis is provided in note 3 on page B76.

- Retail NPL formation accelerated, increasing 24% year on year. The NPL ratio increased to 8.39% (2023: 7.09%) reflecting the impact of origination strain and inflationary and interest rate pressure on customers, most notably in the residential mortgage and unsecured portfolios. A moderate increase in the proportion of paying stage 3 advances was noted year on year, with a noticeable increase in customers entering the debt counselling process. Retail advances under debt review increased by 16.9% and amounts to 4.2% (2023: 3.8%) of total retail advances. The increase is driven by value rather than volume as more customers in higher-income segments with higher average balances went into debt review, including many who have not fallen into arrears.
- FNB commercial and WesBank corporate and commercial NPL advances remained relatively flat since June 2023, driven by low inflows and good collections performance, resulting in clients curing out of stage 3.
- The decrease of 11% in RMB NPLs can be attributed to the settlement and write-off of specific exposures, partially offset by the inflow of highly collateralised counterparties into NPLs. The RMB NPL ratio improved from 1.29% (2023) to 1.03% with coverage declining to 27.8% from 29.6% in 2023.

Credit continued

Stage 3 non-performing loans

CHANGE IN NPLs

	30 June 2024 vs 30 June 2023		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational NPLs*	**4 503**	**13**	**10**
Other paying NPLs**	**2 677**	**26**	**6**
Change in total bank NPLs	**7 180**	**16**	**16**

* *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 2024			As at 30 June 2023		
R million	**Operational NPLs***	**Other paying NPLs****	**Total NPLs**	Operational NPLs*	Other paying NPLs**	Total NPLs
Residential mortgages	**11 915**	**6 303**	**18 218**	9 485	4 588	14 073
WesBank VAF	**4 733**	**2 377**	**7 110**	4 021	1 979	6 000
FNB card	**4 128**	**1 105**	**5 233**	3 152	905	4 057
Personal loans	**6 456**	**2 552**	**9 008**	5 735	1 812	7 547
Retail other	**894**	**121**	**1 015**	805	119	924
Total retail	**28 126**	**12 458**	**40 584**	23 198	9 403	32 601
FNB commercial	**4 444**	**289**	**4 733**	4 294	479	4 773
WesBank corporate and commercial	**852**	**257**	**1 109**	621	445	1 066
Total commercial	**5 296**	**546**	**5 842**	4 915	924	5 839
Total retail and commercial	**33 422**	**13 004**	**46 426**	28 113	10 327	38 440

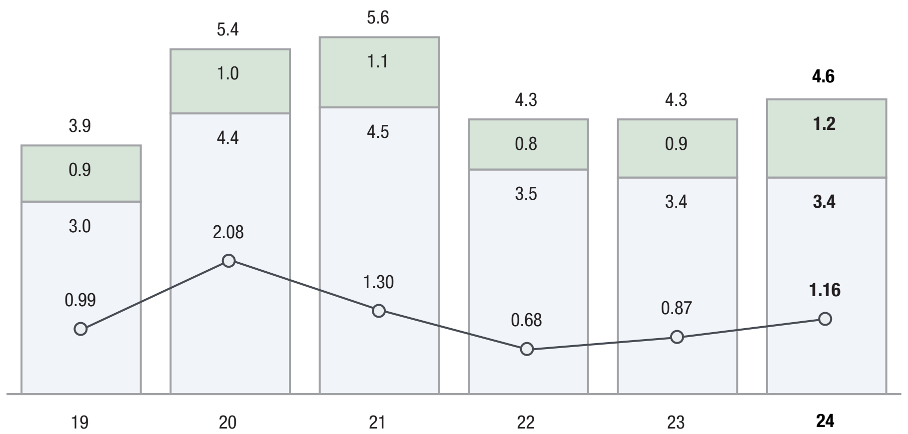
* *Include core lending advances and debt-review advances ≥90 days in arrears.*

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

Stage 3 non-performing loans

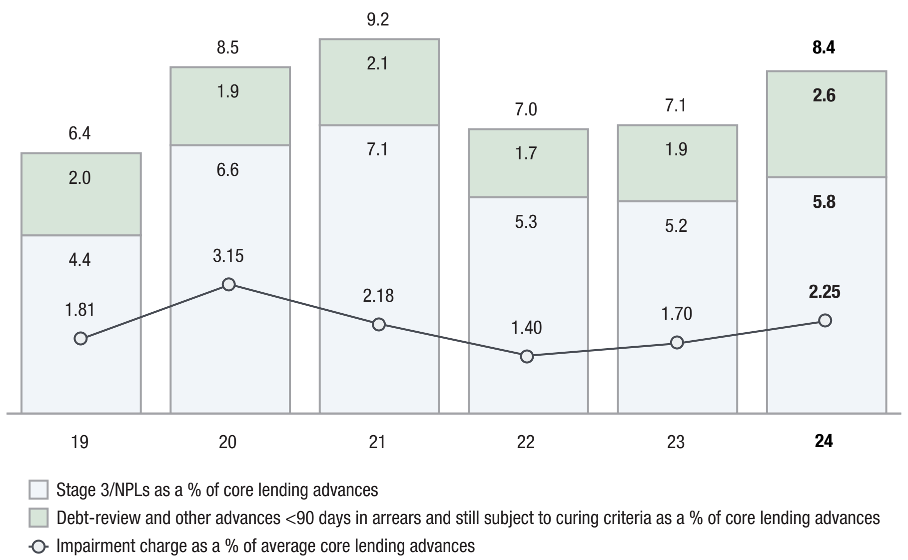
NPL and impairment history

%



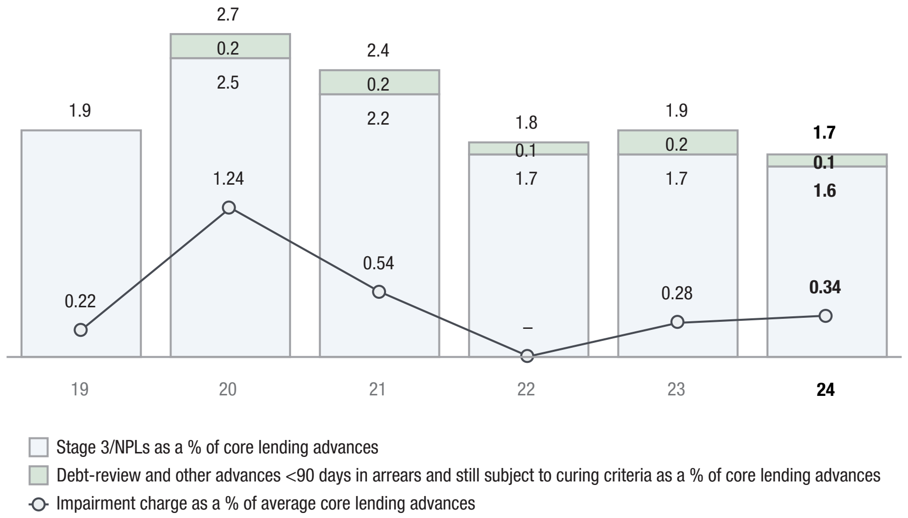
Retail NPLs and impairments

%



Credit continued

Corporate and commercial NPLs and impairments
%



Coverage

The performing book coverage decreased to 1.62% (2023: 1.68%). The decline was partly driven by FLI releases as a consequence of an improved forward-looking macro outlook and the change in mix towards a higher proportion of secured advances driven by the higher growth in RMB and FNB commercial, which attracts lower coverages than the retail book. The performing book coverage decrease is also reflective of the quality of new front book origination.

The overall bank NPL coverage remained largely similar to June 2023 levels given increased coverage in the unsecured retail, residential mortgages and commercial portfolios, offset by declines in the remaining portfolios. Balance sheet provisions are in line with pre-pandemic levels.

Performing coverage

A further analysis is provided in note 2 on page B74.

- Retail performing coverage decreased primarily due to an improved baseline outlook (specifically related to lower forward looking inflation and interest rate outlooks), resulting in a release of FLI provisions.
- Residential mortgages performing coverage increased, primarily to reflect the latest negative growth trends in house prices observed, and the subsequent impact it has on modelled LGDs.
- FNB commercial performing coverage reduced, mainly due to the release of industry-specific and event risk provisions, and certain exposures curing to stage 1 (at lower coverage levels).
- RMB core advances performing coverage increased 3 bps despite strong book growth to better-rated counterparties, driven by the migration of a few but large exposures to stage 2 (at higher coverage levels).

Stage 3 coverage

A further analysis is provided in note 3 on pages B76.

- Retail NPL coverage decreased marginally since June 2023 due to new NPL inflows (including more debt counselling accounts) requiring lower coverage, coupled with the write-offs of higher-covered loans. The overall coverage levels were further impacted by the following:
  - Residential mortgages coverage increased despite an increase in the overall paying stage 3 advances, to reflect recent negative growth trends in house prices.
  - WesBank VAF coverage decreased due to the relative mix change between paying and operational NPLs, and curing.
  - Retail unsecured coverage increased marginally, as an increase in coverage in the card portfolio was partially offset by a decrease in the personal loans portfolio. In the card portfolio, NPL inflows were driven by non-paying customers, while in the personal loans portfolio there was a higher increase in paying NPLs and customers entering debt counselling, compared to operational NPLs.
- FNB commercial and WesBank corporate and commercial's coverage increased mainly due to a mix change between the secured and unsecured book, and the curing of lower covered clients.
- Stage 3 coverage declined in RMB due to the write-off and settlements of significant exposures and new inflows of highly collateralised counterparties into NPL.

Movement in balance sheet impairments

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

	30 June 2024				30 June 2023			
R million	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	Total	Stage 1	Stage 2	Stage 3
Opening balance	**36 535**	**7 379**	**9 048**	**20 108**	35 349	7 584	8 096	19 669
Total credit provision increase/(release)	**3 922**	**483**	**384**	**3 055**	1 186	(205)	952	439
Transfers between stages	**–**	**430**	**(2 780)**	**2 350**	–	380	(1 891)	1 511
Current year impairment provided	**16 188**	**69**	**3 173**	**12 946**	12 507	(605)	2 790	10 322
ECL provided on new business*	**6 135**	**2 217**	**1 949**	**1 969**	6 231	2 466	2 189	1 576
ECL provided/(released) on back book*	**10 053**	**(2 148)**	**1 224**	**10 977**	6 646	(2 895)	795	8 746
Temporary stress scenario	**–**	**–**	**–**	**–**	(370)	(176)	(194)	–
Gross write-off and other**	**(12 266)**	**(16)**	**(9)**	**(12 241)**	(11 321)	20	53	(11 394)
Closing balance	**40 457**	**7 862**	**9 432**	**23 163**	36 535	7 379	9 048	20 108

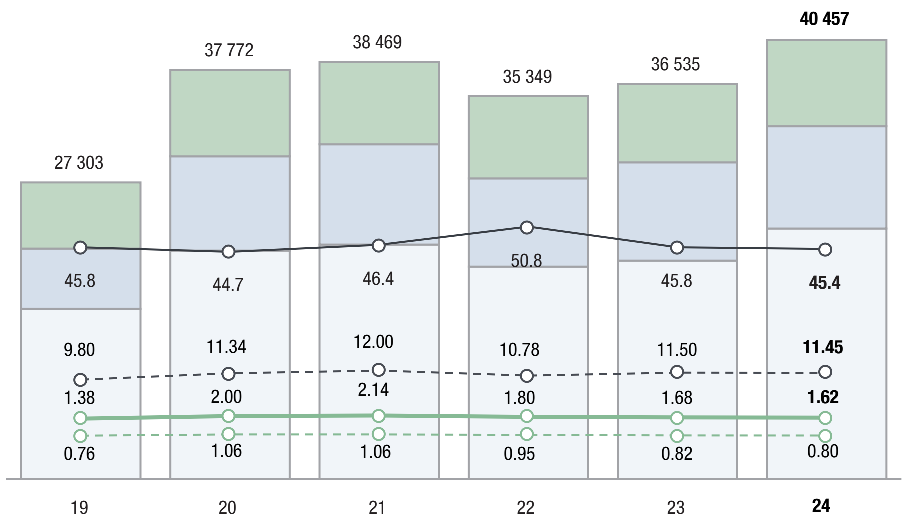
* *Interest suspended on stage 3 core lending advances of R2 983 million (June 2023: R2 556 million) is included in the expected credit losses provided/(released) amounts.*

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

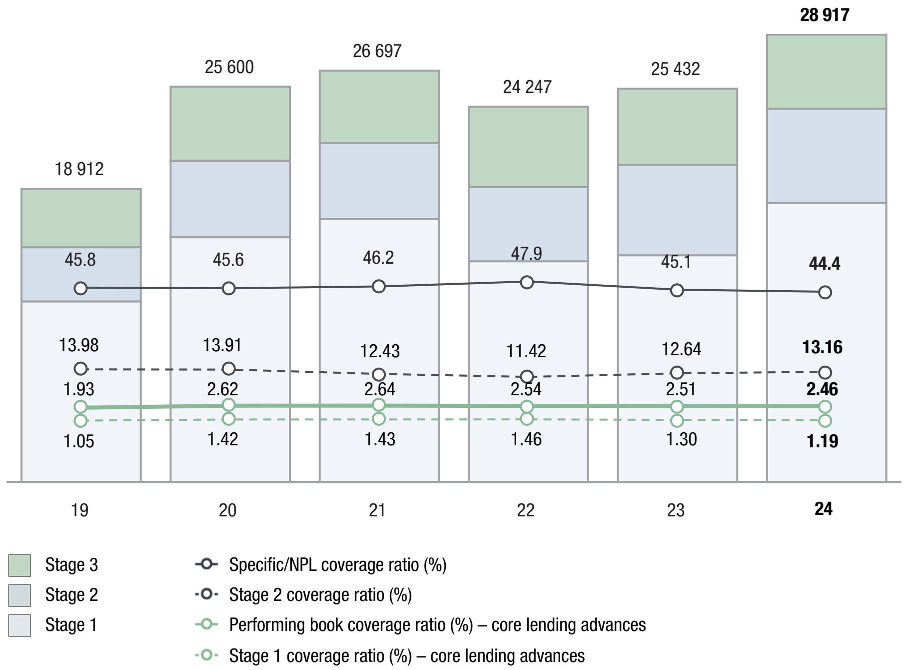
Note: The basis of presentation of this reconciliation can be found in Note 10 – Advances in the annual financial statements section of this report.

Credit continued

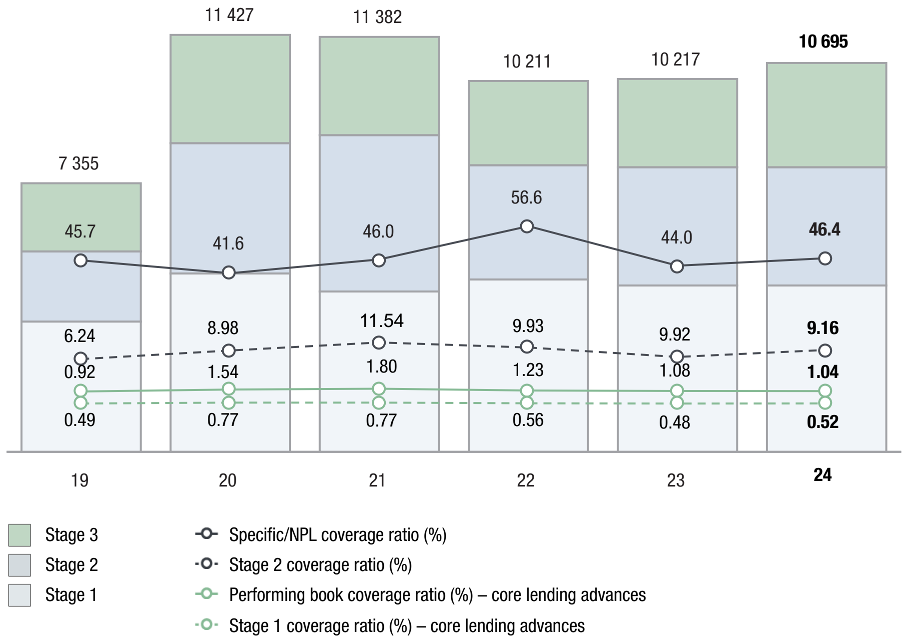
Balance sheet impairments and coverage ratios
(R million and %)



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



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



Credit continued

Supplementary credit information

Note 1: Analysis of advances

	Advances									
	As at 30 June			As at 30 June			As at 30 June			% com-position
				2024			2023			
R million	**2024**	2023	% change	**Stage 1**	**Stage 2**	**Stage 3**	Stage 1	Stage 2	Stage 3	**2024**
Retail	**483 856**	459 695	5	**396 170**	**47 102**	**40 584**	381 525	45 569	32 601	**40**
Retail – secured	**381 882**	365 068	5	**321 999**	**34 555**	**25 328**	310 585	34 410	20 073	**32**
Residential mortgages	**270 461**	259 635	4	**230 024**	**22 219**	**18 218**	223 096	22 466	14 073	**23**
WesBank VAF	**111 421**	105 433	6	**91 975**	**12 336**	**7 110**	87 489	11 944	6 000	**9**
Retail – unsecured	**101 974**	94 627	8	**74 171**	**12 547**	**15 256**	70 940	11 159	12 528	**8**
FNB card	**41 374**	37 149	11	**33 111**	**3 030**	**5 233**	30 073	3 019	4 057	**3**
Personal loans	**53 286**	50 072	6	**35 345**	**8 933**	**9 008**	35 024	7 501	7 547	**4**
– FNB and DirectAxis	**52 728**	48 926	8	**35 021**	**8 834**	**8 873**	34 276	7 290	7 360	**4**
– Covid-19 relief	**558**	1 146	(51)	**324**	**99**	**135**	748	211	187	**–**
Retail other	**7 314**	7 406	(1)	**5 715**	**584**	**1 015**	5 843	639	924	**1**
Corporate and commercial	**598 308**	533 892	12	**553 237**	**35 226**	**9 845**	490 496	33 037	10 359	**51**
FNB commercial	**129 838**	116 448	11	**116 204**	**8 901**	**4 733**	103 020	8 655	4 773	**11**
– FNB commercial	**129 250**	115 533	12	**115 682**	**8 901**	**4 667**	102 188	8 655	4 690	**11**
– SME government-guaranteed loan scheme	**588**	915	(36)	**522**	**–**	**66**	832	–	83	**–**
WesBank corporate and commercial	**60 218**	54 212	11	**55 268**	**3 841**	**1 109**	49 682	3 464	1 066	**5**
RMB CIB*	**387 688**	349 111	11	**361 201**	**22 484**	**4 003**	323 673	20 918	4 520	**33**
– Lending	**387 389**	348 765	11	**360 902**	**22 484**	**4 003**	323 327	20 918	4 520	**33**
– Loans to private equity investee companies	**299**	346	(14)	**299**	**–**	**–**	346	–	–	**–**
HQLA corporate advances*,**	**20 564**	14 121	46	**20 564**	**–**	**–**	14 121	–	–	**2**
Centre (including Group Treasury)	**33 664**	30 774	9	**33 020**	**13**	**631**	29 765	89	920	**3**
Securitisation notes	**26 951**	25 359	6	**26 951**	**–**	**–**	25 359	–	–	**2**
Other	**6 713**	5 415	24	**6 069**	**13**	**631**	4 406	89	920	**1**
Total core lending advances	**1 115 828**	1 024 361	9	**982 427**	**82 341**	**51 060**	901 786	78 695	43 880	**94**
Assets under agreements to resell	**67 757**	79 065	(14)	**67 757**	**–**	**–**	79 065	–	–	**6**
Total advances	**1 183 585**	1 103 426	7	**1 050 184**	**82 341**	**51 060**	980 851	78 695	43 880	**100**
Total advances excluding currency impact of the Centre and RMB cross-border#	**1 185 934**	1 103 426	7	**1 052 470**	**82 378**	**51 086**	980 851	78 695	43 880	
Of which:										
Amortised cost book	**1 079 725**	979 237	10	**949 207**	**80 347**	**50 171**	862 300	73 805	43 132	**91**
Fair value book	**103 860**	124 189	(16)	**100 977**	**1 994**	**889**	118 551	4 890	748	**9**

* *RMB CIB, including HQLA core lending advances of R408.3 billion (June 2023: R363.2 billion)*

** *Managed by the Group Treasurer.*

\# *If the exchange rate had remained unchanged from 30 June 2023.*

Credit continued

CIB ADVANCES BREAKDOWN

	Advances			
	As at 30 June			% com-position
R million	2024	2023	% change	2024
RMB CIB core lending advances	**387 688**	349 111	11	**83**
– South Africa	**319 619**	292 686	9	**68**
– Cross-border (broader Africa)	**68 069**	56 425	21	**15**
– Cross-border (broader Africa) – $ million	**3 736**	2 995	25	
HQLA corporate advances*	**20 564**	14 121	46	**4**
CIB total core lending advances	**408 252**	363 232	12	**87**
CIB total lending advances	**407 953**	362 886	12	**87**
CIB shareholder loans to private equity investing companies	**299**	346	(14)	**–**
CIB total core lending advances	**408 252**	363 232	12	**87**
CIB core advances – South Africa**	**340 183**	306 807	11	**72**
CIB core advances – broader Africa#	**68 069**	56 425	21	**15**
CIB total core lending advances	**408 252**	363 232	12	**87**
Assets under agreements to resell	**60 301**	64 750	(7)	**13**
CIB total advances	**468 553**	427 982	9	**100**
RMB cross-border total advances excluding currency impact†	**70 391**	56 425	25	

* *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 RMB CIB cross-border core lending advances.*

† *If the exchange rate had remained unchanged from 30 June 2023.*

CENTRE (INCLUDING GROUP TREASURY) ADVANCES BREAKDOWN

	Advances			
	As at 30 June			% com-position
R million	2024	2023	% change	2024
Core lending advances	**33 664**	30 774	9	**82**
Assets under agreements to resell	**7 456**	14 315	(48)	**18**
Total advances	**41 120**	45 089	(9)	**100**

Credit continued

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

	Total portfolio impairments												
				As at 30 June				Performing book coverage ratios (% of performing core lending advances)					
	As at 30 June		%	**2024**		2023		As at 30 June					
R million	**2024**	2023	change	**Stage 1**	**Stage 2**	Stage 1	Stage 2	**2024**	**Stage 1**	**Stage 2**	2023	Stage 1	Stage 2
Retail	**10 914**	10 720	2	**4 714**	**6 200**	4 960	5 760	**2.46**	**1.19**	**13.16**	2.51	1.30	12.64
Retail – secured	**4 538**	4 354	4	**1 391**	**3 147**	1 417	2 937	**1.27**	**0.43**	**9.11**	1.26	0.46	8.54
Residential mortgages	**1 701**	1 508	13	**413**	**1 288**	432	1 076	**0.67**	**0.18**	**5.80**	0.61	0.19	4.79
WesBank VAF	**2 837**	2 846	–	**978**	**1 859**	985	1 861	**2.72**	**1.06**	**15.07**	2.86	1.13	15.58
Retail – unsecured	**6 376**	6 366	–	**3 323**	**3 053**	3 543	2 823	**7.35**	**4.48**	**24.33**	7.75	4.99	25.30
FNB card	**1 930**	1 919	1	**1 157**	**773**	1 165	754	**5.34**	**3.49**	**25.51**	5.80	3.87	24.98
Personal loans	**3 996**	3 970	1	**1 884**	**2 112**	2 069	1 901	**9.02**	**5.33**	**23.64**	9.34	5.91	25.34
– FNB and DirectAxis	**3 961**	3 885	2	**1 869**	**2 092**	2 026	1 859	**9.03**	**5.34**	**23.68**	9.35	5.91	25.50
– Covid-19 relief	**35**	85	(59)	**15**	**20**	43	42	**8.27**	**4.63**	**20.20**	8.86	5.75	19.91
Retail other	**450**	477	(6)	**282**	**168**	309	168	**7.14**	**4.93**	**28.77**	7.36	5.29	26.29
Corporate and commercial	**6 124**	5 654	8	**2 897**	**3 227**	2 378	3 276	**1.04**	**0.52**	**9.16**	1.08	0.48	9.92
FNB commercial	**2 142**	2 171	(1)	**1 195**	**947**	958	1 213	**1.71**	**1.03**	**10.64**	1.94	0.93	14.02
– FNB commercial	**2 097**	2 144	(2)	**1 150**	**947**	931	1 213	**1.68**	**0.99**	**10.64**	1.93	0.91	14.02
– SME government-guaranteed loan scheme	**45**	27	67	**45**	**–**	27	–	**8.62**	**8.62**	**–**	3.25	3.25	–
WesBank corporate and commercial	**392**	339	16	**245**	**147**	228	111	**0.66**	**0.44**	**3.83**	0.64	0.46	3.20
RMB CIB	**3 590**	3 144	14	**1 457**	**2 133**	1 192	1 952	**0.94**	**0.40**	**9.49**	0.91	0.37	9.33
– Lending	**3 583**	3 136	14	**1 450**	**2 133**	1 184	1 952	**0.93**	**0.40**	**9.49**	0.91	0.37	9.33
– Loans to private equity investee companies	**7**	8	(13)	**7**	**–**	8	–	**2.34**	**2.34**	**–**	2.31	2.31	–
Centre (including Group Treasury)	**256**	53	>100	**251**	**5**	41	12	**0.77**	**0.76**	**38.46**	0.18	0.14	13.48
Securitisation notes	**36**	32	13	**36**	**–**	32	–	**0.13**	**0.13**	**–**	0.13	0.13	–
Other	**220**	21	>100	**215**	**5**	9	12	**3.62**	**3.54**	**38.46**	0.47	0.20	13.48
Total portfolio impairments	**17 294**	16 427	5	**7 862**	**9 432**	7 379	9 048	**1.62**	**0.80**	**11.45**	1.68	0.82	11.50

Credit continued

Note 3: Analysis of stage 3/NPLs and impairments

	Stage 3/NPLs				Stage 3/NPLs as a % of core lending advances		Stage 3 specific provisions			Coverage ratios (% of stage 3/NPLs)	
	As at 30 June			% composition	As at 30 June		As at 30 June			As at 30 June	
R million	2024	2023	% change	2024	2024	2023	2024	2023	% change	2024	2023
Retail	**40 584**	32 601	24	**80**	**8.39**	7.09	**18 003**	14 712	22	**44.4**	45.1
Retail – secured	**25 328**	20 073	26	**50**	**6.63**	5.50	**7 105**	5 775	23	**28.1**	28.8
Residential mortgages	**18 218**	14 073	29	**36**	**6.74**	5.42	**3 747**	2 848	32	**20.6**	20.2
WesBank VAF	**7 110**	6 000	19	**14**	**6.38**	5.69	**3 358**	2 927	15	**47.2**	48.8
Retail – unsecured	**15 256**	12 528	22	**30**	**14.96**	13.24	**10 898**	8 937	22	**71.4**	71.3
FNB card	**5 233**	4 057	29	**10**	**12.65**	10.92	**3 775**	2 848	33	**72.1**	70.2
Personal loans	**9 008**	7 547	19	**18**	**16.91**	15.07	**6 247**	5 319	17	**69.3**	70.5
– FNB and DirectAxis	**8 873**	7 360	21	**18**	**16.83**	15.04	**6 136**	5 168	19	**69.2**	70.2
– Covid-19 relief	**135**	187	(28)	**–**	**24.19**	16.32	**111**	151	(26)	**82.2**	80.7
Retail other	**1 015**	924	10	**2**	**13.88**	12.48	**876**	770	14	**86.3**	83.3
Corporate and commercial	**9 845**	10 359	(5)	**19**	**1.65**	1.94	**4 571**	4 563	–	**46.4**	44.0
FNB commercial	**4 733**	4 773	(1)	**9**	**3.65**	4.10	**2 935**	2 832	4	**62.0**	59.3
– FNB commercial	**4 667**	4 690	–	**9**	**3.61**	4.06	**2 869**	2 749	4	**61.5**	58.6
– SME government-guaranteed loan scheme	**66**	83	(20)	**–**	**11.22**	9.07	**66**	83	(20)	**100.0**	100.0
WesBank corporate and commercial	**1 109**	1 066	4	**2**	**1.84**	1.97	**524**	394	33	**47.2**	37.0
RMB CIB	**4 003**	4 520	(11)	**8**	**1.03**	1.29	**1 112**	1 337	(17)	**27.8**	29.6
– Lending	**4 003**	4 520	(11)	**8**	**1.03**	1.30	**1 112**	1 337	(17)	**27.8**	29.6
– Loans to private equity investee companies	**–**	–	–	**–**	**–**	–	**–**	–	–	**–**	–
Centre (including Group Treasury)	**631**	920	(31)	**1**	**1.87**	2.99	**589**	833	(29)	**93.3**	90.5
Securitisation notes	**–**	–	–	**–**	**–**	–	**–**	–	–	**–**	–
Other	**631**	920	(31)	**1**	**9.40**	16.99	**589**	833	(29)	**93.3**	90.5
Total stage 3/NPLs	**51 060**	43 880	16	**100**	**4.58**	4.28	**23 163**	20 108	15	**45.4**	45.8
Of which:											
Amortised cost book	**50 171**	43 132	16	**98**	**4.65**	4.40					
Fair value book	**889**	748	19	**2**	**0.86**	0.60					

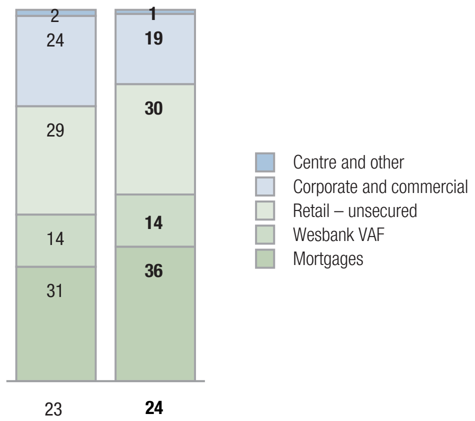
Credit continued

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES AND NPLs

	Advances				Stage 3/NPLs			
	As at 30 June			% com-position	As at 30 June			% com-position
R million	**2024**	2023	% change	**2024**	**2024**	2023	% change	**2024**
Sector analysis								
Agriculture	**56 294**	54 566	3	**5**	**1 751**	2 425	(28)	**3**
Banks	**30 050**	45 253	(34)	**3**	**–**	–	–	**–**
Financial institutions*	**194 212**	175 921	10	**16**	**290**	155	87	**1**
Building and property development	**68 419**	67 860	1	**6**	**2 141**	866	>100	**4**
Government, Land Bank and public authorities	**29 559**	27 928	6	**2**	**1 159**	2 148	(46)	**2**
Individuals	**458 738**	439 087	4	**39**	**39 591**	32 226	23	**78**
Manufacturing and commerce	**191 810**	159 769	20	**16**	**3 099**	3 190	(3)	**6**
Mining	**20 154**	11 956	69	**2**	**109**	147	(26)	**–**
Transport and communication	**53 073**	40 817	30	**4**	**620**	791	(22)	**1**
Other services	**81 276**	80 269	1	**7**	**2 300**	1 932	19	**5**
Total	**1 183 585**	1 103 426	7	**100**	**51 060**	43 880	16	**100**
Geographical analysis								
South Africa	**1 085 940**	1 001 446	8	**92**	**49 105**	40 761	20	**97**
Broader Africa	**51 696**	45 147	15	**4**	**1 261**	2 168	(42)	**2**
UK	**20 891**	21 944	(5)	**2**	**642**	927	(31)	**1**
Other Europe	**11 124**	11 874	(6)	**1**	**30**	10	>100	**–**
Asia, Americas and Australia	**13 934**	23 015	(39)	**1**	**22**	14	57	**–**
Total	**1 183 585**	1 103 426	7	**100**	**51 060**	43 880	16	**100**

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

NPL DISTRIBUTION
(%)



Credit continued

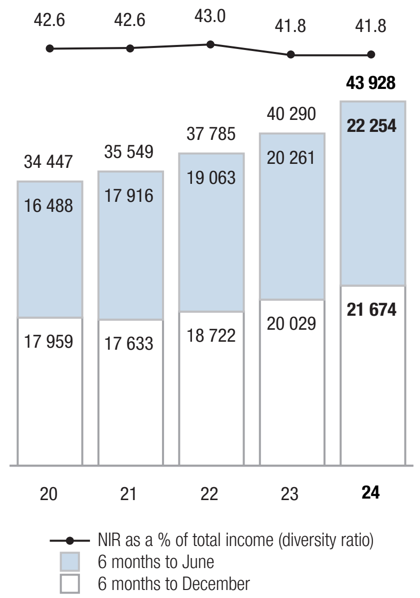
Note 4: Analysis of income statement credit impairments

	Total impairment charge			As a % of average core lending advances	
	Year ended 30 June			Year ended 30 June	
R million	2024	2023	% change	2024	2023
Retail	**10 637**	7 495	42	**2.25**	1.70
Retail – secured	**2 984**	2 233	34	**0.80**	0.64
Residential mortgages	**1 185**	452	>100	**0.45**	0.18
WesBank VAF	**1 799**	1 781	1	**1.66**	1.79
Retail – unsecured	**7 653**	5 577	37	**7.79**	6.13
FNB card	**2 256**	1 516	49	**5.75**	4.33
Personal loans	**4 814**	3 688	31	**9.32**	7.63
– FNB and DirectAxis	**4 864**	3 731	30	**9.57**	7.97
– Covid-19 relief	**(50)**	(43)	16	**(5.87)**	(2.77)
Retail other	**583**	373	56	**7.92**	4.87
Temporary stress scenario	**–**	(315)	(100)	**–**	–
Corporate and commercial	**1 953**	1 364	43	**0.34**	0.28
FNB commercial	**844**	615	37	**0.69**	0.55
– FNB commercial	**842**	676	25	**0.69**	0.61
– SME government-guaranteed loan scheme	**2**	(6)	(>100)	**0.27**	(0.54)
– Temporary stress scenario	**–**	(55)	(100)	**–**	–
WesBank corporate and commercial	**253**	58	>100	**0.44**	0.12
RMB CIB	**856**	691	24	**0.23**	0.22
– Lending	**857**	688	25	**0.23**	0.22
– Loans to private equity investee companies	**(1)**	3	(>100)	**(0.31)**	0.84
Centre (including Group Treasury)	**(139)**	(446)	(69)	**(0.43)**	(1.50)
Securitisation notes	**4**	11	(64)	**0.02**	0.05
Other	**(143)**	(457)	(69)	**(2.36)**	(8.53)
Total impairment charge	**12 451**	8 413	48	**1.16**	0.87
Of which:					
Portfolio impairments charge	**3 347**	2 284	47	**0.31**	0.24
Specific impairments charge	**9 104**	6 129	49	**0.85**	0.63

Non-interest revenue – up 9%

Non-interest revenue and diversity ratio
(R million)

NIR CAGR 6%



ANALYSIS OF TOTAL NIR

R million	Notes	2024	2023	% change
Net fee, commission and insurance income		**32 000**	30 279	6
– Fee and commission income	1	**31 882**	29 842	7
– Insurance income	2	**118**	437	(73)
Trading and other fair value income	3	**5 156**	3 620	42
Investment income		**(60)**	55	(>100)
Other non-interest revenue	4	**6 832**	6 336	8
Non-interest revenue		**43 928**	40 290	9

Non-interest revenue continued

NOTE 1 – FEE AND COMMISSION INCOME – UP 7%

R million	2024	2023	% change
Bank fee and commission income	**34 149**	32 500	5
– Card commissions	**6 530**	5 993	9
– Cash deposit fees	**1 626**	1 595	2
– Exchange and other commissions	**3 217**	3 046	6
– Bank charges	**22 776**	21 866	4
– Commitment fees	**2 109**	1 691	25
– Other bank charges*	**20 667**	20 175	2
Knowledge-based fees	**2 007**	1 198	68
Management and fiduciary fees	**1 337**	1 336	–
– Investment management fees	**516**	539	(4)
– Management fees from associates and joint ventures	**788**	783	1
– Other management and brokerage fee income	**33**	14	>100
Other non-bank commissions	**920**	768	20
Gross fee and commission income	**38 413**	35 802	7
Fee and commission expenditure	**(6 531)**	(5 960)	10
– Transaction-related fees	**(2 004)**	(1 622)	24
– Commission paid	**(278)**	(257)	8
– Customer loyalty programmes	**(2 232)**	(2 180)	2
– Cash sorting, handling and transportation charges	**(1 194)**	(1 145)	4
– Card-related	**(494)**	(386)	28
– Other	**(329)**	(370)	(11)
Net fee and commission income	**31 882**	29 842	7

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

Key drivers – fee and commission income

- FNB NIR grew 4%, driven by customer acquisition (+4%) and growth in transactional volumes (+6%), and was achieved despite sub-inflation fee increases across both retail and commercial accounts and R985 million reduction in fee and commission income. Following the introduction of PayShap, FNB reviewed its pricing structures for low-value real-time payments, and reduced all related fees.
- Electronic platform volumes grew 7% in total across all interfaces, whilst manual volumes increased 2%. Branch and cash centre transaction volumes decreased 15% and 10%, respectively.
- Card swipe volumes increased 8%, reflecting strong customer activity levels, contributing to the 9% growth in card commissions.
- RMB's knowledge-based fee income grew strongly (+68%), this was supported by deal flow and structuring opportunities, particularly in the infrastructure portfolio, coupled with advisory income.
- Overall fee and commission income growth was moderated by costs growing more than income, linked to transactional activity, higher card expenses coupled with growth in foreign exchange turnover and significantly higher association fees.

NOTE 2 – INSURANCE INCOME – DOWN 73%

Key drivers – insurance income

- The insurance income decline largely relates to an internal restructure whereby the FNB insurance brokers business moved from bank into the investment holdings pillar, resulting in all new business not being written by the bank.

NOTE 3 – TRADING AND OTHER FAIR VALUE INCOME – UP 42%

R million	2024	2023	% change
Trading income	**4 143**	3 501	18
– Equities	**(312)**	(337)	(7)
– Commodities	**327**	313	4
– Fixed income	**2 613**	1 998	31
– Currencies	**1 515**	1 527	(1)
Other fair value income	**1 013**	119	>100
– RMB investment banking and other activities	**736**	9	>100
– Group Treasury economic hedges and other	**277**	110	>100
Total trading and other fair value income	**5 156**	3 620	42

Key drivers – trading and fair value income

- Trading income reflects the following:
  - Equities revenue benefited from structured product momentum, however remained constrained by muted traded client volumes in the SA market;
  - The commodities performance was driven by resilient hedging activities on the back of commodity price volatility;
  - The fixed income business benefited from significant event-driven revenue and increased client flow; and
  - The currencies performance was adversely impacted by rand volatility related to the emerging market risk-off sentiment, offset by increased cross border activity from increased flows.
- RMB investment banking and other activities included various one-off items, with a significant principal investment realisation (c. R500 million) in the current year.
- Group Treasury fair value income increased largely due to interest rate hedging ineffectiveness and currency translations. This was partially offset by losses on share award hedging activities, the non-repeat of the special dividend in the prior year and higher funding costs on the back of higher average interest rates and lower award forfeitures.

NOTE 4 – OTHER NON-INTEREST REVENUE – DOWN 8%

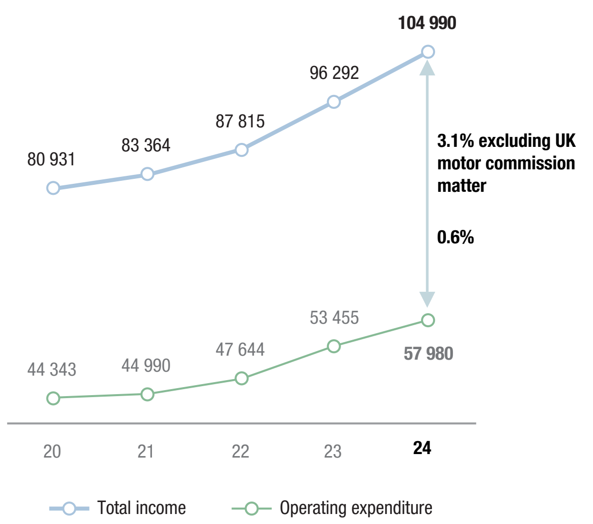
Key drivers – other NIR

- A significant component of other NIR relates to various intergroup charges to other FirstRand group companies for the provision of services. These are relevant to bank but eliminate at a group level.
- Rental income represents 28% (2023: 27%) of total other NIR and grew 12%, reflecting strong FML new business and speedpoint rentals.

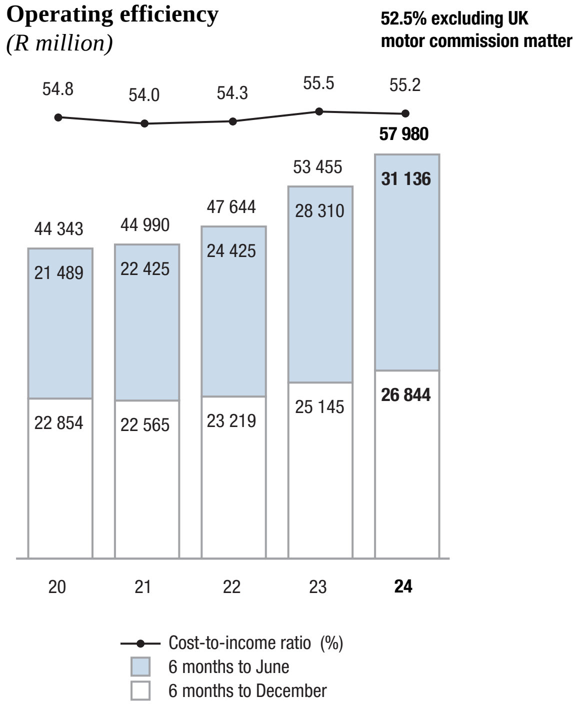
Operating expenses

Operating expenses – up 8%

Operating jaws
(R million)



Operating efficiency
(R million)



OPERATING EXPENSES – UP 8%

R million	2024	2023	% change
Staff expenditure	**33 837**	32 999	3
– Direct staff expenditure	**25 126**	24 393	3
– Variable staff expenditure	**7 089**	6 757	5
– Short-term incentive payments	**4 743**	4 567	4
– Share price linked incentive payments	**2 346**	2 190	7
– Other staff-related expenditure	**1 622**	1 849	(12)
Depreciation of property and equipment	**3 483**	3 305	5
Amortisation of intangible assets	**166**	93	78
Advertising and marketing	**1 497**	1 551	(3)
Insurance	**260**	253	3
Lease charges	**427**	423	1
Professional fees	**2 622**	2 583	2
Audit fees	**492**	416	18
Computer expenses	**4 132**	3 564	16
Repairs and maintenance	**1 523**	1 357	12
Telecommunications	**374**	385	(3)
Property	**1 254**	1 081	16
Business travel	**297**	312	(5)
Assets costing less than R7 000	**71**	215	(67)
Stationery and printing	**95**	97	(2)
Donations	**347**	321	8
Legal fees	**255**	475	(46)
Other expenditure	**3 975**	4 025	(1)
Total operating expenses excluding UK motor commission matter	**55 107**	53 455	3
UK motor commission matter*	**2 873**	–	–
FCA UK motor commission provision*	**2 644**	–	–
UK motor commission related costs incurred during the year*	**229**	–	–
Total operating expenses	**57 980**	53 455	8

* *Refer to pages B10 and B11 for more information on the UK FCA motor commission review.*

Operating expenses continued

Key drivers – staff expenditure

Staff costs represent 58% (2023: 62%) of the bank's operating expenses and increased 3% in the current year.

	% change	Reasons
Direct staff costs	3	• Annual salary increases averaged 5.9% (unionised staff at 7%). • Headcount declined 3% year on year, both excluding and including FirstJob employees. • Continued repricing of certain high-in-demand technical skills.
Variable staff expenditures		
Short-term incentive payments (STI)	4	The growth in the short-term incentive payments is largely aligned to the bank's performance excluding the FCA UK motor commission provision.
Share price linked incentive payments	7	Higher share awards reflect inflationary increases and other revaluations partially offset by the higher vesting of the third tranche of the Covid-19 share award in the prior year.
Other staff related costs	(12)	Decrease due to lower leave pay provisions on increased staff leave utilisation and decreased temporary staff costs as a result of fewer contractors.

Key drivers – operational expenses

- Depreciation increased due to an accelerated computer equipment replacement cycle.
- Higher amortisation of intangible assets due to accelerated amortisation of software.
- Advertising and marketing expenses decreased marginally as marketing campaigns and inflation increases were more than offset by the FNB brand refresh campaigns in the prior year.
- The increase in audit fees is largely due to the audit rotation process currently under way and professional fee inflation increases.
- Professional fees were up marginally as spending on platform-related projects continued.
- Computer expenses increased due to currency devaluation and higher software licensing costs.
- Repairs and maintenance costs were negatively impacted by loadshedding and the related impact on equipment, including generators.
- Property costs reflect rates on revaluation increases of properties by councils as well as higher diesel expenditure and costs associated with increased return-to-office, including security-related expenses.
- Costs emanating from the UK motor commission matter totalled £122 million and consisted of a £112.3 million provision related to the FCA review and a further £9.7 million in legal and professional fees related to court cases and the cost of the skilled person review. Cost growth excluding the total UK motor commission matter was 3%.

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.

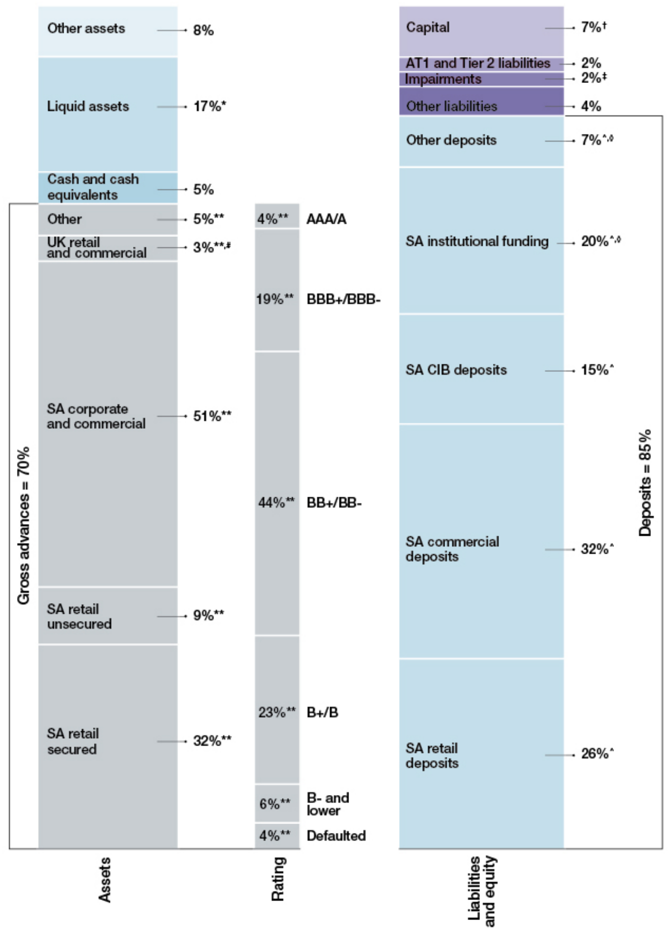
The structure of the balance sheet reflects the group's long-term strategy to increase resilience, diversify credit exposures across sectors and segments, increase asset marketability, and optimise the use of institutional funding.

When assessing the underlying risk in the balance sheet, the bank's asset profile reflects a diversified advances portfolio, which constitutes 70% of total assets. The composition of the gross advances portfolio consists of SA retail secured (32%), SA retail unsecured (9%), SA corporate and commercial (51%), UK retail and commercial (3%) and other (5%). At 30 June 2024, the bank reported total NPLs of R51 060 million (4.58% of core lending advances) and a credit loss ratio of average core lending advances of 116 bps.

Cash and cash equivalents, and liquid assets represent 5% and 17%, respectively, of total assets.

The bank maintains a risk-adjusted funding profile focused on its core deposit franchise, which enables optimised use of the institutional funding channel. The weighted average remaining term of domestic institutional funding increased to 34 months at 30 June 2024 (2023: 29 months). The increase reflects a moderate reduction in money market issuances offset by additional longer-dated senior debt, Tier 2 and AT1 issuances.

The bank remained strongly capitalised with a CET1 ratio of 12.4%, a Tier 1 ratio of 13.6% and a total capital adequacy ratio of 15.6%. Gearing increased to 15.4 times (June 2023: 15.0 times), driven by 4% growth in average total equity and 7% growth in average total assets year on year.



* Include government securities and treasury bills.
** As a proportion of gross advances.
\# Include advances originated in London branch (including MotoNovo back book).
† Ordinary equity.
‡ Include IFRS 9 impairment of advances and investment securities.
^ As a proportion of deposits.
◊ Include CIB institutional funding.
Note: Derivative, securities lending and short trading position assets and liabilities have been netted off.

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 2024, which is available at www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures/.

Funding conditions

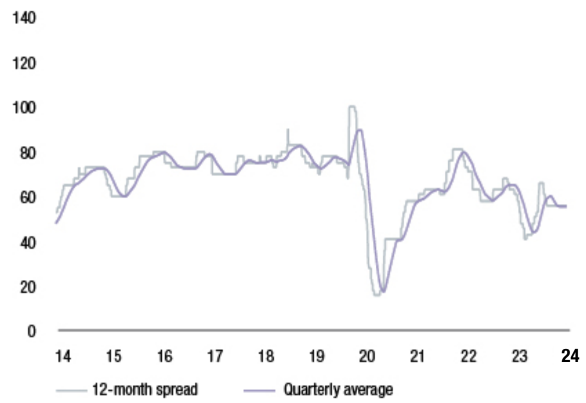
For the year under review, the global macroeconomic environment has been characterised by moderate growth and tight monetary policy. South Africa has continued to exhibit low growth but with an improving inflation trajectory. The second half of the financial year has been marked by improved inflation expectations, which has led to expected easing by global central banks.

From a funding perspective, the macro environment and monetary policy stance has not impeded the bank's ability to raise funding either in rand or in hard currency. From a deposit perspective, interest rates on savings and investment products have remained attractive, resulting in strong inflows. Strong deposit growth has enabled moderation in the bank's stock and level of institutional funding.

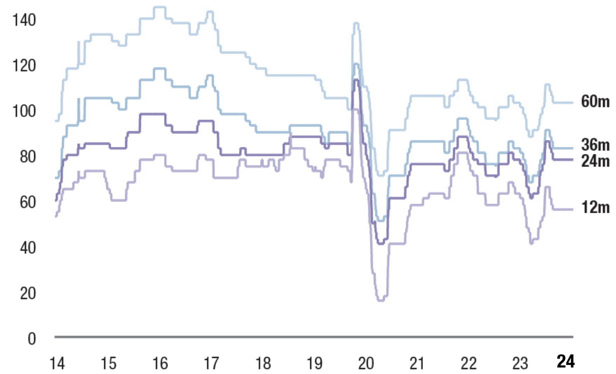
The liquidity surplus monetary policy regime is now well established in the South African market, with available excess liquidity accommodated by SARB quota deposits and secured interbank transactions. Additional system liquidity is expected following distributions from the SARB's Gold and Foreign Exchange Contingency Reserve Account (GFECRA) to National Treasury. The SARB has notified the industry of its intention to resize the banks' deposit quotas from R136bn to R302bn, to accommodate the additional liquidity.

The spread to JIBAR paid on 12-month money market instruments is most representative of bank funding costs in the money markets. During the financial year, institutional funding spreads initially tracked lower before increasing towards December 2023. Funding spreads have since fallen marginally and have remained stable.

12-month mid-market funding spread
(bps)



Long-term funding spreads
(bps)



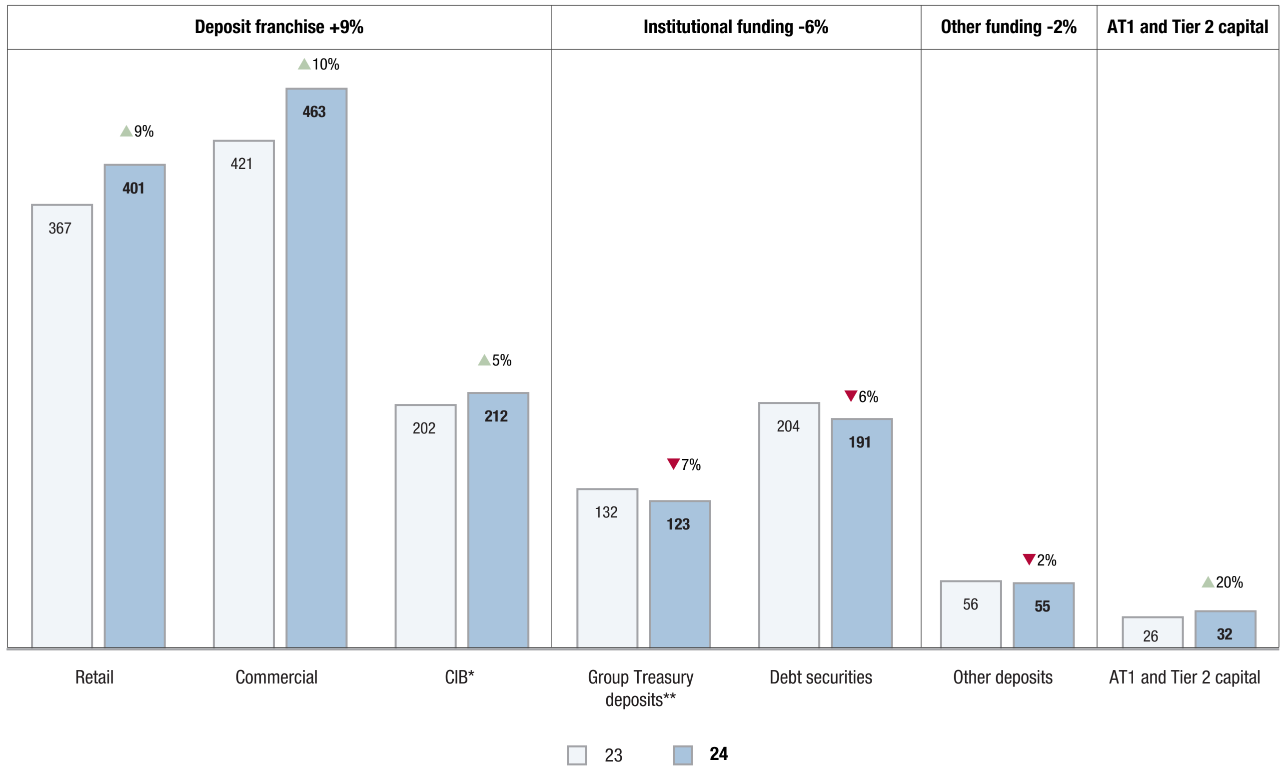
Sources: Bloomberg (RMBP screen) and Reuters.

Funding and liquidity continued

Funding measurement and activity

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

Funding portfolio growth
(R billion)



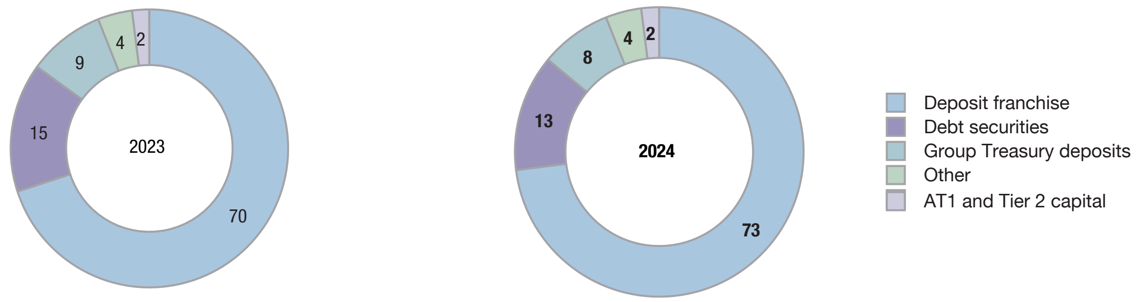
Note 1: Percentage change reflects year on year growth and is based on actual underlying numbers rather than the rounded figures shown in the bar graphs above.

* *CIB deposits include South Africa and the London branch.*

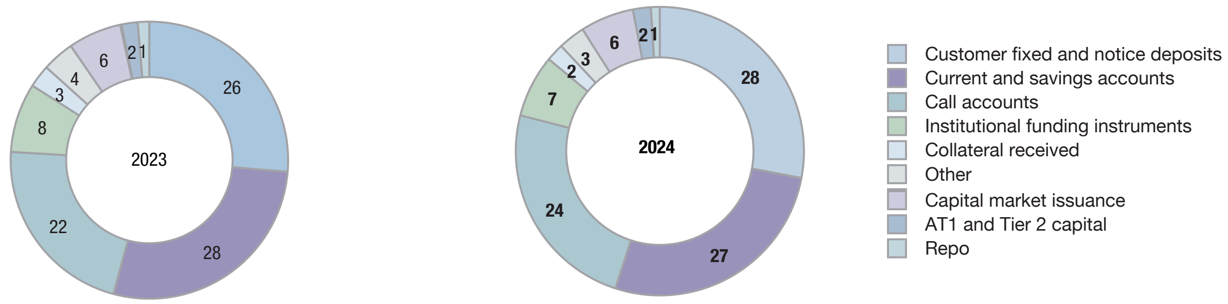
** *Group Treasury deposits include the SARB funding facility related to the South African Covid-19 government-guaranteed loan scheme and the bounce-back facility.*

The bank's funding mix remains anchored by its deposit franchises, resulting in only slight changes in overall composition.

Funding mix
(%)



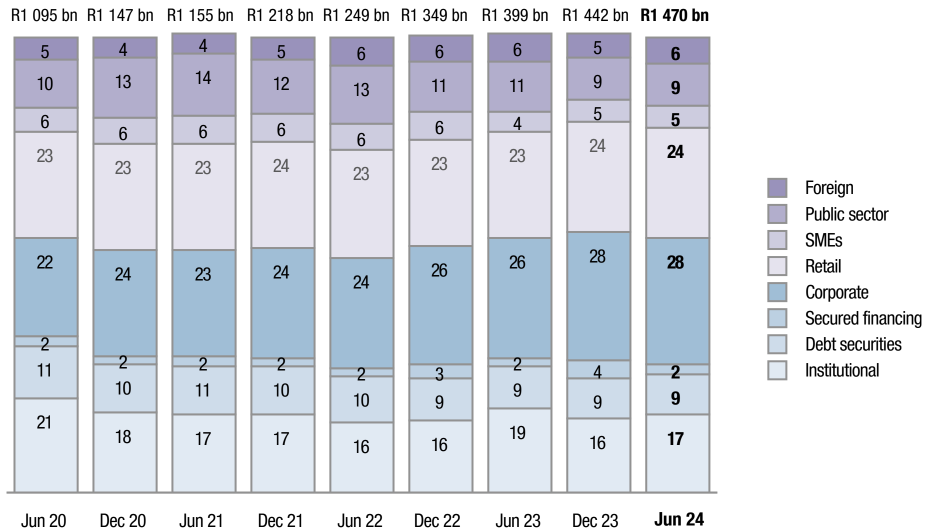
Funding instrument by type
(%)



Funding and liquidity continued

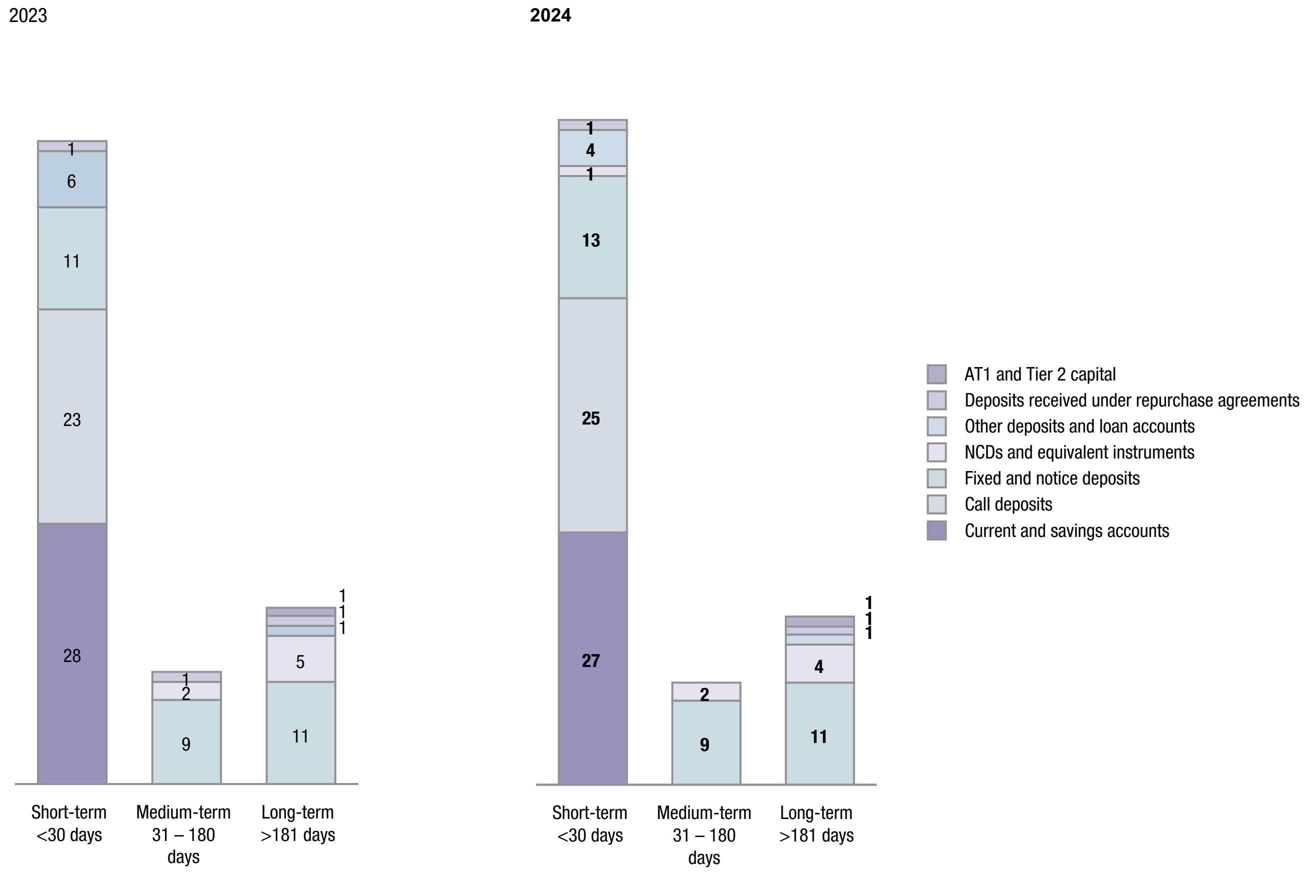
The bank's focus on growing main-banked transactional accounts, and retail and commercial savings and investment deposits naturally results in a significant proportion of contractually short-dated funding. Although these deposits fluctuate depending on each customer's individual transactional and savings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

Bank funding analysis by source*
(%)



* *Excluding foreign branches.*

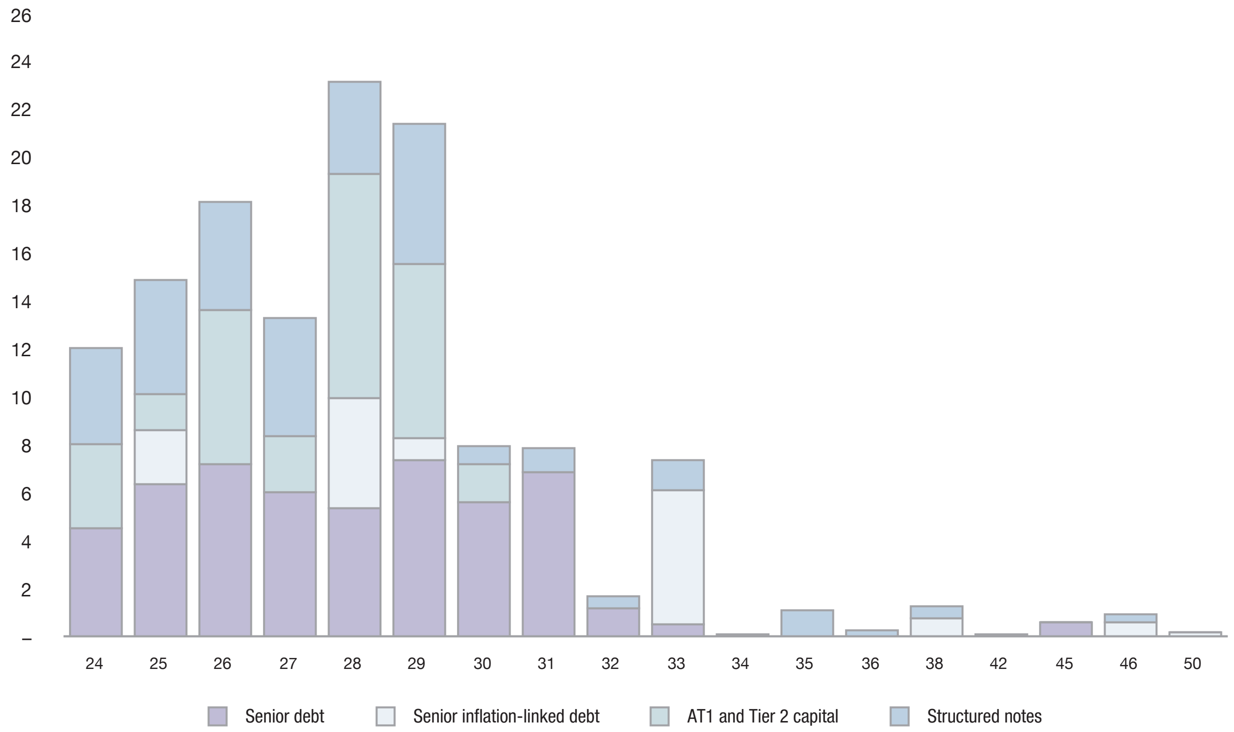
Funding liabilities by instrument type and term
(%)



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 account. Finalisation of regulations regarding Flac is imminent and will influence future issuance strategies.

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



* *Including foreign branches.*

Liquidity risk position

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

COMPOSITION OF LIQUID ASSETS

	As at 30 June	
R billion	**2024**	2023
Cash and deposits with central banks	**61**	63
Short-term liquidity instruments	**149**	153
Including reverse repos*	**65**	85
Long-term investment securities	**135**	122
Other liquid assets	**35**	26
Total liquid assets	**380**	364

* *Reverse repos represent underlying high-quality liquid assets sourced both externally and internally in accordance with prudential regulations.*

Liquidity ratios for the bank at June 2024 are summarised below.

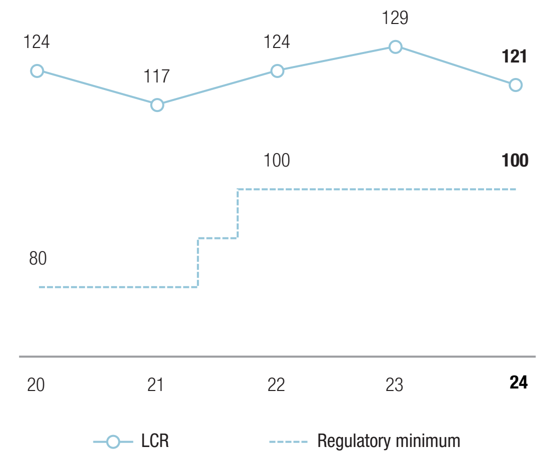
LIQUIDITY RATIOS

%	LCR*	NSFR*
Regulatory minimum	**100**	**100**
Actual	**121**	**116**

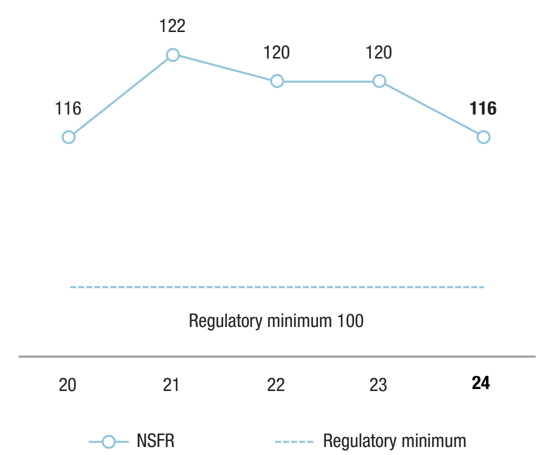
* *The bank's LCR and NSFR reflect South African operations only. LCR is calculated as a simple average of 91 days of daily observations over the period ended 30 June 2024 for FirstRand Bank South Africa.*

The graphs below provide a historical view of the prudential liquidity ratios for 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 2024, which is available at www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures/.

Year under review

During the year under review the bank maintained strong capital and leverage ratios in excess of regulatory minimums and internal targets. The bank is capitalised at the higher of regulatory or economic capital to ensure a desired credit counterparty rating.

CAPITAL ADEQUACY AND LEVERAGE RATIOS AS AT 30 JUNE

	Capital			Leverage
%	**CET1**	**Tier 1**	**Total**	**Total**
Regulatory minimum*	8.5	10.8	13.0	4.0
Internal target	11.0 – 12.0	>12.0	>14.25	>5.5
Actual (including unappropriated profits)**				
2024	**12.4**	**13.6**	**15.6**	**6.9**
2023	12.6	13.5	15.4	6.6

* *Includes the bank's domestic systemically important bank requirement of 1.5% and a nil CCyB requirement. The individual capital requirement (Pillar 2B) is confidential and therefore excluded.*

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

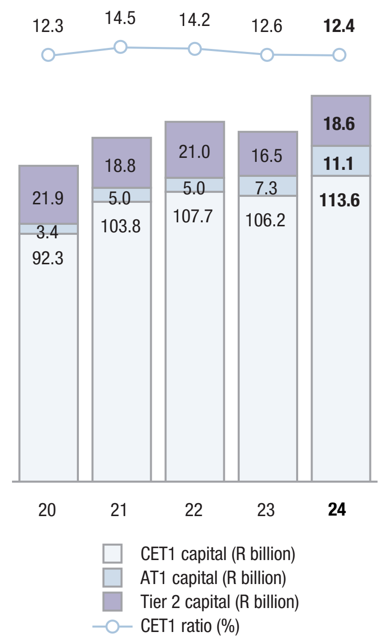
The PA released a proposed directive requiring banks to maintain a positive cycle-neutral CCyB of 1% with effect from January 2026. The increased requirement will be incorporated in the bank's internal targets upon finalisation of the directive.

There is ongoing focus on optimising the bank's overall level and mix of capital. During the year under review the bank 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 focused on filling the buckets for AT1 and Tier 2.

The bank continues to enhance the use of economic capital methodology in risk-based decision-making, including capital allocation. The assessment of economic risk aligns with the group's economic capital framework to ensure the bank 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 bank 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.

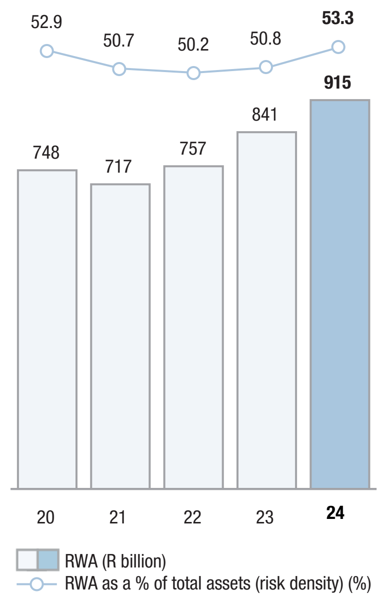
The graphs below provide a five-year view of the bank's capital adequacy, RWA and leverage positions. The increase in the bank's risk density reflects changes in the balance sheet mix and increased operational risk RWA.

Capital adequacy*

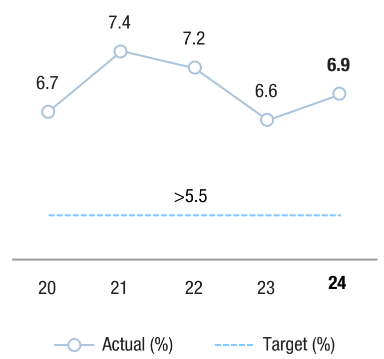


* *Including unappropriated profits.*

RWA history



Leverage*



* *Including unappropriated profits.*

The Basel III leverage ratio is supplementary to the risk-based capital measure and is a function of Tier 1 capital and total on- and off-balance sheet exposures. The increase in the leverage ratio to June 2024 mainly relates to an increase in Tier 1 capital, partly offset by an increase in total exposures.

Capital continued

Supply of capital

COMPOSITION OF CAPITAL*

R million	As at 30 June 2024	2023
CET1 capital including unappropriated profits	**113 571**	106 168
Additional Tier 1 capital	**11 053**	7 343
Tier 1 capital	**124 624**	113 511
Tier 2 capital	**18 561**	16 496
Total qualifying capital	**143 185**	130 007

* *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

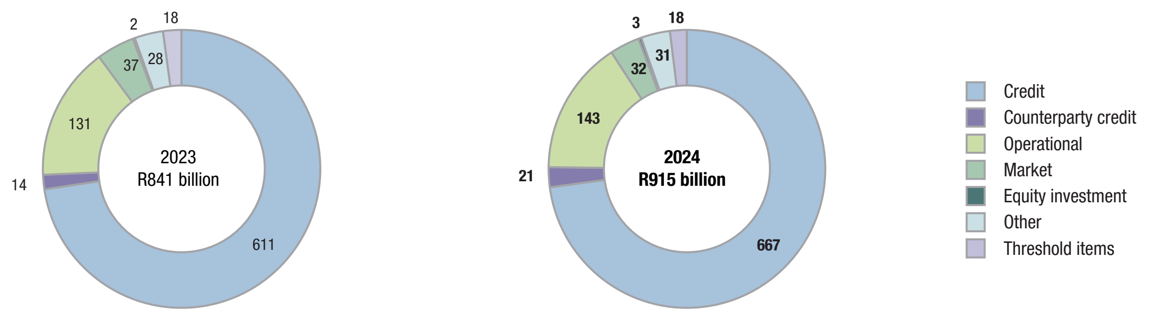
2024 vs 2023

CET1 capital	▲	• Positive earnings generation partly offset by the payment of dividends and a reduction of the foreign currency translation reserve due to the appreciation of the closing spot rate of the rand at 30 June 2024 against hard currencies.
AT1 capital	▲	• AT1 issuances net of redemptions to manage rollover of existing profile, support balance sheet growth and optimise overall capital stack.
Tier 2 capital	▲	• Issuances net of redemptions, as well as reduction in intragroup Tier 2 investments.

Additional detail on the bank's capital instruments is included on page D04.

Demand for capital

RWA analysis
(R billion)



Key drivers

2024 vs 2023

Credit	▲	• Volume growth partly offset by model refinements and optimisation.
Counterparty credit	▲	• Increased exposure to corporate and project finance hedging activities.
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 standardised approach.
Market	▼	• Decreased exposure from trading book positions and client flow across interest rate and foreign exchange asset classes, given global and local market conditions.
Other	▲	• Increase in property and equipment, partly offset by a decrease in other assets.

Capital continued

Capital adequacy position for the bank and its regulated entities

	As at 30 June		
	2024		2023
%	Total minimum requirement*	Total capital adequacy	Total capital adequacy
Basel III (PA regulations)			
FirstRand Bank**	**13.0**	**15.6**	15.4
FirstRand Bank South Africa#	**13.0**	**15.4**	15.1
FirstRand Bank London	**13.6**	**17.8**	19.6
FirstRand Bank Guernsey	**13.0**	**98.1**	68.5
FirstRand Bank India†	**13.0**	**>100**	>100

* *Excluding any confidential bank-specific requirements.*

** *Including unappropriated profits and foreign branches.*

\# *Ratios including unappropriated profits: CET1 of 12.1%, Tier 1 of 13.3% and total capital adequacy of 15.4%. Ratios excluding unappropriated profits: CET1 of 11.8%, Tier 1 of 13.1% and total capital adequacy of 15.1%.*

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

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 RA effective 1 June 2023 and providing it with the necessary powers to operationalise an effective resolution regime and issue resolution standards. The SARB has initiated the resolution planning process by commencing its engagement with systemically important financial institutions.

The RA published a draft standard, *Flac instrument requirements for designated institutions*, in December 2023, which sets out the qualifying criteria of Flac instruments and the level of required instruments to ensure sufficient loss absorption and recapitalisation capacity. The estimated post-tax cost, ranging between R200 million and R300 million in the end state, will be incorporated into the bank's ALM strategies and considered as part of the 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 proposed implementation date remains July 2025 onwards, and the assessment and implementation of the final reforms remain a key focus area.

The group 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 bank's forward-looking capital plan. The impact on the bank's capital adequacy ratios is not expected to be material, 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 directive enabled, for a limited time, the inclusion of foreign currency level 1 HQLA for purposes of domestic currency LCR (subject to an 8% haircut and restricted to the excess over foreign currency net cash outflows). This extension fell away from 31 December 2023.

As previously noted, the PA published *Directive 1/2023* on 23 January 2023 in which items of national discretion relating to the NSFR were addressed. For the initial implementation of the NSFR framework, the PA assigned a 35% available stable funding (ASF) factor to funding received from financial corporates, excluding banks, that matures within six months.

Directive 1/2023 withdrew this adjustment, with the phase out of the 35% ASF following the timeline outlined in the table below:

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

The step-down from 30% to 20% took effect on 1 January 2024.

Rate reforms

The Johannesburg Interbank Average Rate (JIBAR) is set to be replaced. The SARB has indicated that this change is likely to occur by the end of 2026, with a confirmation date expected in December 2025. The SARB had initially released several proposed Alternative Reference Rates (ARRs) and calculation methodologies. However, after careful observation, they have now identified and endorsed the South African Rand Overnight Index Average Rate (ZARONIA) as the successor to JIBAR, effective from 6 November 2023.

The industry timeline published by the SARB includes significant milestones such as the introduction of ZARONIA for derivatives in November 2024, its first use in the cash market in June 2025, and the cessation of new JIBAR contracts scheduled for March 2026.

The bank currently holds several contracts, including derivatives, that reference JIBAR. To oversee the transition, a South African Rates Reform steering committee has been established. This committee comprises key finance, risk, IT, treasury, legal, and compliance personnel, as well as advisors. They have developed a transition process for both existing and potential future contracts, aiming to minimise disruption to business and clients, and to mitigate legal, operational, and conduct risks associated with the transition to ZARONIA.

PRESENTATION AND RECONCILIATIONS

Presentation

Normalised results

The bank believes normalised earnings 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 Limited Listings Requirements, constitute *pro forma* financial information.

All normalised entries, as included and described below for the year ended 30 June 2024, remain unchanged from the prior year.

This *pro forma* financial information, which is the responsibility of the bank's directors, has been prepared for illustrative purposes to accurately reflect operational performance. Due to its nature it may not fairly present, in terms of IFRS Accounting Standards, the bank'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 Ernst & Young Inc. and PricewaterhouseCoopers Inc. independent reporting accountants report, in terms of International Standard on Assurance Engagements (ISAE 3420), on pages B106 and B107.

Description of difference between normalised and IFRS results

Margin-related items included in fair value income

In terms of IFRS Accounting Standards the bank is required to, or has elected to, measure certain financial assets and liabilities at fair value through profit or loss. In terms of the bank's IFRS Accounting Standards 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

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.

Cash-settled share-based payments and the economic hedge

The bank 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 bank's share-based awards.

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 bank 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 share-based payment expense will manifest in the bank's results. This reflects the economic substance of the hedge and associated share-based payment expense for the bank for the share schemes that are not hedge accounted.

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

Headline earnings adjustments

All adjustments required by *Circular 01/2023 – 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 pages B108 and B109.

The FirstRand Bank Limited 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 bank has made changes to the presentation of the statement of financial position relating to the restatements described below.

Restatement of derivative-related margin balances

Margin balances related to derivative transactions have increased significantly because of growth in the bank's local and international client base and increased trading through the London Clearing House. The bank therefore has reconsidered the classification and presentation of margin balances associated with the derivative market in the statement of financial position and statement of cash flows during the current financial year. The revised classification and presentation results in an adjustment of R23 209 million associated with margin balances in the the derivative market from cash and cash equivalents into collateral, settlement balances and other assets to reflect the underlying nature of the balances.

Change in the presentation of the inter-group bank accounts

The bank previously reflected amounts relating to inter-group banking accounts as part of deposits. During the current year these inter-group banking accounts were reclassified and included in amounts due (to/by) holding company and fellow subsidiaries. This change in presentation allows the bank to reflect all inter-group balances within the amounts due (to/by) holding company and fellow subsidiaries line items, respectively.

Impact

The table below illustrates the impact of the change in the presentation and restatement for the items noted above.

Statement of financial position

R million	As previously reported 2022	Reclassification	Restated 2022	As previously reported 2023	Reclassification	Restated 2023
Assets						
Cash and cash equivalents	104 625	(33 641)	70 984	103 714	(23 209)	80 505
Collateral, settlement balances and other assets	5 789	33 641	39 430	8 908	23 209	32 117
Total assets	1 507 347	–	1 507 347	1 654 964	–	1 654 964
Liabilities						
Deposits	1 220 026	(3 663)	1 216 363	1 381 773	(2 598)	1 379 175
Amounts due to holding company and fellow subsidiaries	32 900	3 663	36 563	26 444	2 598	29 042
Total equity and liabilities	1 507 347	–	1 507 347	1 654 964	–	1 654 964

Independent Auditors' Assurance Report on the compilation of pro forma financial information for the year ended 30 June 2024 included in Annual Report

To the Directors of FirstRand Bank Limited

We have completed our assurance engagement to report on the compilation of the pro forma financial information of FirstRand Limited (the "Bank") by the directors. The pro forma financial information, as set out on pages B104 to B111 of the Annual Report, consist of:

- Reconciliation from headline to normalised earnings for the year ended 30 June 2024; and
- Reconciliation of normalised to IFRS summary consolidated income statement for the year ended 30 June 2024.

The applicable criteria on the basis of which the directors have compiled the Pro Forma Financial Information are specified in the Listings Requirements of the JSE Limited ("the JSE Listings Requirements") and described in the Presentation and Reconciliations Section of the Annual Report (the "Applicable Criteria").

The Pro Forma Financial Information has been compiled by the directors solely for illustrative purposes to more accurately reflect operational performance for the period ended 30 June 2024. As part of this process, information about the Bank's financial performance has been extracted by the directors from the Bank's financial statements for the year ended 30 June 2024, on which an audit opinion was issued on 11 September 2024.

Directors' responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the Pro Forma Financial Information on the basis of the Applicable Criteria.

Our Independence and Quality Management

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 firms 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.

Auditor's responsibility

Our responsibility is to express an opinion, as required by the JSE Listings Requirements, about whether the Pro Forma Financial Information has been compiled, in all material respects, by the directors based on the Applicable Criteria, 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*,which is applicable to an engagement of this nature, 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 of the Applicable Criteria.

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, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Annual Report is solely prepared for illustrative purposes to more accurately reflect operational performance.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been compiled, in all material respects, on the basis of 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 provide a reasonable basis for presenting the significant effects directly attributable to 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 Bank, the events 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, on the basis of the Applicable Criteria.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Keith Ackerman
Registered Auditor

Johannesburg, South Africa
11 September 2024

Ernst & Young Inc

Ernst & Young Inc.
Director: Ernest Van Rooyen
Registered Auditor

Johannesburg, South Africa
11 September 2024

Statement of headline earnings – IFRS (audited)

for the year ended 30 June 2024

R million	2024	2023	% change
Profit for the year (refer to page C15)	**26 321**	25 851	2
Other equity instrument holders	**(1 518)**	(957)	59
Earnings attributable to ordinary equityholders	**24 803**	24 894	–
Adjusted for	**14**	13	8
Loss on disposal of property and equipment	**17**	6	>100
Fair value movement on investment properties	**–**	(31)	(100)
Impairment of assets in terms of IAS 36	**2**	48	(96)
Other	**–**	(2)	(100)
Tax effects of adjustments	**(5)**	(8)	(38)
Headline earnings	**24 817**	24 907	–

Reconciliation from headline to normalised earnings

for the year ended 30 June 2024

R million	2024	2023	% change
Headline earnings	**24 817**	24 907	–
Adjusted for	**(87)**	(98)	(11)
IAS 19 adjustment	**(87)**	(98)	(11)
Normalised earnings	**24 730**	24 809	–

Reconciliation of normalised to IFRS condensed income statement

for the year ended 30 June 2024

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
Net interest income before impairment of advances	**61 062**	(1 883)	–	–	245	**59 424**
Impairment charge	**(12 451)**	–	–	–	–	**(12 451)**
Net interest income after impairment of advances	**48 611**	(1 883)	–	–	245	**46 973**
Non-interest revenue	**43 928**	1 883	–	(17)	(143)	**45 651**
Income from operations	**92 539**	–	–	(17)	102	**92 624**
Operating expenses	**(57 980)**	–	119	(2)	(102)	**(57 965)**
Income before indirect tax	**34 559**	–	119	(19)	–	**34 659**
Indirect tax	**(1 132)**	–		–	–	**(1 132)**
Profit before tax	**33 427**	–	119	(19)	–	**33 527**
Income tax expense	**(7 179)**	–	(32)	5	–	**(7 206)**
Profit for the year	**26 248**	–	87	(14)	–	**26 321**
Attributable to						
Other equity instrument holders	**(1 518)**	–	–	–	–	**(1 518)**
Ordinary equityholders	**24 730**	–	87	(14)	–	**24 803**
Headline and normalised earnings adjustments	**–**	–	(87)	14	–	**(73)**
Normalised earnings attributable to ordinary equityholders of the bank	**24 730**	–	–	–	–	**24 730**

Reconciliation of normalised to IFRS condensed income statement

for the year ended 30 June 2023

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
Net interest income before impairment of advances	56 002	(1 713)	–	–	223	54 512
Impairment charge	(8 413)	–	–	–	–	(8 413)
Net interest income after impairment of advances	47 589	(1 713)	–	–	223	46 099
Total non-interest revenue	40 290	1 713	–	27	(392)	41 638
Income from operations	87 879	–	–	27	(169)	87 737
Operating expenses	(53 455)	–	134	(48)	169	(53 200)
Income before indirect tax	34 424	–	134	(21)	–	34 537
Indirect tax	(810)	–	–	–	–	(810)
Profit before tax	33 614	–	134	(21)	–	33 727
Income tax expense	(7 848)	–	(36)	8	–	(7 876)
Profit for the year	25 766	–	98	(13)	–	25 851
Attributable to						
Other equity instrument holders	(957)	–	–	–	–	(957)
Ordinary equityholders	24 809	–	98	(13)	–	24 894
Headline and normalised earnings adjustments	–	–	(98)	13	–	(85)
Normalised earnings attributable to ordinary equityholders of the bank	24 809	–	–	–	–	24 809

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ANNUAL FINANCIAL STATEMENTS

FIRSTRAND BANK ANNUAL FINANCIAL STATEMENTS

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Audit committee report

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

The committee is constituted as a statutory committee in respect of its duties in terms of section 94(7) of the Companies Act, 71 of 2008 and section 64 of the Banks Act of 1990, and as a committee of the FirstRand board concerning all other duties assigned to it by the board. The committee met five times during the 2024 financial year, including the trilateral meeting with external auditors and the Prudential Authority. It is chaired by an independent non-executive chairman. Furthermore, the committee is satisfied that individual members of the committee possess appropriate financial competence, qualifications and the balance of skills and experience required to discharge their obligations.

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

The audit committee is satisfied that Ernst & Young Incorporated (EY) and PricewaterhouseCoopers Incorporated (PwC) (the auditors) are independent and were able to conduct their audit functions without any influence from FirstRand Bank Limited. This conclusion was arrived at after taking into account the following representations made by the auditors to the audit committee:

- the fact that the auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the company;
- the fact that the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by them;
- the fact that the auditors' independence was not prejudiced as a result of any previous appointment as auditor; and;
- the fact that criteria specified for independence were met.

As communicated at the 2023 annual general meeting the group's intention is to appoint KPMG as one of the joint auditors of FirstRand for the financial year ending 30 June 2026 (replacing PwC). The appointment of KPMG is subject to the approval by the Prudential Authority and will be recommended for shareholders' approval at the upcoming annual general meeting

The committee nominated EY for appointment as external auditor for the 2024 financial year end. The committee reappointed PwC as the external audit firm responsible for performing the function of joint auditors for the 2025 financial year alongside EY. Whilst mandatory audit firm rotation is no longer a requirement, the board has engaged in a process of voluntary audit firm rotation for the 2024 and 2026 financial year ends. The committee ensured that the appointment of the auditors complied with all required legislation, and also approved the proposed audit fees for the financial year under review.

The audit committee has carried out its statutory duties, including re-evaluating the performance of the external auditors and agreeing on the terms of their audit plan, budget and terms of engagement. The audit committee has reviewed a documented assessment of the going concern assertion of the company and budgets for the next three years.

The audit committee is satisfied with the financial statements, accounting policies as well as internal financial controls of the company. The audit committee has reviewed the annual financial statements of the bank and recommended it to the board for approval.

A more comprehensive audit committee report is available in the FirstRand Limited annual governance report.

Signed on behalf of the group audit committee:

GG Gelink
Chairman, audit committee
Sandton

11 September 2024

Directors' responsibility statement and approval of the annual financial statements

The directors of FirstRand Bank Limited (the bank) are responsible for the preparation and fair presentation of the annual financial statements, comprising the statement of financial position, income statement, and statements of comprehensive income, changes in equity and cash flows, and the notes to the annual financial statements as at, and for the year ended 30 June 2024.

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

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

The directors are responsible for the bank's system of internal control. To enable the directors to meet these responsibilities, they set the standards for internal control, which include the appropriate delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties, to ensure an acceptable level of risk. In discharging this responsibility, the directors rely on management to prepare the annual financial statements and to keep adequate accounting records in accordance with the bank's system of internal control.

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

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

Approval of the annual financial statements

The annual financial statements of the bank, which appear on pages C15 to C198, were approved by the board of directors on 11 September 2024.

It is the responsibility of the bank's independent external auditors, Ernst & Young Inc., and PricewaterhouseCoopers Inc., to report on the fair presentation of the annual financial statements. These annual financial statements have been audited in terms of section 29(1) of the Companies Act, no. 71 of 2008. Their unmodified report appears on page C07.

JP Burger	**M Vilakazi**	**MG Davias**
Chairman	Chief executive officer	Chief financial officer

Sandton
11 September 2024

Company secretary's certification

Declaration by the company secretary in respect of section 88(2)(e) of the Companies Act

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

C Low
Company secretary

Sandton
11 September 2024

Directors' report

for the year ended 30 June 2024

NATURE OF BUSINESS

The activities of FirstRand Bank Limited include retail, commercial, corporate and investment banking and instalment finance.

REVIEW OF OPERATIONS

Profit after tax amounted to R26 321 million (2023: R25 851 million). The operating results and the state of affairs of the company are fully disclosed in the annual financial statements.

DIVIDENDS AND DISTRIBUTIONS ON OTHER EQUITY INSTRUMENTS

Ordinary cash dividends of R16 663 million were paid during the 2024 financial year (2023: R27 290 million).

Distributions of R1 518 million were made on AT1 instruments (2023: R957 million). Current tax of R410 million (2023: R258 million) relating to the AT1 instruments was recognised in the income statement.

SHARE CAPITAL

Ordinary share capital

Details of FirstRand Bank Limited's share capital are presented in note 24 of the annual financial statements. There were no changes to authorised or issued ordinary share capital during the year.

SHAREHOLDER ANALYSIS

FirstRand Limited (FSR – JSE share code) holds 100% of FirstRand Bank issued share capital.

DIRECTORATE AND PRESCRIBED OFFICER

Changes to the directorate are listed in section A.

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.

JP Burger
Chairman
Sandton

M Vilakazi
Chief executive officer

MG Davias
Chief financial officer

11 September 2024

Independent auditors' report

Independent auditors' report

To the Shareholder of FirstRand Bank Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of FirstRand Bank Limited (the Company) as at 30 June 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

What we have audited

FirstRand Bank Limited's financial statements set out on pages C15 to C198 comprise:

- the statement of financial position as at 30 June 2024;
- the income statement for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including material accounting policy information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report.

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

Independence

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

PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800,
www.pwc.co.za

Ernst & Young Inc., 102 Rivonia Road, Sandton
Private Bag X14, Sandton, 2146, South Africa
T: +27 (0) 11 772 3000, F: +27 (0) 11 772 4000,
www.ey.com

Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Independent auditors' report continued

Our audit approach

Overview

Final materiality ● Overall final materiality*: R1 676 million,* which represents *5%* of *profit before income tax.*	
Key audit matters ● *Impairment of advances* ● *Fair value measurement*	

As part of designing our audit, we determined final materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Final materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements as a whole.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall final materiality	*R1 676 million*
How we determined it	*5% of profit before income tax*
Rationale for the materiality benchmark applied	*We chose profit before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Impairment of Advances Significant macroeconomic uncertainty persists in the environment in which the Company operates. Consequently, management has continued to exercise judgement to ensure that the final Expected Credit Loss (ECL) is aligned to the requirements of International	Our audit of impairment of advances included the following procedures to address the key areas of significant judgement and estimation in determining the ECL. We performed these procedures with the assistance of our economic, credit and actuarial experts:

Key audit matter	*How our audit addressed the key audit matter*
Financial Reporting Standard 9 – Financial Instruments (IFRS 9) and industry developments. This judgement includes the setting of macroeconomic scenarios and associated probabilities, as well as the forecasting of macroeconomic variables under the set scenarios. Impairment of advances is a matter of most significance to our current year audit due to the following: • Advances are material to the financial statements. • The level of subjective judgement applied in determining the ECL on advances. • Event-driven uncertainty and its impact on the assessment of ECL.	• Tested the design, implementation and operating effectiveness of the relevant financial reporting controls, the existence of key governance structures and the general and application computer controls related to the technology systems supporting ECL. • Assessed the impairment policies and practices applied by management, across all significant portfolios, against the requirements of IFRS 9. • Assessed the Company's probability-weighted macroeconomic scenario estimates and evaluated the methodology, scenario views and associated probabilities in terms of the principles of IFRS 9. • Assessed whether the forecasts are sound in terms of macroeconomic forecasting principles. • Reviewed the approval of these macroeconomic variables through the appropriate governance structures. This was performed through discussions with management, inspection of documentation, and comparison to our own and benchmarked economic forecasts and independent market data, as well as attendance of the governance forums. • Corroborated that the latest approved macroeconomic outlook has been appropriately incorporated into the forward-looking estimate of ECL. • Evaluated the impact of events and risks not included in the macroeconomic forecasts with reference to the industry environment.
<u>Wholesale Advances</u>* The areas of significant judgement and estimation include: **Determination of PD, EAD and LGD** • Input assumptions and methodologies applied to estimate the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).	• Through discussions with management and inspection of policy documents, obtained an understanding of the methodologies and assumptions used by management in the various ECL model components and how these were calibrated to use historical information to estimate future cash flows. • On a sample basis, identified and tested the controls over the credit risk management and governance processes when advancing new facilities, restructuring existing facilities or reviewing facilities on a periodic basis, and determining credit ratings. • Evaluated the reasonability of how counterparties are grouped together with reference to similar risks (PD) or credit rating buckets. • Through discussions with management and inspection of policy documents, confirmed our understanding of the methodologies used to back-test PDs, EADs and LGDs to historical data or how these are linked to rating agencies inferred variables. • Assessed the quality of the data used in credit management, reporting and modelling for completeness and accuracy through data analytics and, for a sample of facilities, agreed model input data to underlying supporting documentation. • On a sample basis, assessed the appropriateness of assumptions made by management in determining the applicable macroeconomic inputs, credit ratings, EADs, PDs and LGDs in the current economic climate.

Independent auditors' report continued

Key audit matter	*How our audit addressed the key audit matter*
Evaluation of SICR • Assessing whether there has been a Significant Increase in Credit Risk (SICR) event since the origination date of the exposure to the reporting date (i.e. a trigger event that has caused a significant deterioration in credit risk and results in migration of the loan from Stage 1 to Stage 2).	• Selected a sample of performing advances and assessed if the application of the SICR trigger was reasonable by forming an independent view based on publicly available information and management's periodic credit reviews.
Incorporation of macro-economic inputs and forward-looking information into the ECL measurement • Assessing the impact of macroeconomic uncertainty on the forward-looking econometric information incorporated into the respective models. • Ensuring consistency between forward-looking information (FLI) and the SICR assessment and ECL calculations.	• Independently reperformed the ECL models based on management's methodologies and assessed the areas of judgement within the methodology. • Performed an independent FLI assessment at an industry level to evaluate whether the recent experience and economic outlook per industry were appropriately incorporated.
Assessment of post model adjustments • Constraints in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates, specific events and changes in risk profile necessitate the raising of additional provisions as post-model adjustments.	• Performed industry analyses for a sample of industries and assessed a sample of individual counterparties based on publicly available information to evaluate the appropriateness of the assumptions applied in the post-model adjustments raised and released.
Assessment of ECL raised for Stage 3 exposures • Assumptions used to estimate the recoverable amounts and timing of future cash flows of individual exposures, which have been classified as non-performing. **This applies to wholesale advances in C&I, as well as Centre (including Group Treasury).*	• Evaluated a sample of performing advances against management's definition of default to assess completeness of stage 3 advances. • In respect of Stage 3 advances, inspected a sample of legal agreements and underlying supporting documentation to assess the existence of a legal right to collateral and assessed the expected realisable value and timing of future cash flows.
<u>**Retail and Commercial Advances**</u>** Retail and commercial advances are higher in volume and lower in value and, therefore, a significant portion of credit impairments are calculated on a portfolio basis. This requires the use of statistical models incorporating data and assumptions which are not always observable. The areas of significant judgement and estimation include:	
Determination of input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement Management applies professional judgement in developing the credit impairment models, analysing data and determining the most appropriate assumptions and estimates used. The inputs into the modelling process require significant management judgement, which include: • Input assumptions and methodologies applied to estimate the PD, EAD, and LGD within the ECL calculations. • Determining the expected value to be realised from collateral, as applicable, and the time it will take to realise.	• Through discussions with management and inspection of policy documents, obtained an understanding of the methodologies and assumptions used by management in the various ECL model components (PD, LGD, EAD) and how these were calibrated to use historical information to estimate future cash flows and also to estimate forward-looking ECL. • Through reperformance, tested the accurate implementation of the documented methodologies and assessed the alignment between modelled outcomes and recent actual experience. • Independently recalculated the ECL by applying our own independent assessment of the component inputs used by management. Our independent results were compared to management's results for reasonableness.

Key audit matter	*How our audit addressed the key audit matter*
	• Assessed the appropriateness of the ECL methodology, including any refinements against actual experience and industry practice through benchmarking and evaluating alignment with the principles of IFRS 9. • Through independent reperformance, assessed the appropriateness of assumptions made by management in applying the macroeconomic inputs, credit risk grades, EADs, PDs, LGDs and valuation of collateral in the current economic climate. • Assessed the potential impact of reduced collateral values, a delayed recovery process and reduced cure from default for secured exposures by separately considering individually significant collateral, historically stressed collateral values and by quantifying the impact of potentially extended collateral realisations.
Evaluation of SICR • The assessment of whether there has been a SICR event since the origination date of the exposure to the reporting date, considering the impact of the event driven uncertainty, as well as future default rates forecast by the forward-looking macroeconomic model.	• Through applying the assumptions and data included in management's modelled client risk ratings and performance of cured accounts, assessed the accurate implementation of SICR classifications. • Tested the SICR thresholds applied and the resultant transfer of non-arrears accounts into Stage 2 for SICR. This included comparing the volume of up-to-date accounts transferred to Stage 2 to the historical movements from performing into arrears and the impact of forward-looking expectation of default risk on these historical movements. • Tested the model ranking ability and model stability by testing the performance of client behavioural scores and other client behavioural data that drive PD estimates and SICR triggers.
Determining of the write-off point • The determination of the write-off point, being the point at which there is no reasonable expectation of further recovery to be made, and application of the cure rules.	• Evaluated the write-off point relative to historical post write-off recoveries to assess whether the write-off point applied by management is still the point at which there is no reasonable expectation of further recovery. • Through recalculation, tested the application of the write-off policy, including the exclusion of post write-off recoveries from the LGD.
Incorporation of macro-economic inputs and forward-looking information (FLI) into the ECL measurement • The incorporation of FLI and macroeconomic inputs into the SICR assessment and ECL calculations. • Determining and weighting of assumptions used in the forward-looking economic model to account for the forward-looking uncertainty.	• Obtained an understanding of the assumptions used in the forward-looking economic model including the macroeconomic variables selected and the sensitivity of ECL components to each variable. • Tested the performance and sensitivity of the FLI model to evaluate whether the chosen macroeconomic variables, scenario weightings and model design provide a reasonable representation of the impact of the various macroeconomic scenarios on the ECL results. This included an assessment of the extent to which plausible downside risk scenarios are captured by the macroeconomic scenarios that are used to determine forward looking estimates. • Where applicable, developed an independent view to assess management's forward-looking model by using our own challenger model.
Assessment of post model adjustments • Constraints in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the	• Assessed, recalculated and performed a sensitivity analysis on management's post-model adjustments

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
timing of model updates, specific events and changes in risk profile necessitate the raising of additional provisions as post-model adjustments and overlays. ***This applies to retail and commercial advances in total retail secured and unsecured, FNB Commercial, and WesBank corporate.* The credit impairment models are subject to formal model governance and approval. The related disclosures in the financial statements are included in: • Critical accounting estimates: Impairment of financial assets; • Note 10 – Advances; • Note 11 – Impairment of advances; • Note 31 – Financial risks; and • Accounting policies: Financial Instruments (section 3).	relating to the impact on ECL of additional relevant information not catered for in the models. • Where applicable, we used an independent methodology to assess the appropriateness of post model adjustments and overlays to ensure that model and forward-looking risk is accurately accounted for and that adjustments are applied in a way that ensures consistency with the base models and estimates.
Fair value measurement The valuation of complex financial instruments involves areas of significant judgement and estimation, which include: • Unobservable inputs and developments in valuation methodologies including XVAs (X-Valuation Adjustments) related to derivative financial instruments due to the impact of funding costs and liquidity, as well as counterparty credit spreads, and the related fair value disclosures. • Valuation methodologies, which are constantly evolving in line with developing market practices and trends. • Factors such as inherent subjectivity due to unobservable inputs, funding costs, low levels of market liquidity, counterparty credit risk, market volatility, and economic and regulatory developments. The financial instruments impacted by management judgement include: • Advances carried at fair value (level 3); • Complex derivative financial instruments (level 2 and 3); and • Investment securities valued with reference to unobservable inputs (level 3). Identified areas of risk include: • Complex financial instruments or those with unobservable inputs in Markets, which could include credit and equity derivatives, and longer dated instruments. • Evolution in pricing and collateral management market practice increase the complexity of valuing certain derivative instruments. • Fair value advances in IBD – for the fair value advances book (including newly originated CPI-linked	Our audit procedures over the valuation of complex financial instruments included the following procedures which were performed with the assistance of our valuation specialists: • Tested the design, implementation and operating effectiveness of the relevant financial reporting controls, the existence of key governance structures and the general and application computer controls related to the technology systems supporting valuations. • Performed risk assessment procedures on the key components of fair value, based on complexity, sensitivity and exposure. The risk assessment procedures were performed on curves, volatility surfaces, fair value models and valuation adjustments. • Evaluated the technical appropriateness and accuracy of valuation methodologies including XVAs which involved the assessment of key assumptions made, modelling approaches and contractual obligations applied by management with reference to market practice. Also assessed practical constraints on the ability to apply the methodologies to the instruments being valued and for consistency with prior periods. • Assessed the appropriateness of the significant judgemental and/or unobservable inputs used in valuations, related to funding costs, low levels of market liquidity, counterparty credit risk, and market volatility, against factors which impacted the reported exit values, with reference to the best available independent information. • Evaluated the completeness and accuracy of management's assessment of valuation adjustments required in terms of financial instrument valuation theory, market practice and the requirements of IFRS, as well as to respond to economic and regulatory developments impacting the portfolio.

Key audit matter	How our audit addressed the key audit matter
advances), certain credit and liquidity spreads are unobservable. • Principal Investments in IBD – specifically equity-related exposures with unobservable inputs. • Private Equity fund investments, particularly where these are less liquid and recognised at fair value for financial reporting purposes. Valuation disclosures are significant as they rely on material inputs, valuation techniques, assumptions and management judgement. The related disclosures in the financial statements are included in: • Note 27 – Fair value measurements. • Accounting policies: Financial Instruments (section 3).	• Assessed the appropriateness of a sample of curves and volatility surfaces by reconstructing these using independently sourced market data where available. Where independent market data was not available, assessed, on a sample basis, the quality of the data used by management for completeness and accuracy. • For a sample of complex financial instruments, independently recalculated the fair values. • Assessed the appropriateness and sensitivity of unobservable market rates, projected cash flows and valuation adjustments. • Obtained an understanding of and assessed the judgement applied in the recognition of revenue, specifically in relation to complex transactions such as private equity realisations or fund investments and assessed the judgement applied by management in determining the fair value of unlisted equity instruments carried at fair value. • Evaluated the appropriateness of the fair value hierarchy disclosures with reference to the requirements of IFRS 13 - Fair value measurements. • Our audit procedures over the judgements applied were aligned to the relative risk, the complexity of the judgement applied, and the consistency of approach adopted by management.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "FirstRand Bank Annual Report for the year ended 30 June 2024", which includes the Directors' Report, the Audit Committee Report and the Company Secretary's Certification as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

Independent auditors' report continued

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. and Ernst & Young Inc. have been the auditors of FirstRand Bank Limited for 26 years and 1 year, respectively.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Keith Ackerman
Registered Auditor
Johannesburg, South Africa
11 September 2024

Ernst & Young Inc

Ernst & Young Inc.
Director: Ernest van Rooyen
Registered Auditor
Johannesburg, South Africa
11 September 2024

Income statement

for the year ended 30 June

R million	Notes	2024	2023*
Interest income calculated using effective interest rate		**140 110**	115 108
Interest on other financial instruments and similar income		**2 311**	2 371
Interest and similar income	1.1	**142 421**	117 479
Interest expense and similar charges	1.2	**(82 997)**	(62 967)
Net interest income before impairment of advances		**59 424**	54 512
Impairment and fair value of credit of advances		**(12 451)**	(8 413)
– Impairment on amortised cost advances	11.2	**(12 462)**	(8 354)
– Fair value of credit on advances	11.2	**11**	(59)
Net interest income after impairment of advances		**46 973**	46 099
Non-interest revenue	2	**45 651**	41 638
– Net fee and commission income	2.1	**31 882**	29 842
– Fee and commission income		**38 414**	35 802
– Fee and commission expense		**(6 532)**	(5 960)
– Insurance commission income	2.2	**118**	437
– Fair value income and foreign exchange gains/(losses)**	2.3	**7 182**	3 381
– Fair value income and foreign exchange gains/(losses)**		**18 781**	12 712
– Interest expense on fair value activities		**(11 599)**	(9 331)
– Gains less losses from investing activities	2.4	**(60)**	88
– Net other non-interest revenue*	2.5	**6 529**	7 890
– Other non-interest revenue		**8 466**	9 501
– Other non-interest related expense		**(1 937)**	(1 611)
Income from operations		**92 624**	87 737
Operating expenses	3	**(57 965)**	(53 200)
Income before indirect tax		**34 659**	34 537
Indirect tax	4.1	**(1 132)**	(810)
Profit before income tax		**33 527**	33 727
Income tax expense	4.2	**(7 206)**	(7 876)
Profit for the year		**26 321**	25 851
Attributable to			
Ordinary equityholders		**24 803**	24 894
Other equity instrument holders		**1 518**	957
Profit for the year		**26 321**	25 851

**The bank expanded Other non-interest revenue. Refer to basis of preparation, critical accounting estimates, assumptions and judgements and impacts due to changes in presentation and restatements.*

***Fair value income and foreign exchange gains /(losses) was previously reflected as Fair value gains or losses. The line description has been updated to align with the bank's presentation accounting policy for fair value income.*

Statement of other comprehensive income
for the year ended 30 June

R million	2024	2023
Profit for the year	**26 321**	25 851
Items that may subsequently be reclassified to profit or loss		
Cash flow hedges	**2 341**	(846)
Gains/(losses) arising during the year	**2 396**	42
Reclassification adjustments for amounts included in profit or loss	**811**	(1 201)
Deferred income tax	**(866)**	313
FVOCI debt reserve	**(150)**	92
(Losses)/gains arising during the year	**(194)**	70
Reclassification adjustments for amounts included in profit or loss	**(11)**	56
Deferred income tax	**55**	(34)
Exchange differences on translating foreign operations	**(262)**	922
(Losses)/gains arising during the year	**(233)**	815
Deferred income tax	**(29)**	107
Items that may not subsequently be reclassified to profit or loss		
FVOCI equity reserve	**(3)**	16
(Losses)/gains arising during the year	**(4)**	21
Deferred income tax	**1**	(5)
Remeasurements on defined benefit post-employment plans	**(25)**	21
(Losses)/gains arising during the year	**(34)**	28
Deferred income tax	**9**	(7)
Other comprehensive income/(loss) for the year	**1 901**	205
Total comprehensive income for the year	**28 222**	26 056
Attributable to		
Ordinary equityholders	**26 704**	25 099
Other equity instrument holders	**1 518**	957
Total comprehensive income for the year	**28 222**	26 056

Statement of financial position
as at 30 June

R million	Notes	2024	2023*	2022*
ASSETS				
Cash and cash equivalents	6	**88 470**	80 505	70 984
Derivative financial instruments	7	**45 974**	63 307	61 674
Commodities	8	**15 109**	17 252	17 580
Investment securities	9	**307 698**	305 259	278 879
Advances	10	**1 143 128**	1 066 891	944 087
– Advances to customers**		**1 063 654**	981 244	871 338
– Marketable advances		**79 474**	85 647	72 749
Collateral, settlement balances and other assets	12	**28 333**	32 117	39 430
Current tax asset		**247**	530	125
Amounts due by holding company and fellow subsidiary companies	13	**58 638**	63 205	70 753
Property and equipment	14	**19 526**	17 433	16 333
Intangible assets	15	**1 150**	787	512
Investment properties	16	**281**	281	249
Deferred income tax asset	18	**7 292**	7 397	6 741
Total assets		**1 715 846**	1 654 964	1 507 347
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	19	**9 601**	12 473	14 183
Derivative financial instruments	7	**43 384**	66 533	70 284
Creditors, accruals and provisions	20	**27 019**	19 953	18 899
Deposits	21	**1 444 707**	1 379 175	1 216 363
Employee liabilities	17	**13 755**	14 282	11 684
Other liabilities	22	**3 046**	2 878	5 258
Amounts due to holding company and fellow subsidiary companies	13	**28 419**	29 042	36 563
Tier 2 liabilities	23	**16 758**	16 337	20 433
Total liabilities		**1 586 689**	1 540 673	1 393 667
Equity				
Ordinary shares	24.1	**4**	4	4
Share premium	24.1	**16 804**	16 804	16 804
Reserves		**97 594**	87 553	89 746
Capital and reserves attributable to equity holders		**114 402**	104 361	106 554
Other equity instruments	24.2	**14 755**	9 930	7 126
Total equity		**129 157**	114 291	113 680
Total equity and liabilities		**1 715 846**	1 654 964	1 507 347

* *Restated. Refer to basis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation and restatements.*

** *Included in advances to customers are assets under agreements to resell of R67 757 million (2023: R79 065 million).*

Statement of changes in equity

for the year ended 30 June

	Ordinary share capital and ordinary equity holders' funds											
R million	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equity-holders**	**Other equity instruments and reserves****	**Total equity**
Balance as at 1 July 2022	4	16 804	**16 808**	(554)	(2 379)	1 654	1 197	89 828	**89 746**	**7 126**	**113 680**
Additional Tier 1 capital issued during the year	–	–	**–**	–	–	–	–	–	**–**	**2 804**	**2 804**
Movement in other reserves	–	–	**–**	–	–	–	–	(2)	**(2)**	**–**	**(2)**
Ordinary dividends	–	–	**–**	–	–	–	–	(27 290)	**(27 290)**	**–**	**(27 290)**
Distributions on other equity instruments	–	–	**–**	–	–	–	–	–	**–**	**(957)**	**(957)**
Total comprehensive income for the year	–	–	**–**	21	(846)	922	108	24 894	**25 099**	**957**	**26 056**
– Profit for the year	–	–	**–**	–	–	–	–	24 894	**24 894**	**957**	**25 851**
– Other comprehensive income for the year	–	–	**–**	21	(846)	922	108	–	**205**	**–**	**205**
Balance as at 30 June 2023	4	16 804	**16 808**	(533)	(3 225)	2 576	1 305	87 430	**87 553**	**9 930**	**114 291**
Additional Tier 1 capital issued during the year	–	–	**–**	–	–	–	–	–	**–**	**7 090**	**7 090**
Additional Tier 1 capital redeemed during the period	–	–	**–**	–	–	–	–	–	**–**	**(2 265)**	**(2 265)**
Ordinary dividends	–	–	**–**	–	–	–	–	(16 663)	**(16 663)**	**–**	**(16 663)**
Distributions on other equity instruments	–	–	**–**	–	–	–	–	–	**–**	**(1 518)**	**(1 518)**
Total comprehensive income for the year	–	–	**–**	(25)	2 341	(262)	(153)	24 803	**26 704**	**1 518**	**28 222**
– Profit for the year	–	–	**–**	–	–	–	–	24 803	**24 803**	**1 518**	**26 321**
– Other comprehensive income for the year	–	–	**–**	(25)	2 341	(262)	(153)	–	**1 901**	**–**	**1 901**
Balance as at 30 June 2024	4	16 804	**16 808**	(558)	(884)	2 314	1 152	95 570	**97 594**	**14 755**	**129 157**

* *Refer to note 24.3 for a breakdown of other reserves.*

** *Other equity instruments and reserves at 30 June 2024 include R14 755 million (2023: R9 930 million) of AT1 instruments.*

Statement of cash flows

for the year ended 30 June

R million	Notes	2024	2023*
Cash flows from operating activities			
Profit before tax for the period		**33 527**	33 727
Adjustments for non cash items:		**(41 764)**	(40 096)
- Depreciation and amortisation		**3 649**	3 398
- Net impairment on intangible assets and property plant and equipment		**116**	206
- Impairment loss on advances excluding post write-off recoveries		**14 066**	10 622
- Interest and Similar Income		**(142 421)**	(117 479)
- Interest expenses and similar charges		**82 997**	62 967
- Net gain/ loss on investing activities		**60**	(88)
- Impairment loss on investment securities		**175**	4
- Fair value remeasurement on investment property		**–**	(32)
- Forex adjustment on investing and financing activities		**(8)**	811
- Dividends accrued		**(1 530)**	(1 315)
- Indirect tax		**1 132**	810
- Interest received		**145 921**	116 630
- Interest paid		**(84 546)**	(63 033)
- Dividends received		**1 530**	1 315
- Dividends paid		**(18 181)**	(28 247)
-Taxation paid		**(8 716)**	(9 323)
- Indirect tax paid		**(1 057)**	(760)
- Income tax paid		**(7 659)**	(8 563)
Cash generated from operating activities		**27 771**	10 973
Movements in operating assets and liabilities		**(18 414)**	8 358
– Investment securities	9	**(2 208)**	(26 758)
– Advances	10	**(88 056)**	(134 761)
– Deposits	21	**64 028**	167 751
– Collateral, settlement balances and other assets	12	**3 660**	7 276
– Creditors, accruals and provisions	20	**7 095**	1 106
– Employee liabilities	17	**(511)**	2 602
– Amounts due (to/by) holding company and fellow subsidiary companies	13	**4 123**	(2 085)
– Derivatives and short trading position liabilities		**(26 021)**	(5 460)
– Derivatives and commodities assets		**19 476**	(1 313)
Net cash generated from operating activities		**9 357**	19 331
Cash flows from investing activities			
Acquisition of property and equipment	14	**(5 694)**	(3 971)
Proceeds on disposal of property and equipment	14	**900**	449
Acquisition of intangible assets	15	**(529)**	(368)
Proceeds on disposal of intangible assets	15	**(9)**	–
Net cash outflow from investing activities		**(5 332)**	(3 890)
Cash flows from financing activities			
Proceeds on the issue of other financing liabilities	22.1	**651**	1 230
Redemption of other financing liabilities		**(533)**	(3 964)
Principal payments towards lease liabilities	22.1	**(707)**	(662)
Proceeds from issue of Tier 2 liabilities	23.1	**1 548**	7 986
Capital repaid on Tier 2 liabilities	23.1	**(1 910)**	(13 079)
Redemption of AT1 equity instruments		**(2 265)**	–
Proceeds from issue of AT1 equity instruments		**7 090**	2 804
Net cash inflow/(outflow) from financing activities		**3 874**	(5 685)
Net increase in cash and cash equivalents		**7 899**	9 756
Cash and cash equivalents at the beginning of the year	6	**80 505**	70 984
Effect of exchange rate changes on cash and cash equivalents		**66**	(235)
Cash and cash equivalents at the end of the year		**88 470**	80 505
Cash and cash equivalents comprises:			
Coins and bank notes		**8 256**	8 680
Money at call and short notice		**28 207**	26 457
Mandatory reserve balances with central banks		**35 285**	32 789
Other balances with central banks		**16 722**	12 579
Cash and cash equivalents at the end of the year	6	**88 470**	80 505

* *Restated.Refer to basis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation and restatements*

Basis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation and restatements

Basis of preparation

The bank's financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), including IFRIC Interpretations, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, JSE Limited Debt Listings and Listings Requirements, and requirements of the Companies Act no. 71 of 2008.

These financial statements comprise the statements of financial position (also referred to as the balance sheet) as at 30 June 2024; the income statements and statements of other comprehensive income; statements of changes in equity and statements of cash flows for the year ended; as well as the notes, which comprise a summary of significant accounting policies and other explanatory notes.

Presentation of financial statements, functional and foreign currency

Items included in the financial statements of each of the bank's branches are measured using the currency of the primary economic environment in which the branch operates (the functional currency).

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

Basis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation and restatements continued

Basis of preparation continued

Application of the going concern principle

The directors reviewed the bank's budgets and flow of funds forecasts for the next three years and considered the bank's ability to continue as a going concern. Based on the projections of the impact on the bank's capital, funding and liquidity requirements, all have remained within internal targets and above regulatory requirements.

Forecast growth in earnings and balance sheet risk-weighted assets (RWA) is based on the bank's macroeconomic outlook and is evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested, and the bank sets targets through different business cycles and scenarios.

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

The accounting policies applied in preparation of the bank's annual financial statements have been consistently applied to all years presented.

Segmental analysis

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

Critical accounting estimates, assumptions and judgements

Introduction

In preparing the financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise, the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the material critical accounting estimates, assumptions and judgements made by the bank, except those related to fair value measurement, which are included in note 27.

Impairment of financial assets

IMPAIRMENT OF ADVANCES

In determining whether an impairment loss should be recognised, the bank makes judgements as to whether there is a measurable decrease in the estimated future cash flows from a portfolio of loans.

The objective of the measurement of an impairment loss is to produce a quantitative measure of the bank's credit risk exposure.

The bank adopts the PD/LGD approach to calculate ECL for advances. ECL is based on a weighted average of the macroeconomic scenarios selected, weighted by the probability of occurrence.

Regression modelling techniques are used to predict borrowers' behaviour and transaction characteristics in accordance with and to align with IFRS 9, based on relationships observed in historical data related to the group of accounts to which the model will be applied. Models are used to estimate impairment parameters (PD, LGD and EAD) based on the predictive characteristics identified through the regression process.

Critical accounting estimates, assumptions and judgements continued

Impairment of financial assets continued

FORWARD-LOOKING INFORMATION

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

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

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

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

Quantitative techniques are applied to estimate the impact of macroeconomic factors on ECL using various techniques.

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

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

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

For the bank, three macroeconomic scenarios are utilised, namely a base scenario, an upside scenario and a downside scenario.

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

Basis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation and restatements continued

Critical accounting estimates, assumptions and judgements continued

Impairment of financial assets continued

FORWARD-LOOKING INFORMATION continued

Scenario	Probability	Description
Baseline	60% (2023: 56%)	• The global economy avoids a significant slowdown and geopolitical tensions continue to add to risk premia for risk assets including commodities. • GDP growth lifts gradually as a result of the deployment of capital into renewable energy projects while other economic reforms slowly begin to support economic activity. • The country's election outcome does not result in a change on the status quo on policy and economic reforms. Policy makers and the private sector continue to muddle through structural reform. • Climate transition progresses slowly and amid lack of agreement and progress on the COP27 Energy Transition Partnerships (JETP) implementation plan. • Drought and water management targets progress gradually. • Fiscal pressures continue to build while the South African Reserve Bank (SARB) continues to implement monetary policy to achieve its inflation objectives.
Upside	15% (2023: 15%)	• The global economy avoids a significant slowdown and geopolitical tensions continue to add to risk premia for risk assets including commodities. • GDP growth lifts meaningfully thanks to deployment of capital into renewable energy projects while other economic reforms slowly begin to support economic activity. • The country's election outcome results in a private sector friendly approach to policy and economic reforms. • Economic and policy reform progress lifts investor and consumer confidence. • Climate transition progresses slowly and meaningful implementation progress is made on the COP27 JETP implementation plan. • Drought and water management targets progress meaningfully with pockets of the economy remaining more vulnerable than others. • Fiscal pressures reduce a little but remain elevated in the near term.
Downside	25% (2023: 29%)	• Geo-economic fragmentation, including the Ukraine war, a regional war in the Middle East and conflict in the South China Sea, drives headline inflation significantly higher and real disposable income growth significantly lower. • The country fails to implement growth enhancing economic reforms. • The country's election outcome results in a private sector unfriendly approach to policy and economic reforms. • The South African government experiences setbacks in its efforts to manage the de-carbonisation process. • Deterioration in South Africa's export competitiveness and trade volume growth during the transitional and implementation phases of the European Union's Carbon Border Adjustment Mechanism. • Currency depreciation stalls the disinflation trend, together with sustained policy tightening bias with negative consequences for financial conditions and risk appetite. • Real credit extension falls and savings lift.

Critical accounting estimates, assumptions and judgements continued

Impairment of financial assets continued

FORWARD-LOOKING INFORMATION continued

Overview of forward-looking information included in the 30 June 2024 impairment of advances

During the year, global economic growth and inflation continued to moderate. Central banks paused the aggressive interest rate hikes that they implemented to stem inflation, resulting in a slight reduction in risk aversion in financial markets. However, uncertainty about the potential future extent of the expected economic slowdown and possible interest rate cuts, combined with a significant increase in geopolitical risk, continued to drive market volatility.

The war in Ukraine remains ongoing, and the conflict in Gaza continued to escalate, lifting regional and global geopolitical tensions. Although these tensions remain important risk factors going forward, they did not translate into a significant macroeconomic impact for the economies in which the bank operates during the period under review.

South Africa

South Africa's inflation remained above the central bank's target range, but began to reduce slowly, resulting in interest rates remaining on hold. With interest rates remaining at their cyclical peak, real economic activity continued to slow down, with domestic household consumption and corporate income being impacted by high interest rates and inflation. Rolling blackouts were less severe than expected and commodity prices remained somewhat resilient for certain key export commodities. However logistics bottlenecks continued to limit both export and import growth.

Towards the end of the year, the peaceful election, and subsequent formation of a Government of National Unity, turned out to be a more market friendly result than was widely expected. An increased probability of improvements in service delivery and economic reform momentum was reflected in financial market pricing for the currency, government debt securities and other domestic risk assets, including equities. Although we noted a slight improvement in economic reform implementation before the election, and the election outcome has increased the probability of further progress, the election itself has not yielded tangible economic reform developments. As such we continue to carefully monitor the economic environment for signs of economic reform progress.

SIGNIFICANT MACROECONOMIC FACTORS

The table below sets out the most significant macroeconomic factors used to estimate the FLI relating to ECL provisions. The information is forecast over a period of three years, per major economic region that the bank operates in. The information below reflects the bank's forecasts for each period at 30 June.

30 June 2024

South Africa	**Upside scenario**			**Baseline scenario**			**Downside scenario**		
(%)	**2025**	**2026**	**2027**	**2025**	**2026**	**2027**	**2025**	**2026**	**2027**
				Applicable across all portfolios					
Real GDP growth	**3.30**	**3.60**	**3.00**	**1.80**	**1.40**	**1.90**	**0.20**	**0.60**	**0.80**
CPI inflation	**3.70**	**3.60**	**4.50**	**4.60**	**4.70**	**4.40**	**6.40**	**6.20**	**5.00**
Repo rate	**5.50**	**6.00**	**6.00**	**7.75**	**7.50**	**7.50**	**9.50**	**8.00**	**7.25**
				Retail-specific					
Retail real income growth	**3.30**	**3.60**	**0.90**	**1.20**	**1.20**	**1.80**	**(2.70)**	**(1.10)**	**4.40**
House price index growth*	**5.10**	**6.00**	**9.50**	**1.90**	**3.10**	**3.40**	**(1.00)**	**0.60**	**3.10**
Household debt to income	**60.10**	**57.80**	**59.50**	**61.40**	**61.50**	**62.30**	**61.90**	**61.30**	**58.60**
Employment growth	**2.30**	**2.20**	**2.00**	**0.90**	**0.80**	**1.10**	**0.60**	**1.40**	**–**
				Wholesale-specific					
Fixed capital formation	**5.40**	**8.00**	**7.10**	**5.70**	**3.20**	**4.90**	**(0.10)**	**(1.10)**	**2.70**
Foreign exchange rate (USD/ZAR)	**17.20**	**17.10**	**17.40**	**17.70**	**17.90**	**18.60**	**21.90**	**20.80**	**19.50**

* *Applicable to the secured portfolio.*

Basis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation and restatements continued

Critical accounting estimates, assumptions and judgements continued

Impairment of financial assets continued

30 June 2023 South Africa (%)	Upside scenario 2024	Upside scenario 2025	Upside scenario 2026	Baseline scenario 2024	Baseline scenario 2025	Baseline scenario 2026	Downside scenario 2024	Downside scenario 2025	Downside scenario 2026
Applicable across all portfolios									
Real GDP growth	3.50	3.40	3.50	0.30	1.60	1.80	(0.50)	(0.50)	1.50
CPI inflation	5.50	4.10	4.00	6.00	4.90	5.00	7.90	6.80	6.00
Repo rate	8.00	6.00	5.75	8.50	7.25	7.00	9.50	8.75	7.75
Retail-specific									
Retail real income growth	12.00	1.50	1.70	0.90	0.70	0.80	(1.70)	–	0.70
House price index growth*	4.70	5.70	8.30	1.50	2.20	3.30	(2.70)	(0.70)	2.80
Household debt to income	63.50	64.40	64.80	62.20	62.20	62.20	60.40	59.20	58.60
Employment growth	2.00	1.90	1.50	1.00	0.50	0.40	(0.40)	(0.10)	0.30
Wholesale-specific									
Fixed capital formation	9.00	7.70	8.70	3.10	3.70	4.30	(5.60)	(1.10)	3.70
Foreign exchange rate (USD/ZAR)	15.90	14.80	15.20	18.80	17.40	17.90	26.30	20.90	21.50

SIGNIFICANT MACROECONOMIC FACTORS

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

R million	IFRS 9 impairment provision	Baseline	% change in total IFRS 9 provision	Upside	% change in total IFRS 9 provision	Downside	% change in total IFRS 9 provision
Total at 30 June 2024	**16 675**	**16 198**	**(3)**	**14 332**	**(14)**	**18 906**	**13**
Retail	**10 914**	**10 481**	**(4)**	**9 055**	**(17)**	**12 736**	**17**
Commercial	**2 528**	**2 521**	**–**	**2 190**	**(13)**	**2 770**	**10**
RMB CIB	**2 984**	**2 951**	**(1)**	**2 846**	**(5)**	**3 148**	**5**
Centre (including Group Treasury)	**249**	**245**	**(2)**	**241**	**(3)**	**252**	**1**
Total at 30 June 2023	15 652	15 114	(3)	13 579	(13)	16 881	8
Retail	10 720	10 246	(4)	9 074	(15)	11 646	9
Commercial	2 459	2 438	(1)	2 199	(11)	2 618	6
RMB CIB	2 429	2 397	(1)	2 279	(6)	2 578	6
Centre (including Group Treasury)	44	33	(25)	27	(39)	39	(11)

Please note, the analysis only reflects the impact of changing the probability assigned to each scenario to 100%.

Critical accounting estimates, assumptions and judgements continued

Impairment of financial assets continued

Judgement	Retail and retail SME	Wholesale and commercial SME
Measurement of the 12-month and lifetime expected credit loss (LECL)	Parameters are determined on a basis whereby exposures are pooled at a portfolio level (at a minimum). Where appropriate, more granular pooling is applied. The inputs used to determine parameter values include historically observed behaviour, as well as behavioural and demographic information related to individual exposures currently on book. PD parameters are determined through assessment of the influence that various risk drivers have had on historical default rates. EAD parameter estimates are based on product characteristics in addition to historical drawdown and payment behaviour. LGDs are determined by estimating expected future cash flows, adjusted for FLI such as the house price index, prime lending rate and GDP. These cash flows include direct costs and proceeds from the sale of collateral. Collateral recovery rates are based on historically observed outcomes. The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within historical data will continue to be relevant in the future.	Parameters are determined based on the application of statistical models that produce estimates based on counterparty-specific financial information and transaction characteristics. These characteristics include the nature of available collateral. Due to the specialised nature of these exposures, parameters produced by models are taken through a robust review and challenge process before being applied to calculate ECL, and are required to be signed off by a committee of wholesale and commercial credit experts who can motivate adjustments to modelled parameters.
	Parameters are calibrated for the calculation of 12-month and LECL using term structures that consider borrower risk, account age, historical behaviour, transaction characteristics and correlations between parameters. Term structures have been developed over the remaining lifetime of an instrument. The remaining lifetime is limited to the contractual term of instruments in the portfolio, except for instruments with an undrawn commitment such as credit cards, where there is no contractual expiry date. In such instances the remaining lifetime is determined with reference to the change in client requirements that would trigger a review of the contractual terms, for example an increase in limit. ECL on open accounts is discounted from the expected date of default to the reporting date, using the asset's original effective interest rate or a reasonable approximation thereof.	
Determination of whether the credit risk of financial instruments have increased significantly since initial recognition (SICR)	SICR triggers continue to be based on client behaviour, client-based behaviour scores and judgemental factors.	SICR triggers continue to be determined based on client behaviour and the internal FirstRand client rating or risk score, as well as judgemental factors, which include triggers for industries in distress, potentially resulting in the client being added to the watch-list through the group's ongoing risk management process. These triggers are determined at a deal and client level and are calibrated over time to determine what level of deterioration is reflective of a SICR.

Basis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation and restatements continued

Critical accounting estimates, assumptions and judgements continued

Impairment of financial assets continued

Judgement	Retail and retail SME	Wholesale and commercial SME
Sensitivity staging	The move from 12-month ECL (stage 1) to LECL (stage 2) can result in a substantial increase in ECL. The sensitivity information provided in the table below details the estimated additional ECL charge to the income statement that the bank would need to recognise if 5% of the stage 1 GCA of advances suffered a SICR and were moved from stage 1 to stage 2 as at 30 June 2024. A 5% increase in advances categorised as stage 2 can be viewed as a reasonably possible alternative based on the current economic conditions.	

R million	30 June 2024 5% increase in gross carrying amount of exposure	30 June 2024 Increase in the loss allowance
Retail	**19 809**	**2 047**
Wholesale, commercial and other (including Group Treasury)	**32 700**	**3 343**
Total increase in stage 2 advances and ECL	**52 509**	**5 390**
	30 June 2023	
Retail	19 115	1 870
Wholesale, commercial and other (including Group Treasury)	29 928	3 353
Total increase in stage 2 advances and ECL	49 043	5 223

Subsidiaries, associates and structured entities

CONSOLIDATED FINANCIAL STATEMENTS

The bank does not prepare consolidated financial statements as there are no material differences between the amounts reported in the separate and consolidated financial statements. This has been agreed upon by the various stakeholders. The bank is a wholly owned subsidiary of FirstRand, which prepares consolidated financial statements.

SUBSIDIARIES

Only one party can have control over a subsidiary. In determining whether the bank has control over an entity, consideration is given to any rights the bank has that result in the ability to direct the relevant activities of the investee, and the bank's exposure to variable returns.

In operating entities, shareholding is most often the clearest indication of control. However, for structured entities, judgement is often needed to determine which investors have control of the entity. Generally, where the bank's shareholding is greater than 50%, the investment is accounted for as a subsidiary.

ASSOCIATES

Determining whether the bank has significant influence over an entity:

- Significant influence may arise from rights other than voting rights, for example management agreements.
- The bank considers both the rights that it has as well as currently exercisable rights that other investors have when assessing whether it has the practical ability to significantly influence the relevant activities of the investee.

The bank does not have any associates that are material to its financial position, results of operations or cash flows.

STRUCTURED ENTITIES

Structured entities are those where voting rights generally relate to administrative tasks only and the relevant activities are determined only by means of a contractual arrangement.

When assessing whether the bank has control over a structured entity, specific consideration and judgement is given to the purpose and design of the structured entity, and whether the bank has power over decisions that relate to activities that the entity was designed to conduct.

Critical accounting estimates, assumptions and judgements continued

Subsidiaries, associates and structured entities continued

FOREIGN OPERATIONS

Management has reviewed the countries where the bank's foreign operations are actively conducted and has not identified any hyperinflationary economies in terms of the requirements of IFRS Accounting Standards. The bank only operates in South Africa, London, Guernsey and India, with representative offices in Kenya, Angola, the United States of America and Shanghai. The office in Angola has no lending or deposit taking activities at this point.

Taxation

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

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

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

Provisions

PROVISIONS FOR LITIGATION

The bank has a policy and process in place to determine when to recognise provisions for potential litigation and claims. The recognition of such provisions is linked to the ranking of the legal risk of potential litigation on the bank's litigation database which indicates if outflow is probable.

Transactions with employees

	EMPLOYEE BENEFITS – DEFINED BENEFIT PLANS
Determination of required funding levels	Funding levels are monitored on an annual basis and the current agreed contribution rate in respect of the defined benefit pension fund is 21% (2023: 21%) of pensionable salaries (in excess of the minimum recommended contribution rate set by the fund actuary). The bank considers the recommended contribution rate as advised by the fund actuary with each actuarial valuation. In addition, the trustees of the fund target a funding position on pensioner liabilities that exceeds the value of the best estimate actuarial liability. The funding position is also considered in relation to a solvency reserve basis, which makes allowance for the discontinuance cost of outsourcing the pensions. As at the last statutory actuarial valuation of the pension fund (during June 2023), all categories of liabilities were at least 100% funded. If the member chooses to buy into the fund, the fair value of plan assets and the value of the plan liabilities on the defined benefit plan are increased by the amount of the initial contribution on the date of the purchase.
	EMPLOYEE BENEFITS – DEFINED BENEFIT PLANS
Determination of present value of defined benefit plan obligations	The cost of the benefits and the present value of the defined benefit pension funds and post-employment medical obligations depend on a number of factors that are determined annually on an actuarial basis, by independent actuaries, using the projected unit credit method which incorporates a number of assumptions. The key assumptions used in determining the charge to profit or loss arising from these obligations include the expected long-term rate of return on the relevant plan assets, discount rate and expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.
	CASH-SETTLED SHARE-BASED PAYMENT PLANS
Determination of fair value of the award	The award is determined using the Black Scholes option pricing model with a zero strike price. The following estimates are included in the model to determine the value: • management's estimate of future dividends; • the risk-free interest rate; and • staff turnover and historical forfeiture rates as indicators of future conditions.

Basis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation and restatements continued

Critical accounting estimates, assumptions and judgements continued

Fair value

FAIR VALUE MEASUREMENT
The details of the processes, procedures and assumptions used in the determination of fair value are disclosed in note 27. In particular, the areas that involve the greatest amount of judgement and complexity include the following: • assessing whether instruments are trading with sufficient frequency and volume that can be considered liquid; • the inclusion of a measure of the risk of counterparty non-performance in the fair value measurement of loans and advances; and • the inclusion of credit valuation adjustments and funding valuation adjustments in the fair value measurement of derivative instruments.

Impact due to changes in presentation and restatements

Restatement of derivative related margin balances

Margin balances related to derivative transactions have increased significantly because of growth in the bank's local and international client base and increased trading through the London Clearing House. The bank therefore has reconsidered the classification and presentation of margin balances associated with the derivative market in the statement of financial position and statement of cash flows during the current financial year. The revised classification and presentation results in an adjustment of R23 209 million associated with margin balances in the derivative market from cash and cash equivalents into collateral, settlement balances and other assets to reflect the underlying nature of the balances.

Change in the presentation of the inter-group bank accounts

The bank previously reflected amounts relating to inter-group bank accounts as part of deposits. During the current year these inter-group bank accounts were reclassified and included in amounts due (to/by) holding company and fellow subsidiaries. This change in presentation allows the bank to reflect all inter-group balances within the amounts due (to/by) holding company and fellow subsidiaries line items, respectively.

Change in the presentation and restatement of the statement of cash flows

In the current year the bank has changed the basis of presentation of the statement of cash flow to the indirect method. The change in presentation allows for simpler collation of information and enhanced reliability. The change in presentation only impacted net cash flows from operating activities within the statement of cash flows for the bank.

Proceeds from issue of Tier 2 liabilities and capital repaid on Tier 2 liabilities reflected in the cash flows from financing activities in the statement of cash flows have been restated by R2 500 million to correctly reflect the actual cash flows at 30 June 2023. The net cash inflow from financing activities (R5 685 million) remains unchanged.

Change in the presentation and restatement of the income statement

The bank refined the description of the other non-interest revenue line item in the income statement to be reflected as net other non-interest revenue, and more appropriately disaggregated the line item between other non-interest revenue and other non-interest related expense, consistent with the presentation of other items that are presented as non-interest revenue.

Impact due to changes in presentation and restatements continued

The tables below illustrates the impact of the restatements on the primary financial statements. Refer to note 32 – *Impact due to changes in presentation and restatements* for the changes made to other notes to the annual financial statements, which did not affect the primary financial statements.

Statement of financial position

R million	As previously reported 2022	Reclassification	Restated 2022	As previously reported 2023	Reclassification	Restated 2023
Assets						
Cash and cash equivalents	104 625	(33 641)	70 984	103 714	(23 209)	80 505
Collateral, settlement balances and other assets*	5 789	33 641	39 430	8 908	23 209	32 117
Total assets	1 507 347	–	1 507 347	1 654 964	–	1 654 964
Liabilities						
Deposits	1 220 026	(3 663)	1 216 363	1 381 773	(2 598)	1 379 175
Amounts due to holding company and fellow subsidiaries	32 900	3 663	36 563	26 444	2 598	29 042
Total equity and liabilities	1 507 347	–	1 507 347	1 654 964	–	1 654 964

* *Previously reported as 'other assets'.*

Statement of cash flow

R million	As previously reported 2023*	Tier 2 liabilities	Margin balances	Inter-group bank accounts	Change in presentation	Restated 2023*
Cash flow from operations (direct method)						
Interest, fee and commission receipts	146 909				(146 909)	–
- Interest received	116 630				(116 630)	–
- Fee and commission received	35 802				(35 802)	–
- Insurance income received	437				(437)	–
- Fee and commission paid	(5 960)				5 960	–
Trading and other income	5 969				(5 969)	–
Interest payments	(63 033)				63 033	–
Other operating expenses	(42 964)				42 964	–
Dividends received	1 245				(1 245)	–
Dividends paid	(28 247)				28 247	–
Taxation paid	(9 422)				9 422	–
Cash generated from operating activities	10 457				(10 457)	–
Movements in operating assets and liabilities	(1 558)				1 558	–
- Liquid assets and trading securities	(26 737)				26 737	–
- Advances	(127 036)				127 036	–
- Deposits	166 688				(166 688)	–
- Collateral, settlement balances and other assets*	(2 803)				2 803	–
- Creditors	392				(392)	–
- Employee liabilities	(5 353)				5 353	–
- Other liabilities	(6 709)				6 709	–
Net cash flows from operating activities	8 899	–	–	–	(8 899)	–

Basis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation and restatements continued

	As previously reported 2023*	Tier 2 liabilities	Margin balances	Inter-group bank accounts	Change in presentation	Restated 2023*
Cash flows from operating activities (indirect method)						
Profit before tax for the period	—				33 727	33 727
Adjustments for non cash items:	—				(40 096)	(40 096)
- Depreciation and amortisation	—				3 398	3 398
- Net impairment on intangible assets and property plant and equipment	—				206	206
- Impairment loss on advances excluding post write-off recoveries	—				10 622	10 622
- Interest and Similar Income	—				(117 479)	(117 479)
- Interest expenses and similar charges	—				62 967	62 967
- Net gain/ loss on investing activities	—				(88)	(88)
- Impairment loss on investment securities	—				4	4
- Fair value remeasurement on investment property	—				(32)	(32)
- Forex adjustment on investing and financing activities	—				811	811
- Dividends accrued	—				(1 315)	(1 315)
- Indirect tax	—				810	810
- Interest received					116 630	116 630
- Interest paid	—				(63 033)	(63 033)
- Dividends received	—				1 315	1 315
- Dividends paid	—				(28 247)	(28 247)
-Taxation paid	—				(9 323)	(9 323)
- Indirect tax paid	—				(760)	(760)
- Income tax paid	—				(8 563)	(8 563)
Cash generated from operating activities	—				10 973	10 973
Movements in operating assets and liabilities	—	—	10 432	—	(2 074)	8 358
– Investment securities	—				(26 758)	(26 758)
– Advances	—				(134 761)	(134 761)
– Deposits	—			(2 598)	170 349	167 751
– Collateral, settlement balances and other assets*	—		10 432		(3 156)	7 276
– Creditors, accruals and provisions	—				1 106	1 106
– Employee liabilities	—				2 602	2 602
– Amounts due (to/by) holding company and fellow subsidiary companies	—			2 598	(4 683)	(2 085)
– Derivatives and short trading position liabilities	—				(5 460)	(5 460)
– Derivatives and commodities assets	—				(1 313)	(1 313)
Net cash generated from operating activities		—	10 432	—	8 899	19 331
Cash flows from investing activities						—
Net cash outflow from investing activities	(3 890)	—	—	—	—	(3 890)
Cash flows from financing activities						—
Proceeds from issue of Tier 2 liabilities	10 486	(2 500)				7 986
Capital repaid on Tier 2 liabilities	(15 579)	2 500				(13 079)
Net cash inflow from financing activities	(5 685)	—	—	—		(5 685)
Net increase in cash and cash equivalents	(676)	—	10 432	—		9 756
Cash and cash equivalents at the beginning of the year	104 625		(33 641)			70 984
Effect of exchange rate changes on cash and cash equivalents	(235)					(235)
Cash and cash equivalents at the end of the year	103 714	—	(23 209)	—		80 505

Previously reported as 'other assets'.

Notes to the annual financial statements

for the year ended 30 June

1 Analysis of interest income and interest expense

1.1 Interest and similar income

R million	2024	2023
Analysis of interest and similar income		
Debt instruments at fair value through other comprehensive income	**1 523**	1 347
Instruments at fair value through profit and loss	**2 296**	2 371
Instruments at amortised cost	**138 587**	113 761
Non-financial instruments	**15**	–
Interest and similar income	**142 421**	117 479
Advances	**119 310**	95 486
– Overdrafts and cash management accounts	**10 100**	8 190
– Term loans	**7 092**	5 404
– Card loans	**6 877**	5 566
– Instalment sales and hire purchase agreements	**16 976**	13 076
– Lease payments receivable	**298**	197
– Property finance	**32 753**	27 067
– Home loans	**28 274**	23 525
– Commercial property finance	**4 479**	3 542
– Personal loans	**11 796**	10 419
– Preference share agreements*	**2 552**	2 313
– Assets under agreements to resell	**1 027**	1 060
– Investment bank term loans	**17 300**	12 078
– Other customer advances**	**4 231**	3 715
– Invoice finance**	**1 312**	652
– Marketable advances	**6 996**	5 749
Cash and cash equivalents#	**2 338**	1 258
Investment securities	**19 114**	15 303
Amounts due by holding company and fellow subsidiaries	**2 353**	3 197
Preference share dividends received from FirstRand group companies	**1 339**	–
Interest on deposit insurance scheme	**51**	–
Interest on derivatives qualifying as hedging instruments	**(3 479)**	381
Collateral, settlement balances and other#	**1 395**	1 854
Interest and similar income	**142 421**	117 479

* *In the prior year, preference share agreements of R27 million and preference dividends received of R2 286 million were disclosed separately. The amounts have been aggregated in the current year due to the similar nature of the income.*

** *In the prior year, invoice finance of R652 million was included in other customer advances of R4 367 million. The amount is separately disclosed in the current year to better reflect the nature of the item.*

Restated. Refer to note 32 – Impact due to changes in presentation and restatements.

Notes to the annual financial statements continued

1 Analysis of interest income and interest expense continued

1.2 Interest expense and similar charges

R million	2024	2023
Analysis of interest expense and similar charges		
Instruments at fair value through profit or loss	**(1 411)**	(166)
Instruments at amortised cost	**(81 450)**	(62 711)
Non-financial instruments	**(136)**	(90)
Interest expense and similar charges	**(82 997)**	(62 967)
Deposits	**(93 124)**	(69 197)
Deposits from customers	**(74 848)**	(54 619)
– Current accounts	**(10 929)**	(8 075)
– Savings deposits	**(3 431)**	(2 144)
– Call deposits	**(27 029)**	(19 674)
– Fixed and notice deposits	**(32 552)**	(22 959)
– Other deposits*	**(907)**	(1 767)
Debt securities	**(15 984)**	(12 973)
– Negotiable certificates of deposit	**(5 789)**	(4 051)
– Fixed and floating rate notes	**(10 195)**	(8 922)
Repurchase agreements	**(690)**	(440)
Securities lending	**(377)**	(150)
Cash collateral and credit-linked notes	**(1 225)**	(1 015)
SARB funding facility due to Covid-19 SME government guarantee	**(93)**	(125)
Preference shares and other*	**(28)**	(79)
Lease liabilities	**(121)**	(90)
Tier 2 liabilities	**(1 752)**	(1 591)
Amounts due to holding company and fellow subsidiaries	**(1 718)**	(1 269)
Interest on derivatives qualifying as hedging instruments	**2 342**	75
Receiver of revenue	**(15)**	–
Deposit insurance scheme levies	**(18)**	–
Deposit insurance scheme premiums	**(63)**	–
Other*	**(6)**	(22)
Gross interest expense and similar charges	**(94 596)**	(72 298)
Less: interest expense on fair value activities reallocated**	**11 599**	9 331
Interest expense and similar charges	**(82 997)**	(62 967)

* *In the prior year, other funding interest included other deposits of R1 767 million, preference shares and other of R79 million and other interest expense of R22 million. These amounts are separately disclosed in the current year to better reflect the nature of the item.*

** *Relates to interest expense accrued on amortised cost financial liabilities.*

2 Non-interest revenue

R million	Notes	2024	2023
Fee and commission income		**38 414**	35 802
– Instruments at amortised cost		**31 097**	29 972
– Instruments at fair value through profit or loss		**29**	20
– Non-financial instruments		**7 288**	5 810
Fee and commission expenses		**(6 532)**	(5 960)
Net fee and commission income	2.1	**31 882**	29 842
Insurance commission income	2.2	**118**	437
– Instruments mandatory at fair value through profit or loss		**8 727**	265
– Instruments designated at fair value through profit or loss		**303**	918
– Translation gains or losses on instruments not held at fair value through profit or loss		**(1 848)**	2 198
Fair value income and foreign exchange gains/(losses)	2.3	**7 182**	3 381
– Instruments at fair value through profit or loss		**(11)**	29
– Mandatory fair value through profit or loss		**(11)**	27
– Designated fair value through profit or loss		**–**	2
– Instruments at amortised cost		**(183)**	(5)
– Instruments at fair value through other comprehensive income		**24**	(43)
– Non-financial instruments		**110**	107
Gains less losses from investing activities*	2.4	**(60)**	88
Net other non-interest revenue	2.5	**6 529**	7 890
Total non-interest revenue		**45 651**	41 638

* *The term investing activities used in this note does not have the same meaning as investing activities in the cash flow statement.*

Notes to the annual financial statements continued

2 Non-interest revenue continued

2.1 Net fee and commission income

R million	2024	2023
Banking fee and commission income	34 149	32 500
– Card commissions	6 530	5 993
– Cash deposit fees	1 626	1 595
– Commitment fees	2 109	1 691
– Electronic transaction fees	1 009	754
– Exchange commissions	2 208	2 292
– Brokerage income	70	126
– Bank charges	20 597	20 049
– Transaction and service fees	6 805	6 905
– Documentation and administration fees	10 288	9 792
– Cash handling fees	2 535	2 474
– Other	969	878
Knowledge-based fee and commission income	2 007	1 198
Management, trust and fiduciary fees	1 337	1 336
Other non-bank commissions*	921	768
Fee and commission income**	**38 414**	35 802
Transaction processing fees	(1 792)	(1 444)
'Transaction-based fees#	(212)	(178)
Commission paid	(216)	(192)
Customer loyalty programmes	(2 232)	(2 180)
Cash sorting, handling and transportation charges	(1 194)	(1 145)
Card and cheque book related	(494)	(386)
ATM commissions paid	(62)	(65)
Other	(330)	(370)
Fee and commission expenses	**(6 532)**	(5 960)
Net fee and commission income	**31 882**	29 842

* *In the prior year, fee and commission income from service providers of R505 million and other non-banking fee and commission income of R138 million were disclosed separately. The amounts have been aggregated in the current year as the nature of the items are similar.*

** *Revenue from contracts with customers that are within the scope of IFRS 15.*

\# *In the prior year, transaction-based fees of R178 million was included in "Other" (R548 million). The amount is separately disclosed in the current year to better reflect the nature of the item.*

2.2 Insurance commission income

R million	2024	2023*
Commission and brokerage	118	437
Insurance commission income**	**118**	437

* *In the prior year, insurance commission and insurance brokerage were disclosed separately at R121 million and R316 million respectively. The amounts have been aggregated in the current year.*

** *Revenue from contracts with customers that are within the scope of IFRS 15.*

2 Non-interest revenue continued

2.3 Fair value income and foreign exchange gains/losses

R million	2024	2023
Dividend income on preference shares held	1 536	1 229
Fair value income	5 646	2 152
Fair value income and foreign exchange gains/losses	**7 182**	3 381

2.4 Gains less losses from investing activities

R million	Notes	2024	2023
(Loss)/gain on disposal of investment activities at amortised cost		(2)	1
Impairment loss of debt investment securities at amortised cost		(175)	(4)
Reclassification from other comprehensive income on the derecognition/sale of assets FVOCI		11	(56)
Dividends on equity instruments at FVOCI		13	12
Other dividends received		2	4
Preference dividends from insurance profit share arrangements		(18)	27
Fair value remeasurements on investment properties	16	–	32
Rental income from investment properties	16	110	72
Other gains from investing activities		(1)	–
Gains less losses from investing activities		**(60)**	88

2.5 Net other non-interest revenue

R million	Notes	2024	2023
Revenue from contracts with customers*		3 516	3 139
– Sales		2 545	2 177
– Other income		971	962
Recoveries from holding company and fellow subsidiaries**	29	2 753	4 426
Rental income#		1 905	1 701
Other operating lease transactions		292	235
Other non-interest revenue		**8 466**	9 501
– Cost of sales		(1 913)	(1 603)
– Losses on disposal of property and equipment		(17)	(6)
– Other		(7)	(2)
Other non-interest related expense		**(1 937)**	(1 611)
Net other non-interest revenue		**6 529**	7 890

The note has been reorganised in the current year to present other non-interest revenue and other non-interest related expense separately, to reflect the updated presentation on the face of the income statement.There have been no changes to the amounts presented in the prior year. Refer to note 32 – Impact due to changes in presentation and restatements.

* *Revenue from contracts with customers that are within the scope of IFRS 15.*

** *Costs the bank incurs on behalf of group entities as principal, are invoiced to the respective entities as part of the bank's cost recovery process.*

\# *Rental income mainly comprises operating lease income earned from vehicle leasing arrangements and speedpoint rentals.*

Notes to the annual financial statements continued

3 Operating expenses

R million	Notes	2024	2023
Auditors' remuneration		**(491)**	(416)
– Audit fees		**(476)**	(405)
– Fees for other services		**(14)**	(11)
– Prior year under accrual		**(1)**	–
Non-capitalised lease charges		**(427)**	(423)
– Short-term lease charge		**(263)**	(300)
– Low-value lease charge		**(190)**	(207)
– Early termination gains on lease*		**26**	84
Staff costs		**(33 819)**	(32 697)
– Salaries, wages and allowances		**(25 126)**	(24 393)
– Contributions to employee benefit funds		**(120)**	(116)
– Defined contribution schemes**		**(25)**	16
– Defined benefit schemes	17.1	**(95)**	(132)
– Social security levies		**(458)**	(402)
– Share-based payments	25	**(2 448)**	(2 021)
– Movement in short-term employee benefit liabilities		**(4 846)**	(4 834)
– Other staff costs**		**(821)**	(931)
Other operating costs		**(20 355)**	(19 664)
– Amortisation of intangible assets	15	**(166)**	(93)
– Depreciation of property and equipment	14	**(3 483)**	(3 305)
– Impairments incurred#		**(168)**	(206)
– Impairments reversed		**51**	–
– Insurance		**(260)**	(253)
– Advertising and marketing		**(1 497)**	(1 551)
– Maintenance		**(1 523)**	(1 357)
– Property		**(1 254)**	(1 081)
– Computer		**(4 132)**	(3 564)
– Stationery, storage and delivery		**(214)**	(210)
– Telecommunications		**(374)**	(385)
– Professional fees		**(2 621)**	(2 583)
– Expenses paid to holding company and fellow subsidiaries	29	**(1 104)**	(1 445)
– Donations		**(347)**	(321)
– Assets costing less than R7 000		**(71)**	(215)
– Business travel		**(297)**	(312)
– Profit share expenses		**(161)**	(79)
– Bank charges		**(12)**	(16)
– Legal fee expenses		**(255)**	(475)
– Entertainment		**(238)**	(214)
– Subscriptions and memberships		**(321)**	(344)
– Training expenses		**(268)**	(232)
– Other operating expenditure		**(1 640)**	(1 423)
Total operating expenses excluding FCA motor commission review		**(55 092)**	(53 200)
Motor commission related†		**(2 873)**	**–**
FCA motor commission provision†		**(2 644)**	–
Motor commission related costs incurred during the period†		**(229)**	–
Total operating expenses		**(57 965)**	(53 200)

* *The line description has been changed from variable lease charge to early termination gains on leases, so as to better reflect the nature of the item.*

** *In the prior year, retirement funding expense of R229 million was included in defined contribution schemes. The amount has been reclassified to other staff costs to better reflect the nature of the item. Comparatives have been restated.*

\# *Notable impairments incurred on ECL of R115 million (2023: R182 million) was raised on non-advances included in the FNB segment.*

† *Refer to note 20 Creditors, accruals and provisions.*

3 Operating expenses continued

Directors' and prescribed officers' emoluments

Information relating to directors' remuneration for the year under review and dealings in FirstRand shares are set out below.

Non-executive directors' remuneration

	2024			2023		
	Services as directors			Services as directors		
R thousand	FirstRand	Group	Total	FirstRand	Group	Total
Independent non-executive directors						
WR Jardine (resigned 30 November 2023)	**3 756**	**204**	**3 960**	7 355	396	7 751
G Gelink	**2 632**	**1 936**	**4 568**	2 871	1 501	4 372
RM Loubser (resigned 30 November 2023)	**1 544**	**1 158**	**2 702**	3 176	2 204	5 380
TS Mashego (resigned 1 December 2022)	**–**	**–**	**–**	668	421	1 089
PD Naidoo	**1 252**	**261**	**1 513**	1 081	74	1 155
L von Zeuner	**2 931**	**1 148**	**4 079**	2 686	720	3 406
T Winterboer	**1 943**	**1 579**	**3 522**	1 820	1 235	3 055
Z Roscherr	**2 375**	**1 982**	**4 357**	2 334	865	3 199
SP Sibisi	**1 847**	**1 251**	**3 098**	2 141	572	2 713
TC Isaacs (appointed 22 June 2023)	**1 474**	**–**	**1 474**	–	–	–
Non-executive directors						
JP Burger (appointed chairman 1 December 2023)	**5 064**	**997**	**6 061**	2 281	937	3 218
Total non-executive directors	**24 819**	**10 515**	**35 334**	26 413	8 925	35 338

Single-figure reporting

Cash package, retirement contributions and other allowances reflect what was paid to the prescribed officers during the year ended 30 June 2024. The FirstRand annual remuneration cycle runs from 1 August to 31 July.

Short term incentives (STIs) reward both group and individual performance achieved during the year. STIs that exceed a certain threshold are deferred into cash and share price linked awards (eventual payments are linked to the share price).

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

The following analysis provides two amounts per individual to accommodate the King IV alternative single-figure view. For King IV single-figure reporting, the value presented is the LTI settled in the financial year at original award value.

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

Notes to the annual financial statements continued

3 Operating expenses continued

R thousand	2024	2023
AP Pullinger[1,8]		
Cash package paid during the year	**10 084**	9 639
Retirement contributions paid during the year	**229**	211
Other allowances	**372**	320
Guaranteed package	**10 685**	10 170
Performance-related STI:		
Cash	**10 800**	8 476
– Within 6 months[2]	**7 533**	5 984
– Within 1 year	**3 267**	2 492
Share linked- deferred 2 and 3 years (BCIP)[3]	**8 800**	6 476
Variable pay	**19 600**	14 952
Total guaranteed and variable pay	**30 285**	25 122
Value of LTI awards allocated during the financial year under the CIP[4]	**28 000**	26 330
Total reward including LTIs	**58 285**	51 452
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**–**	–
Single-figure reporting		
Total guaranteed and variable pay	**30 285**	25 122
Value of LTI awards settled during the financial year under the CIP[6]	**24 000**	–
Value of LTI awards settled during the financial year under the Covid-19 scheme[7]	**6 425**	6 424
Total reward including settled LTIs (single figure)	**60 710**	31 546
M Vilakazi (group CEO)[1,9]		
Cash package paid during the year	**8 973**	8 069
Retirement contributions paid during the year	**187**	162
Other allowances	**242**	209
Guaranteed package	**9 402**	8 440
Performance-related STI:		
Cash	**8 275**	6 913
– Within 6 months[2]	**5 850**	4 942
– Within 1 year	**2 425**	1 971
Share linked- deferred 2 and 3 years (BCIP)[3]	**6 275**	4 912
Variable pay	**14 550**	11 825
Total guaranteed and variable pay	**23 952**	20 265
Value of LTI awards allocated during the financial year under the CIP[4]	**16 600**	15 120
Total reward including LTIs	**40 552**	35 385
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**–**	–
Single-figure reporting		
Total guaranteed and variable pay	**23 952**	20 265
Value of LTI awards settled during the financial year under the CIP[6]	**11 184**	–
Value of LTI awards settled during the financial year under the Covid-19 scheme[7]	**5 546**	5 546
Total reward including settled LTIs (single figure)	**40 682**	25 811

3 Operating expenses continued

R thousand	2024	2023
M Davias (group CFO)[1,10]		
Cash package paid during the year	**6 770**	–
Retirement contributions paid during the year	**134**	–
Other allowances	**278**	–
Guaranteed package	**7 182**	–
Performance-related STI:		
Cash	**6 880**	–
– Within 6 months[2]	**4 920**	–
– Within 1 year	**1 960**	–
Share linked- deferred 2 and 3 years (BCIP)[3]	**4 880**	–
Variable pay	**11 760**	–
Total guaranteed and variable pay	**18 942**	–
Value of LTI awards allocated during the financial year under the CIP[4]	**7 441**	–
Total reward including LTIs	**26 383**	–
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**–**	–
Single-figure reporting		
Total guaranteed and variable pay	**18 942**	–
Value of LTI awards settled during the financial year under the CIP[6]	**6 000**	–
Value of LTI awards settled during the financial year under the Covid-19 scheme[7]	**2 008**	–
Total reward including settled LTIs (single figure)	**26 950**	–
HS Kellan (CEO FNB)[1,11]		
Cash package paid during the year	**9 083**	8 661
Retirement contributions paid during the year	**74**	71
Other allowances	**266**	236
Guaranteed package	**9 423**	8 968
Performance-related STI:		
Cash	**8 335**	7 363
– Within 6 months[2]	**5 890**	5 242
– Within 1 year	**2 445**	2 121
Share linked- deferred 2 and 3 years (BCIP)[3]	**6 335**	5 363
Variable pay	**14 670**	12 726
Total guaranteed and variable pay	**24 093**	21 694
Value of LTI awards allocated during the financial year under the CIP[4]	**18 317**	16 960
Total reward including LTIs	**42 410**	38 654
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**–**	–
Single-figure reporting		
Total guaranteed and variable pay	**24 093**	21 694
Value of LTI awards settled during the financial year under the CIP[6]	**13 950**	–
Value of LTI awards settled during the financial year under the Covid-19 scheme[7]	**4 240**	4 240
Total reward including settled LTIs (single figure)	**42 283**	25 934

Notes to the annual financial statements continued

3 Operating expenses continued

R thousand	2024	2023
J Celliers[12]		
Cash package paid during the year	**8 629**	8 249
Retirement contributions paid during the year	**181**	165
Other allowances	**332**	287
Guaranteed package	**9 142**	8 701
Performance-related STI:		
Cash	**10 218**	10 109
– Within 6 months[2]	**7 145**	7 073
– Within 1 year	**3 073**	3 036
Share linked- deferred 2 and 3 years (BCIP)[3]	**8 217**	8 109
Variable pay	**18 435**	18 218
Total guaranteed and variable pay	**27 577**	26 919
Value of LTI awards allocated during the financial year under the CIP[4]	**18 918**	17 664
Total reward including LTIs	**46 495**	44 583
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**–**	–
Single-figure reporting		
Total guaranteed and variable pay	**27 577**	26 919
Value of LTI awards settled during the financial year under the CIP[6]	**16 100**	–
Value of LTI awards settled during the financial year under the Covid-19 scheme[7]	**5 002**	5 003
Total reward including settled LTIs (single figure)	**48 679**	31 922
E Brown (CEO RMB)[1,13]		
Cash package paid during the year	**8 009**	7 025
Retirement contributions paid during the year	**139**	116
Other allowances	**69**	61
Guaranteed package	**8 217**	7 202
Performance-related STI:		
Cash	**11 045**	10 550
– Within 6 months[2]	**7 696**	7 367
– Within 1 year	**3 349**	3 183
Share linked- deferred 2 and 3 years (BCIP)[3]	**9 045**	8 550
Variable pay	**20 090**	19 100
Total guaranteed and variable pay	**28 307**	26 302
Value of LTI awards allocated during the financial year under the CIP[4]	**13 750**	12 500
Total reward including LTIs	**42 057**	38 802
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**–**	–
Single-figure reporting		
Total guaranteed and variable pay	**28 307**	26 302
Value of LTI awards settled during the financial year under the CIP[6]	**8 000**	–
Value of LTI awards settled during the financial year under the Covid-19 scheme[7]	**1 175**	1 175
Total reward including settled LTIs (single figure)	**37 482**	27 477

3 Operating expenses continued

R thousand	2024	2023
J Formby		
Cash package paid during the year	**–**	1 775
Retirement contributions paid during the year	**–**	24
Other allowances	**–**	44
Guaranteed package	**–**	1 843
Performance-related STI:		
Cash	**–**	–
– Within 6 months[2]	**–**	–
– Within 1 year	**–**	–
Share linked- deferred 2 and 3 years (BCIP)[3]	**–**	–
Variable pay	**–**	–
Total guaranteed and variable pay	**–**	1 843
Value of LTI awards allocated during the financial year under the CIP[4]	**–**	13 780
Total reward including LTIs	**–**	15 623
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**–**	–
Single-figure reporting		
Total guaranteed and variable pay	**–**	1 843
Value of LTI awards settled during the financial year under the CIP[6]	**–**	–
Value of LTI awards settled during the financial year under the Covid-19 scheme[7]	**–**	2 900
Total reward including settled LTIs (single figure)	**–**	4 743

£ thousand	2024	2023
S Cooper (Aldermore CEO)[1]		
Cash package paid during the year	**796**	757
Retirement contributions paid during the year	**80**	52
Other allowances	**290**	277
Guaranteed package	**1 166**	1 086
Performance-related STI:		
Cash	**565**	581
– Within 6 months[14]	**334**	335
- More than one year (in line with CRD V regulations)[17]	**231**	246
Share linked- deferred[15]	**566**	581
Variable pay	**1 131**	1 162
Total guaranteed and variable pay	**2 297**	2 248
Value of LTI awards allocated during the financial year under the CIP[4,16]	**282**	282
Total reward including LTIs	**2 579**	2 530
Buy-out award paid in cash	**–**	–
Single-figure reporting		
Total guaranteed and variable pay	**2 297**	2 248
Value of LTI awards settled during the financial year under the CIP[6]	**–**	–
Total reward including settled LTIs (single figure)	**2 297**	2 248

Notes to the annual financial statements continued

3 Operating expenses continued

1 *FirstRand defines its prescribed officers as the group's executive directors, and the CEOs of the group's Retail and Commercial, and Corporate and Institutional segments, as well as the CEO of the Aldermore Group. These officers are members of the group strategic executive committee and attend board meetings.*
2 *Variable compensation (STI), paid in cash in respect of the year ended June, is paid in three tranches during the following year ending on 30 June, i.e. August, December and June (with interest on the deferred payments).*
3 *A portion of variable compensation is deferred as share price linked awards and vests after two years. Previously vesting was split equally over two and three years for the executive directors and prescribed officers (2019 and 2020).*
4 *Long-term incentive awards are made annually under the CIP. Vesting is subject to performance conditions and targets on a cumulative basis over three years. The value presented in the table is the LTI allocated in the financial year and is reflected at award value at grant date. Refer to note 25.*
5 *The Covid-19 retention instrument was awarded in September 2020. The award is linked to the FirstRand share price and vests in three equal proportions (tranches) over three years (September 2021, 2022 and 2023), if performance conditions are met.*
6 *For King IV single-figure reporting, the value presented in the table is the LTI vested and settled in the financial year at original award value. It is zero if conditions are not met and awards are forfeited.*
7 *For King IV single-figure reporting, the value presented in the table under the Covid-19 scheme is the LTI vested and settled at original award value in the financial year. It is zero if conditions are not met and awards are forfeited.*
8 *Alan Pullinger stepped down as group CEO on the 31st of March 2024 and retired on the 30th of June 2024.His guaranteed package is reflected for the full year.*
9 *Mary Vilakazi was appointed group CEO on 1 April 2024, having previously held the role of group COO and an Executive Director.*
10 *Markos Davias was appointed as group CFO on 1 April 2024, having previously held the role of FNB CFO. His guaranteed package is reflected for the full year.*
11 *Harry Kellan was appointed as CEO FNB on 1 April, having previously held the role of group CFO as an Executive Director.*
12 *Jacques Celliers stepped down as CEO FNB on 31 March 2024.His guaranteed package is reflected for the full year.*
13 *Emrie Brown was RMB CEO effective 1 October 2022.*
14 *The Aldermore performance-related STI cash component is paid in full in August.*
15 *The Aldermore performance-related STI share price linked component is released in equal annual tranches over the deferral period required by Capital Requirements Directive 5 (CRD V) Regulations.*
16 *The Aldermore LTI allocated amount is the on-target value assumed at 55% of maximum. The LTI is a 50% share price linked award and 50% deferred cash award.*
17 *The Aldermore performance-related STI deferred cash component is paid in equal tranches over the deferral period required by Capital Requirements Directive 5 (CRD V) regulations.*

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

3 Operating expenses continued

Ownership of FirstRand Bank Limited

FRB is a wholly owned subsidiary of FirstRand.

Covid-19 instrument for executive directors and prescribed officers

The Covid-19 health crisis and the resulting economic impact have been evident in FirstRand's results. This impact has resulted in the 2017, 2018 and 2019 LTI not vesting. In September 2020, Remco introduced a one-off Covid-19 instrument that caters for the retention of employees considered critical to the ongoing sustainability of the business. The value of the Covid-19 instrument was struck at half of the original value of the 2018 and 2019 LTIs and is linked to the FirstRand share price.

For FirstRand executive directors and prescribed officers, the award vests in three equal proportions (tranches) over three years (September 2021, 2022 and 2023), if performance conditions are met, including both financial and risk elements. The financial conditions are linked to the group's ROE being within the target range.

In September 2021 and 2022 the first and second Covid-19 tranche vested as the 2018 and 2019 LTI award failed, respectively. Should an employee who receives this award resign within 12 months of a tranche of the award vesting, they will be required to repay the full amount of the vested tranche. Thereby the instrument represents a retention period of up to four years.

At 30 June 2024, there are no outstanding balances on the Covid-19 award as the last tranche, vested in September 2023. Refer to the prescribed officers' outstanding incentives table on page C46 for details.

Long-term executive management retention scheme

LTEMRS[1] participation award realised in September 2023		
Designation	**Number of participation awards realised (thousands)**	**Participation award value realised (thousands)**
Previous Executive Director		
AP Pullinger	188	2 203
Prescribed officers		
HS Kellan	563	4 617
J Celliers	469	3 847

[1] In addition to the group's existing long-term incentive plan, and in order to better align executive interests with those of the group's shareholders, the group introduced a long-term executive management retention scheme (LTEMRS) in December 2016. This is a five-year scheme in which members of the group's strategic committee were eligible to participate, on a voluntary basis, by purchasing a predetermined fixed number of participation awards. Participants paid an upfront cash deposit of 10% for their predetermined fixed number of participation awards, with the balance being funded by the group through a facilitated mechanism. The fixed number for each participant was converted into a number of participation awards, determined by the share price of R53.33, being the three-day volume-weighted average price of the FirstRand share price at the date of award, being 15 December 2016. The scheme and the funding mechanism ensure that participants have full risk and potential reward of their participation awards (downside risk and upside potential). Continued employment is a condition for vesting of the cash settled scheme. Early termination before the expiry of three full years of service carries the full cost of early termination, including a full forfeit of any potential benefit, with a sliding scale of forfeiture being applied in years four and five. No cost to the group is associated with the LTEMRS as the scheme is economically hedged. In the 2020 financial year, Remco approved a two-year extension of the scheme, from the original vesting date of September 2021 to September 2023. If the participant leaves after September 2020 but before the amended vesting date of September 2023, the participant will forfeit 20% of the upside of the scheme and carry 100% downside risk in line with the scheme. The extension of the scheme is considered an amendment of terms and therefore an increased rate, linked to the real interest rate, has been applied to the outstanding funding. The scheme vested and terminated in September 2023.

Prescribed officers' outstanding incentives

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

Notes to the annual financial statements continued

3 Operating expenses continued

	Issue date	Value at grant date R thousand	Settlement date	Units: Opening balance	Awards made during year[1]	Number of awards settled in year	Number of awards forfeited in year	Closing number of awards[2,3] 30 Jun 2024	Value on settlement in 2024[4] R thousand
AP Pullinger									
Deferred share price linked STI awards									
2020 (3-year deferral)	September 2020	1 913	September 2023	48 738	–	(48 738)	–	–	3 477
2021 (2-year deferral)	September 2021	5 032	September 2023	81 658	–	(81 658)	–	–	5 922
2022 (2-year deferral)	September 2022	5 912	September 2024	95 234	–	–	–	95 234	–
2023 (2-year deferral)	September 2023	6 475	September 2025	99 844	–	–	–	99 844	–
2024 (2-year deferral)	September 2024	8 800	September 2026	–	–	–	–	–	–
Balance deferred share price linked STIs		**28 132**		325 474	–	(130 396)	–	195 078	9 399
LTI awards under the CIP									
2020	September 2020	24 000	September 2023	611 621	–	(611 621)	–	–	47 604
2021	September 2021	24 840	September 2024	403 156	–	–	–	403 156	–
2022	September 2022	26 330	September 2025	424 137	–	–	–	424 137	–
2023	September 2023	28 000	September 2026	–	431 699	–	–	431 699	–
Balance LTIs		**103 170**		1 438 914	431 699	(611 621)	–	1 258 992	47 604
LTI awards under the Covid-19 scheme[5]									
2020	September 2020	6 425	September 2023	163 719	–	(163 719)	–	–	10 619
Balance Covid-19 award		**6 425**		163 719	–	(163 719)	–	–	10 619
M Vilakazi									
Deferred share price linked STI awards									
2020 (3-year deferral)	September 2020	1 013	September 2023	25 802	–	(25 802)	–	–	1 841
2021 (2-year deferral)	September 2021	3 325	September 2023	53 965	–	(53 965)	–	–	3 914
2022 (2-year deferral)	September 2022	4 406	September 2024	70 977	–	–	–	70 977	–
2023 (2-year deferral)	September 2023	4 912	September 2025	75 737	–	–	–	75 737	–
2024 (2-year deferral)	September 2024	6 275	September 2026	–	–	–	–	–	–
Balance deferred share price linked STIs		**19 931**		226 481	–	(79 767)	–	146 714	5 755
LTI awards under the CIP									
2020	September 2020	11 184	September 2023	285 015	–	(285 015)	–	–	22 183
2021	September 2021	14 000	September 2024	227 221	–	–	–	227 221	–
2022	September 2022	15 120	September 2025	243 557	–	–	–	243 557	–
2023	September 2023	16 600	September 2026	–	255 936	–	–	255 936	–
Balance LTIs		**56 904**		755 793	255 936	(285 015)	–	726 714	22 183
LTI awards under the Covid-19 scheme[5]									
2020	September 2020	5 546	September 2023	141 331	–	(141 331)	–	–	9 167
Balance Covid-19 award		**5 546**		141 331	–	(141 331)	–	–	9 167

Notes to the annual financial statements continued

3 Operating expenses continued

	Issue date	Value at grant date R thousand	Settlement date	Units: Opening balance	Awards made during year[1]	Number of awards settled in year	Number of awards forfeited in year	Closing number of awards[2,3] 30 Jun 2024	Value on settlement in 2024[4] R thousand
MG Davias									
Deferred share price linked STI awards									
2021 (2-year deferral)	September 2021	2 400	September 2023	38 952	–	(38 952)	–	–	2 825
2022 (2-year deferral)	September 2022	3 250	September 2024	52 352	–	–	–	52 352	–
2023 (2-year deferral)	September 2023	3 640	September 2025	56 121	–	–	–	56 121	–
2024 (2-year deferral)	September 2024	4 880	September 2026	–	–	–	–	–	–
Balance deferred share price linked STIs		**14 170**		147 425	–	(38 952)	–	108 473	2 825
LTI awards under the CIP									
2020	September 2020	6 000	September 2023	152 905	–	(152 905)	–	–	11 901
2021	September 2021	6 500	September 2024	105 496	–	–	–	105 496	–
2022	September 2022	6 890	September 2025	110 986	–	–	–	110 986	–
2023	September 2023	7 441	September 2026	–	114 727	–	–	114 727	–
Balance LTIs		**26 831**		369 387	114 727	(152 905)	–	331 209	11 901
LTI awards under the Covid-19 scheme[5]									
2020	September 2020	2 008	September 2023	51 180	–	(51 180)	–	–	3 320
Balance Covid-19 award		**2 008**		51 180	–	(51 180)	–	–	3 320
HS Kellan									
Deferred share price linked STI awards									
2020 (3-year deferral)	September 2020	1 150	September 2023	29 306	–	(29 306)	–	–	2 091
2021 (2-year deferral)	September 2021	3 750	September 2023	60 863	–	(60 863)	–	–	4 414
2022 (2-year deferral)	September 2022	4 838	September 2024	77 924	–	–	–	77 924	–
2023 (2-year deferral)	September 2023	5 362	September 2025	82 678	–	–	–	82 678	–
2024 (2-year deferral)	September 2024	6 335	September 2026	–	–	–	–	–	–
Balance deferred share price linked STIs		**21 435**		250 771	–	(90 169)	–	160 602	6 505
LTI awards under the CIP									
2020	September 2020	13 950	September 2023	355 530	–	(355 530)	–	–	27 672
2021	September 2021	16 000	September 2024	259 682	–	–	–	259 682	–
2022	September 2022	16 960	September 2025	273 196	–	–	–	273 196	–
2023	September 2023	18 317	September 2026	–	282 405	–	–	282 405	–
Balance LTIs		**65 227**		888 408	282 405	(355 530)	–	815 283	27 672
LTI awards under the Covid-19 scheme[5]									
2020	September 2020	4 240	September 2023	108 053	–	(108 053)	–	–	7 008
Balance Covid-19 award		**4 240**		108 053	–	(108 053)	–	–	7 008

Notes to the annual financial statements continued

3 Operating expenses continued

				Units					
	Issue date	Value at grant date R thousand	Settlement date	Opening balance	Awards made during year[1]	Number of awards settled in year	Number of awards forfeited in year	Closing number of awards[2,3] 30 Jun 2024	Value on settlement in 2024[4] R thousand
J Celliers									
Deferred share price linked STI awards									
2020 (3-year deferral)	September 2020	2 075	September 2023	52 880	–	(52 880)	–	–	3 773
2021 (2-year deferral)	September 2021	5 850	September 2023	94 946	–	(94 946)	–	–	6 886
2022 (2-year deferral)	September 2022	7 357	September 2024	118 508	–	–	–	118 508	–
2023 (2-year deferral)	September 2023	8 109	September 2025	125 025	–	–	–	125 025	–
2024 (2-year deferral)	September 2024	8 217	September 2026	–	–	–	–	–	–
Balance deferred share price linked STIs		**31 608**		391 359	–	(147 826)	–	243 533	10 659
LTI awards under the CIP									
2020	September 2020	16 100	September 2023	410 296	–	(410 296)	–	–	31 934
2021	September 2021	16 664	September 2024	270 458	–	–	–	270 458	–
2022	September 2022	17 663	September 2025	284 534	–	–	–	284 534	–
2023	September 2023	18 918	September 2026	–	291 674	–	–	291 674	–
Balance LTIs		**69 345**		965 288	291 674	(410 296)	–	846 666	31 934
LTI awards under the Covid-19 scheme[5]									
2020	September 2020	5 003	September 2023	127 484	–	(127 484)	–	–	8 269
Balance Covid-19 award		**5 003**		127 484	–	(127 484)	–	–	8 269
E Brown									
Deferred share price linked STI awards									
2021 (2-year deferral)	September 2021	6 350	September 2023	103 061	–	(103 061)	–	–	7 475
2022 (2-year deferral)	September 2022	8 375	September 2024	134 907	–	–	–	134 907	–
2023 (2-year deferral)	September 2023	8 550	September 2025	131 822	–	–	–	131 822	–
2024 (2-year deferral)	September 2024	9 045	September 2026	–	–	–	–	–	–
Balance deferred share price linked STIs		**32 320**		369 790	–	(103 061)	–	266 729	7 475
LTI awards under the CIP									
2020	September 2020	8 000	September 2023	203 874	–	(203 874)	–	–	15 868
2021	September 2021	8 400	September 2024	136 333	–	–	–	136 333	–
2022	September 2022	12 500	September 2025	201 353	–	–	–	201 353	–
2023	September 2023	13 750	September 2026	–	211 995	–	–	211 995	–
Balance LTIs		**42 650**		541 560	211 995	(203 874)	–	549 681	15 868
LTI awards under the Covid-19 scheme[5]									
2020	September 2020	1 175	September 2023	29 944	–	(29 944)	–	–	1 942
Balance Covid-19 award		**1 175**		29 944	–	(29 944)	–	–	1 942

Notes to the annual financial statements continued

3 Operating expenses continued

	Issue date	Value at grant date R thousand	Settlement date	Units[8] Opening balance	Awards made during year[1]	Number of awards settled in year	Number of awards forfeited in year	Closing number of awards[2,3] 30 Jun 2024	Value on settlement in 2024[4] R thousand
S Cooper (£ thousand)									
Deferred share price linked STI awards[6]									
2021 (3-year deferral)	September 2021	32	September 2022-2024	–	–	–	–	–	11
2022 (7-year deferral)	September 2022	434	September 2023-2030	–	–	–	–	–	288
2023 (7-year deferral)	September 2023	581	September 2024-2031	–	–	–	–	–	–
2024 (7-year deferral)	September 2024	566	September 2025-2032	–	–	–	–	–	–
Balance deferred share price linked STIs		**1 613**		–	–	–	–	–	299
LTI awards under the CIP[7]									
2021	September 2021	542	September 2024	–	–	–	–	–	–
2022	September 2022	282	September 2025-2030	–	–	–	–	–	–
2023	September 2023	282	September 2026-2031	–	–	–	–	–	–
Balance LTIs		**1 106**		–	–	–	–	–	–

1 FirstRand share price linked schemes are determined on monetary value and not on the number of shares. The allocation of deferred share price linked STI awards is determined after year end, using the average three-day volume-weighted average price (VWAP) eight days after the results announcement. This means that the number of deferred share price linked STI award units allocated in 2024 is only calculated after the annual financial statements are issued.

2 Deferred share price linked STI awards vesting depends on continued employment as well as personal and business unit performance requirements as well as personal and business unit performance requirements over two years. Previously vesting was split equally over two and three years for the executive directors and prescribed officers (2019 and 2020).

3 FirstRand does not apply graded vesting to LTI awards allocated before September 2019, with awards thereafter having graded vesting. For these incentive schemes, LTI vesting depends on performance conditions and targets being met on a cumulative basis over three years as well as continued employment. For the unvested awards the assumption is 100% vesting up until the final remuneration committee decision, given the current environment and uncertainty in quantifying the probability of vesting. For information purposes, the maximum possible value of the unvested awards as at June 2024 is the market value of the total number of shares at R76.90 per share on the last trading day of the financial year (30 June 2024).

4 The values at settlement date include share price growth and interest earned (deferred share price linked STI awards) from grant date.

5 The Covid-19 retention instrument was awarded in September 2020. The value was converted to share price linked instruments on the award date and will vest in equal proportions (tranches) over three years (September 2021, 2022 and 2023) if the performance conditions are met

The third and final tranche of the Covid-19 instrument vested and was settled in September 2023, with the performance conditions being tested as at June 2024 (clawback was not applied, as the Covid-19 award performance conditions were met.

6 The Aldermore performance-related STI share price linked component is released in equal annual tranches over the deferral period required by CRD V regulations, 2022 and 2023 have been restated to only reflect equity linked deferrals.

7 Aldermore incentive awards are not convertible into units.

Notes to the annual financial statements continued

4 Indirect and income tax expense

	R million	2024	2023
4.1	Indirect tax		
	Value-added tax (net)	**(1 132)**	(803)
	Other	**–**	(7)
	Total indirect tax	**(1 132)**	(810)
4.2	Income tax expense		
	South African income tax		
	Current	**(7 940)**	(8 157)
	– Current year	**(7 975)**	(8 208)
	– Prior year adjustment	**35**	51
	Deferred income tax	**225**	260
	– Current year	**301**	649
	– Prior year adjustment	**(76)**	(389)
	Total South African income tax	**(7 715)**	(7 897)
	Foreign company and withholding tax		
	Current	**(1)**	(1)
	– Current year	**(1)**	(1)
	Deferred income tax	**502**	–
	– Current year	**502**	–
	Total foreign company and withholding tax	**501**	(1)
	South African capital gains tax	**8**	22
	– Deferred capital gains tax	**8**	22
	Total capital gains tax	**8**	22
	Total income tax expense	**(7 206)**	(7 876)

4 Indirect and income tax expense continued

Tax rate reconciliation

%	2024	2023
Standard rate of income tax	**27.0**	27.0
Total tax has been affected by:		
Dividend and other exempt income	**(4.7)**	(3.9)
Other non-taxable income*	**(0.1)**	(0.6)
Rate difference	**–**	–
Prior year adjustments	**0.1**	1.0
Effect of capital gains tax rate	**–**	(0.1)
Disallowed expenditure**	**0.3**	0.6
'Other#	**(1.1)**	(0.6)
Effective rate of tax	**21.5**	23.4

* *The majority of other non-taxable income relates to securitisation vehicles.*

** *The majority of the disallowed expense relates to non-recoverable expenses from foreign operations that are non-deductible.*

The majority of other relates to AT1 Instruments.

Notes to the annual financial statements continued

5 Analysis of assets and liabilities

5.1 Analysis of assets

The following table analyses the assets in the statement of financial position per category of financial instrument, according to the measurement basis.

		2024									
			At fair value through profit or loss		At fair value through other comprehensive income						
R million	Notes	Amortised cost	Mandatory	Designated	Debt	Equity	Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current and non-contractual
ASSETS											
Cash and cash equivalents	6	**88 470**	**–**	**–**	**–**	**–**	**–**	**–**	**88 470**	**88 470**	**–**
Derivative financial instruments	7	**–**	**44 780**	**–**	**–**	**–**	**1 194**	**–**	**45 974**	**45 650**	**324**
Investment securities	9	**196 074**	**92 314**	**202**	**18 765**	**343**	**–**	**–**	**307 698**	**163 456**	**144 242**
Advances	10	**1 040 129**	**87 942**	**15 057**	**–**	**–**	**–**	**–**	**1 143 128**	**393 844**	**749 284**
Collateral, settlement balances and other assets	12	**24 139**	**–**	**–**	**–**	**–**	**–**	**4 194**	**28 333**	**21 795**	**6 538**
Amounts due by holding company and fellow subsidiaries		**57 344**	**1 294**	**–**	**–**	**–**	**–**	**–**	**58 638**	**40 430**	**18 208**
Non-financial assets		**–**	**–**	**–**	**–**	**–**	**–**	**43 605**	**43 605**	**15 355**	**28 250**
Total assets		**1 406 156**	**226 330**	**15 259**	**18 765**	**343**	**1 194**	**47 799**	**1 715 846**	**769 000**	**946 846**
		2023									
Cash and cash equivalents*	6	80 505	–	–	–	–	–	–	80 505	80 505	–
Derivative financial instruments	7	–	59 011	–	–	–	4 296	–	63 307	60 820	2 487
Investment securities	9	177 609	112 399	1	14 903	347	–	–	305 259	177 353	127 906
Advances	10	943 955	110 741	12 195	–	–	–	–	1 066 891	371 299	695 592
Collateral, settlement balances and other assets*	12	28 203	–	–	–	–	–	3 914	32 117	26 673	5 444
Amounts due by holding company and fellow subsidiaries		59 991	3 214	–	–	–	–	–	63 205	40 054	23 151
Non-financial assets		–	–	–	–	–	–	43 680	43 680	17 781	25 899
Total assets (restated)		1 290 263	285 365	12 196	14 903	347	4 296	47 594	1 654 964	774 485	880 479

* *Restated. Refer to basis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation and restatements.*

Notes to the annual financial statements continued

5 Analysis of assets and liabilities continued

5.2 Analysis of liabilities

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

		2024							
			At fair value through profit or loss						
R million	Notes	Amortised cost	Mandatory	Designated	Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current and non-contractual
LIABILITIES									
Short trading positions	19	**–**	**9 601**	**–**	**–**	**–**	**9 601**	**9 601**	**–**
Derivative financial instruments	7	**–**	**42 918**	**–**	**466**	**–**	**43 384**	**42 959**	**425**
Creditors, accruals and provisions	20	**11 780**	**–**	**–**	**–**	**15 239**	**27 019**	**18 899**	**8 120**
Deposits	21	**1 383 790**	**55 761**	**5 156**	**–**	**–**	**1 444 707**	**1 280 789**	**163 918**
Other liabilities	22	**–**	**–**	**931**	**–**	**2 115**	**3 046**	**1 102**	**1 944**
Amounts due to holding company and fellow subsidiaries		**28 269**	**150**	**–**	**–**	**–**	**28 419**	**21 033**	**7 386**
Tier 2 liabilities	23	**16 758**	**–**	**–**	**–**	**–**	**16 758**	**–**	**16 758**
Non-financial liabilities		**–**	**–**	**–**	**–**	**13 755**	**13 755**	**7 512**	**6 243**
Total liabilities		**1 440 597**	**108 430**	**6 087**	**466**	**31 109**	**1 586 689**	**1 381 895**	**204 794**
		2023							
Short trading positions	19	–	12 473	–	–	–	12 473	12 473	–
Derivative financial instruments	7	–	65 783	–	750	–	66 533	65 700	833
Creditors, accruals and provisions	20	11 100	–	–	–	8 853	19 953	14 167	5 786
Deposits*	21	1 323 825	48 726	6 624	–	–	1 379 175	1 219 757	159 418
Other liabilities	22	–	–	1 122	–	1 756	2 878	1 274	1 604
Amounts due to holding company and fellow subsidiaries*		28 839	203	–	–	–	29 042	21 745	7 297
Tier 2 liabilities	23	16 337	–	–	–	–	16 337	1 925	14 412
Non-financial liabilities		–	–	–	–	14 282	14 282	8 328	5 954
Total liabilities (restated)		1 380 101	127 185	7 746	750	24 891	1 540 673	1 345 369	195 304

* *Restated. Refer to basis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation and restatements.*

Notes to the annual financial statements continued

6 Cash and cash equivalents

R million	2024	2023
Coins and bank notes	**8 256**	8 680
Money at call and short notice*	**28 207**	26 457
Balances with central banks	**52 007**	45 368
Mandatory reserve balances with central banks	**35 285**	32 789
Other balances with central banks	**16 722**	12 579
Total cash and cash equivalents**	**88 470**	80 505

* *Restated. Refer to basis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation and restatements. In addition, refer to note 32 – Impact due to changes in presentation and restatements.*

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

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

7 Derivative financial instruments

Use of derivatives

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

Derivative instruments are classified either as held for trading or formally designated as hedging instruments. The bank applies IFRS 9 for cash flow and fair value micro hedges.

For further details on the valuation of derivatives refer to note 27.

Qualifying for hedge accounting

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

The bank defines interest rate risk in the banking book (IRRBB) as the sensitivity of the statement of financial position and income statement to unexpected adverse movements in interest rates. IRRBB and equity price risks are managed by Group Treasury and the FirstRand asset, liability and capital committee (ALCCO) under approved policies. For further details on the bank's approach to managing interest rate risk and market risk, refer to note 31.

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

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

IFRS 9 does not specify a method for assessing hedge effectiveness. The bank uses the regression analysis approach to quantitatively assess hedge effectiveness for all the cash flow and fair value hedges. It considers this approach to accurately capture the characteristics of the hedging relationships and sources of ineffectiveness. The hedge effectiveness results are assessed against the effectiveness range of 80% and 125%. Even though this quantitative measure is not required under IFRS 9, the bank believes that this is a benchmark which has been extensively used in the past and is a prudent approach to determining the effectiveness of the hedge relationship in line with the bank's risk management strategy.

7 Derivative financial instruments continued

Held for trading activities

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

Notional amounts represent the gross notional amount of all outstanding contracts at year end. The gross notional amount is the sum of the absolute purchase and sales of derivative instruments. The notional amounts do not represent amounts exchanged by the parties and therefore represent only the measure of involvement by the bank in the derivative contracts and not its exposures to risk. Notional amounts that are denominated in foreign currency are translated to the bank functional currency at the spot rate of exchange. Exchange rate fluctuations impact the value of the notional.

The following tables reflect the notional and fair values of the derivative instruments that qualify for hedge accounting or are held for trading.

Derivative financial instruments

	2024				
R million	Notional asset	Notional liability	Total notional	Fair value asset	Fair value liability
Qualifying for hedge accounting	**300 819**	**376 876**	**677 695**	**3 065**	**466**
Fair value hedge accounting	**22 762**	**4 537**	**27 299**	**1 605**	**–**
– Interest rate derivatives*	**22 762**	**4 537**	**27 299**	**1 605**	**–**
Cash flow hedge accounting	**278 057**	**372 339**	**650 396**	**1 460**	**466**
– Interest rate derivatives*	**271 908**	**372 339**	**644 247**	**187**	**466**
– Equity derivatives	**6 149**	**–**	**6 149**	**1 273**	**–**
Held for trading	**11 654 464**	**11 341 918**	**22 996 382**	**42 909**	**42 918**
– Currency derivatives	**373 390**	**285 893**	**659 283**	**8 940**	**9 651**
– Interest rate derivatives*	**11 191 227**	**10 991 600**	**22 182 827**	**27 723**	**29 619**
– Equity derivatives	**45 021**	**39 862**	**84 883**	**4 469**	**2 440**
– Commodity derivatives	**37 982**	**22 464**	**60 446**	**1 526**	**1 086**
– Energy derivatives	**1 852**	**995**	**2 847**	**78**	**26**
– Credit derivatives	**4 992**	**1 104**	**6 096**	**173**	**96**
Total derivative assets/liabilities	**11 955 283**	**11 718 794**	**23 674 077**	**45 974**	**43 384**
Exchange traded	**15 870**	**27 967**	**43 837**	**18**	**6**
Over the counter	**11 939 413**	**11 690 827**	**23 630 240**	**45 956**	**43 378**
Total derivative assets/liabilities	**11 955 283**	**11 718 794**	**23 674 077**	**45 974**	**43 384**

* *Includes derivatives cleared by a central clearing counterparty and whose fair value is reflected on a net basis, although the notional continues to be reflected on a gross basis.*

Notes to the annual financial statements continued

7 Derivative financial instruments continued

Derivative financial instruments

	2023				
R million	Notional asset	Notional liability	Total notional	Fair value asset	Fair value liability
Qualifying for hedge accounting	228 480	353 408	581 888	4 296	750
Fair value hedge accounting	47 877	23 714	71 591	1 303	56
– Interest rate derivatives*	47 877	23 714	71 591	1 303	56
Cash flow hedge accounting	180 603	329 694	510 297	2 993	694
– Interest rate derivatives*	174 322	329 694	504 016	1 215	694
– Equity derivatives	6 281	–	6 281	1 778	–
Held for trading	14 825 313	11 674 513	26 499 826	59 011	65 783
– Currency derivatives	315 333	294 839	610 172	9 765	15 265
– Interest rate derivatives*	14 409 024	11 298 226	25 707 250	43 713	47 100
– Equity derivatives	69 382	66 666	136 048	3 828	2 789
– Commodity derivatives	25 806	10 616	36 422	1 514	508
– Energy derivatives	480	503	983	59	53
– Credit derivatives	5 288	3 663	8 951	132	68
Total derivative assets/liabilities	15 053 793	12 027 921	27 081 714	63 307	66 533
Exchange traded	3 510 505	37 784	3 548 289	290	149
Over the counter	11 543 288	11 990 137	23 533 425	63 017	66 384
Total derivative assets/liabilities	15 053 793	12 027 921	27 081 714	63 307	66 533

* *Includes derivatives cleared by a central clearing counterparty and whose fair value is reflected on a net basis, although the notional continues to be reflected on a gross basis. In addition, the notional asset previously reported under Held for Trading was R10 914 334 million has been restated to include the notional amounts omitted.*

Fair value hedges

Interest rate risk

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

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

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

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

7 Derivative financial instruments continued

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

Identified hedged items subject to fair value interest rate risk hedge accounting and the related hedging instrument are specified long-term fixed-rate investment securities, advances and other funding liabilities measured at amortised cost, as well as investment securities measured at FVOCI. To manage the interest rate risk associated with such risk exposures, the bank uses a variety of cash collateralised vanilla fixed-for-floating interest rate swap derivatives.

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

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

In certain circumstances, the economic relationship is evident due to critical terms such as the denominated currency, nominal amount, duration and either the fixed rate on the hedged item or the benchmark rate component of the hedged item and the interest rate swap matching. In other instances, the hedge accounting relationship is designated based on matching the PV01 of the hedging instrument to the hedged item. In both instances, the bank uses regression analyses to quantitatively prove the economic relationship.

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

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

- the designated fixed interest rate on the hedged item differs from the offsetting rate of the interest rate swap;
- the unwinding of the time value of money element contained within the fair value of the hedging instrument on designation date;
- day 1 gains or losses on the hedging instrument at the inception of the hedge;
- differences in maturities of the interest rate swap and the hedged item;
- where applicable, the effects of the interest rates reforms, as the amendments to the terms of the hedging instrument and the related hedged item could take effect at different times;
- different reset and/or settlement dates for the hedging instrument and the hedged items; and
- difference in the notional amounts of the hedging instrument and the hedged items.

The following table discloses the maturity of the hedging instruments and the average interest rate included in fair value hedging relationships.

	2024	**2024**	2023*	2023*
	Interest rate risk	**Average interest rate**	Interest rate risk	Average interest rate
R million	**Notional amount**	**risk (%)**	Notional amount	risk (%)**
4 – 12 months	**–**	**–**	41 936	2
1 – 5 years	**9 619**	**4**	7 903	5
>5 years	**19 094**	**5**	21 752	5
Total	**28 713**		71 591	

* *The bucketing has been disaggregated to reflect the 1 – 5 years bucket and over 5 years bucket. The total notional amount remains unchanged.*

** *In the prior year 9% was presented for the 1 – 5 years bucket. The number has been restated to reflect the average interest rate risk.*

Notes to the annual financial statements continued

7 Derivative financial instruments continued

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

R million	Advances	Investment securities	Funding liabilities*
	2024		
Interest rate risk — hedged items			
Carrying amount excluding fair value hedge adjustments	**–**	**30 008**	**–**
Accumulated fair value hedge adjustments for instruments that are actively hedged	**–**	**(1 099)**	**–**
Total carrying amount of hedged items	**–**	**28 909**	**–**
Accumulated fair value hedge adjustments for items that have ceased to be adjusted for fair value hedge gains and losses	**26**	**(267)**	**–**
	2023		
Interest rate risk — hedged items			
Carrying amount excluding fair value hedge adjustments	951	32 016	–
Accumulated fair value hedge adjustments for instruments that are actively hedged	(9)	(2 313)	–
Total carrying amount of hedged items	942	29 703	–
Accumulated fair value hedge adjustments for items that have ceased to be adjusted for fair value hedge gains and losses	–	(29)	–

Deposits and Tier 2 liabilities presented on the statement of financial position are aggregated and reflected as funding liabilities.

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

R million	2024	2023
Interest rate risk		
Changes in fair value for the year arising on hedging instruments	**(456)**	(237)
– Interest rate derivatives	**(456)**	(237)
Changes in fair value on the hedged items attributable to the hedged risk	**552**	409
– Advances	**–**	(9)
– Investment securities — amortised cost	**(40)**	528
– Investment securities — FVOCI	**592**	(133)
– Funding liabilities*	**–**	23
Ineffectiveness recognised in NIR	**96**	172

** Deposits and Tier 2 liabilities presented on the statement of financial position are aggregated and reflected as funding liabilities.*

7 Derivative financial instruments continued

Cash flow hedges

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

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

Interest rate risk

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

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

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

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

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

Equity price risk

Equity price risk exists within the bank’s employee share incentive schemes that enable key management personnel (KMP) and employees to benefit from the performance of FirstRand’s share price. Refer to note 25 for further details. These share incentive schemes, which are accounted for as cash-settled share-based payment (SBP) in terms of IFRS 2, expose the bank to cash equity price risk due to volatility in FirstRand’s share price.

The fair value of the IFRS 2 liability, which is predominantly driven by movements in the FirstRand share price, is economically hedged with total return swaps (TRS). When the share price increases/decreases, the SBP expense increases/decreases in line with the share price movement. Similarly, the fair value of the TRS will increase/decrease for the share price component of the derivative in line with the increase/decrease in share price. Changes in the cash flows of the hedged item and the hedging instrument are expected to offset each other, resulting in an economic relationship being present between the SBP expense and the TRS. The number of FirstRand shares covered by the TRS is 99 million (2023: 120 million).

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

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

Notes to the annual financial statements continued

7 Derivative financial instruments continued

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

	2024		2023*	
	Notional amount		Notional amount	
R million	Interest rate risk	Equity price risk	Interest rate risk	Equity price risk
1 – 3 months	98 772	–	26 387	–
4 – 12 months	224 677	5 021	136 740	4 497
1 – 5 years	279 532	1 128	300 146	1 784
>5 years	41 265	–	40 743	–
Total	644 246	6 149	504 016	6 281

* *The bucketing has been disaggregated to reflect the 1 – 5 years bucket and over 5 years bucket. The total notional amount remains unchanged.*

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

	2024		2023	
	Average rate/share price		Average rate/share price	
R million	Interest rate risk (%)	Equity price risk (ZAR)	Interest rate risk (%)	Equity price risk (ZAR)
Derivative assets				
1 – 3 months	7	–	5	–
4 – 12 months	7	62	7	50
1 – 5 years*	7	63	7	62
>5 years*	8	–	8	–
Derivative liabilities				
1 – 3 months	8	–	7	–
4 – 12 months	7	–	7	–
1 – 5 years*	7	–	8	–
>5 years*	8	–	8	–

* *The bucketing has been disaggregated to reflect the 1 – 5 years bucket and over 5 years bucket.*

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

	2024			2023		
R million	Interest rate risk	Equity price risk	Total	Interest rate risk	Equity price risk	Total
Changes in fair value for the year						
On the hedging instruments	3 022	723	3 745	(685)	683	(2)
– Interest rate derivatives	3 022	–	3 022	(685)	–	(685)
– Equity derivatives	–	723	723	–	683	683
On the hedged item subject to the hedged risk	(2 929)	(765)	(3 694)	643	(960)	(317)
– Advances	(6 152)	–	(6 152)	614	–	614
– Other funding liabilities	3 223	–	3 223	29	–	29
– Share-based payment	–	(765)	(765)	–	(960)	(960)
Ineffectiveness in NIR	93	–	93	(42)	–	(42)

7 Derivative financial instruments continued

The following amounts relate to the fair value and cash flow movements in other comprehensive income on hedging instruments included in cash flow hedging relationships. Debit balances are reflected as a negative in the table below.

R million	Interest rate risk	Equity price risk	Total
As at 30 June 2024			
Cash flow hedge reserve – opening balance	(3 721)	496	(3 225)
Gains recognised in reserves in the current year	1 781	615	2 396
Deferred tax on reserve movement	(906)	40	(866)
Transfers to NII and operating expenses (staff costs)	1 576	(765)	811
– Hedged item affects profit or loss	1 214	(765)	449
– Hedged future cash flows no longer expected to occur	362	—	362
Cash flow hedge reserve – closing balance	(1 270)	386	(884)
Cash flow hedge reserve relating to continuing hedges	(1 446)	386	(1 060)
Cash flow hedge reserve relating to discontinued hedges	176	—	176
Cash flow hedge reserve – closing balance	(1 270)	386	(884)
As at 30 June 2023			
Cash flow hedge reserve – opening balance	(3 002)	623	(2 379)
(Losses)/gains recognised in reserves in the current year	(745)	787	42
Deferred tax on reserve movement	266	47	313
Transfers to NII, operating staff costs and tax expense	(240)	(961)	(1 201)
– Hedged item affects profit or loss	(144)	(961)	(1 105)
– Hedged future cash flows no longer expected to occur	(96)	—	(96)
Cash flow hedge reserve – closing balance	(3 721)	496	(3 225)
Cash flow hedge reserve relating to continuing hedges	(3 485)	496	(2 989)
Cash flow hedge reserve relating to discontinued hedges	(236)	—	(236)
Cash flow hedge reserve – closing balance	(3 721)	496	(3 225)

8 Commodities

R million	2024	2023
Agricultural commodities	1 426	2 164
Gold	13 611	14 931
Platinum group metals	72	157
Total commodities	15 109	17 252

Notes to the annual financial statements continued

9 Investment securities

R million	2024	2023
Treasury bills	78 294	96 686
Other government and government-guaranteed stock	217 234	195 168
Other dated securities	5 585	7 819
Other undated securities	1 220	292
Equities	5 687	5 441
Total gross carrying amount of investment securities	**308 020**	305 406
Loss allowance on investment securities	(322)	(147)
Total investment securities	**307 698**	305 259

9.1 Analysis of impairment stages of investment securities

	2024			
	Amortised cost		FVOCI (debt)	
R million	Carrying amount	ECL allowance	Carrying amount	ECL allowance*
As at 30 June 2024				
Stage 1	196 396	321	18 765	–
Total investment securities	**196 396**	**322**	**18 765**	**–**
	2023			
As at 30 June 2023				
Stage 1	177 756	147	14 903	–
Total investment securities	177 756	147	14 903	–

ECL for FVOCI debt instruments is calculated using the loss rate approach and is immaterial.

9.2 Repurchase agreements and securities lending transactions

The table below sets out the details of investment securities that have been transferred in terms of repurchase agreements, but not derecognised.

	Investment securities (carrying amount)		Associated liabilities recognised in deposits (carrying amount)	
R million	2024	2023	2024	2023
Repurchase agreements	7 271	4 015	7 271	3 848

Transferred investments and related deposits under repurchase agreements are either measured at amortised cost or at fair value through profit or loss (FVTPL).

The fair value of the investment securities transferred under repurchase agreements is R7 271 million (2023: R4 006 million) and that of the associated liabilities is R7 271 million (2023: R3 837 million).

9.3 Equity investments designated at fair value through other comprehensive income

Strategic equity investments which the bank does not plan on selling are designated as non-trading equity instruments classified on initial recognition as measured at FVOCI. The fair values of these investments are R343 million (2023: R348 million).

10 Advances

10.1 Category analysis of advances

R million	Notes	2024	2023
Overdrafts and cash management accounts		86 389	79 431
Term loans		80 592	69 038
Card loans		45 477	40 882
Instalment sales, hire purchase agreements and lease payments receivable	10.2	152 324	141 306
Property finance		307 039	290 577
Personal loans		55 781	52 449
Preference share agreements		30 211	30 859
Investment bank term loans		217 669	179 676
Long-term loans to group associates and joint ventures		452	452
Other		60 420	54 044
Total customer advances		**1 036 354**	938 714
Marketable advances		79 474	85 647
Assets under agreements to resell		67 757	79 065
Gross value of advances		**1 183 585**	1 103 426
Impairment and credit of fair value advances	11.1	(40 457)	(36 535)
Net advances		**1 143 128**	1 066 891
Gross advances – amortised cost		1 079 725	979 237
Impairment of advances – amortised cost		(39 596)	(35 282)
Net advances – amortised cost		**1 040 129**	943 955
Gross advances – fair value		103 860	124 189
Impairment of advances – fair value		(861)	(1 253)
Net advances – fair value		**102 999**	122 936
Net advances		**1 143 128**	1 066 891

10.2 Analysis of instalment sales, hire purchase agreements and lease payments receivable

R million	2024	2023
Within 1 year	1 800	2 443
Between 1 and 2 years	859	1 172
Between 2 and 3 years	607	771
Between 3 and 4 years	367	313
Between 4 and 5 years	201	187
More than 5 years	79	75
Total gross amount*	**3 913**	4 961
Unearned finance charges	(525)	(592)
Net amount of hire purchase and lease payments receivable	**3 388**	4 369
Instalment sales	148 936	136 937
Total instalment sales, hire purchase agreements and lease payments receivable	**152 324**	141 306

* *Hire purchase agreements and lease payment receivables relate to leases for motor vehicles and equipment. The agreements do not include contingent rentals.The decrease in the gross amount is attributable to weaker demand reflecting the impact of economic pressure on customers.*

10.3 Securitisation transactions

The following bankruptcy remote structured entities were created over the course of many years to facilitate traditional securitisation transactions for WesBank retail instalment sale advances (FAST and Nitro Programme). During the financial year the Lehae securitisation, relating to FNB residential mortgages, was launched. These structured entities are consolidated by FirstRand. The table below discloses the carrying amount of advances and related assets held by the structured entities at 30 June as well as the financial liabilities incurred to fund the initial acquisitions and other related liabilities.

			Carrying value of assets		Carrying value of liabilities	
			R million		R million	
Name of securitisation	Established	Initial transaction value	2024	2023	2024	2023
FAST	July 2016	R6.8 billion	1 919	3 846	704	2 772
Nitro Programme	May 2019	R2 billion	2	215	–	170
Lehae	September 2023	R2.04 billion	1 980	–	1 971	–

Notes to the annual financial statements continued

10 Advances continued

10.4 Type of continuing involvement

The table below sets out the financial information about the bank's continuing involvement in the transferred financial assets which have been derecognised in their entirety.

R million	Carrying amount of continuing involvement recognised in the statement of financial position		Fair value of continuing involvement		Maximum exposure to loss
	Assets	Liabilities	Assets	Liabilities	
As at 30 June 2024					
Traditional securitisation transactions					
Derivative financial instruments	**–**	**6**	**–**	**6**	**1 081**
Investment securities and other investments	**910**	**445**	**925**	**445**	**910**
Total	**910**	**451**	**925**	**451**	**1 991**
As at 30 June 2023					
Traditional securitisation transactions					
Derivative financial instruments	–	140	–	140	877
Investment securities and other investments	2 243	687	2 250	687	2 243
Total	2 243	827	2 250	827	3 120

The maximum exposure to loss from continuing involvement in derecognised financial assets is the total loss that the bank would suffer in a worst-case scenario, such as if the underlying derecognised financial asset were to lose all of its value. This includes any off-balance sheet commitments related to the derecognised financial asset.

The maximum exposure to loss from continuing involvement through clean-up calls, included in derivatives, is determined as the agreed upon amount the bank may need to pay to repurchase a financial asset that has no value. Although the bank is not obliged to, it may decide to exercise the clean-up options even if the remaining assets are worth less than the exercise price of the options. The maximum exposure to loss from continuing involvement through derivatives is determined as any payments the bank is obligated to make in terms of the derivative contract (such as interest payments) that is based on the value of the underlying transferred financial assets. In the case of clean-up calls, maximum exposure to loss would be 10% of the value at issue.

The maximum exposure to loss from continuing involvement through notes issued by the structured entity and held by the bank is determined as the value of the notes recognised as marketable advances by the bank.

The table below sets out the profit or loss impact of transfers of financial assets which are derecognised in their entirety.

	2024			2023		
R million	Traditional securitisation transactions	Other structured transactions	Total	Traditional securitisation transactions	Other structured transactions	Total
(Loss)/gain at date of transfer	**(384)**	**–**	**(384)**	565	–	565
Income recognised from continuing involvement	**2 693**	**–**	**2 693**	3 724	–	3 724
– for the current period	**134**	**–**	**134**	284	–	284
– cumulative	**2 559**	**–**	**2 559**	3 440	–	3 440

The table below sets out the undiscounted cash flows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee in respect of the transferred financial assets as at 30 June. It also sets out the maturity analysis of these undiscounted cash flows. Income recognised from continuing involvement relates to admin fees received and interest income.

10 Advances continued

10.4 Type of continuing involvement

	2024			2023		
R million	Traditional securitisation transactions	Other structured transactions	Total	Traditional securitisation transactions	Other structured transactions	Total
Total undiscounted cash outflows	**3 507**	**–**	**3 507**	3 316	–	3 316
– Call	**–**	**–**	**–**	–	–	–
– 1 – 3 months	**240**	**–**	**240**	396	–	396
– 4 – 12 months	**583**	**–**	**583**	972	–	972
– 1 – 5 years	**2 684**	**–**	**2 684**	1 948	–	1 948
– >5 years	**–**	**–**	**–**	–	–	–

10.5 Analysis of advances per class

Basis of preparation of the analysis of advances per class

In determining classes of advances, the type of client is used as a primary indicator, and then the type of loans provided to that type of client is reflected as sub classes.

Voluntary changes in presentation

There were no changes in presentation of classes of advances on the current year.

10.6 Reconciliation of the gross advances and loss allowance on total advances per class

Basis of preparation of the reconciliation

The reconciliation of the gross carrying amount (GCA) and ECL has been prepared using a year-to-date view. This means that the bank reports exposures based on the impairment stage at the end of the reporting period. The reconciliation distinguishes between the back book and new business as this provides meaningful information to the user in gaining an understanding of the performance of advances overall.

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

The movement on GCA is split between:

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

Current year ECL provided/(released) relates to:

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

New business is broadly defined as any new product issued to a new or existing customer during the current financial year. All new business is reflected based on the impairment stage at the end of the reporting period. Therefore, exposures in the new business lines can be reported in stage 3 at the end of the reporting date.

The majority of the fair value advances is originated within the RMB corporate and investment banking portfolio.

The decrease in the advance as a result of a write-off is equal to the decrease in the ECL (bad debts written off), as exposures are 100% provided for before being written off. There is however an exception in the RMB corporate and investment banking portfolio, where partial write-offs are permitted on a case-by-case basis.

Additional information relating to advances

The total contractual amount outstanding on amortised cost advances that were written off during the period and are still subject to enforcement activity is R11 185 million (30 June 2023: R11 164 million).

Included in the core lending advances is advances of R1 628 million (30 June 2023: R1 814 million) for which no ECL is raised due to over-collateralisation. These advances are originated in FNB commercial and RMB corporate and investment banking. Advances under agreements to resell are also fully collateralised and therefore no ECL is raised for these advances either. All advances under agreements to resell are classified in stage 1.

Notes to the annual financial statements continued

10 Advances continued

10.6 Reconciliation of the gross advances and loss allowance on total advances per class continued

10.6.1 Reconciliation of the gross carrying amount of total advances per class

Amortised cost – 30 June 2024

	Retail secured		Retail unsecured			Retail secured and unsecured	Corporate and commercial					
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other	Temporary stress scenario	FNB commercial	Temporary stress scenario	WesBank corporate and commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
GCA reported as at 1 July 2023	259 635	105 433	37 149	50 072	7 406	–	115 928	–	54 212	306 892	42 510	979 237
– Stage 1	223 096	87 489	30 073	35 024	5 843	–	102 500	–	49 682	287 049	41 544	862 300
– Stage 2	22 466	11 944	3 019	7 501	639	–	8 655	–	3 464	16 071	46	73 805
– Stage 3	14 073	6 000	4 057	7 547	924	–	4 773	–	1 066	2 990	920	42 350
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	782	–	782
Transfers between stages	–	–	–	–	–	–	–	–	–	–	–	–
Transfers to/(from) stage 1	(4 661)	(4 068)	(1 733)	(5 211)	(261)	–	(1 761)	–	(827)	(7 589)	9	(26 102)
– Transfers into stage 1	6 758	2 551	1 066	1 443	177	–	3 297	–	2 745	530	20	18 587
– Transfers out of stage 1	(11 419)	(6 619)	(2 799)	(6 654)	(438)	–	(5 058)	–	(3 572)	(8 119)	(11)	(44 689)
Transfers to/(from) stage 2	(572)	858	(634)	130	19	–	240	–	484	7 419	12	7 956
– Transfers into stage 2	10 455	5 645	1 221	3 920	342	–	4 293	–	3 238	8 028	9	37 151
– Transfers out of stage 2	(11 027)	(4 787)	(1 855)	(3 790)	(323)	–	(4 053)	–	(2 754)	(609)	3	(29 195)
Transfers to/(from) stage 3	5 233	3 210	2 367	5 081	242	–	1 521	–	343	170	(21)	18 146
– Transfers into stage 3	6 913	4 065	2 464	5 821	358	–	1 822	–	607	170	22	22 242
– Transfers out of stage 3	(1 680)	(855)	(97)	(740)	(116)	–	(301)	–	(264)	–	(43)	(4 096)
Current year movement	13 309	7 674	6 190	9 127	559	–	14 506	–	6 125	65 096	(2 678)	119 908
New business – changes in exposure	40 258	38 693	3 735	20 785	1 207	–	28 905	–	20 517	126 375	3 014	283 489
Back book – current year movement	(26 949)	(31 019)	2 455	(11 658)	(648)	–	(14 399)	–	(14 392)	(61 337)	(5 692)	(163 639)
– Exposures with a change in measurement basis from 12 months to LECL	(1 229)	(2 017)	198	(1 251)	1	–	(567)	–	(590)	(2 162)	(37)	(7 654)
– Other current year change in exposure/net movement on GCA	(25 720)	(29 002)	2 257	(10 407)	(649)	–	(13 832)	–	(13 802)	(59 175)	(5 655)	(155 985)
Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	58	–	58
Acquisition/(disposal) of advances	(1 971)	113	–	–	–	–	–	–	–	(3 807)	–	(5 665)
Transfers from/(to) other divisions	(28)	–	–	–	28	–	–	–	–	–	–	–
Exchange rate differences	–	–	–	–	–	–	–	–	–	(1 003)	(45)	(1 048)
Bad debts written off	(447)	(1 752)	(1 869)	(5 263)	(648)	–	(1 412)	–	(119)	(303)	(33)	(11 846)
Modifications that did not give rise to derecognition	(37)	(47)	(96)	(650)	(31)	–	–	–	–	–	–	(861)
GCA reported as at 30 June 2024	270 461	111 421	41 374	53 286	7 314	–	129 022	–	60 218	366 875	39 754	1 079 725
– Stage 1	230 024	91 975	33 111	35 345	5 715	–	115 388	–	55 268	343 271	39 110	949 207
– Stage 2	22 219	12 336	3 030	8 933	584	–	8 901	–	3 841	20 490	13	80 347
– Stage 3	18 218	7 110	5 233	9 008	1 015	–	4 733	–	1 109	2 274	631	49 331
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	840	–	840
Core lending advances	270 461	111 421	41 374	53 286	7 314	–	129 022	–	60 218	366 799	32 298	1 072 193
Assets under agreements to resell	–	–	–	–	–	–	–	–	–	76	7 456	7 532
Total GCA of advances as at 30 June 2024	270 461	111 421	41 374	53 286	7 314	–	129 022	–	60 218	366 875	39 754	1 079 725

Notes to the annual financial statements continued

10 Advances continued

10.6 Reconciliation of the gross advances and loss allowance on total advances per class continued

10.6.2 Reconciliation of the loss allowance on total advances per class

Amortised cost – 30 June 2024

R million	Retail secured		Retail unsecured			Retail secured and unsecured	Corporate and commercial					
	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other	Temporary stress scenario	FNB commercial	Temporary stress scenario	WesBank corporate and commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
ECL reported as at 1 July 2023	4 356	5 773	4 767	9 289	1 247	–	4 952	–	733	3 295	870	35 282
– Stage 1	432	985	1 165	2 069	309	–	907	–	228	960	37	7 092
– Stage 2	1 076	1 861	754	1 901	168	–	1 213	–	111	1 469	8	8 561
– Stage 3	2 848	2 927	2 848	5 319	770	–	2 832	–	394	621	825	19 384
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	245	–	245
Transfers between stages	–	–	–	–	–	–	–	–	–	–	–	–
Transfers to/(from) stage 1	187	198	81	(327)	8	–	206	–	62	(5)	9	419
– Transfers into stage 1	226	287	234	326	30	–	282	–	81	25	9	1 500
– Transfers out of stage 1	(39)	(89)	(153)	(653)	(22)	–	(76)	–	(19)	(30)	–	(1 081)
Transfers to/(from) stage 2	(337)	(606)	(422)	(1 024)	(21)	–	(324)	–	(34)	(9)	–	(2 777)
– Transfers into stage 2	157	141	79	486	58	–	96	–	29	29	2	1 077
– Transfers out of stage 2	(494)	(747)	(501)	(1 510)	(79)	–	(420)	–	(63)	(38)	(2)	(3 854)
Transfers to/(from) stage 3	150	408	341	1 351	13	–	118	–	(28)	14	(9)	2 358
– Transfers into stage 3	304	497	395	1 633	67	–	225	–	17	14	2	3 154
– Transfers out of stage 3	(154)	(89)	(54)	(282)	(54)	–	(107)	–	(45)	–	(11)	(796)
Current year provision created/ (released)	1 609	2 167	2 807	6 122	752	–	1 531	–	302	877	30	16 197
New business – impairment charge/(release)	362	1 280	328	2 779	161	–	511	–	225	441	–	6 087
Back book – impairment charge/ (release)	1 247	887	2 479	3 343	591	–	1 020	–	77	99	30	9 773
– Exposures with a change in measurement basis from 12 months to LECL	119	(185)	171	52	15	–	189	–	31	194	(2)	584
– Other current year impairment charge/(release)	1 128	1 072	2 308	3 291	576	–	831	–	46	(95)	32	9 189
Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	337	–	337
Acquisition/(disposal) of advances	–	7	–	–	–	–	–	–	–	(9)	–	(2)
Transfers from/(to) other divisions	(70)	–	–	95	(25)	–	–	–	–	–	–	–
Exchange rate differences	–	–	–	–	–	–	–	–	–	(6)	(29)	(35)
Bad debts written off	(447)	(1 752)	(1 869)	(5 263)	(648)	–	(1 412)	–	(119)	(303)	(33)	(11 846)
ECL as at 30 June 2024	5 448	6 195	5 705	10 243	1 326	–	5 071	–	916	3 854	838	39 596
– Stage 1	413	978	1 157	1 884	282	–	1 189	–	245	960	244	7 352
– Stage 2	1 288	1 859	773	2 112	168	–	947	–	147	2 024	5	9 323
– Stage 3	3 747	3 358	3 775	6 247	876	–	2 935	–	524	288	589	22 339
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	582	–	582
Current year provision created/ (released) per impairment stage	1 609	2 167	2 807	6 122	752	–	1 531	–	302	877	30	16 197
– Stage 1	(135)	(205)	(90)	46	(9)	–	76	–	(44)	20	197	(144)
– Stage 2	549	602	442	1 235	20	–	58	–	70	564	(2)	3 538
– Stage 3	1 195	1 770	2 455	4 841	741	–	1 397	–	276	(44)	(165)	12 466
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	337	–	337

Notes to the annual financial statements continued

10 Advances continued

10.6 Reconciliation of the gross advances and loss allowance on total advances per class continued

10.6.3 Reconciliation of the gross carrying amount of total advances per class

Fair value – 30 June 2024

R million	FNB commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
GCA reported as at 1 July 2023	520	121 090	2 579	124 189
– Stage 1	520	115 495	2 536	118 551
– Stage 2	–	4 847	43	4 890
– Stage 3	–	748	–	748
– Purchased or originated credit impaired	–	–	–	–
Transfers between stages	–	–	–	–
Transfers to/(from) stage 1	–	(1 064)	43	(1 021)
– Transfers into stage 1	–	–	43	43
– Transfers out of stage 1	–	(1 064)	–	(1 064)
Transfers to/(from) stage 2	–	1 064	(43)	1 021
– Transfers into stage 2	–	1 064	–	1 064
– Transfers out of stage 2	–	–	(43)	(43)
Transfers to/(from) stage 3	–	–	–	–
– Transfers into stage 3	–	–	–	–
– Transfers out of stage 3	–	–	–	–
Current year movement	296	(18 843)	(1 213)	(19 760)
New business – changes in exposure	320	11 760	37	12 117
Back book – current year movement	(24)	(30 603)	(1 250)	(31 877)
– Exposures with a change in measurement basis from 12 months to LECL	–	(22)	–	(22)
– Other current year change in exposure/ net movement on GCA	(24)	(30 581)	(1 250)	(31 855)
Purchased or originated credit impaired	–	–	–	–
Acquisition/(disposal) of advances	–	–	–	–
Transfers from/(to) other divisions	–	–	–	–
Exchange rate differences	–	(197)	–	(197)
Bad debts written off	–	(372)	–	(372)
GCA reported as at 30 June 2024	816	101 678	1 366	103 860
– Stage 1	816	98 795	1 366	100 977
– Stage 2	–	1 994	–	1 994
– Stage 3	–	889	–	889
– Purchased or originated credit impaired	–	–	–	–
Core lending advances	816	41 453	1 366	43 635
Assets under agreements to resell	–	60 225	–	60 225
Total GCA of advances as at 30 June 2024	816	101 678	1 366	103 860

10 Advances continued

10.6 Reconciliation of the gross advances and loss allowance on total advances per class continued

10.6.4 Reconciliation of the loss allowance on total advances per class

Fair value – 30 June 2024

R million	FNB commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
ECL reported as at 1 July 2023	51	1 186	16	1 253
– Stage 1	51	232	4	287
– Stage 2	–	483	4	487
– Stage 3	–	471	8	479
– Purchased or originated credit impaired	–	–	–	–
Transfers between stages	–	–	–	–
Transfers to/(from) stage 1	–	(2)	13	11
– Transfers into stage 1	–	3	13	16
– Transfers out of stage 1	–	(5)	–	(5)
Transfers to/(from) stage 2	–	2	(5)	(3)
– Transfers into stage 2	–	5	–	5
– Transfers out of stage 2	–	(3)	(5)	(8)
Transfers to/(from) stage 3	–	–	(8)	(8)
– Transfers into stage 3	–	–	–	–
– Transfers out of stage 3	–	–	(8)	(8)
Current year provision created/(released)	(45)	45	(9)	(9)
New business – impairment charge/(release)	5	43	–	48
Back book – impairment charge/(release)	(50)	2	(9)	(57)
– Exposures with a change in measurement basis from 12 months to LECL	–	(162)	–	(162)
– Other current year impairment charge/(release)	(50)	164	(9)	105
Purchased or originated credit impaired	–	–	–	–
Acquisition/(disposal) of advances	–	–	–	–
Transfers from/(to) other divisions	–	–	–	–
Exchange rate differences	–	(11)	–	(11)
Bad debts written off	–	(372)	–	(372)
ECL as at 30 June 2024	6	848	7	861
– Stage 1	6	497	7	510
– Stage 2	–	109	–	109
– Stage 3	–	242	–	242
– Purchased or originated credit impaired	–	–	–	–
Current year provision created/(released) per impairment stage	(45)	45	(9)	(9)
– Stage 1	(45)	267	(9)	213
– Stage 2	–	(365)	–	(365)
– Stage 3	–	143	–	143
– Purchased or originated credit impaired	–	–	–	–

Notes to the annual financial statements continued

10 Advances continued

10.6 Reconciliation of the gross advances and loss allowance on total advances per class continued

10.6.5 Reconciliation of the gross carrying amount of total advances per class

Amortised cost – 30 June 2023

	Retail secured		Retail unsecured			Retail secured and unsecured	Corporate and commercial					
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other	Temporary stress scenario	FNB commercial	Temporary stress scenario	WesBank corporate and commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
GCA reported as at 1 July 2022	242 757	93 214	32 821	46 623	7 907	–	107 711	–	45 128	260 431	50 400	886 992
– Stage 1	211 306	76 766	26 914	32 510	6 045	(2 687)	95 656	(130)	39 417	240 834	49 467	776 098
– Stage 2	19 649	10 463	2 229	7 149	586	2 687	7 428	130	4 808	17 654	269	73 052
– Stage 3	11 802	5 985	3 678	6 964	1 276	–	4 627	–	903	1 211	664	37 110
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	732	–	732
Transfers between stages	–	–	–	–	–	–	–	–	–	–	–	–
Transfers to/(from) stage 1	(6 016)	(2 991)	(1 802)	(3 242)	(321)	–	(3 130)	–	708	(5 412)	127	(22 079)
– Transfers into stage 1	5 873	2 296	641	1 085	156	–	2 388	–	3 070	1 625	165	17 299
– Transfers out of stage 1	(11 889)	(5 287)	(2 443)	(4 327)	(477)	–	(5 518)	–	(2 362)	(7 037)	(38)	(39 378)
Transfers to/(from) stage 2	2 130	728	96	(195)	69	–	1 303	–	(1 120)	3 176	(131)	6 056
– Transfers into stage 2	11 272	4 611	1 292	2 628	369	–	4 591	–	2 025	6 568	36	33 392
– Transfers out of stage 2	(9 142)	(3 883)	(1 196)	(2 823)	(300)	–	(3 288)	–	(3 145)	(3 392)	(167)	(27 336)
Transfers to/(from) stage 3	3 886	2 263	1 706	3 437	252	–	1 827	–	412	2 236	4	16 023
– Transfers into stage 3	5 585	3 133	1 822	4 086	375	–	1 894	–	500	2 236	54	19 685
– Transfers out of stage 3	(1 699)	(870)	(116)	(649)	(123)	–	(67)	–	(88)	–	(50)	(3 662)
Current year movement	17 452	14 010	6 082	8 647	311	–	9 914	–	9 262	47 292	(9 350)	103 620
New business – changes in exposure	45 431	43 676	3 467	21 297	1 024	–	18 585	–	22 321	100 073	1 030	256 904
Back book – current year movement	(27 979)	(29 666)	2 615	(12 650)	(713)	–	(8 671)	–	(13 059)	(52 861)	(10 380)	(153 364)
– Exposures with a change in measurement basis from 12 months to LECL	(1 505)	(1 844)	185	(1 108)	1	–	(496)	–	(2 344)	(1 850)	(93)	(9 054)
– Other current year change in exposure/ net movement on GCA	(26 474)	(27 822)	2 430	(11 542)	(714)	–	(8 175)	–	(10 715)	(51 011)	(10 287)	(144 310)
Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	80	–	80
Acquisition/(disposal) of advances	–	–	–	–	–	–	(90)	–	–	(3 238)	1 069	(2 259)
Transfers from/(to) other divisions	(11)	–	–	–	11	–	–	–	–	–	–	–
Exchange rate differences	–	–	–	–	–	–	–	–	–	2 771	436	3 207
Bad debts written off	(438)	(1 736)	(1 639)	(4 895)	(745)	–	(1 612)	–	(178)	(364)	(45)	(11 652)
Modifications that did not give rise to derecognition	(125)	(55)	(115)	(303)	(78)	–	5	–	–	–	–	(671)
GCA reported as at 30 June 2023	259 635	105 433	37 149	50 072	7 406	–	115 928	–	54 212	306 892	42 510	979 237
– Stage 1	223 096	87 489	30 073	35 024	5 843	–	102 500	–	49 682	287 049	41 544	862 300
– Stage 2	22 466	11 944	3 019	7 501	639	–	8 655	–	3 464	16 071	46	73 805
– Stage 3	14 073	6 000	4 057	7 547	924	–	4 773	–	1 066	2 990	920	42 350
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	782	–	782
Core lending advances	259 635	105 433	37 149	50 072	7 406	–	115 928	–	54 212	306 254	28 195	964 284
Assets under agreements to resell	–	–	–	–	–	–	–	–	–	638	14 315	14 953
Total GCA of advances as at 30 June 2023	259 635	105 433	37 149	50 072	7 406	–	115 928	–	54 212	306 892	42 510	979 237

Notes to the annual financial statements continued

10 Advances continued

10.6 Reconciliation of the gross advances and loss allowance on total advances per class continued

10.6.6 Reconciliation of the loss allowance on total advances per class

Amortised cost – 30 June 2023

	Retail secured		Retail unsecured			Retail secured and unsecured	Corporate and commercial					
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other	Temporary stress scenario	FNB commercial	Temporary stress scenario	WesBank corporate and commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
ECL reported as at 1 July 2022	4 084	5 221	4 361	8 681	1 585	315	5 233	55	795	2 965	785	34 080
– Stage 1	609	779	1 130	2 065	385	153	1 029	23	186	882	42	7 283
– Stage 2	939	1 289	620	1 727	147	162	1 059	32	193	1 482	31	7 681
– Stage 3	2 536	3 153	2 611	4 889	1 053	–	3 145	–	416	518	712	19 033
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	83	–	83
Transfers between stages	–	–	–	–	–	–	–	–	–	–	–	–
Transfers to/(from) stage 1	123	90	46	(145)	17	–	98	–	127	10	16	382
– Transfers into stage 1	189	143	171	244	39	–	192	–	143	46	18	1 185
– Transfers out of stage 1	(66)	(53)	(125)	(389)	(22)	–	(94)	–	(16)	(36)	(2)	(803)
Transfers to/(from) stage 2	(92)	(289)	(281)	(727)	(23)	–	(270)	–	(113)	(100)	2	(1 893)
– Transfers into stage 2	238	113	79	360	61	–	91	–	19	31	7	999
– Transfers out of stage 2	(330)	(402)	(360)	(1 087)	(84)	–	(361)	–	(132)	(131)	(5)	(2 892)
Transfers to/(from) stage 3	(31)	199	235	872	6	–	172	–	(14)	90	(18)	1 511
– Transfers into stage 3	171	292	295	1 109	68	–	215	–	10	90	5	2 255
– Transfers out of stage 3	(202)	(93)	(60)	(237)	(62)	–	(43)	–	(24)	–	(23)	(744)
Current year provision created/(released)	640	2 288	2 045	5 468	512	(315)	1 331	(55)	116	683	(265)	12 448
New business – impairment charge/(release)	388	1 501	275	2 831	91	–	259	–	237	477	2	6 061
Back book – impairment charge/(release)	252	787	1 770	2 637	421	(315)	1 072	(55)	(121)	10	(267)	6 191
– Exposures with a change in measurement basis from 12 months to LECL	43	(60)	190	(119)	14	–	299	–	(28)	(42)	(18)	279
– Other current year impairment charge/(release)	209	847	1 580	2 756	407	(315)	773	(55)	(93)	52	(249)	5 912
Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	196	–	196
Acquisition/(disposal) of advances	–	–	–	–	–	–	–	–	–	(6)	237	231
Transfers from/(to) other divisions	70	–	–	35	(105)	–	–	–	–	–	–	–
Exchange rate differences	–	–	–	–	–	–	–	–	–	17	148	165
Bad debts written off	(438)	(1 736)	(1 639)	(4 895)	(745)	–	(1 612)	–	(178)	(364)	(35)	(11 642)
ECL as at 30 June 2023	4 356	5 773	4 767	9 289	1 247	–	4 952	–	733	3 295	870	35 282
– Stage 1	432	985	1 165	2 069	309	–	907	–	228	960	37	7 092
– Stage 2	1 076	1 861	754	1 901	168	–	1 213	–	111	1 469	8	8 561
– Stage 3	2 848	2 927	2 848	5 319	770	–	2 832	–	394	621	825	19 384
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	245	–	245
Current year provision created/(released) per impairment stage	640	2 288	2 045	5 468	512	(315)	1 331	(55)	116	683	(265)	12 448
– Stage 1	(370)	116	(10)	112	14	(153)	(219)	(23)	(85)	59	(27)	(586)
– Stage 2	229	861	415	902	44	(162)	424	(32)	31	86	(28)	2 770
– Stage 3	781	1 311	1 640	4 454	454	–	1 126	–	170	342	(210)	10 068
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	196	–	196

Notes to the annual financial statements continued

10 Advances continued

10.6 Reconciliation of the gross advances and loss allowance on total advances per class continued

10.6.7 Reconciliation of the gross carrying amount of total advances per class

Fair value – 30 June 2023

R million	FNB commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
GCA reported as at 1 July 2022	112	90 751	1 581	92 444
– Stage 1	112	87 918	1 538	89 568
– Stage 2	–	1 981	43	2 024
– Stage 3	–	769	–	769
– Purchased or originated credit impaired	–	83	–	83
Transfers between stages	–	–	–	–
Transfers to/(from) stage 1	–	(1 028)	–	(1 028)
– Transfers into stage 1	–	603	–	603
– Transfers out of stage 1	–	(1 631)	–	(1 631)
Transfers to/(from) stage 2	–	1 028	–	1 028
– Transfers into stage 2	–	1 631	–	1 631
– Transfers out of stage 2	–	(603)	–	(603)
Transfers to/(from) stage 3	–	–	–	–
– Transfers into stage 3	–	–	–	–
– Transfers out of stage 3	–	–	–	–
Current year movement	(44)	29 262	1 500	30 718
New business – changes in exposure	–	15 986	2	15 988
Back book – current year movement	(44)	13 277	1 498	14 731
– Exposures with a change in measurement basis from 12 months to LECL	–	1 016	–	1 016
– Other current year change in exposure/ net movement on GCA	(44)	12 261	1 498	13 715
Purchased or originated credit impaired	–	(1)	–	(1)
Acquisition/(disposal) of advances	–	–	–	–
Transfers from/(to) other divisions	502	–	(502)	–
Exchange rate differences	–	1 159	–	1 159
Bad debts written off	(50)	(82)	–	(132)
GCA reported as at 30 June 2023	520	121 090	2 579	124 189
– Stage 1	520	115 495	2 536	118 551
– Stage 2	–	4 847	43	4 890
– Stage 3	–	748	–	748
– Purchased or originated credit impaired	–	–	–	–
Core lending advances	520	56 978	2 579	60 077
Assets under agreements to resell	–	64 112	–	64 112
Total GCA of advances as at 30 June 2023	520	121 090	2 579	124 189

10 Advances continued

10.6 Reconciliation of the gross advances and loss allowance on total advances per class continued

10.6.8 Reconciliation of the loss allowance on total advances per class

Fair value – 30 June 2023

R million	FNB commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
ECL reported as at 1 July 2022	3	1 160	106	1 269
– Stage 1	3	195	103	301
– Stage 2	–	412	3	415
– Stage 3	–	471	–	471
– Purchased or originated credit impaired	–	82	–	82
Transfers between stages	–	–	–	–
Transfers to/(from) stage 1	–	(2)	–	(2)
– Transfers into stage 1	–	4	–	4
– Transfers out of stage 1	–	(6)	–	(6)
Transfers to/(from) stage 2	–	2	–	2
– Transfers into stage 2	–	6	–	6
– Transfers out of stage 2	–	(4)	–	(4)
Transfers to/(from) stage 3	–	–	–	–
– Transfers into stage 3	–	–	–	–
– Transfers out of stage 3	–	–	–	–
Current year provision created/(released)	(1)	51	9	59
New business – impairment charge/(release)	–	161	9	170
Back book – impairment charge/(release)	(1)	(110)	–	(111)
– Exposures with a change in measurement basis from 12 months to LECL	–	9	–	9
– Other current year impairment charge/(release)	(1)	(119)	–	(120)
Purchased or originated credit impaired	–	–	–	–
Acquisition/(disposal) of advances	–	–	–	–
Transfers from/(to) other divisions	99	–	(99)	–
Exchange rate differences	–	57	–	57
Bad debts written off	(50)	(82)	–	(132)
ECL as at 30 June 2023	51	1 186	16	1 253
– Stage 1	51	232	4	287
– Stage 2	–	483	4	487
– Stage 3	–	471	8	479
– Purchased or originated credit impaired	–	–	–	–
Current year provision created/(released) per impairment stage	(1)	51	9	59
– Stage 1	(51)	32	–	(19)
– Stage 2	–	19	1	20
– Stage 3	50	–	8	58
– Purchased or originated credit impaired	–	–	–	–

Notes to the annual financial statements continued

10 Advances continued

10.7 Modified advances measured at amortised cost

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

	2024				2023			
	Stage 2 and stage 3				Stage 2 and stage 3			
R million	Gross carrying amount before modification	Loss allowance before modification	Amortised cost before modification	Modification gain/(loss)	Gross carrying amount before modification	Loss allowance before modification	Amortised cost before modification	Modification gain/(loss)
Residential mortgages	938	(85)	853	(37)	11 612	(137)	11 475	(101)
WesBank VAF	1 495	(348)	1 147	(47)	1 227	(274)	953	(55)
Total retail secured	2 433	(433)	2 000	(84)	12 839	(411)	12 428	(156)
FNB card	823	(434)	389	(96)	582	(284)	298	(115)
Personal loans	2 810	(1 163)	1 647	(650)	2 619	(921)	1 698	(303)
Retail other	99	(50)	49	(31)	124	(55)	69	(78)
Total retail unsecured	3 732	(1 647)	2 085	(777)	3 325	(1 260)	2 065	(496)
FNB commercial	43	(3)	40	–	208	(9)	199	5
Total	6 208	(2 083)	4 125	(861)	16 372	(1 680)	14 692	(647)

The GCA in stage 2 or stage 3 of advances that previously had been modified but not derecognised, and whose improvement in credit risk has moved into stage 1, amounted to R475 million (2023: R56 million).

11 Impairment of advances

11.1 Analysis of the loss allowance closing balance

	2024				
	Loss allowance				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Amount as at 30 June 2024	40 457	7 862	9 432	22 581	582
Amortised cost	39 596	7 352	9 323	22 339	582
Fair value	861	510	109	242	–
Included in the total loss allowance					
– On- and off-balance sheet exposure*	40 303	7 814	9 330	22 577	582
– Letters of credit and guarantees	154	48	102	4	–
Components of total loss allowance as at 30 June 2024					
– Forward-looking information**	2 024	731	1 001	292	–
– Model updates#	14	124	(206)	96	–
			2023		
Amount as at 30 June 2023	36 535	7 379	9 048	19 863	245
Amortised cost	35 282	7 092	8 561	19 384	245
Fair value	1 253	287	487	479	–
Included in the total loss allowance					
– On- and off-balance sheet exposure*	36 364	7 315	8 950	19 854	245
– Letters of credit and guarantees	171	64	98	9	–
Components of total loss allowance as at 30 June 2023					
– Forward-looking information**	2 974	1 082	1 540	352	–
– Model updates#	(90)	75	244	(409)	–

* *Includes loan commitments as the credit risks is managed and monitored with the drawn component as a single EAD. The EAD on the entire facility is used to calculate the ECL and is therefore included in the ECL allowance.*

** *This represents the total ECL closing balance as at 30 June that is attributable to incorporating FLI macroeconomic information into the ECL calculations. For more detail on the process of incorporating FLI into the ECL calculation refer to the critical accounting estimates and judgements on page C23.*

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

Notes to the annual financial statements continued

11 Impairment of advances continued

11.2 Breakdown of ECL created in the reporting period

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

R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
	2024				
Current period ECL provided	**16 188**	**69**	**3 173**	**12 609**	**337**
Interest suspended on stage 3 advances	**(2 983)**	**–**	**–**	**(2 926)**	**(57)**
Current period change in ECL provided after interest suspended on stage 3 advances	**13 205**	**69**	**3 173**	**9 683**	**280**
Post write-off recoveries	**(1 615)**	**–**	**–**	**(1 615)**	**–**
Modification losses	**861**	**–**	**105**	**756**	**–**
Impairment recognised in the income statement for the period ended 30 June 2024	**12 451**	**69**	**3 278**	**8 824**	**280**
Amortised cost	**12 462**	**(143)**	**3 643**	**8 682**	**280**
Fair value*	**(11)**	**212**	**(365)**	**142**	**–**
	2023				
Current period ECL provided	12 507	(605)	2 790	10 126	196
Interest suspended on stage 3 advances	(2 556)	–	–	(2 553)	(3)
Current period change in ECL provided after interest suspended on stage 3 advances	9 951	(605)	2 790	7 573	193
Post write-off recoveries	(2 209)	–	–	(2 209)	–
Modification losses	671	24	75	572	–
Impairment recognised in the income statement for the period ended 30 June 2023	8 413	(581)	2 865	5 936	193
Amortised cost	8 354	(562)	2 845	5 878	193
Fair value*	59	(19)	20	58	–

* *No material recoveries of bad debts written off or modification losses are attributable to advances measured at fair value.*

11 Impairment of advances continued

11.2 Breakdown of ECL created in the reporting period continued

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

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

Income statement component	Definition and key drivers
Volume change in stage 1	This represents the change in the impairment on stage 1 core lending advances, assuming that the coverage ratio has remained unchanged from the prior year. It is calculated as the movement in the GCA of stage 1 advances (current year less prior year) multiplied by the prior year stage 1 coverage ratio. The key drivers relate to the change in volume of stage 1 advances due to new business, stage migrations and loans commencing in the period in stage 1 subsequently written off or curing.
Change in stage 1 coverage	This represents the change in the impairment on stage 1 core lending advances due to a change in the coverage ratio for stage 1 advances. This is calculated as the GCA of stage 1 advances at the current year-end multiplied by the difference in the current year and prior year stage 1 coverage ratio.
Volume change in stage 2	This represents the change in the impairment on stage 2 core lending advances, assuming that the coverage ratio remained unchanged from the prior year. This is calculated as the movement in the GCA of stage 2 advances (current year less prior year) multiplied by the prior year stage 2 coverage ratio. This column therefore represents the change in volume of stage 2 advances due to stage migration, or loans commencing in the period in stage 2 subsequently migrating to stage 3 or curing.
Change in stage 2 coverage	This represents the change in the impairment on stage 2 core lending advances due to a change in the coverage ratio for stage 2 advances. This is calculated as the gross carrying amount of stage 2 advances at the current year-end multiplied by the difference in the current year and prior year stage 2 coverage ratio.
Change in stage 3 provisions (NPLs)	This represents the change in the impairment on stage 3 core lending advances due to a change in the coverage ratio and volume changes due to loans commencing in the period in stage 3 subsequently written off or curing.
Modification gains or losses	Gains or losses recognised on modified exposures that are not derecognised.
Write-offs and other charges	Gross advances written off and other movements (foreign exchange movements, acquisition and disposal of advances and transfers to non-current assets held for sale).

Notes to the annual financial statements continued

11 Impairment of advances continued

11.2 Breakdown of ECL created in the reporting period continued

11.2.2 Breakdown of ECL created in the reporting period per key driver continued

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/ (decrease)	Gross write-off and other	Current year ECL provided	Modi-fication loss	Interest suspended on stage 3 advances	Post write-off recoveries*	Total
	2024												
	Movement in the balance sheet provisions					Movement in the balance sheet provisions				Recognised directly in the income statement			
Total retail secured	**64**	**(90)**	**49**	**161**	**184**	**1 330**	**1 514**	**2 262**	**3 776**	**84**	**(645)**	**(231)**	**2 984**
Total retail unsecured	**123**	**(343)**	**385**	**(155)**	**10**	**1 961**	**1 971**	**7 710**	**9 681**	**777**	**(1 746)**	**(1 059)**	**7 653**
Temporary stress scenario	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total retail secured and unsecured	**187**	**(433)**	**434**	**6**	**194**	**3 291**	**3 485**	**9 972**	**13 457**	**861**	**(2 391)**	**(1 290)**	**10 637**
Total FNB commercial	**113**	**124**	**34**	**(300)**	**(29)**	**103**	**74**	**1 412**	**1 486**	**–**	**(495)**	**(147)**	**844**
– FNB commercial	**113**	**124**	**34**	**(300)**	**(29)**	**103**	**74**	**1 412**	**1 486**	**–**	**(495)**	**(147)**	**844**
– Temporary stress scenario	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
WesBank corporate and commercial	**26**	**(9)**	**12**	**24**	**53**	**130**	**183**	**119**	**302**	**–**	**(36)**	**(13)**	**253**
RMB corporate and investment banking	**137**	**128**	**146**	**35**	**446**	**(225)**	**221**	**701**	**922**	**–**	**(61)**	**(5)**	**856**
Total corporate and commercial	**276**	**243**	**192**	**(241)**	**470**	**8**	**478**	**2 232**	**2 710**	**–**	**(592)**	**(165)**	**1 953**
Centre (including Group Treasury)	**5**	**205**	**(10)**	**3**	**203**	**(244)**	**(41)**	**62**	**21**	**–**	**–**	**(160)**	**(139)**
Total	**468**	**15**	**616**	**(232)**	**867**	**3 055**	**3 922**	**12 266**	**16 188**	**861**	**(2 983)**	**(1 615)**	**12 451**
	2023												
Total retail secured	143	(114)	317	392	738	86	824	2 104	2 928	180	(449)	(426)	2 233
Total retail unsecured	278	(315)	341	(12)	292	384	676	7 350	8 026	496	(1 618)	(1 327)	5 577
Temporary stress scenario	(153)	–	(162)	–	(315)	–	(315)	–	(315)	–	–	–	(315)
Total retail secured and unsecured	268	(429)	496	380	715	470	1 185	9 454	10 639	676	(2 067)	(1 753)	7 495
Total FNB commercial	47	(145)	143	(20)	25	(313)	(288)	1 562	1 274	(5)	(464)	(190)	615
– FNB commercial	70	(145)	175	(20)	80	(313)	(233)	1 562	1 329	(5)	(464)	(190)	670
– Temporary stress scenario	(23)	–	(32)	–	(55)	–	(55)	–	(55)	–	–	–	(55)
WesBank corporate and commercial	48	(6)	(54)	(28)	(40)	(22)	(62)	178	116	–	(23)	(35)	58
RMB corporate and investment banking	279	(164)	42	16	173	183	356	379	735	–	(2)	(42)	691
Total corporate and commercial	374	(315)	131	(32)	158	(152)	6	2 119	2 125	(5)	(489)	(267)	1 364
Centre (including Group Treasury)	4	(107)	(25)	2	(126)	121	(5)	(252)	(257)	–	–	(189)	(446)
Total	646	(851)	602	350	747	439	1 186	11 321	12 507	671	(2 556)	(2 209)	8 413

* *Post write-off recoveries collected in the financial year consist of exposures written off over multiple previous reporting periods,including amounts written off under IAS 39. Under IAS 39, the group followed a conservative approach to writing off exposures and reflected high levels of post write-off recoveries. The absolute level of recoveries post the implementation of IFRS 9 (1 July 2018) continues to be impacted by amounts written off under the previous conservative write-off policy.*

Notes to the annual financial statements continued

12 Collateral and settlement balances and other assets

R million	2024	2023*
Items in transit	**4 043**	2 969
Interest and commission accrued	**15**	11
Prepayments	**2 701**	2 016
Properties in possession	**17**	22
Sundry debtors	**559**	534
Accounts receivable and other**	**3 856**	3 765
Collateral and settlement balances	**17 613**	23 216
– Variation margin – unsettled balances	**79**	7
– Variation margin	**4 754**	6 727
– Initial margin	**12 780**	16 483
Total gross carrying amount of other assets	**28 805**	32 533
– Financial	**24 611**	28 619
– Non-financial	**4 194**	3 914
– Loss allowance on other financial assets#	**(472)**	(416)
Total collateral, settlement balances and other assets	**28 333**	32 117

* *Restated. Refer to basis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation and restatements, in addition, refer to note 32 – Impact due to changes in presentation and restatements.*

** *In the prior year, the description for this line was accounts receivable. The description has been changed to accounts receivable and other in the current year.*

\# *No further information is provided on the loss allowance on other assets, as the amounts are immaterial.*

13 Amounts due (to/by) holding company and fellow subsidiaries

R million	2024	2023*
Amounts due by holding company	**1**	26
Amounts due by fellow subsidiaries	**58 794**	63 329
Impairment provision on amounts due by fellow subsidiaries	**(157)**	(150)
Total amounts due by holding company and fellow subsidiaries	**58 638**	63 205
Amounts due to holding company	**(670)**	(807)
Amounts due to fellow subsidiaries*	**(27 749)**	(28 235)
Total amounts due to holding company and fellow subsidiaries	**(28 419)**	(29 042)
Net amounts due by holding company and fellow subsidiaries	**30 219**	34 163

* *Restated. Refer to basis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation and restatements. In addition, refer to note 32 – Impact due to changes in presentation and restatements.*

As at 30 June 2024 all amounts due from fellow subsidiaries are classified as stage 1 and there have been no transfers between the impairment stages during the year. These loans have no fixed terms of repayment and carry varying rates of interest. Loans to fellow subsidiaries amounting to R329 million (2023: R302 million) are subject to subordination agreements until such time as their assets, fairly valued, exceed their liabilities.

Included in the above amounts are the following:

	Amounts due by fellow subsidiaries		Amounts due to fellow subsidiaries	
R million	Notional	Fair value	Notional	Fair value
2024				
Derivative financial instruments	**24 355**	**1 293**	**18 280**	**149**
Currency contracts	**15 010**	**920**	**10 020**	**64**
Equity contracts	**943**	**8**	**–**	**–**
Bonds	**1 233**	**7**	**1 312**	**4**
Gold	**1 383**	**244**	**789**	**2**
Metals	**–**	**–**	**–**	**–**
Credit	**–**	**–**	**–**	**–**
Interest rate contracts	**5 786**	**114**	**6 159**	**79**
2023				
Derivative financial instruments*	37 351	3 214	42 728	203
Currency contracts	19 435	2 826	14 862	226
Equity contracts	1 417	15	–	(2)
Bonds	3 946	9	2 634	3
Gold	1 525	195	–	–
Metals	–	–	4	–
Credit	–	–	–	2
Interest rate contracts*	11 028	169	25 228	(26)

* *The note has been disaggregated to reflect the underlying derivative contracts. Interest rate contracts notional between fellow subsidiaries subject to hedge accounting and achieved offset are presented in note 7 Derivatives.*

Notes to the annual financial statements continued

14 Property and equipment

R million	Freehold property	Right of use property	Right of use equip-ment	Computer equip-ment	Other equip-ment	Total
Net book value at 1 July 2022	7 545	1 798	319	2 548	4 123	16 333
Cost	10 321	4 661	704	8 567	8 122	32 375
Accumulated depreciation	(2 776)	(2 863)	(385)	(6 019)	(3 999)	(16 042)
Movement for the year	18	445	(44)	486	195	1 100
Acquisitions*	390	1 283	139	1 518	1 590	4 920
Disposals	(74)	(29)	–	–	(352)	(455)
Exchange rate difference	–	20		2	–	22
Depreciation charge for the year	(298)	(818)	(159)	(1 034)	(996)	(3 305)
Impairments recognised	–	–	–	–	(48)	(48)
Early terminations/modification of leases	–	(12)	(24)	–	–	(36)
Net book value at 30 June 2023	**7 563**	**2 243**	**275**	**3 034**	**4 318**	**17 433**
Cost	**10 551**	**5 272**	**623**	**6 875**	**7 777**	**31 098**
Accumulated depreciation	**(2 988)**	**(3 029)**	**(348)**	**(3 841)**	**(3 459)**	**(13 665)**
Movement for the year	**(145)**	**159**	**(19)**	**863**	**1 235**	**2 093**
Acquisitions*	**198**	**1 106**	**130**	**2 039**	**3 084**	**6 557**
Disposals	**(38)**	**(19)**	**–**	**(9)**	**(851)**	**(917)**
Exchange rate difference	**–**	**(9)**	**–**	**(4)**	**–**	**(13)**
Depreciation charge for the year	**(285)**	**(880)**	**(139)**	**(1 163)**	**(1 016)**	**(3 483)**
Impairments recognised	**(20)**	**–**	**–**	**–**	**(29)**	**(49)**
Early terminations/modification of leases	**–**	**(39)**	**(10)**	**–**	**–**	**(49)**
Impairments reversed	**–**	**–**	**–**	**–**	**47**	**47**
Net book value at 30 June 2024	**7 418**	**2 402**	**256**	**3 897**	**5 553**	**19 526**
Cost	**10 678**	**5 748**	**510**	**7 840**	**8 957**	**33 733**
Accumulated depreciation	**(3 260)**	**(3 346)**	**(254)**	**(3 943)**	**(3 404)**	**(14 207)**

* *Include capitalised improvements to property leases of R374 million (2023: R473 million).*

15 Intangible assets

R million	Goodwill	Software and develop-ment costs	Total
Net book value at 1 July 2022	–	512	512
Cost	104	1 737	1 841
Accumulated amortisation and impairment	(104)	(1 225)	(1 329)
Movement for the year	–	275	275
Acquisitions and capitalisations	–	368	368
Amortisation for the year	–	(93)	(93)
Net book value at 30 June 2023	**–**	**787**	**787**
Cost	**–**	**2 079**	**2 079**
Accumulated amortisation and impairment	**–**	**(1 292)**	**(1 292)**
Movement for the year	**–**	**363**	**363**
Acquisitions and capitalisations	**–**	**529**	**529**
Amortisation for the year	**–**	**(166)**	**(166)**
Net book value at 30 June 2024	**–**	**1 150**	**1 150**
Cost	**–**	**2 499**	**2 499**
Accumulated amortisation and impairment	**–**	**(1 349)**	**(1 349)**

16 Investment properties

R million	Notes	2024	2023
Opening balance		**281**	249
Fair value remeasurements	2.4	**–**	32
Closing balance		**281**	281

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

R million	Notes	2024	2023
Rental income from investment property	2.4	**110**	72
Direct operating expenses on investment property that generated rental income		**71**	40

In the current and prior year the bank has no contractual obligations to purchase, construct or develop investment property nor were there material costs incurred for repairs, maintenance and enhancements of investment property.

External valuations are performed every two years, with the last external valuation conducted in 2023. A desktop valuation is undertaken in the years where an external valuation is not performed, so as to ensure significant changes in fair value of investment properties are reported.

Refer to note 27 for the significant inputs used to determine the fair value of investment properties.

Notes to the annual financial statements continued

17 Employee liabilities and related costs

R million	Notes	2024	2023
Liability for short-term employee benefits		**7 639**	7 612
Share-based payment liability (detailed in note 25)		**4 737**	5 392
Defined benefit post-employment liability	17.1	**1 377**	1 287
Other long-term employee benefit liability		**2**	(9)
Total employee liabilities		**13 755**	14 282

17.1 Defined benefit post-employment liability

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

NATURE OF BENEFITS	
Pension	**Medical**
The pension plan (FirstRand Retirement Fund) provides retired employees with a pension benefit after service. A separate account (the fund) has been established. The account holds assets that are used solely to pay pension benefits. For current pensioners the fund pays a pension to the members and a dependants' pension to the spouse and eligible children on death of the pensioner. There is also a small number of active members whose benefit entitlement will be determined on a defined benefit basis as prescribed by the rules of the fund. For this small number of defined benefit contributing members in the pension plan (12 members), the group is liable for any deficit in the value of accrued benefits exceeding the assets in the fund earmarked for these liabilities. The liability of the plan in respect of defined contribution members is equal to the member's fund credit, which is determined as the accumulation of the member's contributions (net of deduction for fund expenses and cost of death benefits) as well as any amounts transferred into the fund by the member, increased with the net investment returns earned (positive or negative) on the member's assets. The fund provides a pension that can be purchased with the member's fund credit (equal to member contributions at retirement should the member so choose).	The medical plan scheme provides retired employees with medical benefits. The employer's post-employment healthcare liability consists of a commitment to pay a portion of the members' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member. Members employed on or after 1 December 1998 do not qualify for a post-employment medical subsidy.

17 Employee liabilities and related costs continued

17.1 Defined benefit post-employment liability continued

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

GOVERNANCE	
Pension	**Medical**
The pension plan is regulated by the Financial Sector Conduct Authority in South Africa. Responsibility for governance of the plans, including investment decisions, lies with the board of trustees. Contribution categories available to members are jointly determined by the group and board of trustees. The board of trustees must be composed of representatives of the group and plan participants in accordance with the plans' regulations. The board consists of four representatives of the group and four representatives of the plan participants in accordance with the plans' regulations. The trustees serve on the board for four years and may be re-elected a number of times. An external auditor performs an audit of the fund on an annual basis and such annual financial statements are submitted to the Registrar of Pension Funds (i.e. to the Financial Sector Conduct Authority). A full actuarial valuation of the pension fund is submitted to the Financial Sector Conduct Authority every three years. The 30 June 2023 valuation is the last valuation that has been submitted to the Financial Sector Conduct Authority. Annual interim actuarial valuations are performed for the trustees and for IAS 19 purposes. At the last valuation date the fund was financially sound.	The medical plan is regulated by the registrar of the Council for Medical Schemes in South Africa. Governance of the post-employment medical aid subsidy policy lies with the bank. The bank has established a committee that meets regularly to discuss and review the management of the medical plan scheme and the subsidy. This committee is managed and governed by the FirstRand financial resources management executive committee and the FirstRand group ALCCO. The committee also considers administration and data management issues and analyses demographic and economic risks inherent in the subsidy policy.

Notes to the annual financial statements continued

17 Employee liabilities and related costs continued

17.1 Defined benefit post-employment liability continued

ASSET-LIABILITY MATCHING STRATEGIES

The bank ensures that the investment positions are managed within an asset and liability matching (ALM) framework that has been developed to achieve long-term investment returns that are in line with the obligations under the schemes. Within this framework, the bank's ALM objective is to match assets to the pension obligations by investing in long-term fixed-interest securities with maturities that match the benefit payments as they fall due. The bank actively monitors how the duration and expected yield of the investments match the expected cash outflows arising from the pension obligations. Investments are well diversified so that the failure of any single investment would not have a material impact on the overall level of assets.

The trustees of the fund have adopted an investment strategy in respect of the pensioner liabilities that largely follows an 80% exposure in fixed-interest instruments to immunise against interest rate and inflation risk, and 20% exposure to local and foreign growth assets. An overlay comprising 20% exposure of high-quality corporate credit fixed-income instruments is funded through a repo transaction of a portion of the South African government-issued inflation-linked bonds to improve the probability of achieving the performance objective.

The fixed-interest instruments consist mainly of long-dated South African government-issued inflation-linked bonds, while the growth assets are allocated to selected local and foreign asset managers. The trustees receive monthly reports on the funding level of the pensioner liabilities and an in-depth attribution analysis in respect of changes in the pensioner funding level.

The trustees of the fund aim to apportion an appropriate level of balanced portfolio, conservative portfolio, and inflation-linked and money market assets to match the maturing defined benefit active member liabilities. It should be noted that this is an approximate matching strategy, as elements such as salary inflation and decrement rates cannot be matched. This is, however, an insignificant liability compared to the total liability of the pension fund.

RISK ASSOCIATED WITH THE PLANS

Through its defined benefit pension plans and post-employment medical plans, the bank is exposed to a number of risks, the most significant of which are detailed below.

Asset volatility – Assets are held in order to provide a return to back the plans' obligations, therefore any volatility in the value of these assets relative to the value of the liabilities would create a deficit.

Inflation risk – The plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. Consumer price inflation and healthcare cost inflation form part of the financial assumptions used in the valuation.

Life expectancy – The plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Demographic movements – The plans' liabilities are determined based on a number of best estimate assumptions based on the demographic movements of participants, including withdrawal and early retirement rates. This is especially relevant to the post-employment medical aid subsidy liabilities. Should fewer eligible employees withdraw and/or should more eligible employees retire earlier than assumed, the post-employment healthcare liabilities could be understated.

17 Employee liabilities and related costs continued

17.1 Defined benefit post-employment liability continued

Details of the gross defined benefit plan assets and fund liability and net fund asset/liability are shown below.

		2024			2023*		
R million	Notes	Pension	Medical**	Total	Pension	Medical**	Total
Post-employment benefit fund liability							
Present value of funded obligation		**7 136**	**3 200**	**10 336**	7 307	3 105	10 412
Fair value of plan assets		**(8 171)**	**(1 823)**	**(9 994)**	(7 990)	(1 818)	(9 808)
– Listed equity instruments		**(2 181)**	**–**	**(2 181)**	(1 967)	–	(1 967)
– Cash and cash equivalents		**(159)**	**–**	**(159)**	(197)	–	(197)
– Debt instruments		**(2 157)**	**–**	**(2 157)**	(2 225)	–	(2 225)
– Derivatives		**(20)**	**–**	**(20)**	(13)	–	(13)
– Qualifying insurance policy		**–**	**(1 823)**	**(1 823)**	–	(1 818)	(1 818)
– Other		**(3 654)**	**–**	**(3 654)**	(3 588)	–	(3 588)
Total employee (asset)/liability		**(1 035)**	**1 377**	**342**	(683)	1 287	604
Limitation imposed by IAS 19 asset ceiling		**1 035**	**–**	**1 035**	683	–	683
Total net post-employment (asset)/liability		**–**	**1 377**	**1 377**	–	1 287	1 287
Total amount recognised on the income statement (included in staff costs)	3	**(82)**	**177**	**95**	(34)	166	132
Movement in post-employment benefit fund liability*							
Present value at the beginning of the year		**7 307**	**3 105**	**10 412**	8 029	3 122	11 151
Current service cost		**2**	**30**	**32**	3	32	35
Interest expense		**853**	**362**	**1 215**	822	365	1 187
Remeasurements: recognised in OCI		**(201)**	**(75)**	**(276)**	(830)	(181)	(1 011)
– Actuarial (losses)/gains from financial assumptions		**(267)**	**(38)**	**(305)**	(780)	(116)	(896)
– Other remeasurements		**66**	**(37)**	**29**	(50)	(65)	(115)
Benefits paid		**(825)**	**(222)**	**(1 047)**	(717)	(233)	(950)
Employer contribution		**–**	**–**	**–**	–	–	–
Employee contribution		**–**	**–**	**–**	–	–	–
Closing balance		**7 136**	**3 200**	**10 336**	7 307	3 105	10 412

* *In the prior year, the present value of funded obligation movement reconciliation was not disclosed. The note has been updated and comparatives provided as required by IAS 19.*

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

Notes to the annual financial statements continued

17 Employee liabilities and related costs continued

17.1 Defined benefit post-employment liability continued

R million	2024 Pension	2024 Medical*	2024 Total	2023 Pension	2023 Medical*	2023 Total
Movement in the fair value of plan assets:						
Opening balance	**7 990**	**1 818**	**9 808**	8 373	1 915	10 288
Interest income	**937**	**215**	**1 152**	859	231	1 090
Remeasurements: recognised in OCI	**67**	**(25)**	**42**	(527)	(117)	(644)
Employer contributions	**1**	**37**	**38**	1	21	22
Employee contributions	**1**	**—**	**1**	1	—	1
Benefits paid and settlements	**(825)**	**(222)**	**(1 047)**	(717)	(232)	(949)
Closing balance	**8 171**	**1 823**	**9 994**	7 990	1 818	9 808
Reconciliation of limitation imposed by IAS 19 asset ceiling						
Opening balance	**683**	**—**	**683**	344	—	344
Interest income	**85**	**—**	**85**	37	—	37
Change in the asset ceiling, excluding	**—**	**—**	**—**	—	—	—
amounts included in interest	**267**	**—**	**267**	302	—	302
Closing balance	**1 035**	**—**	**1 035**	683	—	683
Actual return on plan assets was	**12%**			12%		
Included in plan assets were the following:						
FirstRand Limited ordinary shares with a fair value of	**34**	**–**	**34**	31	–	31
Total	**34**	**–**	**34**	31	–	31

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

Net defined benefit fund asset/liability reconciliation

The table below provides the reconciliation of the net opening balance to the net closing balance for the post-employment benefit fund liability, taking into consideration the effect of the plan asset ceiling.

R million	2024 Pension	2024 Medical	2024 Total	2023 Pension	2023 Medical	2023 Total
Movement in post-employment benefit fund liability						
Present value at the beginning of the year	**–**	**1 287**	**1 287**	–	1 207	1 207
Current service cost	**2**	**30**	**32**	3	32	35
Net interest	**(84)**	**147**	**63**	(37)	134	97
Remeasurements: recognised in OCI	**84**	**(50)**	**34**	36	(64)	(28)
– Actuarial (losses)/gains from financial assumptions	**(267)**	**(38)**	**(305)**	(780)	(116)	(896)
– Other remeasurements	**351**	**(12)**	**339**	816	52	868
Benefits paid	**—**	**—**	**—**	—	(1)	(1)
Employer contribution	**(1)**	**(37)**	**(38)**	(1)	(21)	(22)
Employee contribution	**(1)**	**—**	**(1)**	(1)	—	(1)
Closing balance		**1 377**	**1 377**	—	1 287	1 287

17 Employee liabilities and related costs continued

17.1 Defined benefit post-employment liability continued

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

%	2024 Pension	2024 Medical	2023 Pension	2023 Medical
The principal actuarial assumptions used for accounting purposes were:				
Expected rates of salary increases %	**8.4**	**—**	8.7	—
Discount rate %	**12.5**	**11.8**	12.4	12.1
Long-term increase in health costs %	**—**	**9.1**	—	8.7
The effects of a 1% movement in the assumed health cost rate (medical) and the expected rates of salary (pension) were:				
Increase of 1%				
Effect on the defined benefit obligation (R million)	**2.2**	**335.3**	2.6	325.4
Effect on the aggregate of the current service cost and interest cost (R million)	**0.4**	**44.5**	0.5	44.3
Decrease of 1%				
Effect on the defined benefit obligation (R million)	**(2.1)**	**(287.5)**	(2.5)	(279.0)
Effect on the aggregate of the current service cost and interest cost (R million)	**(0.5)**	**(38.0)**	(0.6)	(37.8)
The effects of a change in the average life expectancy of a pensioner retiring at age 65:				
Increase in life expectancy by 1 year				
Effect on the defined benefit obligation (R million)	**226.7**	**99.9**	237.5	96.9
Effect on the aggregate of the current service cost and interest cost (R million)	**45.8**	**12.5**	49.1	12.4
Decrease in life expectancy by 1 year				
Effect on the defined benefit obligation (R million)	**(226.0)**	**(99.8)**	(236.5)	(96.8)
Effect on the aggregate of the current service cost and interest cost (R million)	**(45.8)**	**(12.5)**	(49.0)	(12.4)
Estimated contributions expected to be paid to the plan in the next annual period (R million)	**2.3**	**—**	2	—
Net increase in rate used to value pensions, allowing for pension increases (%)	**5.3**	**3.2**	4.9	3.1
The weighted average duration of the defined benefit obligation (years)	**8.0**	**10.5**	8.2	10.6

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

R million	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Pension benefits	**827**	**3 381**	**46 422**	**50 630**
Post-employment medical benefits	**229**	**1 096**	**20 462**	**21 787**
Total as at 30 June 2024	**1 056**	**4 477**	**66 884**	**72 417**
Pension benefits	812	3 415	52 972	57 199
Post-employment medical benefits	217	1 050	22 696	23 963
Total as at 30 June 2023	1 029	4 465	75 668	81 162

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

Notes to the annual financial statements continued

17 Employee liabilities and related costs continued

Mortality rates

The normal retirement age for active members of the pension fund and post-employment medical benefit scheme is between 60 and 65.

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

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

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

R million	2024	2023
Pension		
The number of employees covered by the scheme		
Active members	**12**	14
Pensioners	**5 027**	5 168
Deferred plan participants	**245**	245
Total employees	**5 284**	5 427
Defined benefit obligation amounts due to		
Benefits vested at the end of the reporting period (R million)	**7 137**	7 306
Amounts attributable to future salary increases (R million)	**50**	64
Other benefits (R million)	**7 087**	7 242
Medical		
The number of employees covered by the scheme		
Active members	**2 090**	2 300
Pensioners	**5 019**	5 052
Total employees	**7 109**	7 352
Defined benefit obligation amounts due to		
Benefits vested at the end of the reporting period (R million)	**2 338**	2 244
Benefits accrued but not vested at the end of the reporting period (R million)	**862**	861
Conditional benefits (R million)	**862**	861
Other benefits (R million)	**2 338**	2 244

17.2 Defined contribution post-employment liability

R million	2024	2023
Post-employment defined contribution plan		
Present value of obligation	**36 639**	33 270
Present value of assets	**(36 639)**	(33 270)
Net defined contribution liability	**–**	–

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

18 Deferred income tax

R million	2024	2023
Deferred income tax asset		
Opening balance	**7 398**	6 741
Exchange rate difference	**(12)**	–
Release to profit or loss	**736**	282
Deferred income tax on amounts charged directly to other comprehensive income	**(830)**	374
Total deferred income tax asset	**7 292**	7 397

	As at 30 June		Recognised on income statement	
R million	2024	2023	2024	2023
Deferred income tax asset				
Tax losses	**–**	–	**–**	(7)
Provision for loan impairment	**3 976**	3 664	**312**	171
Provision for post-employment benefits	**372**	348	**15**	29
Other provisions	**1 882**	1 204	**690**	(143)
Cash flow hedges	**327**	1 193	**–**	–
Financial instruments	**13**	14	**(1)**	–
Instalment credit assets	**(172)**	(200)	**28**	(15)
Accruals	**77**	66	**11**	10
Debt instruments designated at FVOCI	**(38)**	(93)	**–**	12
Capital gains tax	**303**	290	**13**	35
Equity instruments designated at FVOCI	**81**	81	**–**	–
Foreign currency translation reserve*	**–**	–	**29**	(107)
Share-based payments	**1 279**	1 456	**(177)**	557
Deferred revenue and deferred expenses	**(489)**	(412)	**(76)**	(125)
Intangible assets	**31**	43	**(11)**	(47)
Other**	**(350)**	(257)	**(97)**	(88)
Total deferred income tax asset	**7 292**	7 397	**736**	282

* *In the prior year, accruals, foreign currency translation reserve and intangible assets were included in other, the amounts are separately disclosed in the current year to better reflect the nature of the item.*

** *Other relates mainly to prepayments and fixed assets.*

South Africa's Minister of Finance indicated in the 2024 Budget Review on 21 February 2024 that South Africa will be implementing the Organisation for Economic Co-Operation and Development's (OECD's) Pillar Two Model Rules with effect from years of assessment commencing on or after 1 January 2024. The bank is within the scope of the Pillar Two global minimum tax rules. Therefore a minimum effective corporate tax rate of 15% will be required to be applied in each jurisdiction that the bank operates in. Assuming the legislation becomes effective as the Draft Global Minimum Tax Bill proposes, the Pillar Two rules will apply to FirstRand's 2025 financial year. Based on a preliminary assessment of the current draft legislation, the Pillar Two rules are estimated to increase the effective tax rate in Mauritius to 15% from 1 July 2024. The amendments had no current tax impact for the bank for the current financial year and the bank has applied the mandatory deferred tax exemption in IAS 12. Within the United Kingdom, the Pillar Two rules are effective for accounting periods beginning on or after 31 December 2023, thus applying to bank's UK entities from their 2025 financial year. The new rules will not result in an increase in the effective tax rate within the UK as the rate already exceeds 15%.

The bank will continue to monitor the position across all jurisdictions it operates in as new legislation and guidance is issued.

19 Short trading positions

R million	2024	2023
Government and government-guaranteed stock	**9 555**	12 326
Other dated securities	**46**	147
Total short trading positions	**9 601**	12 473

Notes to the annual financial statements continued

20 Creditors, accruals and provisions

R million	2024	2023
Net unclaimed balances	**397**	403
Accounts payable	**15 865**	11 311
Accrued expenses	**2 651**	2 604
Audit fees accrued	**286**	245
Customer loyalty programme liability*	**2 039**	2 069
Contract liabilities*,**	**379**	446
Payments received in advance**	**119**	236
Provisions (including litigations and claims)#	**4 524**	1 922
Withholding tax for employees	**759**	717
Total creditors, accruals and provisions	**27 019**	19 953

* *These balances meet the definition of contract liabilities measured and recognised in terms of IFRS 15. Contract liabilities relates to service fees that are earned on value-added products provided to customers and the revenue is recognised over the contract period. The customer loyalty programme liability relates to eBucks, and is determined based on the value of unredeemed eBucks in issue that have not been converted to cash or redeemed by the customer. The timing of the customer's use of these eBucks as reward credits redeemable against future purchases with the group or a loyalty programme strategic partner is purely at the customer's discretion.*

** *In the prior year, payments received in advance included amounts that meet the definition of contract liabilities. An amount of R346 million was reclassified from payments received in advance to contract liabilities.*

\# *On 11 January 2024, the Financial Conduct Authority (FCA), announced a review of historic motor finance commission arrangements and sales by the mainstream lenders in the UK motor finance market. The FCA currently expects to report on next steps on this matter during May 2025.*

The bank welcomes the regulator's decision to undertake this review but continues to believe that its own practices were compliant with the laws and regulations in place at the time. In April 2024 the FCA formally communicated its expectation that the firms which fall within the remit of the process must, at all times, maintain adequate financial resources that consider their own specific circumstances. The FCA further indicated that their process may result in establishing an industry-wide redress scheme and therefore the bank has raised a provision of £112.3.million (R2.6 billion). The provision is based on probability-weighted scenarios constructed from the bank's own data analysis, assumptions and emerging estimates and includes probable legal, operational and redress costs (using a range of judgemental assumptions for commissions, interest rates, redress approaches and uphold rates). The amount covers origination up to January 2021. From January 2021 the practice of discretionary commission arrangements ceased. It should also be noted that not all agreements, written during the period under review by the regulator, included a discretionary commission arrangement.

Given the extended timeline of the FCA's review process, and ongoing legal cases proceeding through the courts, significant uncertainty remains regarding any potential industry-wide customer remediation outcome. IFRS Accounting Standards require that the bank disclose the fact that this uncertainty could result in a materially higher or lower eventual financial impact. The bank however believes that the current provision is appropriate based on the information available at the time of reporting.

Reconciliation of contract liabilities

R million	2024	2023*
Opening balance	**2 515**	2 381
Increases due to cash received and other increases in contract liabilities	**2 723**	2 984
Revenue recognised that was included in the contract liability balance at the beginning of the period	**(2 820)**	(2 850)
Closing balance	**2 418**	2 515

* *In the prior year, the balance excluded contract liabilities of R346 million which was included in payments received in advance. The amounts have been restated. Refer to note 32 – Impact due to changes in presentation and restatements.*

Reconciliation of provision

R million	2024	2023
Opening balance	**1 922**	1 649
Exchange rate differences	**(110)**	154
Charge to profit or loss	**3 141**	187
– Additional provisions created	**3 197**	533
– Unused provisions reversed	**(56)**	(346)
Utilised	**(429)**	(68)
Closing balance	**4 524**	1 922

21 Deposits

R million	2024	2023
Category analysis		
Deposits from customers	**1 197 280**	1 117 819
– Current accounts*	**343 188**	346 922
– Call deposits	**355 162**	306 824
– Savings accounts	**53 432**	42 165
– Fixed and notice deposits	**408 114**	371 110
– Other deposits from customers	**37 384**	50 798
Debt securities	**190 992**	203 344
– Negotiable certificates of deposit	**63 593**	68 800
– Fixed-rate and floating-rate notes	**124 866**	132 627
– Exchange-traded notes	**2 533**	1 917
Other	**56 435**	58 012
– Repurchase agreements	**20 074**	18 959
– Securities lending	**1 658**	4 331
– Cash collateral and credit-linked notes	**33 174**	32 645
– SARB funding facility	**1 529**	2 077
Total deposits	**1 444 707**	1 379 175

* *Restated. Refer to basis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation. In addition, refer to note 32 – Impact due to changes in presentation and restatements.*

Notes to the annual financial statements continued

22 Other liabilities

R million	2024	2023
Lease liabilities	**1 794**	1 756
Funding liabilities	**1 252**	1 122
– Preference shares	**321**	–
– Other	**931**	1 122
Total other liabilities	**3 046**	2 878

22.1 Other liabilities reconciliation

	2024			2023		
R million	**Funding liabilities**	**Lease**	**Total**	Funding liabilities	Lease	Total
Opening balance	**1 122**	**1 756**	**2 878**	3 741	1 517	5 258
Cash flow movements	**115**	**(820)**	**(705)**	(2 874)	(748)	(3 622)
– Proceeds from the issue of other liabilities	**650**	**–**	**650**	1 230	–	1 230
– Transfer to/from other divisions	**–**	**–**	**–**	–	(1)	(1)
– Redemption of other liabilities	**(533)**	**–**	**(533)**	(3 964)	–	(3 964)
– Principal payments towards lease liabilities	**–**	**(707)**	**(707)**	–	(662)	(662)
– Interest paid	**(2)**	**(113)**	**(115)**	(140)	(85)	(225)
Non-cash flow movements	**15**	**858**	**873**	255	987	1 242
– Fair value movement	**11**	**1**	**12**	176	–	176
– Foreign exchange	**–**	**(8)**	**(8)**	–	24	24
– New leases recognised during the year	**–**	**820**	**820**	–	994	994
– Early termination/modification of lease	**–**	**(76)**	**(76)**	–	(121)	(121)
– Interest accrued	**4**	**121**	**125**	79	90	169
Total other liabilities	**1 252**	**1 794**	**3 046**	1 122	1 756	2 878

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

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

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

For details on the contractual maturity of lease liabilities, refer to Note 31.2.1 – Liquidity risk.

23 Tier 2 liabilities

R million	Call dates*	Maturity dates	Interest rate	2024	2023
Fixed-rate bonds				**1 430**	1 430
	19 April 2026 to 3 June 2026	19 April 2031 to 3 June 2031	8.155% – 10.19%	**1 430**	1 430
Floating-rate bonds				**15 328**	14 907
	19 April 2026 to 11 March 2030	19 April 2031 to 11 March 2035	3-month JIBAR + 186 bps – 234 bps	**15 328**	14 907
Total Tier 2 liabilities				**16 758**	16 337

* *Redemption subject to regulatory approval.*

23.1 Tier 2 liabilities reconciliation

R million	2024	2023
Opening balance	**16 337**	20 433
Cash flow movements	**(1 331)**	(6 620)
– Proceeds from the issue of Tier 2 liabilities*	**1 548**	7 986
– Capital repaid on Tier 2 liabilities*	**(1 910)**	(13 079)
– Interest paid on Tier 2 liabilities	**(969)**	(1 527)
Non-cash flow movements	**1 752**	2 524
– Foreign exchange	**–**	787
– Fair value hedging adjustment	**–**	145
– Interest accrued	**1 752**	1 592
Total Tier 2 liabilities	**16 758**	16 337

* *Proceeds from the issue of Tier 2 liabilities and capital repaid on Tier 2 liabilities reflected in the cash flows from financing activities in the statement of cash flows have been restated by R2 500 million to correctly reflect the actual cash flows at 30 June 2023. The net cash flow inflow from financing activities(R8 490million) remains unchanged.*

Notes to the annual financial statements continued

24 Share capital, share premium and other reserves

24.1 Share capital and share premium

Authorised shares

	2024	2023
Ordinary shares		
2 000 000 shares with a par value of R2 per share. All issued share capital is fully paid up	**4**	4

Issued shares

	2024			2023		
	Number of shares	**Ordinary share capital R million**	**Share premium R million**	Number of shares	Ordinary share capital R million	Share premium R million
Opening balance	**1 866 836**	**4**	**16 804**	1 866 836	4	16 804
Shares issued	**–**	**–**	**–**	–	–	–
Total issued ordinary share capital and share premium	**1 866 836**	**4**	**16 804**	1 866 836	4	16 804

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

The dividend paid is R16 663 million (2023: R27 290 million) which resulted in a dividend per share of R8 926 (2023: R14 618).

24.2 Additional Tier 1 capital

R million	Rate	2024	2023
FRB24	3-month JIBAR plus 445 basis points	**–**	2 265
FRB25	3-month JIBAR plus 440 basis points	**3 461**	3 461
FRB28	3-month JIBAR plus 440 basis points	**1 400**	1 400
FRB34	3-month JIBAR plus 340 basis points	**2 804**	2 804
FRB37	3-month JIBAR plus 310 basis points	**1 387**	–
FRB38	3-month JIBAR plus 296 basis points	**2 039**	–
FRB39	3-month JIBAR plus 290 basis points	**1 574**	–
FRB41	3-month JIBAR plus 290 basis points	**2 090**	–
Total Additional Tier 1 capital		**14 755**	9 930

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

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

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

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

The total coupon paid during the financial year was R1 518 million (2023: R957 million). Current tax of R410 million (2023: R258 million) was recognised in the income statement.

24 Share capital, share premium and other reserves continued

24.3 Other reserves

Other reserves are made up of the following:

R million	2024	2023
FVOCI reserve – debt instruments	**103**	252
FVOCI reserve – equity instruments	**(295)**	(292)
Capital redemption reserve fund	**1 345**	1 345
Other reserves	**(1)**	–
Total	**1 152**	1 305

25 Remuneration schemes

R million	Notes	2024	2023
The charge to profit or loss for share-based payments is as follows:			
Conditional and deferred incentive plan		**2 448**	2 021
Amount included in profit or loss	3	**2 448**	2 021

The purpose of these schemes is to appropriately attract, incentivise and retain managers and employees within the bank.

Description of the scheme and vesting conditions:

CONDITIONAL AND DEFERRED INCENTIVE PLANS (AWARDS)	
IFRS 2 treatment	**Cash settled**
Description	The award is a notional share based on the FirstRand share price.
Vesting conditions	**Deferred bonus awards** Short-term incentives over a specified threshold are converted to notional share awards and vests after 24 months to ensure these payments are share price linked. These awards are subject to employment conditions, personal and business unit performance requirements and have been included in the share awards outstanding tables below. **Deferred incentive and conditional incentive awards** These awards vest up to three years after the initial award. The awards vest if the employment and performance conditions are met. The deferred incentive plan (DIP) awards are subject to employment conditions and personal performance requirements. The conditional incentive plan (CIP) awards are subject to employment conditions and vesting conditions relating to group performance. CIP vesting conditions are subject to specified financial performance targets set annually by the group's remuneration committee. These corporate performance targets (CPTs) are set out below.
Valuation methodology	The awards are valued using the Black Scholes option pricing model. The awards are cash settled and are repriced at each reporting date.
VALUE ASSUMPTIONS	
Dividend data	Management's estimates of future discrete dividends
Market related	Interest rate is the risk-free rate of return as recorded on the last day of the financial year, on a funding curve of a term equal to the remaining expected life of the plan.
Employee related	The weighted average forfeiture rate used is based on historical forfeiture data observed over all schemes.

Corporate performance targets

The FirstRand remuneration committee sets the CPTs for each award based on expected macroeconomic conditions, group earnings and returns forecasts over the performance period. These criteria vary from year to year, depending on the expectations for each of the aforementioned variables. For vesting to occur, the criteria must be met or exceeded. If the performance conditions are not met, the award fails. The awards have a graded vesting structure. The awards have a graded vesting structure. The level of vesting is correlated to the earnings growth achieved relative to macroeconomic variables or set normalised earnings per share (EPS) growth targets and minimum return on equity (ROE) requirements.

Notes to the annual financial statements continued

25 Remuneration schemes continued

Corporate performance targets continued

The vesting outcome is based on the delivery of the performance conditions and this level is finally determined and calculated by the group remuneration committee. The remuneration committee is permitted to adjust the final outcome of the graded vesting level downwards for predetermined issues. In terms of the scheme rules, participants are not entitled to dividends on their conditional share awards during the vesting period. For the 2020 awards, 50% of the awards granted to non-senior employees are subject only to continued employment for the award to vest, with the remaining 50% subject to performance conditions. From 2021, awards with only time-based vesting conditions were introduced as a short-term incentive category for staff not eligible for the CIP. These are referred to as the DIP.

The criteria for the expired and currently open schemes are set out below.

Expired schemes

2020 (Awards vested at vesting date in September 2023) – The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment of the group. The remaining 50% of the award is subject to corporate performance conditions. For the awards subject to corporate performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a maximum target with linear grading correlated to normalised EPS growth between targets. If the minimum conditions are met, vesting will commence at 70% and if these are not met, the award will lapse. The remuneration committee (Remco) has the right to adjust the vesting level downward by as much as 20% if material negative outcomes for the business occur that are within management control.

Examples would include:

- issues that materially damaged the group's businesses, including its reputation;
- material enterprise-wide risk and control issues, as recommended to it by the risk, capital management and compliance committee (RCCC); and
- concerns regarding adherence to the liquidity and capital management strategies in place.

The performance conditions for the 2020 award include prudential targets relating to liquidity and capital ratios, a normalised EPS growth target and an ROE target. The table below further stipulates the performance conditions to be fulfilled by the company and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. To achieve minimum vesting of 70%, the group must exceed the liquidity and capital targets set by the board and measured at 31 March 2023. If the conditions set for 70% vesting are not met, the award lapses and none of the other conditions described below are assessed. For any vesting above 70%, both the ROE and normalised earnings growth targets below must be met.

Vesting level*	Performance conditions	
	Minimum ROE requirement at 30 June 2023**	**Normalised earnings per share growth requirement (3-year CAGR)**
70.1% to 99.9%	For grading above 95%, ROE must be more than cost of equity as at issue date of award, i.e. net income after capital charge (NIACC) positive	Grading based on minimum CAGR of 4.3% up to <13.4%
100%	ROE must be more than cost of equity as at issue date of award, i.e. NIACC positive	Minimum CAGR of 13.4% up to <17.5% (100% vesting only for all growth outcomes in the range above)
100.1% to 119.9%	ROE of at least 18%	Minimum CAGR of 17.5% up to <22%
120%	ROE of at least 20%	Minimum CAGR of 22%
120.1% to 150% (maximum vesting of 150%)	ROE of at least 22%	Minimum CAGR above 22% and up to 28.2% to calculate linear grading up to 150% vesting

* Linear grading between these vesting levels based on the growth achieved.

** In the event that the ROE target is not met for the higher vesting level, the vesting outcome will be constrained to the outcome relative to the ROE target even if the earnings growth outcome could result in higher vesting outcomes.

25 Remuneration schemes continued

During the year, it was determined by Remco that the group delivered the performance conditions with vesting to the extent of 120%. The group delivered three-year compound normalised earnings growth of 28.5% and the ROE at 30 June 2023 of 21.2%. Earnings growth delivered was at the 150% vesting level, however, the ROE outcome of 21.2% constrained the vesting outcome to 120%. The liquidity and capital targets set by the board for 31 March 2023 were met. Remco concluded that no downward adjustment of the vesting outcome was necessary.

During September 2023, the third tranche of the group's Covid-19 instrument vested. This award was introduced as a one-off Covid-19 instrument in 2020 for employees considered critical to the ongoing sustainability of the business following multiple years of vestings impacted by Covid-19. The settlement of the award was extended over three years to enhance retention. The third and final tranche vested during September 2023 with clawback until September 2024 if the employee leaves the group within the 12 months of the payment of this tranche.

Currently open

2021 (Vesting date in September 2024) – From 2021, all CIP awards have performance conditions applied to 100% of the award. The group implemented a DIP without corporate performance conditions for certain employees and no longer issues CIP awards with only employment as a condition for vesting. Graded vesting applies to all CIP awards. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a maximum (super stretch) target with linear grading correlated to normalised earnings per share growth between targets.

Remco has the right to adjust the vesting level downwards by as much as 20% if material negative outcomes for the business occur that are within management control. Examples would include:

- issues that materially damaged the group's businesses, including its reputation;
- material enterprise-wide risk and control issues, as recommended to it by the RCCC;
- concerns regarding adherence to the liquidity and capital management strategies in place; and
- lack of compliance with the group's climate roadmap over the three-year period.

The table below stipulates the performance conditions to be fulfilled by the group and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. If the conditions set for 50% vesting are not met, the award lapses and none of the other conditions described below are assessed. Both performance conditions must be met for vesting to occur.

	Performance conditions		
	Vesting level should both conditions be met*	**ROE target Minimum ROE requirement at 30 June 2024****	**Normalised earnings per share growth requirement (3-year CAGR)** FirstRand Limited must achieve growth in normalised earnings per share relative to the South African CPI plus real GDP growth# on a cumulative basis over the three-year performance period from the base year end, being 30 June 2021, as set out for each vesting level indicated below:
Threshold (minimum vesting, below which the award lapses)	50%	≥17%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 1%
On-target performance	100%	≥18%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 3%
Stretch†	120%	≥20%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 5%
Super stretch†	150%	≥20%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 8%

* Linear grading between these vesting levels based on the growth achieved. The lower of the vesting outcome based on the ROE or the vesting outcome based on earnings growth will apply.

** The ROE is measured at 30 June 2024. The ROE calculation is based on NAV taking into consideration adjustments (if required) resulting from, for example, material dividend policy changes, regulatory changes, IFRS Accounting Standard changes or changes in volatile reserves.

In the event that the three-year CAGR of real GDP is negative, CPI will be referenced.

† For vesting at 120% or above, ROE of ≥20% is required. The vesting level between 120% and 150% will be determined through linear grading linked to the earnings growth CAGR, with the maximum vesting at 150% at a level of real GDP growth plus CPI plus 8% over the three-year period.

Notes to the annual financial statements continued

25 Remuneration schemes continued

Currently open continued

2022 (Vesting date in September 2025) – All CIP awards are subject to performance conditions. For all the awards graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a super stretch target with linear grading correlated to normalised earnings per share growth between targets.

Remco has the right to adjust the vesting level downwards by as much as 20% if material negative outcomes for the business occur that are within management control. Examples would include:

- issues that materially damaged the group's businesses, including its reputation;
- material enterprise-wide risk and control issues, as recommended to it by the RCCC;
- concerns regarding adherence to the liquidity and capital management strategies in place; and
- lack of compliance with the group's climate roadmap over the three-year period.

The table below stipulates the performance conditions to be fulfilled by the group and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. If the conditions set for 50% vesting are not met, the award lapses and none of the other conditions described below are assessed. Both performance conditions must be met for vesting to occur.

		Performance conditions (both conditions must be met)	
	Vesting level*	**Minimum ROE requirement****	**Normalised earnings per share growth requirement (3-year CAGR)#** FirstRand Limited must achieve growth in normalised earnings per share relative to the South African CPI plus real GDP growth on a cumulative basis over the three-year performance period from the base year end, being 30 June 2022, as set out for each vesting level indicated below:
Threshold (minimum vesting, below which the award lapses)	50%	≥19%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 1.5%
On-target performance	100%	≥20.5%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 2.5%
Stretch†	120%	≥22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 5%
Super stretch†	150%	≥22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 9%

* *Linear grading between these vesting levels based on the earnings growth achieved. The lower of the vesting outcome based on the ROE or the vesting outcome based on earnings growth will apply.*

** *The ROE is measured as the average over the three-year performance period. The ROE calculation is based on NAV taking into consideration adjustments (if required) resulting from, for example, material dividend policy changes, regulatory changes, IFRS Accounting Standards changes or volatile reserves.*

In the event that the three-year CAGR of real GDP is negative, CPI will be referenced.

† *For vesting at 120% or above, ROE of ≥22% is required. The vesting level between 120% and 150% will be determined through linear grading linked to the earnings growth CAGR, with the maximum vesting at 150% at a level of real GDP growth plus CPI plus 9% over the three-year period.*

25 Remuneration schemes continued

Currently open continued

2023 (Vesting date in September 2026) – All CIP awards are subject to performance conditions. For all the awards graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a super stretch target with linear grading correlated to normalised earnings per share growth between targets.

Remco has the right to adjust the vesting level downwards by as much as 20% if material negative outcomes for the business occur that are within management control. Examples would include:

- issues that materially damaged the group's businesses, including its reputation;
- material enterprise-wide risk and control issues, as recommended to it by the RCCC;
- concerns regarding adherence to the liquidity and capital management strategies in place; and
- lack of compliance with the group's climate roadmap over the three-year period.

The table below stipulates the performance conditions to be fulfilled by the group and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. If the conditions set for 50% vesting are not met, the award lapses and none of the other conditions described below are assessed. Both performance conditions must be met for vesting to occur.

		Performance conditions (both conditions must be met)	
	Vesting level should both conditions be met*	**Minimum ROE requirement****	**Normalised earnings per share growth requirement (3-year CAGR)#** FirstRand Limited must achieve growth in normalised earnings per share relative to the South African CPI plus real GDP growth on a cumulative basis over the three-year performance period from the base year end, being 30 June 2023, as set out for each vesting level indicated below:
Threshold (minimum vesting, below which the award lapses)	50%	≥20%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI
On-target performance	100%	≥21%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 4%
Stretch†	120%	≥22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 6.5%
Super stretch†	150%	≥22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 10.5%

* *Linear grading between these vesting levels based on the earnings growth achieved. The lower of the vesting outcome based on the ROE or the vesting outcome based on earnings growth will apply.*

** *The ROE is measured as the average over the three-year performance period. The ROE calculation is based on NAV, taking into consideration adjustments (if required) resulting from, for example, material dividend policy changes, regulatory changes, IFRS Accounting Standards changes or volatile reserves.*

In the event that the three-year CAGR of real GDP is negative, CPI will be referenced.

† *For vesting at 120% or above, ROE of ≥22% is required. The vesting level between 120% and 150% will be determined through linear grading linked to the earnings growth CAGR, with the maximum vesting at 150% at a level of real GDP growth plus CPI plus 10.5% over the three-year period.*

Notes to the annual financial statements continued

25 Remuneration schemes continued

The significant weighted average assumptions used to estimate the fair value of the conditional share awards granted are detailed below.

	Conditional and deferred incentive plans (FirstRand shares)	
	2024	2023
Award life (years)	**1 – 3**	1 – 3
Risk-free rate (%)	**8.43 – 8.83**	8.58 – 9.45

	Conditional and deferred incentive plans (FirstRand shares)	
Share awards outstanding	**2024**	2023
Number of awards in force at the beginning of the year (millions)	**128.4**	106.2
Number of awards granted during the year (millions)	**42.8**	43.7
Number of awards transferred (within the group) during the year (millions)	**0.3**	(0.1)
Number of awards exercised/released during the year (millions)	**(57.7)**	(14.6)
– Market value range at date of exercise/release (cents)*	**6 089 – 7 381**	6 017 – 6 726
– Weighted average (cents)	**6 534**	6,210
Number of awards forfeited during the year (millions)	**(10.2)**	(6.8)
Number of awards in force at the end of the year (millions)	**103.6**	128.4

	Conditional and deferred incentive plan (FirstRand shares)*			
	2024		2023	
Awards outstanding**	**Weighted average remaining life (years)**	**Outstanding awards (millions)**	Weighted average remaining life (years)	Outstanding awards (millions)
Vesting during 2023	**–**	**0.1**	0.27	57.4
Vesting during 2024	**0.25**	**35.9**	1.35	38.7
Vesting during 2025	**1.36**	**35.2**	2.31	32.2
Vesting during 2026	**2.32**	**32.3**		
Total conditional awards		**103.6**		128.4
Number of participants		**4,708**		4 881

* *Market values indicated above include those instances where a probability of vesting is applied to accelerated share award vesting prices due to a no-fault termination, as per the rules of the scheme.*

** *Years referenced in the rows relate to calendar years and not financial years.*

26 Contingencies and commitments

R million	**2024**	2023
Committed capital expenditure*	**4 535**	4 844
Legal proceedings**	**68**	188
Total contingencies and commitments	**4 603**	5 032

The note has been updated to reflect only committed capital expenditure and legal proceedings as commitments and contingencies. In the prior year, this note included commitments relating to guarantees, letters of credit and irrevocable commitments. These financial commitments are reflected in Note 31.1 Credit risk management and Note 31.2 Liquidity risk management.

* *Commitments in respect of capital expenditure and long-term investments approved by the directors.*

** *There is a small number of potential legal claims against the bank, the outcome of which is uncertain at present. These claims are not regarded as material, either on an individual or a total basis, and arise during the normal course of business. On-balance sheet provisions are only raised for claims that are expected to materialise.*

26.1 Future minimum lease payments receivable under operating leases where the bank is the lessor

The bank owns various assets that are leased to third parties under non-cancellable operating leases as part of the bank's revenue-generating operations.

The minimum future lease payments under non-cancellable operating leases on assets where the bank is the lessor are detailed below.

	2024			
R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
Property	**79**	**244**	**102**	**425**
Motor vehicles	**1 362**	**2 207**	**304**	**3 873**
Total operating lease commitments	**1 441**	**2 451**	**406**	**4 298**
		2023		
Property	73	265	136	474
Motor vehicles	1 151	1 927	230	3 308
Total operating lease commitments	1 224	2 192	366	3 782

Notes to the annual financial statements continued

27 Fair value measurements

27.1 Valuation methodology

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

27.2 Fair value hierarchy and measurements

Measurement of assets and liabilities at level 2 and level 3

The table below sets out the valuation techniques applied by the bank for recurring fair value measurements of assets and liabilities categorised as level 2 and level 3.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs – level 2	Unobservable inputs – level 3
DERIVATIVE FINANCIAL INSTRUMENTS				
Forward rate agreements, forwards and swaps	Discounted cash flow	Future cash flows are projected using a related forecasting curve or referencing a traded future contract price and then discounted using a market-related discounting curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, future contract prices, credit and currency basis curves and spot prices	Unobservable market interest rates, credit and currency basis curves
Options and equity derivatives	Option pricing and industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and by applying extrapolation techniques to match the appropriate risk profile.	Strike price of the option, market-related discount rate, spot or forward rate, the volatility of the underlying, dividends and listed share prices	Volatilities, dividends and unlisted share prices
ADVANCES TO CUSTOMERS				
Advances under repurchase agreements and other advances	Discounted cash flow	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. For advances under repurchase agreements, credit inputs are an insignificant input as the advance is fully collateralised. For some advances under repurchase agreements, the amount repayable is referenced to a listed price of an underlying. In the case where the fair value of the credit is not significant year-on-year but may become significant in future, and where the South African counterparties do not have actively traded or observable credit spreads, the bank classifies other loans and advances to customers as level 3 in the fair value hierarchy.	Market interest rates, credit inputs and listed prices of an underlying	Credit inputs and market risk correlation factors

27 Fair value measurements continued

27.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 2 and level 3 continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs – level 2	Unobservable inputs – level 3
ADVANCES TO CUSTOMERS continued				
Corporate and investment banking book	Discounted cash flow	Future cash flows are discounted using market-related interest rates, adjusted for credit inputs. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances. Where credit risk has a significant impact on the fair value measurement, these advances are classified as level 3 in the fair value hierarchy.	Market interest rates	Credit inputs
INVESTMENT SECURITIES				
Equities listed in an inactive market	Discounted cash flow	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using a market-related interest rate.	Market interest rates	Price earnings (P/E) ratios
Unlisted equities	P/E model and discounted cash flow	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings, depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Market transactions and market interest rates	Growth rates and P/E ratios
Unlisted bonds, bonds listed in an inactive market or negotiable certificates of deposit (NCD)	Discounted cash flow	Future cash flows are discounted using a market-related interest rate adjusted for credit inputs over the contractual period. Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate. Where the valuation technique incorporates significant inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Market interest rates, credit inputs and market quotes for NCD instruments	Credit inputs

Notes to the annual financial statements continued

27 Fair value measurements continued

27.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 2 and level 3 continued

INVESTMENT SECURITIES continued				
Treasury bills and other government and government-guaranteed stock	Exchange prices. Exchange yields converted into a price using specific debt market bond pricing models. Discounted cash flow.	Instrument fair values are determined by either marking to exchange traded prices, converting exchange yields into prices by applying the specific debt market trading models, for example JSE/Bond Exchange of South Africa (BESA), or by discounting the cash flows off an appropriate curve.	Market quotes for money market and fixed-income instruments. Market interest rates	N/A
Investments in funds and unit trusts	Third-party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the bank places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the bank applies minority and marketability or liquidity discount adjustments to these third-party valuations.	Equity listed prices	Third-party valuations used, minority and marketability adjustments
DEPOSITS				
Call and non-term deposits	Discounted cash flow or the undiscounted amount is used	Cash flows are discounted with the interest rates derived from the appropriate curve to arrive at the present value. Where the deposit has a demand feature, the undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. The fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	Market interest rates	N/A
Deposits referencing credit-linked instruments and other deposits	Discounted cash flow	The related forecasting curve is adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates	Credit inputs, market risk and correlation factors

27 Fair value measurements continued

27.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 2 and level 3 continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs – level 2	Unobservable inputs – level 3
INVESTMENT PROPERTIES				
Investment properties	Discounted cash flow	The fair value of investment properties is determined by obtaining a valuation from an independent professional valuer not related to the bank. This fair value is based on a discounted cash flow model which is the sum of the present values of a stream of cash flows into the future with an appropriate exit or terminal value. Considerations related to above-market and below-market rentals, fluctuating expenses and general property risk are factored into the model. Variables are obtained through surveys and comparable recent market transactions not publicly quoted. Professional valuations are performed every two years and are reviewed internally by management. The fair value was based on unobservable income capitalisation rate inputs.	N/A	Expected rentals, capitalisation and exit/ terminal rates
OTHER				
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flow	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rates	Credit inputs

Notes to the annual financial statements continued

27 Fair value measurements continued

27.2 Fair value hierarchy and measurements continued

27.2.1 Fair value hierarchy

The following table presents the fair value hierarchy and applicable measurement basis of assets and liabilities of the bank, which are recognised at fair value.

	2024				2023*			
R million	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Assets								
Recurring fair value measurements								
Derivative financial instruments	18	45 328	628	45 974	290	62 065	952	63 307
Advances	–	58 620	44 379	102 999	–	62 941	59 995	122 936
Investment securities*	101 269	8 671	1 684	111 624	102 389	23 238	2 023	127 650
Commodities	15 109	–	–	15 109	17 252	–	–	17 252
Investment properties	–	–	281	281	–	–	281	281
Amounts due by holding company and fellow subsidiaries	–	1 293	–	1 293	–	3 214	–	3 214
Total fair value assets	116 396	113 912	46 972	277 280	119 931	151 458	63 251	334 640
Liabilities								
Recurring fair value measurements								
Short trading positions	8 806	795	–	9 601	11 993	480	–	12 473
Derivative financial instruments	6	41 524	1 854	43 384	149	63 907	2 477	66 533
Deposits	1 545	48 903	10 469	60 917	1 325	47 370	6 655	55 350
Other liabilities	–	931	–	931	–	1 122	–	1 122
Amounts due to holding company and fellow subsidiaries**	–	150	–	150	–	203	–	203
Total fair value liabilities	10 357	92 303	12 323	114 983	13 467	113 082	9 132	135 681

* *In the prior year, listed bonds and treasury bills of R21 249 million were incorrectly classified as level 2. The comparatives have been restated to reflect the securities as level 1.*

** *The balance under level 2 for amounts due to holding company and fellow subsidiaries has been restated from (R203 million) to R203 million. The total fair value liabilities balances have been updated accordingly. The statement of financial position is not impacted.*

27.3 Additional disclosures for level 3 financial instruments

27.3.1 Transfers between fair value hierarchy levels

The following represents the significant transfers into levels 1, 2 and 3 and the reasons for these transfers. Transfers between levels of the fair value hierarchy are deemed to occur at the beginning of the reporting period.

	2024			2023		
R million	Transfers in	Transfers out	Reasons for significant transfers in	Transfers in	Transfers out	Reasons for significant transfers in
Level 1	316	(606)	The inputs used to determine the fair value of certain investments securities have become observable during the current year as a result of increased liquidity in the market. This resulted in transfers from level 3 to level 1.	–	(679)	-
Level 2	492	–	The inputs used to determine the fair value of certain structured deposits have become observable during the current year, resulting in the transfer from level 3 to level 2.	507	–	Increased liquidity for derivative financial instruments (options) that are approaching maturity, resulted in transfers from level 3 to level 2 due to the significant inputs becoming more observable during the current period.
Level 3	606	(808)	The inputs used to determine the fair value of certain investment securities have become unobservable due to the market being illiquid. This resulted in transfers from level 1 to level 3.	679	(507)	Investment securities whose fair value had been observable in a traded market no longer met the criteria for level 1 as the market has become illiquid and the fair value was determined using significant unobservable inputs.
Total transfers	1 414	(1 414)		1 186	(1 186)	

Notes to the annual financial statements continued

27 Fair value measurements continued

27.3 Additional disclosures for level 3 financial instruments continued

27.3.2 Changes in level 3 instruments with recurring fair value measurements

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

R million	Derivative financial assets	Advances	Investment securities	Investment properties	Derivative financial liabilities	Deposits
Balance as at 30 June 2022	646	42 602	1 186	249	2 207	5 390
Gains or losses recognised in profit or loss	1 030	5 088	107	32	1 553	885
Losses recognised in other comprehensive income	–	–	21	–	–	–
Purchases, sales, issue and settlements	(334)	11 554	30	–	(1 166)	380
Net transfer to level 3	(390)	–	679	–	(117)	–
Exchange rate differences	–	751	–	–	–	–
Balance as at 30 June 2023	**952**	**59 995**	**2 023**	**281**	**2 477**	**6 655**
Gains or losses recognised in profit or loss	**483**	**4 709**	**716**	**–**	**787**	**885**
Gains recognised in other comprehensive income	**–**	**–**	**(5)**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**(807)**	**(20 219)**	**(1 340)**	**–**	**(1 409)**	**3 419**
Net transfer (to)/from level 3	**–**	**–**	**290**	**–**	**(1)**	**(490)**
Exchange rate differences	**–**	**(106)**	**–**	**–**	**–**	**–**
Balance as at 30 June 2024	**628**	**44 379**	**1 684**	**281**	**1 854**	**10 469**

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

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

27 Fair value measurements continued

27.3 Additional disclosures for level 3 financial instruments continued

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

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

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

	2024		2023	
R million	**Gains/(losses) recognised in the income statement**	**Gains/(losses) recognised in other comprehensive income**	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income
Assets				
Derivative financial instruments	**483**	**–**	640	–
Advances*	**4 016**	**–**	4 618	–
Investment securities	**665**	**–**	264	8
Investment properties	**–**	**–**	32	–
Total	**5 164**	**–**	5 554	8
Liabilities				
Derivative financial instruments	**(786)**	**–**	(1 448)	–
Deposits	**(1 137)**	**–**	(1 065)	–
Total	**(1 923)**	**–**	(2 513)	–

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

Notes to the annual financial statements continued

27 Fair value measurements continued

27.3 Additional disclosures for level 3 financial instruments continued

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

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

Asset/liability	Unobservable input to which reasonably possible changes are applied	Reasonably possible changes applied
Derivative financial instruments	Volatilities, yields, interest rates, credit spreads	A 10% relative stress (i.e.: (1 ± 10%) * base input) of the following base inputs: **Exposure – Unobservable Input** Options – Volatility Nominal Bonds – Yield Inflation Bonds – Real Yield Currency basis – Rate Curve Credit – Credit spreads Interest rates – Rate Curve
Advances	Credit migration matrix	The PD adjusted either upwards or downwards in relation to the base case.
Investment securities	Credit, growth rates or P/E ratios of unlisted investments	Increased and decreased by between 7% and 10%, depending on the nature of the instrument.
Investment properties	Escalation rates applied to rentals and discount rates	Expected rentals are adjusted for comparable rentals. A range of capitalisation rates was used to assess reasonability of the rate(s) used.
Deposits	Credit inputs, correlation and devaluation parameters	The sensitivity to credit risk has been assessed in the same way as for advances, using the credit migration matrix, with the deposit representing the cash collateral component thereof.

27 Fair value measurements continued

27.3 Additional disclosures for level 3 financial instruments continued

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

	2024			2023		
	Reasonably possible alternative fair value			Reasonably possible alternative fair value		
R million	**Fair value**	**Using more positive assump-tions**	**Using more negative assump-tions**	Fair value	Using more positive assump-tions	Using more negative assump-tions
Assets						
Derivative financial instruments	**628**	**676**	**579**	952	1 028	875
Advances	**44 379**	**44 495**	**44 239**	59 995	60 068	59 922
Investment securities	**1 684**	**1 811**	**1 579**	2 023	2 107	1 955
Investment properties	**281**	**310**	**258**	281	310	258
Total financial assets measured at fair value in level 3	**46 972**	**47 292**	**46 655**	63 251	63 513	63 010
Liabilities						
Derivative financial instruments	**1 854**	**1 800**	**1 905**	2 477	2 394	2 542
Deposits	**10 469**	**10 205**	**10 734**	6 655	6 503	6 808
Total financial liabilities measured at fair value in level 3	**12 323**	**12 005**	**12 639**	9 132	8 897	9 350

Notes to the annual financial statements continued

27 Fair value measurements continued

27.4 Financial instruments not measured at fair value

The following represents the fair values of financial instruments not carried at fair value in the statement of financial position, but for which fair value is required to be disclosed. For all other financial instruments, the carrying value is equal to or a reasonable approximation of the fair value.

R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
	2024				
Assets					
Advances	**1 040 129**	**1 051 337**	**–**	**171 935**	**879 402**
Investment securities	**196 074**	**191 975**	**119 440**	**72 535**	**–**
Total financial assets at amortised cost	**1 236 203**	**1 243 312**	**119 440**	**244 470**	**879 402**
Liabilities					
Deposits	**1 383 790**	**1 385 343**	**5**	**1 385 256**	**82**
Other liabilities	**321**	**322**	**–**	**–**	**322**
Tier 2 liabilities	**16 758**	**16 868**	**–**	**16 868**	**–**
Total financial liabilities at amortised cost	**1 400 869**	**1 402 533**	**5**	**1 402 124**	**404**
	2023				
Assets					
Advances	943 955	955 832	–	147 848	807 984
Investment securities	177 609	171 925	110 210	60 482	1 233
Total financial assets at amortised cost	1 121 564	1 127 757	110 210	208 330	809 217
Liabilities					
Deposits*	1 323 825	1 325 010	42	1 324 878	90
Other liabilities	–	(1)	(1)	–	–
Tier 2 liabilities	16 337	16 421	–	16 421	–
Total financial liabilities at amortised cost	1 340 162	1 341 430	41	1 341 299	90

* *Restated. Refer to note 32 – Impact due to changes in presentation and restatements.*

27.5 Day 1 profit or loss

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

R million	2024	2023
Opening balance	**195**	343
Day 1 profits or losses not initially recognised on financial instruments in the current year	**305**	169
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(331)**	(317)
Closing balance	**169**	195

27 Fair value measurements continued

27.6 Financial instruments designated at fair value through profit or loss

FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Different methods are used to determine the current period and cumulative changes in fair value attributable to credit risk due to the differing inherent credit risk of these instruments. These are the methods used:

Financial assets	**Advances** The change in credit risk is the difference between the fair value of advances, based on the original credit spreads (as determined using the bank's credit spread pricing matrix), and the fair value of advances, based on the most recent credit inputs where there has been a change in the credit risk of the counterparty. The bank uses its own annual credit review process to determine if there has been a change in the credit rating or PD of the counterparty. **Investment securities** The change in fair value due to credit risk for investments designated at FVTPL is calculated by stripping out the movements that result from a change in market factors that give rise to market risk. The change in fair value due to credit risk is then calculated as the balancing figure, after deducting the movement due to market risk from the total movement in fair value.
Financial liabilities	Determined with reference to changes in the mark-to-market yields of own issued bonds. The change in fair value of financial liabilities due to changes in credit risk is immaterial.

27.6.1 Financial assets designated at fair value through profit or loss

The bank has designated certain financial assets at FVTPL that would otherwise have been measured at amortised cost or FVOCI. The table below contains details on the change in credit risk attributable to these financial assets. Losses are indicated in brackets.

R million	Fair value	Mitigated credit risk	Change in fair value due to credit risk: Current period	Change in fair value due to credit risk: Cumulative
	2024			
Advances	**15 918**	**857**	**129**	**45**
Investment securities	**201**	**–**	**–**	**–**
Total	**16 119**	**857**	**129**	**45**
	2023			
Advances	13 448	772	(79)	273
Total	13 448	772	(79)	273

Losses are included in brackets.

27.6.2 Financial liabilities designated at fair value through profit or loss

R million	2024 Fair value	2024 Contractually payable at maturity	2023 Fair value	2023 Contractually payable at maturity
Deposits	**5 156**	**4 563**	6 624	5 914
Other liabilities	**931**	**931**	1 122	1 122
Total	**6 087**	**5 494**	7 746	7 036

27.7 Total fair value income included in profit or loss for the year

R million	2024	2023
Total fair value income for the year has been disclosed as:		
Fair value gains and losses included in non-interest revenue*	**7 182**	3 381
Fair value of credit of advances included in impairment of advances	**11**	(59)

* *Refer to note 2.3.*

Notes to the annual financial statements continued

28 Segment information

28.1 Reportable segments

SEGMENT REPORTING		
Group's chief operating decision maker	Chief executive officer (CEO)	
Identification and measurement of operating segments	Aligned to internal reporting provided to the CEO and reflects the risks and rewards related to the segments' specific products and services offered in their specific markets. Operating segments of which total revenue, absolute profit or loss for the period or total assets that constitute 10% or more of all the segments' revenue, profit or loss or total assets are reported separately.	
Major customers	FirstRand Bank has no major customer as defined (i.e. revenue from the customer exceeds 10% of total revenue) and is therefore not reliant on revenue from one or more major customers.	
REPORTABLE SEGMENTS		
RETAIL AND COMMERCIAL		
	Products and services	**Footprint**
FNB	FNB represents the bank's activities in the retail and commercial segments in South Africa. FNB offers a diverse set of financial products and services to market segments including retail (personal and private), SMEs, business, agriculture, medium corporate and public sector entities. FNB's products cover the entire spectrum of financial services – transactional, lending and savings. Products include mortgage loans and commercial property finance; credit and debit cards (card issuing); personal loans (including loans offered by DirectAxis); debtor and leveraged finance; securities-based lending; foreign exchange; funeral, credit life, life and short-term insurance policies; and savings and investment products. Services include transactional and deposit taking, card acquiring, credit facilities, rewards programme (eBucks), FNB Connect (a mobile virtual network operator), merchant services (card acquiring) and cash management solutions, amongst others.	FNB operates in South Africa and its distribution channels include the branch network and other physical representation points, ATMs, call centres, an app, cellphone banking (USSD) and online banking.
	Products and services	**Footprint**
WesBank	WesBank represents the bank's asset-based finance activities in the retail, commercial and corporate segments in South Africa. It is a leading provider of vehicle finance and fleet management in the country.	WesBank operates in South Africa
CORPORATE AND INSTITUTIONAL		
RMB	RMB represents the bank's activities in the corporate and institutional segments in South Africa and on the broader African continent. In addition it has niche offerings in the UK, USA and India. RMB offers corporate finance, leveraged finance, resource sector solutions, infrastructure sector solutions, real estate finance, debt capital markets, debt trade solutions, sponsor services, corporate broking, loan syndications, coverage, advisory, corporate transactional banking and principal investments. From a markets perspective it offers market making, financial risk management and investment across interest rate, currency, commodity, equity and credit asset classes as well as execution, asset financing, custody and clearing services.	RMB operates in South Africa and utilises the bank's balance sheet for certain cross-border lending and trade finance activities in broader Africa. RMB manages FirstRand Bank's representative offices in Kenya, Angola, Shanghai and New York. RMB has niche offerings in the UK (London branch) and India.

28 Segment information continued

28.1 Reportable segments continued

REPORTING SEGMENTS	
CENTRE (INCLUDING GROUP TREASURY)	
Centre (including Group Treasury)	The Centre represents group-wide functions, including Group Treasury, Group Finance, Group Tax, Enterprise Risk Management (ERM), Group Compliance and Group Internal Audit. The reportable segment includes all management accounting and consolidated entries and the total operational performance of MotoNovo's back book (i.e. business written prior to the integration with Aldermore).

28.2 Description of normalised adjustments

NORMALISED ADJUSTMENTS	
The bank presents normalised earnings which take into account non-operational and accounting anomalies. Normalised earnings are the measurement basis used by the CODM to manage the bank. Normalised earnings adjustments include reallocation entries where amounts are moved between income statement lines and lines of the statement of financial position, without having an impact on the IFRS profit or loss for the year or total assets and total liabilities reported in terms of IFRS Accounting Standards. Other normalised adjustments have an impact on the profit or loss reported for the period.	
Margin-related items included in fair value income	In terms of IFRS Accounting Standards, the bank is required to or has elected to measure certain financial assets and liabilities at FVTPL. In terms of the bank's IFRS Accounting Standards policies, the gains or losses on these assets and liabilities are included in fair value income within NIR. This results in NIR including gains or losses that are related to lending, borrowing and economic interest rate hedges. In order to reflect the economic substance of these amounts, the amount of fair value income that relates to margin is presented in NII in the normalised results. The amount reclassified from NIR to NII includes the following items: • the margin on the component of the wholesale advances book in RMB that is measured at FVTPL; • fair value gains on derivatives that are used as interest rate hedges but which do not qualify for hedge accounting; and • currency translations and associated costs inherent to the US dollar funding and liquidity pool.
IAS 19 remeasurement of plan assets	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 OCI. 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 OCI. 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 OCI. Economically, the value of the plan asset has simply reduced with claims paid. Normalised results are adjusted to reflect this by increasing staff costs to the value of the interest on the plan assets and increasing OCI.
Cash-settled share-based payments and the economic hedge	The bank entered into various TRSs with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's share schemes. The expense resulting from these share option schemes is recognised over the vesting period of the schemes. This leads to a mismatch in the recognition of the profit or loss of the hedge and the SBP expense. When calculating normalised results, the bank 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 SBP expense will manifest in the bank's results. This reflects the economic substance of the hedge and associated SBP expense for the bank for the share schemes that are not hedge accounted. In addition, the portion of the SBP 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 SBP expense included in operating expenses that remains is equal to the grant date fair value of the awards given.

Notes to the annual financial statements continued

28 Segment information continued

28.3 Reportable segments

	2024								
	Retail and commercial				Corporate and institutional				
	FNB								
R million	FNB SA	FNB broader Africa	WesBank	Retail and commercial	RMB	Centre (including Group Treasury)	FirstRand Bank – normalised	Normalised adjustments	FirstRand Bank – IFRS
Net interest income before impairment of advances	40 696	(43)	5 701	46 354	9 431	5 277	61 062	(1 638)	59 424
Impairment charge	(9 682)	–	(2 052)	(11 734)	(856)	139	(12 451)	–	(12 451)
Net interest income after impairment of advances	31 014	(43)	3 649	34 620	8 575	5 416	48 611	(1 638)	46 973
Non-interest revenue	29 143	1 652	3 151	33 946	11 981	(1 999)	43 928	1 723	45 651
Net income from operations	60 157	1 609	6 800	68 566	20 556	3 417	92 539	85	92 624
Operating expenses	(34 824)	(1 991)	(4 858)	(41 673)	(12 101)	(4 206)	(57 980)	15	(57 965)
Share of profit of associates and joint ventures after tax	–	–	–	–	–	–	–	–	–
Income before tax	25 333	(382)	1 942	26 893	8 455	(789)	34 559	100	34 659
Indirect tax	(796)	(1)	(41)	(838)	(249)	(45)	(1 132)	–	(1 132)
Profit for the year before tax	24 537	(383)	1 901	26 055	8 206	(834)	33 427	100	33 527
Income tax expense	(6 630)	103	(514)	(7 041)	(2 216)	2 078	(7 179)	(27)	(7 206)
Profit for the year	17 907	(280)	1 387	19 014	5 990	1 244	26 248	73	26 321
The income statement includes									
Staff expenditure	22 980	389	1 701	25 070	6 484	2 283	33 837	(18)	33 819
Depreciation	(2 532)	(2)	(792)	(3 326)	(154)	(3)	(3 483)	–	(3 483)
Amortisation	(19)	–	(6)	(25)	(40)	(101)	(166)	–	(166)
Net impairment charges (non-financial asset)	(116)	–	1	(115)	–	–	(115)	(2)	(117)
Non-interest revenue includes the following external revenue from contracts with customers*									
Banking fees and commissions	30 549	(10)	625	31 164	5 006	(14)	36 156	–	36 156
Non-banking fees and commissions	887	–	6	893	20	8	921	–	921
Insurance income (excluding risk-related income)	50	–	68	118	–	–	118	–	118
Management, trust and fiduciary fees	492	–	575	1 067	245	25	1 337	–	1 337
Other non-interest revenue from customers	2 438	–	1 103	3 541	32	(40)	3 533	(17)	3 516
The statement of financial position includes									
Total assets	506 774	302	169 826	676 902	649 422	389 522	1 715 846	–	1 715 846
Total liabilities**	482 008	685	167 907	650 600	643 171	292 918	1 586 689	–	1 586 689

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

* *The vast majority of external revenue from contracts with customers was recognised at a point in time.*

** *Total liabilities are net of interdivisional balances.*

Notes to the annual financial statements continued

28 Segment information continued

28.3 Reportable segments continued

R million	FNB SA	FNB broader Africa	WesBank	Retail and commercial	RMB	Centre (including Group Treasury)	FirstRand Bank – normalised	Normalised adjustments	FirstRand Bank– IFRS
	2023								
	Retail and commercial				Corporate and institutional				
	FNB								
Net interest income before impairment of advances	38 821	(19)	4 867	43 669	8 716	3 617	56 002	(1 490)	54 512
Impairment charge	(6 373)	–	(1 795)	(8 168)	(691)	446	(8 413)	–	(8 413)
Net interest income after impairment of advances	32 448	(19)	3 072	35 501	8 025	4 063	47 589	(1 490)	46 099
Non-interest revenue	28 335	1 297	2 918	32 550	9 209	(1 469)	40 290	1 348	41 638
Net income from operations	60 783	1 278	5 990	68 051	17 234	2 594	87 879	(142)	87 737
Operating expenses*	(34 995)	(1 706)	(4 325)	(41 026)	(10 990)	(1 439)	(53 455)	255	(53 200)
Share of profit of associates and joint ventures after tax	–	–	–	–	–	–	–	–	–
Income before tax	25 788	(428)	1 665	27 025	6 244	1 155	34 424	113	34 537
Indirect tax	(652)	(1)	(53)	(706)	(190)	86	(810)	–	(810)
Profit for the year before tax	25 136	(429)	1 612	26 319	6 054	1 241	33 614	113	33 727
Income tax expense	(6 788)	116	(435)	(7 107)	(1 635)	894	(7 848)	(28)	(7 876)
Profit for the year	18 348	(313)	1 177	19 212	4 419	2 135	25 766	85	25 851
The income statement includes									
Staff expenditure	(22 671)	(354)	(1 932)	(24 957)	(6 024)	(2 018)	(32 999)	302	(32 697)
Depreciation	(2 362)	(4)	(794)	(3 160)	(144)	(1)	(3 305)	–	(3 305)
Amortisation	(10)	–	(8)	(18)	(75)	–	(93)	–	(93)
Net impairment charges (non-financial asset)	(174)	–	16	(158)	–	–	(158)	(48)	(206)
Non-interest revenue includes the following external revenue from contracts with customers**									
Banking fees and commissions	29 135	(8)	710	29 837	3 877	(16)	33 698	–	33 698
Non-banking fees and commissions	725	–	10	735	18	15	768	–	768
Insurance income (excluding risk-related income)	358	–	79	437	–	–	437	–	437
Management, trust and fiduciary fees	555	–	537	1 092	244	–	1 336	–	1 336
Other non-interest revenue from customers#	2 461	–	756	3 217	(1 757)	1 682	3 142	(3)	3 139
The statement of financial position includes									
Total assets	473 913	257	157 198	631 368	642 123	381 473	1 654 964	–	1 654 964
Total liabilities†,‡	451 122	685	155 261	607 068	637 630	295 975	1 540 673	–	1 540 673

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

* *The Centre cost allocation model was refined during the current year. The comparatives have been restated due to re-allocation of costs between certain segments.*

** *The vast majority of external revenue from contracts with customers was recognised at a point in time.*

\# *Restated due to the change in presentation of other non-interest revenue. Refer to note 2.5.*

† *Total liabilities are net of interdivisional balances.*

‡ *Restated. Refer to Note 32 – Impact due to changes in presentation and restatements.*

Notes to the annual financial statements continued

28 Segment information continued

Geographical segments

R million	South Africa	United Kingdom	Other*	Total
	2024			
Net interest income after impairment	**45 459**	**878**	**636**	**46 973**
Non-interest revenue	**44 371**	**1 244**	**36**	**45 651**
– Non-interest revenue from contracts with customers**	**39 175**	**887**	**49**	**40 111**
– Other non-interest revenue	**5 196**	**357**	**(13)**	**5 540**
Non-current assets#	**20 740**	**216**	**1**	**20 957**
	2023			
Net interest income after impairment	45 030	572	497	46 099
Non-interest revenue	40 529	1 070	39	41 638
– Non-interest revenue from contracts with customers**	37 093	617	57	37 767
– Other non-interest revenue	3 436	453	(18)	3 871
Non-current assets#	18 322	178	1	18 501

* *Renamed from "Asia" as this now includes balances from Asia and Channel Islands (which was previously included in the South Africa column).*
** *Includes other non-interest related expenses which mostly relate to South Africa.*
# *Excludes financial instruments, other assets, deferred income tax assets, current tax assets, post-employment benefit assets.*

29 Related parties

29.1 Balances with related parties

R million	2024	2023
Advances		
Associates	**21 244**	16 651
Joint ventures	**2 905**	4 902
Key management personnel	**41**	9
Other assets		
Associates	**914**	786
Joint ventures	**9 855**	8 596
Amounts due by holding company and fellow subsidiaries		
Parent	**1**	26
Fellow subsidiaries*	**58 356**	62 492
Fellow subsidiaries – bank accounts	**281**	686
Derivative assets		
Joint ventures	**–**	3
Investment securities		
Associates	**234**	174
Deposits		
Associates	**1 476**	892
Joint ventures	**11 004**	3 659
Key management personnel	**87**	92
Accounts payable		
Associates	**7**	6
Amounts due to holding company and fellow subsidiaries		
Parent	**670**	807
Fellow subsidiaries	**24 030**	25 637
Fellow subsidiaries – bank accounts	**3 719**	2 598
Derivative liabilities		
Joint ventures	**4 152**	118
Commitments		
Fellow subsidiaries	**14 132**	15 259
Associates	**401**	186
Joint ventures	**5 886**	5 182

* *Restated. The prior year amount (2023: R63 179 million) has been restated to exclude the amount relating to bank accounts held by fellow subsidiaries.*

Refer to the remuneration disclosures on page C134 for details of the compensation payable to KMP.

Transactions with related parties occur in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those for comparable transactions with other external parties. These transactions do not involve more than the normal risk of collectability or present other unfavourable features.

The amounts advanced to KMP consist of mortgages, instalment finance agreements, credit cards and other loans. The amounts deposited by KMP are held in cheque and current accounts, savings accounts and other term accounts. Market-related rates and terms and conditions apply to transactions with related parties, including KMP.

Included in advances to associates is supplier development financing to the Vumela Enterprise Development Fund for R841 million (2023: R753 million). The fund focuses on the provision of growth finance to early stage SMEs.

Notes to the annual financial statements continued

29 Related parties continued

29.2 Transactions with related parties appear below

R million	2024	2023
Interest received		
Fellow subsidiaries	**2 353**	3 197
Associates	**1 091**	638
Joint ventures	**915**	1 212
Key management personnel	**7**	2
Interest paid		
Fellow subsidiaries*	**(1 718)**	(1 269)
Associates	**(73)**	(63)
Joint ventures	**(339)**	(104)
Key management personnel	**(11)**	(7)
Non-interest revenue		
Fellow subsidiaries	**2 753**	4 426
Associates	**3 019**	915
Joint ventures	**1 552**	1 180
Key management personnel	**1**	1
Operating expenses		
Fellow subsidiaries	**(1 104)**	(1 445)
Associates	**(964)**	(851)
Dividends received		
Parent	**(16 663)**	(27 290)
Joint ventures	**711**	2 947
Salaries and other employee benefits		
Key management personnel	**119**	99
– Salaries and other short-term benefits	**76**	55
– Share-based payments	**43**	44

** Interest paid on bank accounts with fellow subsidiaries amounted to R206 million (2023: R165 million).*

Deferred compensation of R23 million (2023: R17 million) is due to KMP and settlement value is linked to the FirstRand shares. A list of the board of directors of the bank is available in the *Corporate governance* section of this report.

During the financial year, no contracts were entered into in which directors or officers of the bank had an interest and which significantly affected the business of the bank.

The directors had no interest in any third party or company responsible for managing any of the business activities of the bank.

29.3 Post-retirement benefit fund

Details of transactions between the bank and the bank's post-employment benefit plan are listed below.

R million	2024	2023
Dividend income	**21**	26
Deposits held with the group	**702**	737
Interest income	**53**	46

Refer to note 17 for details of the closing balance of the bank's post-employment benefit plan.

30 Interest in other entities

The level of risk that the bank is exposed to is determined by the nature and purpose of it holding an interest in the entity. The bank does not consolidate these structured entities as either it does not have the power to control the investment decisions or it is not exposed to significant variable returns of these structured entities.

In terms of IFRS 12 paragraph 29, disclosures about structured entities are only required in the consolidated financial statements, unless separate financial statements are the only annual financial statements prepared by an entity. As the bank does not prepare consolidated financial statements, these required disclosures have been included. Refer to Critical accounting estimates, assumptions and judgements for additional information about the bank's decision not to prepare consolidated financial statements.

Structured investment vehicles

The bank provides financing to a number of structured entities, established and managed by clients, in the form of investing in debt instruments of the structured entity, a subscription for cumulative redeemable preference shares and advancement of credit loan facilities.

An entity was established for the purpose of creating high-quality liquid assets (HQLA) that can be pledged as collateral under the South African Reserve Bank's (SARB's) committed liquidity facility if required. The entity is merely a mechanism to facilitate the transaction and as there was no drawdown on the facility in the current or prior year, the entity has no economic substance. The bank has not provided any additional financial or other support to this entity in the current or prior year. The bank does not have the intention to provide additional support in the foreseeable future and, as such, is not exposed to any additional risks from the relationship with this entity.

The bank's involvement is predominantly to provide financing and the bank's rights under its involvement is limited to typical lender protection rights. The financing and the bank's investment in the preference shares or notes issued by the entities are considered to be made on market-related terms. As such the relationship between the bank and the structured entities is considered to be a typical market-related customer-supplier relationship. The bank does not have the ability to direct the relevant business activities in these entities and therefore, in the absence of control, the entities are not consolidated.

The bank earns interest income on the loans advanced to the customer, notes and preference shares issued by the structured entities.

Refer to note 10.3 for information on securitisation transactions.

Investment in funds

The bank may hold direct interests in a number of the funds, however, the magnitude of such interest varies with sufficient regularity. Whether the bank consolidates any of these funds through its direct interest depends on the purpose and magnitude of the interest held therein, as well as on the bank's ability to direct the relevant activities of the fund, either directly or indirectly. The bank recognises unrealised gains and losses as a result of revaluations of the units held directly in the funds.

Other structured entities

The bank uses structured entities in the ordinary course of business to support its own and customers' financing and investing needs.

Sponsorships of unconsolidated structured entities

The bank has provided support in the form of liquidity and credit enhancement facilities to an SPV. The bankruptcy remote SPV is consolidated by the bank's fellow subsidiary, FRIHL. In the prior year, assets to the value of R4 250 were transferred by the bank to this entity. No assets were transferred in the current year.

The following table shows the carrying amount of the bank's recorded interest in its statement of financial position, as well as the maximum exposure to risk due to these exposures in the unconsolidated structured entities.

Notes to the annual financial statements continued

30 Interest in other entities continued

Other structured entities continued

	2024			2023		
	Structured investment vehicles*	**Investment in funds**	**Total**	Structured investment vehicles*	Investment in funds	Total
Advances	**33**	**1 360**	**1 393**	180	2 563	2 743
Total assets	**33**	**1 360**	**1 393**	180	2 563	2 743
Liabilities	**–**	**–**	**–**	–	–	–
Off-balance sheet exposures	**–**	**–**	**–**	–	–	–
Fair value income/(loss	**–**	**14**	**–**	–	22	–
Maximum exposure to loss**	**460**	**1 360**	**1 820**	460	2 563	3 023

* *This information excludes securitisation transactions. Refer to note 10.3.*

** *The bank's maximum exposure to losses from its interests in unconsolidated structured entities is limited to the bank's interests in these entities.*

The bank did not incur losses related to the bank's interests in unconsolidated structured entities in the current financial reporting period (2023: Rnil). The bank did not provide any financial support during the current financial reporting period to unconsolidated structured entities.

30.1 Liquidity facilities

The following table provides a summary of the liquidity facilities provided by the bank.

R million	Transaction type	2024	2023
Own transaction		**1**	613
iVuzi	Asset-backed commercial paper programme	**1**	613
Total facilities provided		**1**	613

All credit enhancement and liquidity facilities granted listed in the table above rank senior to a sponsor loan provided by another group entity to iVusi in terms of payment priority in the event of a drawdown. The subordinated sponsor loan reduces the bank's maximum exposure to loss to an insignificant amount. The iVusi programme is currently winding down.

31 Financial risks

Risk governance in the bank

FirstRand believes that effective risk, performance and financial resource management is key to its success and underpins the delivery of sustainable returns to shareholders. These disciplines are, therefore, deeply embedded in the bank's operational, tactical and strategic decision-making.

Effective risk management is supported by effective governance structures, robust policy frameworks and a risk-focused culture. Strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that consistent standards exist across the bank. In line with the bank's corporate governance framework, the board retains ultimate responsibility for providing strategic direction, approving risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on.

The bank's risk management framework describes the bank's risk governance structures and approach to risk management. Effective risk management requires three lines of control or safeguards that should consistently be applied at various levels throughout the organisation.

The primary board committee overseeing risk matters across the group is the FirstRand RCCC. It has delegated responsibility for a number of specialist risk types to various subcommittees. Additional risk, audit and compliance committees exist in the operating businesses, segments and subsidiaries, whose governance structures align closely with that of the group.

A detailed overview of the group's risk governance process is provided in the group's unaudited Pillar 3 disclosure on the FirstRand website at www.firstrand.co.za/investors/basel-pillar-3-disclosure.

31 Financial risks continued

Overview of financial and insurance risks

The financial instruments recognised on the bank's statement of financial position expose the bank to various financial risks.

The information presented in this note represents the information required by IFRS 7 and sets out the bank's exposure to these financial and insurance risks. This section also contains details on the bank's capital management process.

<table>
<tr><th colspan="3">OVERVIEW OF FINANCIAL AND INSURANCE RISKS</th></tr>
<tr><td rowspan="2">Credit risk</td><td colspan="2">The risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads. Credit risk also includes credit default, pre-settlement, country, concentration and securitisation risk.</td></tr>
<tr><td>Credit risk arises primarily from the following instruments:
• advances;
• certain investment securities; and
• off-balance sheet exposures.
Other sources of credit risk are:
• reinsurance assets;
• cash and cash equivalents;
• accounts receivable included in Collateral, settlement balances and other assets; and
• derivative balances.</td><td>The following information is presented for these assets:
• credit assets and concentration risk (31.1.1);
• information about the quality of credit assets (31.1.2 and 31.1.3); and
• credit risk mitigation techniques and collateral held (31.1.4).</td></tr>
<tr><td rowspan="2">Liquidity risk</td><td colspan="2">The risk that the bank will not be able to effectively meet current and future cash flow and collateral requirements without negatively affecting the normal course of business, financial position or reputation.</td></tr>
<tr><td>All assets and liabilities with differing maturity profiles expose the bank to liquidity risk.</td><td>The following information is presented for these assets and liabilities:
• undiscounted cash flow analysis of financial liabilities (31.2.1);
• discounted cash flow analysis of total assets and liabilities (31.2.2);
• collateral pledged (31.2.3); and
• concentration analysis of deposits (31.2.4).</td></tr>
</table>

Notes to the annual financial statements continued

31 Financial risks continued

Overview of financial and insurance risks continued

Overview of financial and insurance risks		
Market risk	The bank distinguishes between traded market risk and non-traded market risk. For non-traded market risk the bank distinguishes between interest rate risk in the banking book and structural foreign exchange risk. Traded market risk is the risk of adverse revaluation of any financial instrument as a consequence of changes in the market prices or rates.	
Market risk	**Traded market risk (31.3.1)** emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products, and is taken and managed by RMB.	10-day 99% Value-at-Risk (VaR) analysis has been presented for traded market risk.
Market risk	**Interest rate risk in the banking book (31.4.1)** is the sensitivity of a bank's financial position and earnings to unexpected, adverse movements in interest rates. It originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.	The following information is presented for interest rate risk in the banking book: • projected NII sensitivity to interest rate movements; and • banking book NAV sensitivity to interest rate movements as a percentage of total bank capital.
Market risk	**Structural foreign exchange risk (31.4.2)** is the risk of an adverse impact on the bank's financial position and earnings or other key ratios as a result of movements in foreign exchange rates impacting balance sheet exposures. It arises from balances denominated in foreign currencies.	Information on the bank's net structural foreign exposures and sensitivity of these exposures are presented.
Equity investment risk	The risk of an adverse change in the fair value of an investment in a company, fund or listed, unlisted or bespoke financial instruments.	
Equity investment risk	Equity investment risk (31.5) arises primarily from equity exposures from private equity and corporate and investment banking activities in RMB, and strategic investments held by WesBank, FNB, and the Centre.	The following information is presented for equity investments: • investment risk exposure, RWA and sensitivity analysis of investment risk; and • estimated sensitivity of remaining investment balances.
Tax risk	The risk of financial loss due to the final determination of the tax treatment of a transaction by revenue authorities being different from the implemented tax consequences of such a transaction, combined with the imposition of penalties, sanction or reputational damage due to: • non-compliance with the various revenue acts; and/or • the inefficient use of available mechanisms to benefit from tax dispensations.	
Tax risk	Any event, action or inaction in the strategy, operations, financial reporting or compliance that either adversely affects the entity's tax or business position, or results in unanticipated penalties, assessments, additional taxes, harm to reputation, lost opportunities or financial statement exposure is regarded as tax risk.	
Capital management	The overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the bank's solvency and quality of capital during calm and turbulent periods in the economy and financial markets. The bank, therefore, maintains capitalisation ratios aligned with its risk appetite and appropriate for safeguarding operations and stakeholder interests. The key focus areas and considerations of capital management are to ensure an optimal level and mix of capital, effective allocation of resources including capital and risk capacity, and a dividend strategy to provide shareholders with an appropriate, sustainable payout over the long term.	

31 Financial risks continued

31.1 Credit risk

Credit risk is a loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads. Credit risk considerations extend to pre-settlement, country, industry, concentration, securitisation and climate (physical and transitional) risks.

The objective of credit risk management is to optimise the bank's measure of economic profit, i.e., NIACC, within acceptable levels of earnings volatility by maintaining credit risk exposures and credit performance within acceptable parameters.

Assessment and management

Credit risk is managed through the implementation of comprehensive policies, processes and controls. This ensures consistent high-quality execution across the credit value chain, including credit risk appetite, underwriting, risk-based pricing, portfolio monitoring and reporting, impairing for expected credit losses (ECL), capital assessment, stress testing, collections and recoveries.

Credit risk management across the bank is split into three distinct portfolios, which are aligned to customer profiles. These portfolios are retail, commercial and corporate.

The assessment of credit risk across the bank relies on internally developed quantitative models for addressing regulatory and business needs. These models are used for the internal assessment of the three primary credit risk components:

- PD;
- EAD; and
- LGD.

Management of the credit portfolio is reliant on these three credit risk measures. PD, EAD and LGD are inputs into the portfolio and group-level credit risk assessment where the measures are combined with estimates of correlations between individual counterparties, industries and portfolios to reflect diversification benefits across the portfolio.

The bank employs a granular, 100-point master rating scale, which has been mapped to the continuum of default probabilities, as illustrated in the following table. FirstRand rating 1 is the lowest PD and FirstRand rating 100 the highest in the FirstRand rating scale. These mappings are reviewed and updated on a regular basis. External ratings have also been mapped to the master rating scale for reporting purposes.

Mapping of FirstRand grades to rating agency scales

FirstRand rating	Midpoint PD	International scale mapping (based on S&P)*
1 – 14	0.06 %	AAA, AA+, AA, AA-, A+, A, A-
15 – 25	0.29 %	BBB+, BBB(upper), BBB, BBB-(upper), BBB-, BB+(upper)
26 – 32	0.77 %	BB+, BB(upper), BB, BB-(upper)
33 – 39	1.44 %	BB-, B+(upper)
40 – 53	2.52 %	B+
54 – 83	6.18 %	B(upper), B, B-(upper)
84 – 90	13.68 %	B-
91 – 99	59.11 %	CCC+, CCC
100	100 %	D (defaulted)

* *Indicative mapping to the international rating scales of S&P Global Ratings. The bank currently only uses mapping to S&P rating scales.*

31.1.1 Credit assets and concentration risk

The assets and off-balance sheet amounts included in the table below expose the bank to credit risk. For all on-balance sheet exposures, the gross amount disclosed represents the maximum exposure to credit risk, before taking collateral and other credit enhancements into account. Off-balance sheet exposures disclosed includes loan commitments as defined in the bank's accounting policy.

Revocable loan commitments which the bank can cancel at any time amounted to R93 949 million (2023: R87 861 million).

Credit concentration risk is the risk of loss to the bank arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, maturity or climate risk (physical and transitional risks). This concentration typically exists when several counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentration risk is managed based on the nature of the credit concentration within each portfolio.

Notes to the annual financial statements continued

31 Financial risks continued

31.1 Credit risk continued

31.1.1 Credit assets and concentration risk continued

Geographic concentration of significant credit asset exposure

The following tables provides a breakdown of credit exposure across geographical areas.

	2024						2023					
R million	South Africa	Broader Africa	United Kingdom	Other Europe	Asia, Americas and Australasia	Total	South Africa	Broader Africa	United Kingdom	Other Europe	Asia, Americas and Australasia	Total
On-balance sheet exposures												
Cash and short-term funds*	**55 935**	**294**	**5 946**	**7 067**	**10 972**	**80 214**	49 304	52	5 517	5 328	11 624	71 825
Total advances	**1 085 940**	**51 696**	**20 891**	**11 124**	**13 934**	**1 183 585**	1 001 446	45 147	21 944	11 874	23 015	1 103 426
Stage 3 advances**	**49 105**	**1 261**	**642**	**30**	**22**	**51 060**	40 761	2 168	927	10	14	43 880
Derivatives	**23 449**	**262**	**13 248**	**8 891**	**124**	**45 974**	35 932	122	16 506	10 489	258	63 307
Debt investment securities	**272 244**	**4 485**	**2 304**	**1 014**	**22 286**	**302 333**	264 404	4 143	3 228	3 228	24 964	299 967
Collateral, settlement balances and other financial assets*	**20 258**	**186**	**1 577**	**1 445**	**1 145**	**24 611**	17 541	102	5 310	5 146	520	28 619
Off-balance sheet exposures												
Guarantees, acceptances and letters of credit	**42 881**	**16 729**	**346**	**2 682**	**3 030**	**65 668**	36 747	17 451	414	3 401	6 164	64 177
Loan commitments	**160 474**	**4 599**	**7 790**	**8 604**	**2 460**	**183 927**	155 410	5 556	6 696	7 037	3 160	177 859

* *Restated. Refer to note 32 – Impact due to changes in presentation and restatements.*

** *Include purchased or originated credit impaired advances.*

Notes to the annual financial statements continued

31 Financial risks continued
31.1 Credit risk continued
31.1.1 Credit assets and concentration risk continued

Breakdown of advances per class

R million	2024	2023
Retail secured	**381 882**	365 068
– Residential mortgages	**270 461**	259 635
– WesBank VAF*	**111 421**	105 433
Retail unsecured**	**101 974**	94 627
– FNB card	**41 374**	37 149
– Personal loans	**53 286**	50 072
– Retail other	**7 314**	7 406
Corporate and commercial	**658 609**	598 642
– FNB commercial	**129 838**	116 448
– WesBank corporate and commercial	**60 218**	54 212
– RMB corporate and investment banking	**468 553**	427 982
Centre (including Group Treasury)	**41 120**	45 089
Gross advances	**1 183 585**	1 103 426

* *Includes public sector.*

** *Includes acceptances.*

31 Financial risks continued
31.1 Credit risk continued
31.1.1 Credit assets and concentration risk continued

Sector analysis concentration of advances

Advances expose the bank to concentration risk in various industry sectors. The following tables set out the bank's exposure to various industry sectors for total advances and credit-impaired advances.

R million	Total advances (2024)	Stage 3 Advances (2024)	Stage 3 Security held and expected recoveries (2024)	Stage 3 Impairment (2024)
Sector analysis				
Agriculture	**56 294**	**1 751**	**1 142**	**609**
Banks	**30 050**	**–**	**–**	**–**
Financial institutions	**194 212**	**290**	**112**	**178**
Building and property development	**68 419**	**2 141**	**1 406**	**735**
Government, Land Bank and public authorities	**29 559**	**1 159**	**1 025**	**134**
Individuals	**458 738**	**39 591**	**21 886**	**17 705**
Manufacturing and commerce	**191 810**	**3 099**	**1 088**	**2 011**
Mining	**20 154**	**109**	**36**	**73**
Transport and communication	**53 073**	**620**	**295**	**325**
Other services	**81 276**	**2 300**	**907**	**1 393**
Total advances	**1 183 585**	**51 060**	**27 897**	**23 163**
	2023			
Sector analysis				
Agriculture	54 566	2 425	1 178	1 247
Banks	45 253	–	–	–
Financial institutions	175 921	155	49	106
Building and property development	67 860	866	357	509
Government, Land Bank and public authorities	27 928	2 148	1 869	279
Individuals	439 087	32 226	17 373	14 853
Manufacturing and commerce	159 769	3 190	1 590	1 600
Mining	11 956	147	41	106
Transport and communication	40 817	791	495	296
Other services	80 269	1 932	820	1 112
Total advances	1 103 426	43 880	23 772	20 108

31.1.2 Quality of credit assets

The following table shows the GCA of advances carried at amortised cost and the fair value of advances measured at FVTPL, as well as the exposure to credit risk of loan commitments and financial guarantees per class of advance and per internal credit rating.

The amounts in stage 3 that do not have a FirstRand rating of 91-100 relate to technical cures (performing accounts that have previously defaulted but do not meet the 12-month curing definition and therefore remain in stage 3) and paying debt-review customers, as the PDs on these customers are lower than operational stage 3 advances and the PD drives the FirstRand rating. In addition, where the bank holds a guarantee against a stage 3 advance, the FirstRand rating would reflect the same.

Notes to the annual financial statements continued

31 Financial risks continued

31.1 Credit risk continued

31.1.2 Quality of credit assets continued

30 June 2024

	Retail secured		Retail unsecured			Corporate and commercial				
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other	FNB commercial	WesBank corporate and commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
Total on-balance sheet	270 461	111 421	41 374	53 286	7 314	129 838	60 218	468 553	41 120	1 183 585
FirstRand 1-25 on-balance sheet	103 255	–	462	208	303	–	10 157	150 184	6 920	271 489
– Stage 1	103 059	–	462	50	303	–	10 147	150 184	6 920	271 125
– Stage 2	196	–	–	158	–	–	10	–	–	364
– Stage 3	–	–	–	–	–	–	–	–	–	–
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	–
FirstRand 26-90 on-balance sheet	139 758	101 041	34 045	36 270	5 452	122 610	48 432	311 632	33 556	832 796
– Stage 1	126 703	91 828	32 209	33 955	5 319	116 089	44 906	291 882	33 556	776 447
– Stage 2	13 055	9 213	1 836	2 315	124	6 466	3 526	19 750	–	56 285
– Stage 3	–	–	–	–	9	55	–	–	–	64
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	–
FirstRand 91-100 on-balance sheet	27 448	10 380	6 867	16 808	1 559	7 228	1 629	6 737	644	79 300
– Stage 1	262	147	440	1 340	93	115	215	–	–	2 612
– Stage 2	8 968	3 123	1 194	6 460	460	2 435	305	2 734	13	25 692
– Stage 3	18 218	7 110	5 233	9 008	1 006	4 678	1 109	3 163	631	50 156
– Purchased or originated credit impaired	–	–	–	–	–	–	–	840	–	840
Total off-balance sheet	46 890	–	–	–	412	14 031	2 766	165 288	1 256	230 643
FirstRand 1-25 off-balance sheet	43 698	–	–	–	66	–	2 766	75 310	–	121 840
– Stage 1	43 692	–	–	–	66	–	2 766	75 310	–	121 834
– Stage 2	6	–	–	–	–	–	–	–	–	6
– Stage 3	–	–	–	–	–	–	–	–	–	–
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	–
FirstRand 26-90 off-balance sheet	3 167	–	–	–	343	13 919	–	88 566	1 256	107 251
– Stage 1	3 119	–	–	–	343	13 694	–	87 105	1 256	105 517
– Stage 2	48	–	–	–	–	224	–	1 461	–	1 733
– Stage 3	–	–	–	–	–	1	–	–	–	1
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	–
FirstRand 91-100 off-balance sheet	25	–	–	–	3	112	–	1 412	–	1 552
– Stage 1	2	–	–	–	3	7	–	610	–	622
– Stage 2	9	–	–	–	–	51	–	728	–	788
– Stage 3	14	–	–	–	–	54	–	74	–	142
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	–
Total exposure	317 351	111 421	41 374	53 286	7 726	143 869	62 984	633 841	42 376	1 414 228
– Stage 1	276 837	91 975	33 111	35 345	6 127	129 905	58 034	605 091	41 732	1 278 157
– Stage 2	22 282	12 336	3 030	8 933	584	9 176	3 841	24 673	13	84 868
– Stage 3	18 232	7 110	5 233	9 008	1 015	4 788	1 109	3 237	631	50 363
– Purchased or originated credit impaired	–	–	–	–	–	–	–	840	–	840

Notes to the annual financial statements continued

31 Financial risks continued

31.1 Credit risk continued

31.1.2 Quality of credit assets continued

30 June 2023

	Retail secured		Retail unsecured			Corporate and commercial				
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other	FNB commercial	WesBank corporate and commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
Total on-balance sheet	259 635	105 433	37 149	50 072	7 406	116 448	54 212	427 982	45 089	1 103 426
FirstRand 1-25 on-balance sheet	103 785	–	546	397	1 291	267	9 568	157 474	5 435	278 763
– Stage 1	103 693	–	542	320	1 285	267	9 568	157 474	5 435	278 584
– Stage 2	92	–	4	77	–	–	–	–	–	173
– Stage 3	–	–	–	–	6	–	–	–	–	6
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	–
FirstRand 26-90 on-balance sheet	132 655	96 348	31 605	34 566	4 612	108 483	43 021	263 291	38 703	753 284
– Stage 1	119 109	87 358	29 350	32 990	4 466	102 643	39 865	244 977	38 643	699 401
– Stage 2	13 546	8 990	2 255	1 576	146	5 785	3 156	18 314	60	53 828
– Stage 3	–	–	–	–	–	55	–	–	–	55
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	–
FirstRand 91-100 on-balance sheet	23 195	9 085	4 998	15 109	1 503	7 698	1 623	7 217	951	71 379
– Stage 1	294	131	181	1 714	92	110	249	93	2	2 866
– Stage 2	8 828	2 954	760	5 848	493	2 870	308	2 604	29	24 694
– Stage 3	14 073	6 000	4 057	7 547	918	4 718	1 066	3 738	920	43 037
– Purchased or originated credit impaired	–	–	–	–	–	–	–	782	–	782
Total off-balance sheet	49 166	–	–	–	589	24 051	3 657	142 606	1 435	221 504
FirstRand 1-25 off-balance sheet	45 021	–	–	–	134	–	3 657	72 350	–	121 162
– Stage 1	45 015	–	–	–	134	–	3 657	72 350	–	121 156
– Stage 2	6	–	–	–	–	–	–	–	–	6
– Stage 3	–	–	–	–	–	–	–	–	–	–
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	–
FirstRand 26-90 off-balance sheet	4 118	–	–	–	289	23 891	–	68 977	1 435	98 710
– Stage 1	4 053	–	–	–	289	23 694	–	67 653	1 435	97 124
– Stage 2	65	–	–	–	–	197	–	1 280	–	1 542
– Stage 3	–	–	–	–	–	–	–	–	–	–
– Purchased or originated credit impaired	–	–	–	–	–	–	–	44	–	44
FirstRand 91-100 off-balance sheet	27	–	–	–	166	160	–	1 279	–	1 632
– Stage 1	1	–	–	–	166	5	–	456	–	628
– Stage 2	16	–	–	–	–	71	–	771	–	858
– Stage 3	10	–	–	–	–	84	–	52	–	146
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–	–
Total exposure	308 801	105 433	37 149	50 072	7 995	140 499	57 869	570 588	46 524	1 324 930
– Stage 1	272 165	87 489	30 073	35 024	6 432	126 719	53 339	543 003	45 515	1 199 759
– Stage 2	22 553	11 944	3 019	7 501	639	8 923	3 464	22 969	89	81 101
– Stage 3	14 083	6 000	4 057	7 547	924	4 857	1 066	3 790	920	43 244
– Purchased or originated credit impaired	–	–	–	–	–	–	–	826	–	826

Notes to the annual financial statements continued

31 Financial risks continued

31.1 Credit risk continued

31.1.2 Quality of credit assets continued

Analysis of impaired advances (stage 3)

The following table represents an analysis of impaired advances (stage 3) for financial assets measured at amortised cost, and debt instruments measured at both FVOCI and FVTPL, in line with the manner in which the bank manages credit risk.

R million	2024 Total	2024 Security held and expected recoveries	2024 Stage 3 impairment	2023 Total	2023 Security held and expected recoveries	2023 Stage 3 impairment
Stage 3 by class						
Total retail secured	25 328	18 223	7 105	20 073	14 298	5 775
– Residential mortgages	18 218	14 471	3 747	14 073	11 225	2 848
– WesBank VAF	7 110	3 752	3 358	6 000	3 073	2 927
Total retail unsecured	15 256	4 358	10 898	12 528	3 591	8 937
– FNB card	5 233	1 458	3 775	4 057	1 209	2 848
– Personal loans	9 008	2 761	6 247	7 547	2 228	5 319
– Retail other	1 015	139	876	924	154	770
Total retail secured and unsecured	40 584	22 581	18 003	32 601	17 889	14 712
Total corporate and commercial*	9 845	5 274	4 571	10 359	5 796	4 563
– FNB commercial	4 733	1 798	2 935	4 773	1 941	2 832
– WesBank corporate and commercial	1 109	585	524	1 066	672	394
– RMB corporate and investment banking	4 003	2 891	1 112	4 520	3 183	1 337
Centre (including Group Treasury) – unsecured	631	42	589	920	87	833
Total stage 3	51 060	27 897	23 163	43 880	23 772	20 108
Stage 3 by category						
Overdrafts and cash management accounts	3 267	693	2 574	3 016	640	2 376
Term loans	1 184	653	531	1 175	634	541
Card loans	5 509	1 484	4 025	4 341	1 233	3 108
Instalment sales and hire purchase agreements	8 795	4 370	4 425	7 807	3 720	4 087
Lease payments receivable	66	14	52	193	121	72
Property finance	19 216	15 072	4 144	15 298	12 062	3 236
– Home loans	18 119	14 389	3 730	13 929	11 133	2 796
– Commercial property finance	1 097	683	414	1 369	929	440
Personal loans	9 089	2 805	6 284	7 603	2 265	5 338
Investment bank term loans	3 339	2 355	984	3 194	2 630	564
Other	595	451	144	1 253	467	786
Total stage 3	51 060	27 897	23 163	43 880	23 772	20 108

** The vast majority of total corporate and commercial is secured with collateral.*

Notes to the annual financial statements continued

31 Financial risks continued

31.1 Credit risk continued

31.1.3 Quality of credit assets – non-advances

The following table shows the GCA of non-advances carried at amortised cost and the fair value of non-advances measured at FVTPL or through OCI per external credit rating.

	2024		
R million	AAA to BBB	BB+ to B-	CCC
Investment securities			
Investment securities at amortised cost	7 534	188 862	–
– Stage 1	7 534	188 862	–
Investment securities at fair value through other comprehensive income	3 183	15 572	10
– Stage 1	3 183	15 572	10
Investment securities at fair value through profit or loss	18 308	68 653	211
Total investment securities	29 025	273 087	221
Collateral, settlement balances and other financial assets			
– Stage 1*	3 614	13 998	–
– Stage 2	2 267	4 298	149
– Stage 3	–	183	102
Total collateral, settlement balances and other financial assets	5 881	18 479	251
Cash and cash equivalents			
– Stage 1	23 659	56 553	2
Total cash and cash equivalents	23 659	56 553	2
Derivative assets	25 752	20 220	2

* *Collateral balances are similar in nature to cash and cash equivalents and are included in stage 1.*

	2023		
R million	AAA to BBB	BB+ to B-	CCC
Investment securities			
Investment securities at amortised cost	8 693	169 064	–
– Stage 1	8 693	169 064	–
Investment securities at fair value through other comprehensive income	–	14 903	–
– Stage 1	–	14 903	–
Investment securities at fair value through profit or loss	25 786	81 463	57
Total investment securities	34 479	265 430	57
Collateral, settlement balances and other financial assets			
– Stage 1*	12 005	11 204	–
– Stage 2	484	4 693	26
– Stage 3	–	124	83
Total collateral, settlement balances and other financial assets**	12 489	16 021	109
Cash and cash equivalents			
– Stage 1	23 653	48 172	–
Total cash and cash equivalents**	23 653	48 172	–
Derivative assets	32 911	30 378	18

* *Collateral balances are similar in nature to cash and cash equivalents and are included in stage 1.*

** *Restated. Refer to note 32 – Impact due to changes in presentation and restatements.*

31 Financial risks continued

31.1 Credit risk continued

31.1.4 Credit risk mitigation and collateral held

Managing credit risk is core to all lending activities which are a material driver of earnings growth and return profile. The bank therefore aims to optimise the amount of credit risk it takes to achieve its growth and return objectives. Mitigation of credit risk is an important component of this, beginning with the structuring and approval of facilities only for those clients and within those parameters that fall within risk appetite.

Although, in principle, credit assessment focuses on the counterparty's ability to repay the debt, credit mitigation instruments are used where appropriate to reduce the bank's lending risk, resulting in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are determined by portfolio, product or counterparty type.

Credit risk mitigation instruments:

- Mortgage and instalment sale finance portfolios in FNB and WesBank are secured by the underlying assets financed.
- FNB commercial credit exposures are secured by the assets of the SME counterparties and Commercial property finance deals are secured by the underlying property and associated cash flows.
- Personal loans, overdrafts and credit card exposures are generally unsecured or secured by guarantees and sureties.
- For FNB and WesBank retail customers, life insurance and insurance against insurance against disability, and retrenchment are prescribed, where applicable.
- Structured facilities in RMB are secured as part of the structure through financial or other collateral, including guarantees, credit derivative instruments and assets.
- Counterparty credit risk in RMB is mitigated through the use of netting agreements and financial collateral. For additional information relating to the use of the netting agreements refer to the offsetting table within note 31.1.4.
- Working capital facilities in RMB can be secured or unsecured.

The bank employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained over collateral taken over the life of the transaction. Collateral is valued at inception of the credit agreement, and subsequently where necessary through physical inspection or index valuation methods. For corporate and commercial counterparties, collateral is reassessed during the annual review of the counterparty's creditworthiness to ensure that proper title is retained. For mortgage portfolios, collateral is revalued on an ongoing basis using an index model, and physical inspection is performed at the beginning of the recovery process. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries. Concentrations in credit risk mitigation types, such as property, are monitored and managed at a product and segment level, in line with the requirements of the group credit risk/appetite framework. Collateral is taken into account for capital calculation purposes through the determination of LGD. Collateral reduces LGD, and LGD levels are determined through statistical modelling techniques based on historical experience of the recovery processes.

The following table represents an analysis of the maximum exposure to credit risk for financial assets at amortised cost and debt instruments at FVTPL, as well as a breakdown of collateral, both financial and non-financial, held against the exposure along with any other credit enhancements and netting arrangements.

Notes to the annual financial statements continued

31 Financial risks continued
31.1 Credit risk continued
31.1.4 Credit risk mitigation and collateral held continued

R million	Gross carrying amount	Off-balance sheet exposure	Loss allowance	Maximum exposure to credit risk	Netting and financial collateral	Unsecured	Secured*
				2024			
Residential mortgages	**270 461**	**46 890**	**(5 448)**	**311 903**	**1 686**	**68**	**310 149**
WesBank VAF	**111 421**	**–**	**(6 195)**	**105 226**	**–**	**–**	**105 226**
FNB card	**41 374**	**–**	**(5 705)**	**35 669**	**–**	**35 669**	**–**
Personal loans	**53 286**	**–**	**(10 243)**	**43 043**	**–**	**43 043**	**–**
Retail other	**7 314**	**412**	**(1 326)**	**6 400**	**388**	**3 776**	**2 236**
FNB commercial	**129 838**	**14 031**	**(5 077)**	**138 792**	**7 353**	**22 081**	**109 358**
WesBank corporate and commercial	**60 218**	**2 766**	**(916)**	**62 068**	**–**	**69**	**61 999**
RMB corporate and investment banking	**468 553**	**165 288**	**(4 702)**	**629 139**	**1 970**	**130 832**	**496 337**
Centre (including Group Treasury)	**41 120**	**1 256**	**(845)**	**41 531**	**–**	**30 480**	**11 051**
Total advances	**1 183 585**	**230 643**	**(40 457)**	**1 373 771**	**11 397**	**266 018**	**1 096 356**
Investment securities**	**302 333**	**–**	**(322)**	**302 011**	**14 711**	**286 057**	**1 243**
Cash and cash equivalents	**80 214**	**–**	**–**	**80 214**	**4 131**	**76 083**	**–**
Collateral, settlement balances and other financial assets	**24 611**	**–**	**(472)**	**24 139**	**15 845**	**8 294**	**–**
Derivatives	**45 974**	**–**	**–**	**45 974**	**30 900**	**15 074**	**–**
				2023			
Residential mortgages	259 635	49 165	(4 356)	304 444	3 641	–	300 803
WesBank VAF	105 433	–	(5 773)	99 660	–	–	99 660
FNB card	37 149	–	(4 767)	32 382	–	32 382	–
Personal loans	50 072	–	(9 289)	40 783	–	40 783	–
Retail other	7 406	590	(1 247)	6 749	–	4 283	2 466
FNB commercial	116 448	24 051	(5 003)	135 496	6 724	18 313	110 459
WesBank corporate and commercial	54 212	3 657	(733)	57 136	–	47	57 089
RMB corporate and investment banking	427 982	142 606	(4 481)	566 107	3 722	122 591	439 794
Centre (including Group Treasury)	45 089	1 435	(886)	45 638	–	31 463	14 175
Total advances	1 103 426	221 504	(36 535)	1 288 395	14 087	249 862	1 024 446
Investment securities**	299 966	–	(147)	299 819	21 249	276 798	1 772
Cash and cash equivalents#	71 825	–	–	71 825	1 819	70 007	(1)
Collateral, settlement balances and other financial assets#	28 619	–	(416)	28 203	22 391	5 808	4
Derivatives	63 307	–	–	63 307	59 104	4 203	–

* *Secured represents balances which have non-financial collateral attached to the financial asset.*

** *Include debt instruments measured at fair value but excludes equity and non-recourse investments.*

\# *Restated. Refer to note 32 – Impact due to changes in presentation and restatements.*

Notes to the annual financial statements continued

31 Financial risks continued

31.1 Credit risk continued

31.1.4 Credit risk mitigation and collateral held continued

Collateral held against derivative positions

The table below sets out the cash collateral held against the net derivative position.

R million	2024	2023
Cash collateral held	**14 346**	16 554

The table below reflects the collateral that the bank holds where it has the ability to sell or repledge in the absence of default by the owner of the collateral.

Collateral held in structured transactions

R million	2024 Fair value	2024 Fair value of collateral sold or repledged in the absence of default	2023 Fair value	2023 Fair value of collateral sold or repledged in the absence of default
Cash and cash equivalents	**14 346**	**–**	20 885	–
Advances	**67 758**	**25 379**	79 065	28 202
Investment securities	**4 158**	**4 131**	4 022	3 828
Total collateral pledged	**86 262**	**29 510**	103 972	32 030

Investment securities exclude securities lending transactions where securities are obtained as collateral for securities lent. This is in line with industry practice.

Collateral taken possession of

When the bank takes possession of collateral that is neither cash nor readily convertible into cash, the bank determines a minimum sale amount (pre-set sale amount) and auctions the asset for the pre-set sale amount. Where the bank is unable to obtain the pre-set sale amount at an auction, it will continue to hold the asset while actively marketing it to ensure an appropriate value is obtained. Properties taken possession of amounted to R17 million (2023: R22 million).

31 Financial risks continued

The financial collateral included in the previous table is limited to the net statement of financial position exposure in line with the requirements of IFRS 7 and excludes the effect of any over-collateralisation. The collateral amount included in the table for IFRS 7 disclosure purposes has been determined at a business unit level. If these limits were determined on a bank-wide level, the collateral amount included in this table could increase. The total amount reported on the statement of financial position is the sum of the net amount reported in the statement of financial position and the financial instruments amount not subject to offset or master netting agreement (MNA).

	Derivatives		Structured transactions		Intercompany	
R million	2024	2023	2024	2023	2024	2023
Assets						
Offsetting applied						
Gross amount	**75 990**	106 722	**91 054**	95 099	**58 640**	63 226
Amount offset*	**(30 016)**	(43 415)	**(23 297)**	(16 034)	**(2)**	(21)
Net amount reported on the statement of financial position	**45 974**	63 307	**67 757**	79 065	**58 638**	63 205
Offsetting not applied						
Financial instruments subject to MNAs and similar agreements	**(28 874)**	(55 284)	**(1 184)**	(7 455)	**(590)**	(125)
Financial collateral	**(2 026)**	(3 820)	**(40 980)**	(52 724)	**–**	–
Net amount	**15 074**	4 203	**25 593**	18 886	**58 048**	63 080
Liabilities						
Offsetting applied						
Gross amount	**73 400**	109 948	**45 030**	39 324	**28 421**	29 063
Amount offset*	**(30 016)**	(43 415)	**(23 297)**	(16 034)	**(2)**	(21)
Net amount reported on the statement of financial position**	**43 384**	66 533	**21 733**	23 290	**28 419**	29 042
Offsetting not applied						
Financial instruments subject to MNAs and similar agreements	**28 874**	(55 284)	**(1 184)**	(7 455)	**(590)**	(125)
Financial collateral	**(7 231)**	(11 249)	**(11 850)**	(13 085)	**–**	–
Net amount	**65 027**	–	**8 699**	2 750	**27 829**	28 917

* *Amounts offset under derivatives are contracts that are set off under netting agreements, such as the MNA or derivative clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting is applied across all outstanding transactions covered by these agreements.*

** *Restated due to change in presentation of the inter-group bank accounts. Refer to basis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation and restatements*

31.2 Liquidity risk

Objective

Liquidity risk arises from the bank's potential inability to meet its payment obligations when they fall due, or only being able to meet these obligations by incurring excessive costs. Liquidity risk is driven by the maturity profile of the bank's assets and liabilities as well as client behaviour. To manage and mitigate the liquidity risk introduced by its business activities, the bank seeks to optimise its funding profile within structural and regulatory constraints to enable its businesses to operate in an efficient and sustainable manner.

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

Assessment and management

The bank focuses on continually monitoring and analysing the impact of potential risks on its funding and liquidity position to ensure business activities are preserved and funding is available and stable. This ensures the bank can operate through periods of stress when access to funding is constrained.

Mitigation of market and funding liquidity risks is achieved via contingent liquidity risk management. A portfolio of high-quality liquid assets with appropriate buffers are held, either to be sold into the market or to serve as collateral for loans to cover any unforeseen cash shortfall that may arise.

Notes to the annual financial statements continued

31 Financial risks continued

31.2 Liquidity risk continued

The bank's approach to liquidity risk management distinguishes between daily, structural and contingency liquidity risk management across all currencies, and various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis, as illustrated in the following table.

DAILY LIQUIDITY RISK	STRUCTURAL LIQUIDITY RISK	CONTINGENCY LIQUIDITY RISK
Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations can be met by maintaining a sustainable balance between liquidity inflows and outflows.	Managing the risk that structural, long-term on- and off-balance sheet exposures cannot be funded timeously or at reasonable cost.	Maintaining several contingent funding sources to draw upon in times of economic stress.

Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress testing framework, with a focus on:

- quantifying the potential exposure to future liquidity stresses;
- analysing the possible impact of economic and event risks on cash flows, liquidity, profitability and solvency position; and
- proactively evaluating the potential secondary and tertiary effects of other risks on the bank.

31.2.1 Undiscounted cash flows

The following table presents the bank's undiscounted cash flows of financial liabilities and off-balance sheet amounts, and includes all cash outflows related to principal amounts, as well as future payments.

	2024			
		Term to maturity		
R million	Undiscounted carrying amount	Call to 3 months	4 – 12 months	>12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	**1 547 227**	**1 127 357**	**174 491**	**245 379**
Short trading positions	**9 601**	**9 601**	**–**	**–**
Derivative financial instruments	**43 521**	**41 914**	**774**	**833**
Creditors, accruals and provisions	**27 120**	**18 661**	**338**	**8 121**
Tier 2 liabilities	**22 441**	**–**	**63**	**22 378**
Other liabilities	**1 546**	**400**	**–**	**1 146**
Lease liabilities	**2 082**	**188**	**564**	**1 330**
Amounts due to holding company and fellow subsidiaries	**28 497**	**16 760**	**4 351**	**7 386**
Off-balance sheet exposures				
Financial and other guarantees	**65 668**	**62 953**	**1 282**	**1 433**
Other contingencies and commitments	**4 535**	**1 963**	**2 418**	**154**
Loan commitments	**183 927**	**183 927**	**–**	**–**
	2023			
On-balance sheet exposures				
Deposits and current accounts*	1 468 223	1 064 911	171 920	231 392
Short trading positions	12 473	12 473	–	–
Derivative financial instruments	78 891	65 163	1 589	12 139
Creditors, accruals and provisions	20 041	14 231	24	5 786
Tier 2 liabilities	22 679	–	2 117	20 562
Other liabilities	1 212	580	56	576
Lease liabilities	1 980	171	514	1 295
Amounts due to holding company and fellow subsidiaries*	29 151	17 001	4 852	7 298
Off-balance sheet exposures				
Financial and other guarantees	64 177	59 620	2 592	1 965
Other contingencies and commitments	4 844	1 775	3 018	51
Loan commitments	177 859	177 859	–	–

* *Restated. Refer to note 32 – Impact due to changes in presentation and restatements.*

31 Financial risks continued

31.2 Liquidity risk continued

31.2.2 Discounted cash flows

The following table represents the bank's contractual discounted cash flows of total assets, liabilities and equity. Relying solely on the contractual liquidity mismatch when assessing a bank's maturity analysis would overstate risk, since this represents a worst-case scenario assessment of cash flows at maturity rather than the underlying aggregate client behaviour.

Banks tend to have a particularly pronounced contractual negative gap in the shorter term due to predominately transactional and savings deposits (contractually available on demand) supplemented by short-term institutional funding representing a significant proportion of banks' liabilities. South Africa's structurally lower discretionary savings rate results in South African banks' placing additional reliance on short term wholesale funding. The bank's funding strategy is led by a client deposit focus to mitigate and offset the inherent liquidity risk of funding long-term assets, e.g. mortgages.

Discounted cash flow analysis – maturity analysis of total assets, liabilities and equity based on the present value of the expected payment

	2024			
		Term to maturity		
R million	Discounted carrying amount	Call to 3 months	4 – 12 months	> 12 months and non-contractual
Total assets	**1 715 846**	**563 295**	**205 705**	**946 846**
Total equity and liabilities	**1 715 846**	**1 215 054**	**166 841**	**333 951**
Net liquidity gap	**–**	**(651 759)**	**38 864**	**612 895**
Cumulative liquidity gap	**–**	**(651 759)**	**(612 895)**	**–**
	2023			
Total assets	1 654 964	571 944	202 541	880 479
Total equity and liabilities	1 654 964	1 176 881	168 488	309 595
Net liquidity gap	–	(604 937)	34 053	570 884
Cumulative liquidity gap	–	(604 937)	(570 884)	–

31.2.3 Collateral pledged

The bank pledges assets under the following terms and conditions:

- assets are pledged as collateral under repurchase agreements with other banks and as variation margin for local futures and options; and
- collateral in the form of cash and other investment securities is pledged when the bank borrows equity securities from third parties. These transactions are conducted under the terms and conditions that are usual and customary to standard securities lending arrangements.

All other pledges are conducted under terms which are usual and customary to lending arrangements.

Notes to the annual financial statements continued

31 Financial risks continued

31.2 Liquidity risk continued

31.2.3 Collateral pledged continued

The following assets have been pledged to secure the liabilities set out in the table below. These assets are not available in the normal course of business.

R million	2024	2023
Cash and collateral balances	**18 502**	24 214
Advances	**903**	2 400
Investment securities – held under repurchase agreements*	**7 271**	6 715
Investment securities – other	**11 672**	4 400
Total assets pledged	**38 348**	37 729

* *The prior year, investment securities – held under repurchase agreements was reflected as R4 015. To correctly reflect the assets pledged, the comparative has been restated.*

The following liabilities have been secured by the bank pledging either its own or borrowed financial assets, except for the short trading positions, which are covered by borrowed securities only.

R million	2024	2023
Short-trading positions	**9 601**	12 473
Total deposits	**22 804**	23 953
– Deposits under repurchase agreements	**20 075**	18 959
– Deposits in securities lending transactions*	**1 658**	4 331
– Other secured deposits	**1 071**	663
Derivative liabilities	**16 917**	21 820
Total	**49 322**	58 246

* *Securities lending transactions include only those where cash is placed against the securities borrowed. Transactions where securities are lent and borrowed and other securities placed against the borrowing and lending are excluded.*

31.2.4 Concentration analysis of deposits

R million	2024	2023*
Sector analysis		
Deposit current accounts and other loans		
Sovereigns, including central banks	**56 101**	67 752
Public sector entities	**88 743**	85 545
Local authorities	**14 671**	18 508
Banks	**59 457**	52 185
Securities firms	**10 800**	10 754
SME, commercial and corporate customers**	**800 430**	762 434
Retail customers	**411 325**	379 116
Other	**3 180**	2 881
Total deposits	**1 444 707**	1 379 175
Geographical analysis		
South Africa	**1 343 376**	1 282 429
Broader Africa	**27 699**	21 326
UK	**23 043**	29 403
Other	**50 589**	46 017
Total deposits	**1 444 707**	1 379 175

* *Restated. Refer to note 32 – Impact due to changes in presentation and restatements.*

** *The description for this line has been changed from Corporate customers to SME, commercial and corporate customers to better reflect the nature of this balance.*

31 Financial risks continued

31.3 Market risk

31.3.1 Traded market risk

Objective

Traded market risk for the bank includes traded equity and credit risk, commodity risk, foreign exchange risk and interest rate risk in the trading book, as well as interest rate risk in the RMB banking book.

Assessment and management

The bank uses the internal models approach (IMA) for its domestic trading units, which is based on its internal value-at-risk (VaR) model supplemented with a stressed VaR (sVaR). In addition, risk related to market risk-taking activities is also measured using an internal ETL measure, as a proxy for economic capital).

Management and monitoring of interest rate risk in the domestic banking book is discussed in the Interest rate risk under the banking book section of this report on page C162. However, RMB manages a portion of the interest rate risk in its banking book under the market risk framework, with risk measured and monitored according to the same principles and processes outlined in this section for the trading book, and management oversight provided by the FirstRand market and investment risk committee. This portion of the RMB banking book interest rate risk exposure was R92 million as at 30 June 2024 (2023: R103 million).

The market risk model has performed as expected and the market risk framework continues to ensure adequate management of exposures. All measures have remained within board approved limits over the period.

Quantification of risk exposures

ETL	The internal measure of risk is an ETL metric at the 99% confidence level under a full revaluation methodology using historical risk factor scenarios (historical simulation method). To accommodate the regulatory stress loss imperative, the set of scenarios used for revaluation of the current portfolio comprises historical scenarios which incorporate both the past 260 trading days and at least one static period of market stress, which is currently the 2008/2009 period. The stress period is periodically reviewed for suitability. The ETL measure may be liquidity adjusted for exposures deemed illiquid. Holding periods, ranging between 10 and 90 days or more, are used in the calculation and are based on an assessment of stressed liquidity of portfolios.
VaR and sVaR	Both VaR and sVar are calculated using historical risk factor scenarios as an input into a full revaluation methodology. VaR is calculated at the 99% 10-day holding period level in order to best reflect the current business environment. For regulatory capital purposes, this is supplemented with a stressed VaR (sVaR), calculated at the 99% 10-day holding period level using a static stress period. The stress period currently applied is the 2008/2009 period which has been assessed as the most volatile in recent history. This is reviewed periodically for suitability. When simulating potential movements in risk factors, both absolute and relative risk factors are used. VaR calculations over a holding period of one day are used as an additional tool in the assessment of market risk. The updating of historical scenarios is kept within the one-month regulatory requirement and is monitored on a daily basis.

Notes to the annual financial statements continued

31 Financial risks continued

31.3.2 Market risk in the trading book

Market risk in the trading book is taken and managed in line with risk limits and management frameworks approved by the C&I FRM executive committee and MIRC. ETL and VaR limits are set for portfolios and risk types, with market liquidity being a primary factor in determining the level of limits set. Market risk limits are governed according to the market risk framework. The ETL/VaR model is designed to take into account a comprehensive set of risk factors across all asset classes.

During the period global economies continued to be characterised by slow economic growth, sovereign currency devaluation in some Africa markets, elevated inflation and interest rates which continue to significantly impact currency strength and emerging markets. The market risk measurement framework continued to perform well during the review period and all exposures remained within approved limits.

VaR analysis by risk type

The following table reflects the 10-day VaR and sVaR at the 99% confidence level. The 10-day VaR calculation is performed using 10-day scenarios created from the past 260 trading days, whereas the 10-day sVaR is calculated using scenario data from the static stress period.

	2024*							2023*						
R million	Equities	Interest rates**	Foreign exchange	Com-modities	Traded credit	Diversi-fication effect	Diversified total	Equities	Interest rates#	Foreign exchange	Com-modities	Traded credit	Diversi-fication effect	Diversified total
VaR (10-day 99%)														
Maximum value#	**58.2**	**550.2**	**474.8**	**72.1**	**17.2**	**–**	**448.4**	79.3	520.6	114.0	69.5	49.3	–	435.5
Average value	**20.5**	**284.3**	**217.9**	**24.7**	**6.7**	**–**	**279.5**	22.9	309.0	54.8	33.1	15.2	–	266.6
Minimum value#	**4.5**	**138.3**	**77.1**	**8.1**	**2.5**	**–**	**170.4**	5.8	134.0	13.9	17.4	1.8	–	140.5
Period end	**20.0**	**166.7**	**357.8**	**17.6**	**6.2**	**(210.6)**	**357.7**	14.0	296.9	91.6	31.6	11.4	(172.2)	273.3
sVaR (10-day 99%)														
Maximum value#	**106.7**	**590.9**	**412.4**	**87.8**	**30.5**	**–**	**374.7**	84.2	553.6	248.7	79.5	211.1	–	479.9
Average value	**51.4**	**312.0**	**184.3**	**36.7**	**11.4**	**–**	**247.3**	30.8	349.4	101.2	42.4	72.4	–	296.2
Minimum value#	**7.0**	**148.0**	**29.3**	**9.4**	**3.4**	**–**	**131.8**	10.4	168.1	21.9	27.8	2.7	–	173.1
Period end	**16.6**	**176.0**	**70.4**	**30.9**	**6.2**	**(168.3)**	**131.8**	25.5	225.2	166.7	58.3	12.6	(225.1)	263.1

* *Excludes foreign branches, which are reported in the Standardised approach for market risk section of this document.*

** *Interest rate risk in the trading book.*

The maximum and minimum VaR figures for each asset class did not necessarily occur on the same day. Consequently, a diversification effect was omitted from the above table.

Notes to the annual financial statements continued

31 Financial risks continued

31.4 Non-traded market risk

31.4.1 Interest rate risk in the banking book

Assessment and management

FirstRand Bank (South Africa)

The measurement techniques used to monitor IRRBB include NII sensitivity/earnings risk and NAV/economic value of equity (EVE) sensitivity and the closely related daily PV01 measure. A repricing gap is also generated to better understand the repricing characteristics of the balance sheet. In calculating the repricing gap, all banking book assets, liabilities and derivative instruments are placed in gap intervals based on repricing characteristics.

The internal funds transfer pricing process is used to transfer interest rate risk from the operating businesses to Group Treasury. This process allows risk to be managed centrally and holistically in line with the bank's macroeconomic outlook.

Management of the resultant risk position is achieved by balance sheet optimisation or through the use of financial market instruments such as government bonds or derivative transactions. Interest rate swaps, for which a liquid market exists, are the main instruments utilised and here possible, hedge accounting treatment is applied to minimise any accounting mismatches, thus ensuring that amounts deferred in equity are released to the income statement at the same time as movements attributable to the underlying hedged asset/liability. Interest rate risk from the fixed-rate book is managed to low levels, with remaining risk stemming from timing and basis risk.

Foreign operations

Management of IRRBB across the bank's foreign branches is the responsibility of in-country management teams with oversight provided by Group Treasury and FCC Risk Management. Where applicable, NAV sensitivity risk limits are also used for endowment hedges.

Sensitivity analysis

A change in interest rates impacts both the earnings potential of the banking book (as underlying assets and liabilities reprice to new rates) and the economic value/NAV of an entity (as a result of a change in the fair value of any open risk portfolios used to manage the earnings risk). The role of management is to protect both the financial performance as a result of a change in earnings and the long-term economic value. To achieve this, both earnings sensitivity and economic sensitivity measures are monitored and managed within appropriate risk limits and appetite levels, considering the macroeconomic environment and factors which could cause a change in rates.

The sensitivities have been calculated in accordance with amendments to the Banks Act as per Directive 2 of 2023. The updated IRRBB methodology ensures that:

1. Client behaviour is considered in the management of IRRBB. Relevant behavioural adjustments that capture modelled customer behaviour (where they have legal discretion to re-pay or withdraw funds) are incorporated into the calculation. This allows for a more effective assessment of IRRBB and aligns with how the group manages this risk.
2. There is a more effective and transparent measure of the risk associated with specific currency exposures which are exposed to different interest rates, and different possible shocks.
3. There is a more explicit consideration of basis risk and credit spread risk.

Earnings sensitivity

Earnings models are run on a monthly basis to provide a measure of the NII sensitivity of the existing banking book balance sheet to shocks in interest rates. The calculation assumes a constant balance sheet size and product mix over the forecast horizon. A pass-through assumption is applied in relation to non-maturing deposits, which reprice at the bank's discretion. This assumption is based on historical product behaviour.

31 Financial risks continued

31.4 Non-traded market risk continued

31.4.1 Interest rate risk in the banking book continued

Assessment and management continued

Earnings sensitivity continued

The following tables show the 12-month NII sensitivity for sustained, instantaneous parallel downward and upward shocks to interest rates. The size of the shocks are consistent with the regulatory prescribed shocks per currency. The most material shocks applied are 400bps for rand exposures, 200bps for USD exposures and 250bps for GBP exposures.

Most of the bank's NII sensitivity relates to the endowment book mismatch. The bank's average endowment book was R297 billion for the year ended 30 June 2024 (2023: R295 billion).

Projected ZAR NII sensitivity to interest rate movements

	Change in projected 12-month NII	
R million	**2024**	2023
Downward	**(2 160)**	(2 196)
Upward	**1 801**	1 933

Assuming no change in the balance sheet and no management action in response to interest rate movements, an instantaneous, sustained parallel decrease in interest rates would result in a reduction in projected 12-month NII of R2 160 million (2023: R2 196 million). A similar increase in interest rates would result in an increase in projected 12-month NII of R1 801 million (2023: R1 933 million).

Effect of reference rate reform

The group has a steering committee consisting of key finance, risk, IT, treasury, legal and compliance personnel, as well as external advisors, which oversees the group's reference rate reform transition. The committee developed a transition process for affected contracts and potential future contracts with the aim of minimising the potential disruption to business, mitigating operational and conduct risks, and possible financial losses.

The JIBAR will be replaced by South African Rand Overnight Index Average Rate (ZARONIA). Prior to the choice of ZARONIA, several proposed alternative reference rates and calculation methodologies were released by the SARB. However, following an observation period between 1 November 2022 and 31 October 2023 ZARONIA was identified and endorsed as the successor to JIBAR. The SARB has indicated that JIBAR cessation is likely to take place at the end of 2026. It will confirm the cessation date in December 2025. There are several notable milestones in the lead-up to cessation, which are contained in the industry timeline published by the SARB. These include ZARONIA first for derivatives in November 2024, ZARONIA first for the cash market in June 2025 and "No new JIBAR" scheduled for March 2026. The group currently has a number of contracts, including derivatives, which reference JIBAR. The group's South African rates reform steering committee will apply the same transitioning policies to affected JIBAR contracts as those it effected for interbank offered rates.

Notes to the annual financial statements continued

31 Financial risks continued

31.4 Non-traded market risk continued

31.4.1 Interest rate risk in the banking book continued

Effect of reference rate reform continued

Financial assets that are impacted by reference rate reform:

R million	2024 ZAR JIBAR
Assets recognised on the balance sheet	
Derivative financial instruments (assets)*	**8 659 444**
Investment securities	**27 605**
Advances	**198 033**
Other assets	**3 838**
Total assets recognised on the balance sheet subject to reference rate reform	**8 888 920**
Off-balance sheet items	
Loan commitments	**26 823**
Total off-balance sheet exposure subject to reference rate reform	**26 823**
Total asset exposure subject to reference rate reform	**8 915 743**

Financial liabilities that are impacted by reference rate reform:

R million	2024 ZAR JIBAR
Liabilities recognised on the balance sheet	
Derivative financial instruments (liabilities)*	**8 710 585**
Deposits	**66 530**
Other liabilities	**86**
Tier 2 liabilities	**15 129**
Total liabilities recognised subject to reference rate reform	**8 792 330**

* *These balances represent the notional amount directly impacted by the reference rate reform.*

31 Financial risks continued

31.4 Non-traded market risk continued

31.4.1 Interest rate risk in the banking book continued

Economic value of equity

An EVE sensitivity measure is used to assess the impact of a shock to the underlying rates on the total NAV of the bank. Unlike the trading book, where a change in rates will impact fair value income and reportable earnings of an entity when a rate change occurs, the realisation of a rate change in the banking book will impact the distributable and non-distributable reserves to varying degrees and is reflected in the NII margin more as an opportunity cost/benefit over the life of the underlying positions. As a result, a purely forward-looking EVE sensitivity measure is applied to the banking book, and is monitored relative to the total risk limits, appetite levels and current economic conditions.

Six EVE shock scenarios are applied based on regulatory guidelines. The most material of the scenarios comprises a sustained, instantaneous parallel downward and upward shocks to interest rates. These shocks are applied to all banking book positions.

The following table:

- highlights the sensitivity of banking book NAV as a percentage of total Tier 1 capital; and
- reflects a point-in-time view which is dynamically managed and can fluctuate over time.

Banking book NAV sensitivity to interest rate movements as a percentage of total Bank Tier 1 capital

	2024	2023
Downward	**13.24**	16.01
Upward	**(11.01)**	(13.31)

31.4.2 Structural foreign exchange risk

Objective

The bank is exposed to foreign exchange risk as a result of on-balance sheet transactions in a currency other than the rand, as well as structural foreign exchange risk from the translation of its foreign operations' results into rand.

Group Treasury is responsible for oversight of structural foreign exchange risk and produces reports that are submitted to group ALCCO, a subcommittee of the RCCC. It is also responsible for reporting on and the management of the group's foreign exchange exposure and macroprudential limit utilisation.

Assessment and management

The ability to transact on-balance sheet in a currency other than the home currency (rand) is governed by the macroprudential and regulatory limits. In the bank, additional board limits and management risk appetite levels are set for this exposure. The impact of any residual on-balance positions is managed as part of the market risk reporting process (see Note 31.3.1 – Traded market risk section).

Structural foreign exchange risk impacts the current NAV of the bank as well as future profitability and earnings potential. Economic hedging is undertaken where viable, given market constraints and within risk appetite levels.

The following table provides an overview of the bank's exposure to entities with functional currencies other than the rand, and the pre-tax impact on equity of a 15% change in the exchange rate between the rand and the relevant functional foreign currencies. There were no significant structural hedging strategies employed by the bank in the current financial year.

Net structural foreign exposures

	2024		2023	
R million	Carrying value of net investment	Pre-tax impact on equity from 15% currency translation shock	Carrying value of net investment	Pre-tax impact on equity from 15% currency translation shock
US dollar	**7 876**	**1 181**	7 864	1 180
Sterling	**(1 947)**	**(292)**	(636)	(96)
Indian rupee	**746**	**112**	770	116
Total	**6 675**	**1 001**	7 998	1 200

Notes to the annual financial statements continued

31 Financial risks continued

31.5 Equity investment risk

Assessment and management

The equity investment risk portfolio is managed through a rigorous valuation and review process from the inception to exit of a transaction. All investments are subject to a comprehensive due diligence process, during which a thorough understanding of the target company's business, risks, challenges, competitors, management team and unique advantage or value proposition is developed.

For each transaction, an appropriate structure is put in place, which aligns the interests of all parties involved through the use of incentives and constraints for management and other investors. Where appropriate, the bank seeks to take a number of seats on the company's board and maintains close oversight through monitoring of operations and financial discipline.

The investment thesis, results of the due diligence process and investment structure are discussed at the investment committee before final approval is granted. In addition, normal biannual reviews are performed for the portfolio and crucial parts of these reviews, such as valuation estimates, are scrutinised at the appropriate governance forums.

The table below shows the equity investment risk exposure and sensitivity. The 10% sensitivity movement is calculated on the carrying value of investments, excluding those subject to the ETL process, and including the carrying value of investments in associates and joint ventures.

Investment risk exposure and sensitivity of investment risk

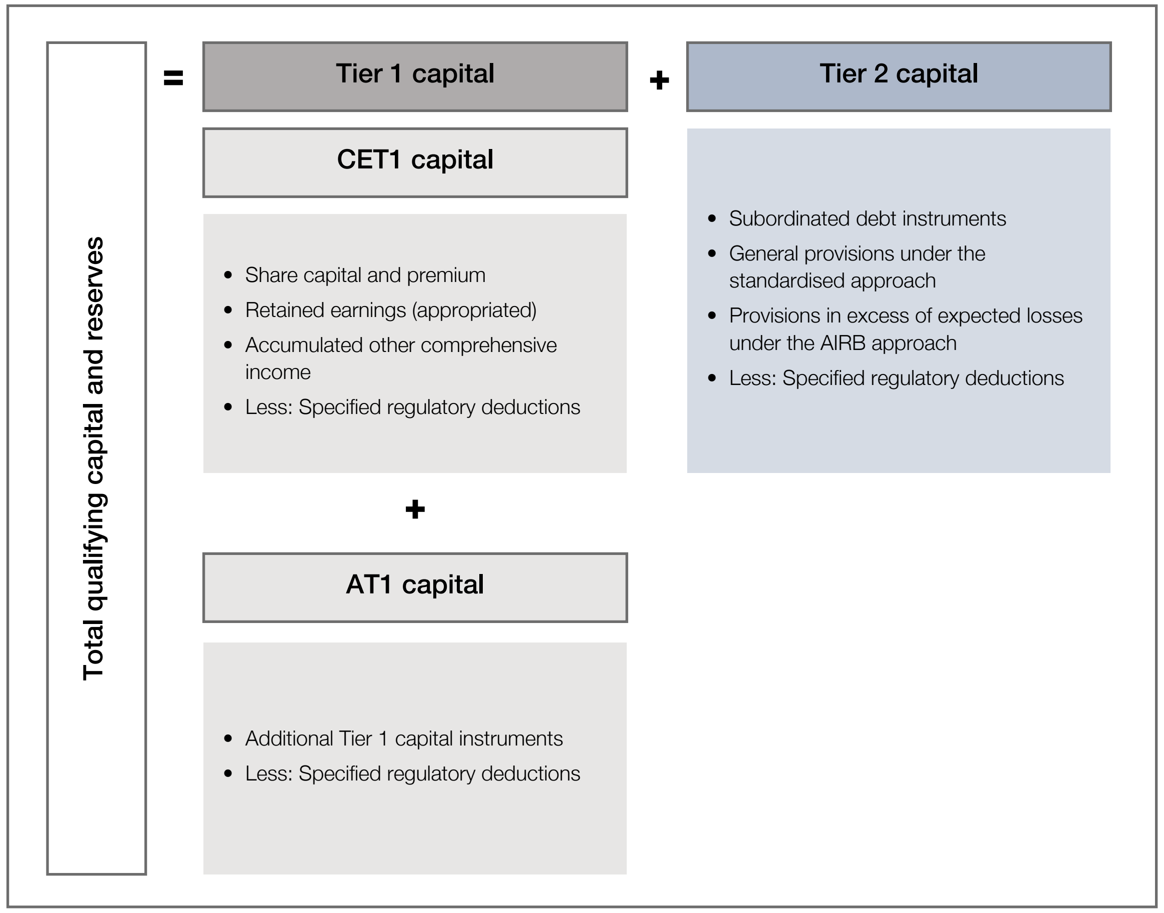
R million	2024	2023
Listed investment risk exposure included in the equity investment risk ETL process	**19**	17
Estimated sensitivity of remaining investment balances		
Sensitivity to 10% movement in market value on investment fair value	**76**	61

31 Financial risks continued

31.6 Capital management

The capital planning process ensures that the CET1, Tier 1 and total capital adequacy ratios remain within or above target ranges and regulatory minimums across economic and business cycles. Capital is managed on a forward-looking basis and the bank remains appropriately capitalised under a range of normal and severe stress scenarios. The bank aims to back all economic risk with loss-absorbing capital and remains well capitalised in the current environment. The bank continues to focus on the quality and mix of capital, as well as optimisation of the bank's RWA. The bank's capital ratios remain strong and above the regulatory minimums and internal targets. The board-approved internal targets are CET1 of 11.0% – 12.0%, Tier 1 of >12.0% and total capital of >14.25%.

The following diagram defines the main components of qualifying capital and reserves.



32 Impact due to changes in presentation and restatements

32.1 Restatement of previously presented information

The bank has restated the following notes as outlined in the B*asis of preparation, critical accounting estimates, assumptions and judgements and impact due to changes in presentation and restatements.* This note details the changes in presentation and restatements in notes to the financial statements.

1.1 Interest and similar income

R million	As previously reported	Restatement	Restated
Cash and cash equivalents	2 997	(1 739)	1 258
Collateral, settlement balances and other	115	1 739	1 854
Interest and similar income	3 112	–	3 112

Notes to the annual financial statements continued

32 Impact due to changes in presentation and restatements continued

2.5 Net other non-interest revenue

As previously reported

R million	2023
Revenue from contracts with customers	1 536
– Sales	2 177
– Cost of sales	(1 603)
– Other income	962
– Gains/(losses) on disposal of property and equipment	(6)
– Gains/(losses) on disposal of properties in possession	(2)
Recoveries from holding company and fellow subsidiaries	4 426
Rental income	1 701
Other operating lease transactions	235
Total other non-interest revenue	7 890

5.1 Analysis of assets

R million	Amortised cost	Non-financial instruments	Total carrying value	Current	Non-current and non-contractual
ASSETS					
Cash and cash equivalents	103 714	–	103 714	103 714	–
Restatement	(23 209)		(23 209)	(23 209)	
Cash and cash equivalents (restated)	80 505	–	80 505	80 505	–
Collateral, settlement balances and other assets	4 994	3 914	8 908	3 464	5 444
Restatement	23 209		23 209	23 209	
Collateral, settlement balances and other assets (restated)	28 203	3 914	32 117	26 673	5 444

5.2 Analysis of liabilities

R million	Amortised cost	At fair value through profit or loss		Total carrying value	Current	Non-current and non-contractual
		Mandatory	Designated			
LIABILITIES						
Deposits	1 326 423	48 726	6 624	1 381 773	1 222 355	159 418
Restatement	(2 598)			(2 598)	(2 598)	
Deposits (restated)	1 323 825	48 726	6 624	1 379 175	1 219 757	159 418
Amounts due to holding company and fellow subsidiaries	26 241	203	–	26 444	19 147	7 297
Restatement	2 598			2 598	2 598	
Amounts due to holding company and fellow subsidiaries (restated)	28 839	203	–	29 042	21 745	7 297

6 Cash and cash equivalents

R million	As previously reported	Restatement	Restated
Money at call and short notice	49 666	(23 209)	26 457
Total cash and cash equivalents	103 714	(23 209)	80 505

32 Impact due to changes in presentation and restatements continued

12 Collateral, settlement balances and other assets

R million	As previously reported	Restatement	Restated
– Variation margin – unsettled balances	7	—	7
– Variation margin	—	6 727	6 727
– Initial margin	—	16 483	16 483
Total gross carrying amount	5 410	23 209	28 619
– Financial	5 410	23 209	28 619
– Non-financial	—	—	—
– Loss allowance on other financial assets	(416)	—	(416)
Total collateral, settlement balances and other assets	4 994	23 209	28 203

13 Amounts due (to/by) holding company and fellow subsidiaries

R million	As previously reported	Restatement	Restated
Amounts due to holding company	(807)	—	(807)
Amounts due to fellow subsidiaries	(25 637)	(2 598)	(28 235)
Total amounts due to holding company and fellow subsidiaries	(26 444)	(2 598)	(29 042)

20 Creditors, accruals and provisions

Reconciliation of contract liabilities

R million	As previously reported	Restatement	Restated
Opening balance	2 077	304	2 381
Increases due to cash received and other increases in contract liabilities	2 377	607	2 984
Revenue recognised that was included in the contract liability balance	(2 285)	(565)	(2 850)
Closing balance	2 169	346	2 515

21 Deposits

R million	As previously reported	Restatement	Restated
Deposits from customers	1 120 417	(2 598)	1 117 819
– Current accounts	349 520	(2 598)	346 922
Total deposits	1 381 773	(2 598)	1 379 175

31.1 Credit risk

Geographic concentration of significant credit asset exposure

	2023					
R million	South Africa	Broader Africa	United Kingdom	Other Europe	Asia, Americas and Australasia	Total
On-balance sheet exposures						
Cash and short-term funds	61 950	63	10 665	10 464	11 892	95 034
Restatement	(12 646)	(11)	(5 148)	(5 136)	(268)	(23 209)
Cash and short-term funds (restated)	49 304	52	5 517	5 328	11 624	71 825
Other assets	4 895	91	162	10	252	5 410
Restatement	12 646	11	5 148	5 136	268	23 209
Collateral, settlement balances and other assets (restated)	17 541	102	5 310	5 146	520	28 619

Notes to the annual financial statements continued

32 Impact due to changes in presentation

32.1 Restatement of previously presented information continued

31.1.3 Quality of credit assets – non-advances

	2023								
	AAA to BBB			BB+ to B-			CCC		
R million	As previously reported	Restatement	Restated	As previously reported	Restatement	Restated	As previously reported	Restatement	Restated
Other financial assets									
– Stage 1	–	12 005	12 005	–	11 204	11 204	–	–	–
– Stage 2	484	–	484	4 693	–	4 693	26	–	26
– Stage 3	–	–	–	124	–	124	83	–	83
Total collateral, settlement balances and other financial assets	484	12 005	12 489	4 817	11 204	16 021	109	–	109
Cash and cash equivalents	–		–	–	–	–	–	–	–
– Stage 1	35 658	(12 005)	23 653	59 376	(11 204)	48 172	–	–	–
– Purchased or originated credit impaired	–	–	–	–	–	–	–	–	–
Total cash and cash equivalents	35 658	(12 005)	23 653	59 376	(11 204)	48 172	–	–	–

31.1.4 Credit risk mitigation and collateral held

	2023						
R million	Gross carrying amount	Off-balance sheet exposure	Loss allowance	Maximum exposure to credit risk	Netting and financial collateral	Unsecured	Secured
Cash and cash equivalents	95 034	–	–	95 034	24 210	70 825	(1)
Restatement	(23 209)	–	–	(23 209)	(22 391)	(818)	–
Cash and cash equivalents (restated)	71 825	–	–	71 825	1 819	70 007	(1)
Other assets	5 410	–	(416)	4 994	–	4 990	4
Restatement	23 209	–	–	23 209	22 391	818	–
Collateral, settlement balances and other financial assets (restated)	28 619	–	(416)	28 203	22 391	5 808	4

Notes to the annual financial statements continued

33 Events after balance sheet date

There were no significant events that occurred between the end of the reporting period and the issue of the annual financial statements.

Accounting policies

The accounting policies and other methods of computation applied in the preparation of the bank's financial statements are in terms of IFRS Accounting Standards and are consistent with those applied for the year ended 30 June 2023.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES				
1	**Investments in other entities**	Subsidiaries and associates	Related party transactions	
2	**Income, expenses and taxation**	Income and expenses	Taxation	
3	**Financial instruments**	Classification and measurement	Impairment	Derivatives and hedge accounting
		Transfers, modifications and derecognition	Offset and collateral	
4	**Other assets and liabilities**	Property and equipment	Investment properties	Intangible assets
		Commodities	Provisions	
		Non-current assets held for sale	Leases	
5	**Capital and reserves**	Share capital	Dividends and non-cash distributions	Other reserves
6	**Transactions with employees**	Employee liabilities	Share-based payment transactions	

Notes to the annual financial statements continued

1. Investments in other entities

Subsidiaries, structured entities and associates

	SUBSIDIARIES AND OTHER STRUCTURED ENTITIES	ASSOCIATES
Typical shareholding in the assessment of entities that are not structured entities	Greater than 50%	Between 20% and 50%

When an entity is a structured entity and control of it is not evidenced through shareholding, the bank considers the substance of the arrangement and the bank's involvement with it to determine whether the bank has control or significant influence over the significant decisions that impact its relevant activities.

Nature of the relationship between the bank and the investee	Entities over which the bank has control, as defined in IFRS 10, are consolidated. These include certain securitisation structures or other entities used for the purpose of buying or selling credit protection.	Entities over which the bank has significant influence as defined in IAS 28.

INVESTMENTS IN SUBSIDIARIES, OTHER STRUCTURED ENTITIES AND ASSOCIATES

The bank measures investments in these entities at cost less impairment (in terms of IAS 36), with the exception of investments acquired and held exclusively with the view of disposing of them in the near future (within 12 months), and which are measured at fair value less cost to sell in terms of IFRS 5.

INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Interests in unconsolidated structured entities may expose the bank to variability in returns from the structured entity. However, because of a lack of power over the structured entity it is not consolidated. Normal customer or supplier relationships, where the bank transacts with the structured entity on the same terms as other third parties, are not considered to be interests in the entity. From time to time the bank also sponsors the formation of structured entities primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions and for buying and selling credit protection. Where the interest or sponsorship does not result in control, disclosures of these interests or sponsorships are made in the notes in terms of IFRS 12.

COMMON CONTROL TRANSACTION

There is currently no guidance under IFRS Accounting Standards for the accounting treatment of business combinations under common control. In terms of IAS 8, the bank developed an accounting policy that requires that business combinations under common control use the predecessor values of the acquiree without the restatement of comparatives. Therefore, any difference between the net asset value (NAV) and the amount paid (i.e. the purchase consideration) is recorded directly in equity.

Related party transactions

Related parties of the bank, as defined, include:

Parent company	Fellow subsidiaries	Associates and associates of the bank's parent and fellow subsidiaries	Post-employment benefit funds (pension funds)
Entities that have significant influence over the parent company and subsidiaries of these entities	KMP	Close family members of KMP	Entities controlled, jointly controlled or significantly influenced by KMP or their close family members

KMP of the bank are the FirstRand Limited board of directors, the bank's board of directors and the bank's prescribed officers, including any entities which provide KMP services to the bank. Their close family members include spouse/domestic partner and dependent children, domestic partner's dependent children and any other dependants of the individual or their domestic partner. Children over the age of 25 are not considered dependants.

2. Income, expenses and taxation

NET INTEREST INCOME RECOGNISED IN PROFIT OR LOSS

Interest income includes:

- interest on financial instruments measured at amortised cost and debt instruments measured at FVOCI, including the effect of qualifying hedges for interest rate risk;
- interest on financial asset debt instruments measured at FVTPL that are held by and managed as part of the bank's funding operations;
- fees and transaction costs that form an integral part of generating an involvement with the resulting financial instrument;
- interest income is calculated using the effective interest rate, which includes origination fees. The original effective interest rate is applied to:
  - the gross carrying amount (GCA) of financial assets which are not credit impaired; and
  - the amortised cost of financial assets which represents the net carrying amount, from the month after the assets become credit-impaired (refer to section 3 of the accounting policies);
- modified advances (derecognition not achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. The interest income on the modified financial asset (refer to accounting policy 3) is calculated by applying the original effective interest rate to the asset's modified GCA; and
- modified advances (derecognition is achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. New fees or costs charged on the new advance which are integral to the new asset recognised are capitalised to the new loan.

Interest expense includes:

- interest on financial liabilities measured at amortised cost;
- interest on financial liabilities measured at FVTPL that are held by and managed as part of the bank's funding or insurance operations;
- interest on capitalised leases where the bank is the lessee; and
- the difference between the purchase and resale price in repurchase and reverse repurchase agreements where the related advances or deposit is measured at amortised cost, because the amount is in substance interest.

The total interest expense is reduced by the amount of interest incurred in respect of liabilities used to fund the bank's fair value activities. This amount is reported in fair value income within NIR.

Bank also presents as part of net interest income, other interest income and other interest and charges similar in nature, which are not calculated on the effective interest rate method.

NON-INTEREST AND FINANCIAL INSTRUMENT REVENUE RECOGNISED IN PROFIT OR LOSS

Non-interest revenue from contracts with customers

Under IFRS 15, where a five-step analysis is required to determine the amount and timing of revenue recognition, the bank assesses contracts and determines whether the fees identified in the contract relate to revenue as defined in IFRS 15. The revenue is recognised only if the bank can identify the contract and the performance obligation (i.e. the different goods or services) and can determine the transaction price, which is required to be allocated to the identifiable performance obligations.

Unless specifically stated otherwise, the bank is the principal in its revenue arrangements as the bank controls the goods and services before transferring them to the customer.

Notes to the annual financial statements continued

2. Income, expenses and taxation continued

NON-INTEREST AND FINANCIAL INSTRUMENT REVENUE RECOGNISED IN PROFIT OR LOSS	
Non-interest revenue from contracts with customers	
Fee and commission income	Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers. Fee and commission income is earned by the bank by providing customers with a range of services and products, and consists of the following main categories: • banking fee and commission income; • knowledge-based fee and commission income; • management, trust and fiduciary fees; • fee and commission income from service providers; and • other non-banking fee and commission income. The bulk of fee and commission income is earned on the execution of a single performance obligation and, as such, it is not necessary to make significant judgements when allocating the transaction price to the performance obligation. As such, fee and commission income, which typically includes transactional banking fees such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees and knowledge-based fee and commission income, is recognised at a point in time. Where the distinct performance obligation is satisfied over a period of time, the fees are recognised as follows: • Fees for services rendered are recognised on an accrual basis as the service is rendered and the bank's performance obligation is satisfied, e.g. annual card fees and asset management and related fees. • Commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis. Commitment fees for unutilised funds made available to customers in the past are recognised as revenue at the end of the contract period. Commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the bank, are recognised as revenue on a straight-line basis over the period for which the funds are promised to be kept available.

2. Income, expenses and taxation continued

NON-INTEREST AND FINANCIAL INSTRUMENT REVENUE RECOGNISED IN PROFIT OR LOSS	
Non-interest revenue from contracts with customers	
Fee and commission income	Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking, insurance and asset management operations. This includes fee and commission income earned from providing services on behalf of third-party service providers, in effect acting as an agent. The revenue is recognised at a point in time and includes commission earned from the sale of prepaid airtime, data vouchers and electricity, and traffic fines paid through FNB channels, as well as insurance commission. The bank operates a customer loyalty programme, known as eBucks, in terms of which it undertakes to provide reward credits to qualifying customers to buy goods and services, which results in the recognition of a performance obligation which the bank needs to fulfil. The supplier of the goods or services to be acquired by customers can either be the bank or an external third party. The bank recognises a contract liability referred to as the customer loyalty programme liability, which represents the deferred amount of revenue resulting from providing these reward credits to customers. The amount deferred is equal to the maximum cash flow that could be required in order to settle the liability with the customer, as the supplier of goods and services could either be the bank itself or independent third parties. The deferred revenue in respect of which the eBucks liability is raised is recognised in the period in which the customer utilises their reward credits. When the bank is acting as an agent, amounts collected and incurred on behalf of the principal are not recognised on a gross basis. Only the net commission retained by the bank is recognised in fee and commission income.
Fee and commission expenses	Fee and commission expenses are those that are incremental and directly attributable to the generation of fee and commission income and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received. Expenses relating to the provision of the customer loyalty reward credits are recognised as fee and commission expenses as incurred.
Other non-interest revenue	The bank, through its various operating businesses, sells value-added products, services and goods to customers. Revenue is recognised from products sold by the eBucks online store at a point in time when control of the goods transfers to the customer. For telecommunication products and services which consist of smart devices, as well as data, airtime contracts and bundled products (SIM services), revenue is recognised at a point in time when the smart device has been delivered to the customer, whereas revenue from SIM services are recognised over time, as and when the service is consumed by the customer (i.e. over the contract term).

Notes to the annual financial statements continued

2. Income, expenses and taxation continued

NON-INTEREST AND FINANCIAL INSTRUMENT REVENUE RECOGNISED IN PROFIT OR LOSS
Fair value gains or losses
Fair value gains or losses of the bank recognised in NIR include the following: • fair value adjustments and interest on financial instruments at FVTPL, including derivative instruments that do not qualify for hedge accounting; • fair value adjustments that are not related to credit risk on advances designated at FVTPL; • a component of interest expense that relates to interest paid on liabilities which fund the bank's fair value operations. Interest expense is reduced by the amount that is included in fair value income; • fair value adjustment on financial instruments designated at FVTPL in order to eliminate an accounting mismatch, except for such instruments relating to the bank's funding operations, for which the interest component is recognised in NII. The change in the fair value of a financial liability designated at FVTPL attributable to changes in its credit risk is presented in OCI, unless this would cause or enlarge an accounting mismatch in profit or loss. The total fair value adjustment on policyholder liabilities and non-recourse liabilities (including movements due to changes in credit risk) is included in profit or loss, since the fair value movements on these liabilities are directly linked to fair value movements on the underlying assets; • ordinary and preference dividends on equity instruments at FVTPL; • any difference between the carrying amount of the liability and the consideration paid, when the bank repurchases debt instruments that it has issued; • fair value gains or losses on policyholder liabilities under investment contracts; and • fair value gains or losses on commodities acquired for short-term trading purposes, including commodities acquired with the intention of reselling in the short term, or if they form part of the trading operations of the bank and certain commodities subject to option agreements whereby the counterparty may acquire the commodity at a future date where the risks and rewards of ownership are deemed to have transferred to the bank in terms of IFRS 15.
Gains less losses from investing activities
The following items are included in gains less losses from investing activities: • any gains or losses on disposals of investments in associates; • any gains or losses on the sale of financial assets measured at amortised cost; • impairments and reversal of impairments of investment securities measured at amortised cost and debt instruments measured at FVOCI; • any amounts recycled from OCI in respect of debt instruments measured at FVOCI; • dividend income on any equity instruments that are considered long-term investments of the bank, including non-trading equity instruments measured at FVOCI; and • fair value gains or losses on investment property held at FVTPL.
Dividend income
The bank recognises dividend income when the bank's right to receive payment is established. This is the last day to trade for listed shares and on the date of declaration for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares, except to the extent that the scrip dividend is viewed as a bonus issue with no cash alternative and the transaction lacks economic significance.

2. Income, expenses and taxation continued

EXPENSES	
Expenses of the bank, apart from certain fee and commission expenses included in net fee and commission income, are recognised and measured in terms of the accrual principle and presented as operating expenses in profit or loss.	
Indirect tax expense	Indirect tax includes other taxes paid to central and local governments and also includes value-added tax and securities transfer tax. Indirect tax is disclosed separately from income tax and operating expenses in the income statement.
CURRENT INCOME TAX	
The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date, in each particular jurisdiction within which the bank operates. Current income tax arising from distributions made on other equity instruments is recognised in the income statement as the distributions are made from retained earnings arising from profits previously recognised in the income statement.	
DEFERRED INCOME TAX	
Recognition	On temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.
Typical temporary differences for which deferred tax is provided	• Provision for loan impairment. • Instalment credit assets. • Revaluation (including ECL movements) of certain financial assets and liabilities, including derivative contracts. • Provisions for pensions and other post-retirement benefits. • SBP liabilities. • Cash flow hedges.
Measurement	The liability method under IAS 12 is used, which means applying tax rates and laws applicable at the reporting date, which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. For temporary differences arising from the fair value adjustments on investment properties and investment securities, deferred income tax is provided at the rate that would apply to the sale of the assets, i.e. the capital gains tax rate.

Notes to the annual financial statements continued

2. Income, expenses and taxation continued

DEFERRED INCOME TAX	
Presentation	Deferred income tax is presented in profit or loss unless it relates to items recognised directly in equity or OCI. Items recognised directly in equity or OCI relate to: • the issuance or buy-back of share capital; • fair value remeasurement of financial assets measured at FVOCI; • remeasurements of defined benefit post-employment plans; and • derivatives designated as hedging instruments in effective cash flow hedge relationships. Tax in respect of share transactions is recognised directly in equity. Tax in respect of the other items is recognised directly in OCI and subsequently reclassified to profit or loss (where applicable) at the same time as the related gain or loss.
Deferred tax assets	The bank recognises deferred income tax assets only if it is probable that future taxable income will be available, against which the unused tax losses can be utilised, based on management's review of the budget and forecast information. The bank reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.
Substantively enacted tax rates	Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Current and deferred tax assets and liabilities are usually measured using the tax rates (and tax laws) that have been enacted. However, in some jurisdictions, announcements of tax rates (and tax laws) by the government have the substantive effect of actual enactment, which may follow the announcement by a period of several months. In these circumstances, tax assets and liabilities are measured using the announced tax rate (and tax laws).

3 Financial instruments

CLASSIFICATION AND INITIAL MEASUREMENT OF FINANCIAL ASSETS

The bank recognises purchases and sale of financial instruments that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) at settlement date, which is the date the asset is delivered or received.

All financial instruments are initially measured at fair value including transaction costs, except for those classified as FVTPL, in which case the transaction costs are expensed upfront in profit or loss, usually as part of operating expenses. Any upfront income earned on financial instruments is recognised as detailed under accounting policy 2, depending on the underlying nature of the income.

Immediately after initial recognition, an ECL allowance is recognised for newly originated financial assets measured at amortised cost or FVOCI debt instruments.

CLASSIFICATION AND SUBSEQUENT MEASUREMENT FINANCIAL ASSETS

Management determines the classification of its financial assets at initial recognition, based on:

- the bank's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

3. Financial instruments continued

BUSINESS MODEL

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

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

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

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

In considering whether the business objective of holding a group of financial assets is achieved primarily through collecting contractual cash flows, among other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the bank only considers a transaction a sale if the asset is derecognised for accounting purposes. For example, a repurchase transaction where a financial asset is sold with the commitment to buy back the asset at a fixed price at a future date is not considered a sale transaction, because substantially all the risks and rewards relating to the ownership of the asset have not been transferred and the asset is not derecognised from an accounting perspective.

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

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

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

Notes to the annual financial statements continued

3. Financial instruments continued

CASH FLOW CHARACTERISTICS
In order for a debt instrument to be measured at amortised cost or FVOCI, the cash flows on the asset have to be solely payments of principal and interest (SPPI), i.e. consistent with those of a basic lending agreement. The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardised. This includes the consideration of any prepayment penalties that are limited by consumer credit regulation. They can therefore be considered reasonable compensation, which would not cause these assets to fail the SPPI test. For wholesale advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset. Wholesale advances that do not pass the SPPI test and that have to be measured at FVTPL include advances with equity participation features, convertible bonds and payments linked to commodity or other prices. If the contract contains prepayment penalties, the amount of the prepayment penalty is compared to the present value of the margin that will be earned if the loan is not prepaid. If the amount of the prepayment penalty is lower than or equal to the margin lost due to prepayment, this is considered reasonable compensation and the loan passes the SPPI test.
AMORTISED COST
Financial assets are measured at amortised cost using the effective interest rate method when they are held to collect contractual cash flows which are SPPI, and sales of such assets are not significant or frequent. These include the majority of the retail, corporate and commercial advances of the bank, as well as certain investment securities utilised for liquidity risk management of the bank. For purchased or originated credit-impaired financial assets, the bank applies the credit-adjusted effective interest rate. This interest rate is determined based on the amortised cost and not the GCA of the financial asset, and incorporates the impact of ECL in the estimated future cash flows of the financial asset.
CASH AND CASH EQUIVALENTS
Cash and cash equivalents comprise coins and bank notes, money at call and short notice, and balances with central banks. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition. Money at call and short notice constitutes amounts withdrawable in 32 days or less. Cash and cash equivalents are measured at amortised cost. Balances are tested annually to assess whether such balances continue to meet the definition of cash and cash equivalents.

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

3. Financial instruments continued

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

Notes to the annual financial statements continued

3. Financial instruments continued

INVESTMENT SECURITIES		
	Business model	**Cash flow characteristics**
Investment securities	Group Treasury holds investment securities with lower credit risk (typically government bonds and treasury bills). These investment securities are held in a business model with the objective of collecting contractual cash flows.	The cash flows on these investment securities are SPPI.
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. These assets are held to collect contractual cash flows.	The cash flows on these assets are SPPI.
OTHER ASSETS		
Other assets	Other assets are short-term financial assets that are held to collect contractual cash flows.	The cash flows on these assets are SPPI.

MANDATORY AT FVTPL		
Corporate advances	In certain instances, RMB originates advances with the mandate of distributing an identified portion of the total advances in the secondary market within an approved timeframe. The reason for originating these advances is not to collect the contractual cash flows, but rather to realise the cash flows through the sale of the assets.	Any advances which are originated to be distributed or managed on a fair value basis, or are held to collect contractual cash flows but include cash flows related to equity upside features, conversion options, payments linked to equity or commodity prices, or prepayment penalties that exceed reasonable compensation for early termination of the contract, will be included in this category.
Marketable advances	RMB occasionally invests in notes issued by special purpose vehicles (SPVs), with the intention of selling these notes to external parties. These include notes issued by an SPV to which it sells a portion of corporate and commercial advances that it originates to distribute (detailed above). The collection of contractual cash flows on these notes is merely incidental.	Advances which are acquired to distribute are included in this category.
Investment securities	RMB Global Markets holds portfolios of investment securities (including corporate and government bonds) to hedge risks or for short-term profit realisation. These securities are managed on a fair value basis.	
	All equity investments of the bank are managed on a fair value basis, either through FVTPL or designated at FVOCI.	
Derivative assets	Derivatives are either held for trading or to hedge risk. These instruments are managed on a fair value basis.	

3. Financial instruments continued

DESIGNATED AT FVTPL		
Advances	Certain advances with fixed interest rates in RMB have been designated at FVTPL in order to eliminate an accounting mismatch that would otherwise result from measuring these assets on a different basis. The cash flows on these advances are considered to be SPPI.	
Investment securities	Group Treasury holds investment securities (typically treasury bills) for liquidity purposes.	
DEBT INSTRUMENTS AT FVOCI		
Investment securities	Group Treasury holds certain investment securities for liquidity management purposes. Local regulators require that the bank/branch prove liquidity of its assets by way of periodic outright sales. Therefore, the business model for these investment securities is both collecting contractual cash flows and selling these financial assets.	The cash flows on these investment securities are SPPI.
EQUITY INVESTMENTS AT FVOCI		
Investment securities	The bank has elected to designate certain equity investments not held for trading to be measured at FVOCI.	

FINANCIAL LIABILITIES AND COMPOUND FINANCIAL INSTRUMENTS

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

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

The following liabilities are measured at amortised cost using the effective interest rate method, unless they have been designated as measured at FVTPL:

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

Notes to the annual financial statements continued

3. Financial instruments continued

FINANCIAL LIABILITIES MEASURED MANDATORY AT FVTPL

The following held for trading liabilities are measured at FVTPL:

- derivative liabilities; and
- short trading positions.

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

FINANCIAL LIABILITIES DESIGNATED AT FVTPL

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

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

The financial liabilities that the bank designated at FVTPL are the following:

- deposits; and
- other funding liabilities.

Both types of liabilities satisfied the above-mentioned conditions of IFRS 9 for such designation. These financial liabilities are measured at fair value at reporting date as determined under IFRS 13, with any gains or losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedge accounting relationship. However, for non-derivative financial liabilities that are designated at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability.

3. Financial instruments continued

IMPAIRMENT OF FINANCIAL ASSETS AND OFF-BALANCE SHEET EXPOSURES SUBJECT TO IMPAIRMENT

This policy applies to:

- financial assets measured at amortised cost, including other financial assets and cash;
- debt instruments measured at FVOCI;
- loan commitments comprising of commitments that are irrevocable over the life of the facility or is revocable only in response to a material adverse change and are disclosed as part of exposure to maximum credit risk included in the risk management disclosures;
- financial guarantees; letters of credit and
- finance lease debtors where the bank is the lessor.

Refer to the *Critical accounting estimates, assumptions and judgements* section where all risk parameters, scenarios and sources of estimation are detailed more extensively.

EXPECTED CREDIT LOSSES

Loss allowance on financial assets

Credit risk has not increased significantly since initial recognition (stage 1)	Credit risk has increased significantly since initial recognition, but asset is not credit-impaired (stage 2)	Asset has become credit-impaired since initial recognition (stage 3)	Purchased or originated credit-impaired
12-month ECL	LECL	LECL	Movement in LECL since initial recognition

ADVANCES

SICR since initial recognition	In order to determine whether an advance has experienced a SICR, the PD of the asset calculated at the origination date is compared to that calculated at the reporting date (incorporating forward-looking information (FLI)). The origination date is defined as the most recent date at which the bank has repriced an advance/facility. Where a change in terms is significant and is deemed to be a substantial modification, it results in derecognition of the original advance/facility and recognition of a new advance/facility. SICR test thresholds are reassessed and, if necessary, updated, on at least an annual basis. Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a SICR. In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a SICR. One such qualitative consideration is the appearance of wholesale and commercial small and medium-sized enterprise (SME) facilities on a credit watch list. Any up-to-date facility that has undergone a distressed restructure (i.e. a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a SICR, and will be disclosed within stage 2 at a minimum. The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a SICR are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a SICR has occurred. No standard minimum period for transition from stage 2 back to stage 1 is applied across all advances, with the exception of cured distressed restructured exposures that are required to remain in stage 2 for a minimum period of six months before re-entering stage 1, as per the requirements of SARB Directive 7 of 2015.

Notes to the annual financial statements continued

3. Financial instruments continued

ADVANCES	
Credit-impaired financial assets	Advances are considered credit-impaired if they meet the definition of default. The bank's definition of default applied to calculating provisions under IFRS 9 has been aligned to the definition applied to regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes. Exposures are considered to be in default when they are more than 90 days past due or, in the case of amortising products, have more than three instalments in arrears. In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the bank to actions such as the realisation of security. Indicators of unlikeliness to pay are determined based on the requirements of Regulation 67 of the Banks Act. Examples include application for bankruptcy or obligor insolvency. Any distressed restructures of accounts which have experienced a SICR since initial recognition are defined as default events. Retail accounts are considered to no longer be in default if they meet the stringent cure definition, which has been determined at portfolio level based on analysis of re-defaulted rates. Curing from default within wholesale is determined judgementally through a committee process.
Purchased or originated credit-impaired	Financial assets that meet the above-mentioned definition of credit-impaired at initial recognition and remain classified as such for the duration of the agreement.
Write-offs	Write-off must occur when it is not economical to pursue further recoveries, i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised): • By implication, in both retail and wholesale, for secured as well as unsecured exposures, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account. • Within retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of net post write-off recoveries (after deduction of external debt collection expenses). The result of this is that retail secured loans are written off on perfection of collateral. In the residential mortgage portfolio, an explicit re-assessment of the economic viability of further collection efforts needs to be performed after an account has been in stage 3 for more than 60 months and within the WesBank VAF portfolio after 36 months in stage 3. • Retail unsecured loans are written off when observation of post-default payment behaviour indicates that further material recoveries are unlikely. The group applies a quantitative threshold and exposures are written off where the expected recoveries (based on the present value of recoveries for a period of 36 months after the write-off point) is less than 10% of the gross balance before write-off. Write-off points within retail unsecured portfolios are defined on a per-portfolio basis with reference to cumulative delinquency and/or payment recency with write-offs typically occurring when 12 to 15 cumulative payments have been missed. • Within wholesale portfolios, a judgemental approach to write-off is followed, based on case-by-case assessment by a credit committee. For corporate exposures an explicit reassessment of future cash flows must be performed after 60 months in stage 3. For the commercial portfolio, the write-off approach is broadly aligned to that of the retail secured and unsecured portfolios. • Partial write-offs are not performed within credit portfolios, except in limited circumstances within the wholesale portfolio, where they are assessed on a case-by-case basis. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.
Collection and enforcement activities post write-off	For unsecured advances, post write-off collection strategies include outsourcing of the account to external debt collections (EDCs). In addition, settlement campaigns are run to encourage clients to settle their outstanding debt. For secured advances, any residual balance post the realisation of collateral and post write-off is outsourced to EDCs.

3. Financial instruments continued

OTHER FINANCIAL ASSETS	
Cash and cash equivalents	All physical cash is classified as stage 1. Other exposures are classified as stage 1 unless specific evidence of impairment exists, in which case, due to the nature of these assets, they are classified immediately as stage 3. ECL for physical cash is zero. ECL for cash equivalents is calculated using the loss rate approach.
Other assets	ECL for other assets, i.e. financial accounts receivable and where applicable, contract assets, are calculated using the simplified approach. This results in a LECL being recognised.
Investment securities	Impairment parameters for investment securities (PD, LGD and EAD) are determined using appropriate models, with the models to be applied determined with reference to the issuer of the security and the nature of the debt instrument. The tests for a SICR and default definitions are then applied and the ECL calculated in the same way as for advances. The SICR thresholds applied for investment securities are the same as those applied within the wholesale credit portfolio, to ensure consistency in the way that a SICR is identified for a particular counterparty and for similar exposures. The bank does not use the low credit risk exemption for investment securities, including government bonds.
Intercompany balances	ECLs are calculated using PD, LGD and EAD parameters that are determined through application of expert credit judgement and approved through appropriate governance structures. A SICR event warrants the balance to move to stage 2. Where there is evidence of default, the balance is moved to stage 3.

TRANSFERS, MODIFICATIONS AND DERECOGNITION

Financial instruments are derecognised when:

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

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

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

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

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

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

Notes to the annual financial statements continued

3. Financial instruments continued

Transaction type	Description	Accounting treatment
TRANSFERS WITHOUT DERECOGNITION		
Reverse repurchase agreements	Investment securities and advances are sold to an external counterparty in exchange for cash and the bank agrees to repurchase the assets at a specified price at a specific future date. The counterparty's only recourse is to the transferred investment securities and advances that are subject to the agreement. The bank remains exposed to all the underlying risks on the assets including counterparty, interest rate, currency, prepayment and other price risks.	The transferred assets continue to be recognised by the bank in full. Such advances and investment securities are disclosed separately in the relevant notes. The bank recognises an associated liability for the obligation for the cash received as a separate category of deposits.
Securities lending	Investment securities are lent to external counterparties in exchange for cash collateral as security for the return of the securities. The bank's only recourse in respect of the return of the securities it has lent is to the cash collateral held and as such, the group generally requires cash collateral in excess of the fair value of the securities lent.	
Other transfers	The bank enters into transactions in terms of which it sells advances to conduits of FirstRand or a structured entity, but retains substantially all the risks and rewards of ownership related to the transferred advances.	Similar to repurchase agreements above.
TRANSFERS WITH DERECOGNITION		
Where the bank purchases its own debt	The debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value gains or losses within NIR.	
Traditional securitisations and other structured transactions	Specific advances or investment securities are sold to the structured entity, which in turn issues liabilities to third-party investors, for example variable rate notes or investment grade commercial paper, to fund the purchase thereof. The bank assumes an obligation to pay over all the cash flows it collects from the securitised assets to the structured entity in terms of a servicing agreement. The bank may acquire other financial assets or liabilities that continue to expose it to the returns of the transferred securitised assets. For example, the bank may take up some of the notes issued by the structured entity that it is unable to issue into the market, enter into an interest rate swap with the structured entity or continue to be exposed through a clean-up call, in terms of which it has an option to repurchase the remaining securitised assets once their value falls below a certain level.	The securitisation results in full derecognition of the securitised financial assets by the bank: • if the bank does not have the power to control the structured entity, and the bank does not substantially retain all the risks and rewards; • or in situations where the bank neither substantially transfers nor retains all the risks and rewards, but the bank has relinquished control of the assets. • Where the bank has continuing involvement in the derecognised assets, it makes disclosures around the risks it is exposed to as well as the other financial assets and liabilities it has recognised.
MODIFICATIONS WITHOUT DERECOGNITION		
Modification of contractual cash flows	Debt restructuring is a process that is applied to accounts whereby the new terms of the contract (such as a lower interest rate) are mandated by law and do not have the same commercial terms as a new product that the bank would be willing to offer a customer with a similar risk profile.	The existing asset is not derecognised. The GCA of the financial asset is recalculated as the present value of the estimated future cash receipts through the expected life of the renegotiated or modified financial asset, discounted at the financial asset's original effective interest rate. Distressed modifications are included in ECL.

3. Financial instruments continued

MODIFICATIONS WITH DERECOGNITION (I.E. SUBSTANTIAL MODIFICATIONS)		
Retail advances	The process for modifying an advance (which is not part of a debt restructuring) is substantially the same as the process for raising a new advance, including reassessing the customer's credit risk, repricing the asset and entering into a new legal agreement.	The existing asset is derecognised and a new asset is recognised at fair value based on the modified contractual terms.
NEITHER TRANSFERRED NOR DERECOGNISED		
Synthetic securitisation transactions	Credit risk related to specific advances is transferred to a structured entity through credit derivatives. The group consolidates these securitisation vehicles as structured entities, in terms of IFRS 10.	The bank continues to recognise the advances and recognises associated credit derivatives which are measured at FVTPL.

Offsetting of financial instruments and collateral

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

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

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

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

Derivative financial instruments and hedge accounting

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

Derivative instruments are classified either as held for trading or formally designated as hedging instruments. The bank elected to adopt IFRS 9 for cash flow and fair value hedges.

Notes to the annual financial statements continued

3. Financial instruments continued

Derivative financial instruments and hedge accounting continued

Hedge accounting

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

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

Fair value hedge accounting

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

Cash flow hedge accounting

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

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

4 Other assets and liabilities

Classification and measurement

CLASSIFICATION	MEASUREMENT
Property and equipment (owned and right of use)	
Property and equipment of the bank include: • assets utilised by the bank in the normal course of operations to provide services, including freehold property and leasehold premises and leasehold improvements (owner-occupied properties); • assets which are owned by the bank and leased to third parties under operating leases as part of the bank's revenue-generating operations; • capitalised leased assets; and • other assets utilised by the bank in the normal course of operations, including computer and office equipment, motor vehicles and furniture and fittings.	Historical cost less accumulated depreciation and impairment losses, except for land, which is not depreciated. Depreciation is recognised on the straight-line basis over the useful life of the asset, except for assets capitalised under leases where the bank is the lessee, in which case it is depreciated per the leases accounting policy as noted below. Freehold property and property held under leasing agreements: – Buildings and structures 40 – 50 years – Mechanical and electrical 14 – 20 years – Components 14 – 20 years – Sundries 3 – 5 years – Computer equipment 3 – 5 years – Other equipment 3 – 10 years
Investment properties	
Investment properties are those held to earn rental income and/or for capital appreciation that are not occupied by the companies in the bank. When investment properties become owner-occupied, the bank reclassifies them to property and equipment, using the fair value at the date of reclassification as the cost.	The fair value gains or losses are adjusted for any potential double counting arising from the recognition of lease income on the straight-line basis, compared to the accrual basis normally assumed in the fair value determination.

4 Other assets and liabilities continued

Classification and measurement continued

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

Other assets that are subject to depreciation, and intangible assets, are reviewed for impairment whenever objective evidence of impairment exists. Impairment losses are recognised in profit or loss as part of operating expenses.

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

PROVISIONS
The bank will only recognise a provision measured in terms of IAS 37 when there is uncertainty around the amount or timing of payment. Where there is no uncertainty the bank will recognise the amount as an accrual. The bank usually recognises provisions related to litigation and claims. The bank recognises a provision when a reliable estimate of the outflow required can be made and the outflow is probable (i.e. more likely than not).

Non-current assets and disposal groups held for sale

If a disposal group contains assets that are outside of the measurement scope of IFRS 5, those assets are remeasured in terms of the relevant IFRS Accounting Standards and any impairment loss on the disposal group is allocated only to those non-current assets in the disposal group that are within the measurement scope of IFRS 5, until the assets are reduced to zero. The bank has elected to recognise any excess impairment on the disposal group that remains after impairing the assets within the measurement scope of IFRS 5 as excess impairment within operating expenses with a corresponding adjustment to the assets whose measurement is outside of the scope of IFRS 5, until those assets are reduced to zero. Any subsequent increases in fair value less costs to sell are recognised in NIR when realised.

Notes to the annual financial statements continued

4 Other assets and liabilities continued

Leases

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

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

	Bank is the lessee	Bank is the lessor
At inception	The bank recognises a ROUA and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined as lease assets with a replacement value of R100 000 or less at the inception of the lease).	The bank recognises assets sold under a finance lease as finance lease receivables included in advances and impair the advances, as required, in line with the impairment of financial assets accounting policy. No practical expedients are applied, and the general model under IFRS 9 is used for impairment calculations on lease receivables.
Over the life of the lease	Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses. The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term. If ownership is transferred at the end of the lease term, the asset is depreciated over the shorter of the lease term or useful life. The bank applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss.	Unearned finance income is recognised as interest income over the term of the lease using the effective interest rate method. Finance lease receivables are assessed for impairment in terms of IFRS 9, as set out in the impairment of financial assets accounting policy. Interest on finance lease receivables that are credit-impaired (stage 3) is recognised and calculated by applying the original effective interest rate to the net carrying amount.
Presentation	The lease liability is presented in other liabilities in the consolidated statement of financial position. The ROUAs are not presented as a separate line in the consolidated statement of financial position, but rather disclosed as ROUA in the property and equipment note.	Finance lease receivables are presented as part of advances in the consolidated statement of financial position.
Operating leases	For short-term and low-value leases, which the group has defined as all other leases except for property and vehicle leases, the lease payments are recognised as an operating expense, spread on a straight-line basis over the term of the lease.	Assets held under operating leases are included in property and equipment and depreciated. Rental income is recognised as other NIR on a straight-line basis over the lease term.
Finance lease agreements (including hire purchases) where the group is the lessor	The bank regards finance lease agreements (including hire purchases) as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, in advances. The bank calculates finance charges using the effective interest rates as detailed in the contracts and credit finance charges to interest revenue in proportion to capital balances outstanding.	

5 Capital and reserves

Transaction	Liability	Equity
Shares issued and issue costs	Preference shares, where the bank does not have the unilateral ability to avoid repayments, are classified as other liabilities. Preference shared which qualify as Tier 2 capital have been included in Tier 2 liabilities. Other preference share liabilities have been included in other liabilities as appropriate.	The bank's equity includes ordinary shares, contingently convertible securities, Additional Tier 1 notes and non-cumulative non-redeemable (NCNR) preference shares. Contingently convertible securities, Additional Tier 1 notes and NCNR preference shares are classified as other equity instruments in the financial statements. Any incremental costs directly related to the issue of new shares or options, net of any related tax benefit, are deducted from the issue price.
Dividends paid/ declared	Recognised as interest expense on the underlying liability.	Dividends on equity instruments are recognised against equity. A corresponding liability is recognised when the dividends have been approved by the company's shareholders and distribution is no longer at the discretion of the entity.
Distribution of non-cash assets to owners	The liability to distribute non-cash assets is recognised as a dividend to owners at the fair value of the asset to be distributed. The difference between the carrying amount of the assets distributed and the fair value of the assets on the date of distribution is recognised as NIR in profit or loss for the period.	The carrying amount of the dividend payable is remeasured at the end of each reporting period and on settlement date. The initial carrying amount and any subsequent changes are recognised in equity.
Other reserves	Not applicable	Other reserves recognised by the bank include the capital redemption reserve funds and cash flow hedge accounting reserve.

6 Transactions with employees

Employee benefits

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

DEFINED CONTRIBUTION PLANS	
Determination of purchased pension on retirement from defined contribution plan	**Recognition** Contributions are recognised as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.
	Measurement On the date of the purchase, the defined benefit liability and the plan assets will increase for the purchase amount and thereafter the accounting treatment applicable to defined benefit plans will be applied to the purchased pension. It should be noted that the purchase price for the new retiree would be slightly higher than the liability determined on the accounting valuation, as the purchase price allows for a more conservative mortality assumption based on the solvency reserves of the fund.

Notes to the annual financial statements continued

6 Transactions with employees continued

Employee benefits continued

DEFINED BENEFIT PLANS	
Defined benefit obligation liability	**Recognition** The liabilities and assets of these funds are reflected as a net asset or liability in the statement of financial position, i.e. the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
	Measurement The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The discount rate used is the rate of nominal and inflation-linked government-issued bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.
LIABILITY FOR SHORT-TERM EMPLOYEE BENEFITS	
Leave pay	The bank recognises a liability for employees' rights to annual leave in respect of past service. The amount recognised by the bank is based on the current salary of employees and the contractual terms between employees and the bank. The expense is included in staff costs.
Bonuses	The bank recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid, and the amount can be reliably measured. The expense is included in staff costs.

Share-based payment transactions

The bank operates a cash-settled share-based incentive plan for employees.

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

7 Standards and interpretations issued but not yet effective

The following new and revised standards and interpretations are applicable to the business of the bank. The bank will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
IFRS 16	**Lease liability in a sale and leaseback – amendments to IFRS 16** The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and lease back transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2024

7 Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IAS 1	**Amendments to classification of liabilities as current or non-current** The IAS 1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically: • The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. • Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. • The amendments clarify the situations that are considered settlement of a liability. • The bank presents its assets and liabilities in order of liquidity in the statement of financial position. The impact of this amendment would impact the disclosure of current versus non-current liabilities in the notes to the financial statements. The bank does not expect this amendment to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2024
IAS 7 and IFRS 7	**Disclosures: Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7** The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The bank does not expect this amendment to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2024
IAS 21	**Lack of exchangeability – Amendments to IAS 21** The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The bank does not expect this amendment to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2025
IFRS 9 and IFRS 7	**Amendments to the Classification and Measurement of Financial Instruments** The amendments clarify: • that a financial liability is derecognised on the settlement date. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met. • how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features • the treatment of non-recourse assets and contractually linked instruments • Additional disclosure requirements for financial assets and liabilities with contractual terms that reference a contingent event. The bank does not expect this amendment to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2026

Notes to the annual financial statements continued

7 Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IFRS 18	**Presentation and Disclosure in Financial Statements** IFRS 18 aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 aims to improve financial reporting by: • requiring additional defined subtotals in the statement of profit or loss; • requiring disclosures about management-defined performance measures; and • adding new principles for grouping (aggregation and disaggregation) of information. The new standard is expected to impact the bank's presentation of its statement of profit or loss.	Annual periods commencing on or after 1 January 2027
IFRS 19	**Subsidiaries without Public Accountability: Disclosures** IFRS 19 enables eligible entities to provide reduced disclosures compared to the requirements in other IFRS accounting standards. Entities that elect IFRS 19 are still required to apply recognition, measurement and presentation requirements of other IFRS accounting standards. The bank does not expect this standard to have any impact on the annual financial statements.	Annual periods commencing on or after 1 January 2027

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SUPPLEMENTARY INFORMATION

Company information

Directors
JP Burger (chairman), M Vilakazi (chief executive officer), MG Davias (chief financial officer), GG Gelink, TC Isaacs, PD Naidoo, Z Roscherr, SP Sibisi, LL von Zeuner, T Winterboer

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

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

Auditors
PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View
2090

Ernst & Young Inc.
102 Rivonia Road
Sandton
Johannesburg
Gauteng
South Africa
2146

Listed financial instruments of the bank

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 online at:

- 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
- www.rmb.co.za/page/retail-structured-solutions

Credit ratings
Refer to www.firstrand.co.za/investors/debt-investor-centre/credit-ratings for current credit ratings.

Listed financial instruments of the bank continued

Capital instruments

BASEL III COMPLIANT AT1 AND TIER 2 INSTRUMENTS

R million	Maturity date	Call date	As at 30 June 2024	2023
AT1				
FRB24	Perpetual	2023/11/08	**–**	2 265
FRB25	Perpetual	2024/09/19	**3 461**	3 461
FRB28	Perpetual	2025/12/02	**1 400**	1 400
FRB34	Perpetual	2028/06/02	**2 804**	2 804
FRB37	Perpetual	2029/02/26	**1 387**	–
FRB38	Perpetual	2029/05/06	**2 039**	–
FRB39	Perpetual	2028/11/13	**1 574**	–
FRB41	Perpetual	2029/06/12	**2 090**	–
Total AT1			**14 755**	9 930
Tier 2				
FRB26	2029/06/03	2024/06/03	**–**	1 910
FRB27	2031/06/03	2026/06/03	**715**	715
FRB29	2031/04/19	2026/04/19	**2 374**	2 374
FRB30	2031/04/19	2026/04/19	**698**	698
FRB31	2031/11/24	2026/11/24	**2 500**	2 500
FRB32	2032/09/28	2027/09/28	**2 296**	2 296
FRB33	2034/09/28	2029/09/28	**1 662**	890
FRB35	2033/02/06	2028/02/06	**2 300**	2 300
FRB36	2033/09/14	2028/09/14	**2 500**	2 500
FRB40	2035/03/11	2030/03/11	**1 548**	–
Total Tier 2			**16 593**	16 183

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

Definitions

Definitions

Additional Tier 1 (AT1) capital	AT1 capital instruments less specified regulatory deductions
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
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA
Common Equity Tier 1 (CET1) capital	Share capital and premium, and qualifying reserves, less specified regulatory deductions
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
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
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 net asset value	Normalised equity attributable to ordinary equityholders
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 and in line with the banking regulations.
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 and qualifying provisions less specified regulatory deductions
Total coverage %	Total impairment provisions expressed as a percentage of core lending advances
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital

Abbreviations

AC and FV	Amortised cost and fair value
ALM	Asset-liability management
ASF	Available stable funding
AT1	Additional Tier 1
BoE	Bank of England
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
Covid-19	Coronavirus disease
ECL	Expected credit loss
FCA	Financial Conduct Authority
FLI	Forward-looking information
FML	Fleet management and leasing
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRI	FirstRand International Limited
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRISCOL	FirstRand Insurance Services Company
FRM	Financial resource management
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit and loss
FX	Foreign exchange
GCA	Gross carrying amount
GM	Global markets
HQLA	High-quality liquid assets
IBD	Investment banking division
JIBAR	Johannesburg Interbank Average Rate
JSE	JSE Limited
LCR	Liquidity coverage ratio
LGD	Loss given default
NII	Net interest income
NIM	Net interest margin
NIR	Non-interest revenue
NPLs	Non-performing loans
NSFR	Net stable funding ratio
PA	Prudential Authority
PBT	Profit before tax
RA	Resolution Authority
PI	Principal investment
ROA	Return on assets
ROE	Return on equity
RWA	Risk-weighted assets
SA	South Africa
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SME	Small and medium-sized enterprise
TRS	Total return swap
TTC	Through-the-cycle
TTS	Treasury and trade solutions
UK	United Kingdom
VAF	Vehicle asset finance
ZARONIA	South African Rand Overnight Index Average Rate

Abbreviations of financial reporting standards

IFRS Accounting Standards

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments – Disclosures
IFRS 8	Operating Segments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRS 15	Revenue
IFRS 16	Leases
IFRS 18	Presentation and Disclosure in Financial Statements
IFRS 19	Subsidiaries without Public Accountability: Disclosures

Abbreviations of financial reporting standards continued

IFRS Accounting Standards

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events After the Reporting Period
IAS 12	Income Taxes
IAS 16	Property, Plant and Equipment
IAS 19	Employee Benefits
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 32	Financial Instruments – Presentation
IAS 33	Earnings Per Share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments – Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture

IFRS Interpretations Committee Interpretations

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

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