FirstRand Bank

ANNUAL REPORT

for the year ended 30 June 2025

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

Contents

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 2025.

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 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 GAO India†
- 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 Securities (USA)◊
100%	RMB International Mauritius
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
100%	Hyphen Technology
100%	FNB Fiduciary
100%	FirstRand Social Impact Holdings

* *Division*
** *Branch*
\# *Trading as FNB Channel Islands.*
† *Global administrative office*
‡ *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.
FRIHL's 81% shareholding in MotoVantage was sold effective 1 July 2025.
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; a global administrative office in India; and representative offices in Kenya, Angola, New York and Shanghai.

Performance highlights

Normalised earnings
R27.3bn
2024: R24.7bn
↑ **11%**

Return on equity
22.6%
2024: 22.6%
↔

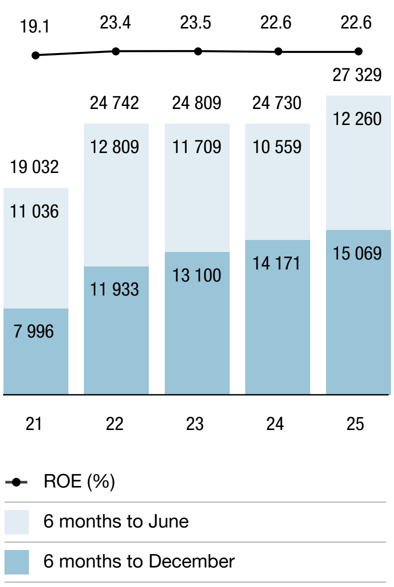
Normalised net asset value
R127.4bn
2024: R114.4bn
↑ **11%**

CET1 ratio
13.3%
2024: 12.4%
↑ **90 bps**

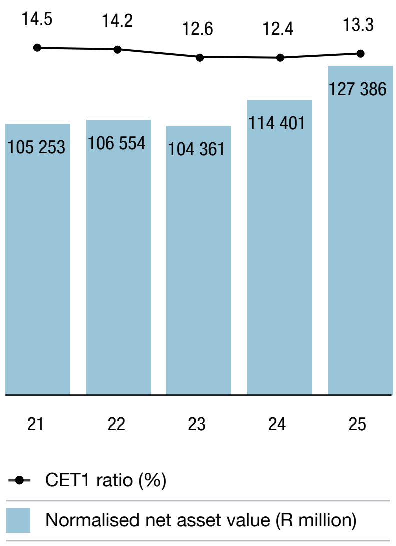
FNB WesBank RMB

Track record

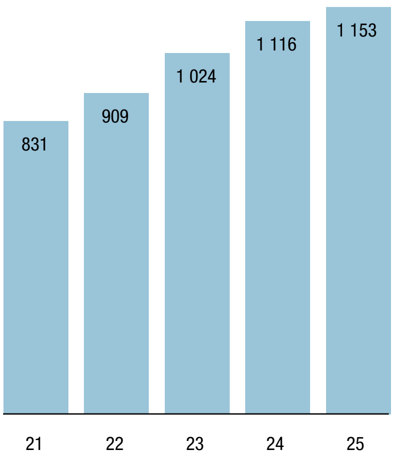
Normalised earnings *(R million)*
and ROE *(%)*
CAGR 9%



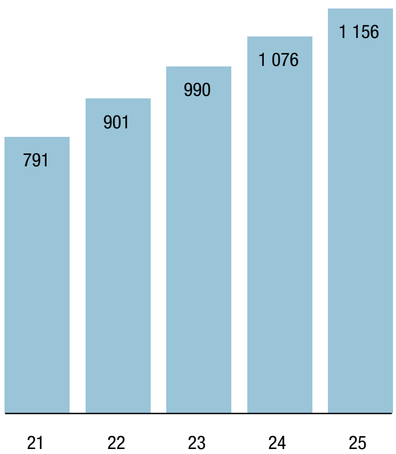
Normalised net asset value
(R million) and CET1 ratio *(%)*
CAGR 5%



Core lending advances
(R billion)
CAGR 9%



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 **Global administrative office:** • India **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 Group (including MotoNovo Finance)
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

** The group's stake in MotoVantage was sold effective 1 July 2025.*

Foreign branches and representation offices

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.

Representative offices (managed by RMB):

- **Kenya:** Facilitates RMB's offerings which 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:** Facilitates RMB's offerings which include 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.

Global administrative office (managed by RMB):

- **India:** FirstRand Bank established a global administrative office (GAO) in Gift City, India, in September 2024. The GAO operates RMB's precious metals business. The bank is also in the process of applying for a representative office licence in Mumbai (the India branch closure process is under way). The aim of the representative office will be to facilitate trade and investment flows in the Indo-Africa corridor. FRI subsidiary, RMB Capital India, is an advisory business focused on capital raising and mergers and acquisitions (M&A) with a licence from the Securities and Exchange Board of India (it 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 Prudential Authority (PA). The directors of the group ensure compliance with all relevant legislation and regulations, including the South African Banks Act, the Financial Sector Regulation Act, the South African Companies Act, and Basel Committee on Banking Supervision, and Financial Stability Board (FSB) 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 2025, which will be made available at https://www.firstrand.co.za/investors/integrated-reporting-hub/governance/ in October 2025, 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 (CEO) 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		
PJ Makosholo*	Independent non-executive director	1 October 2024
Retirement		
GG Gelink**	Independent non-executive director	29 November 2024

* *PJ Makosholo was appointed as independent non-executive director to add to the skillset of the board.*

** *GG Gelink retired at the AGM on 29 November 2024.*

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 serves as an the independent non-executive chairman. 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 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 CEO 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 PA held in October; a trilateral meeting with the audit committee, the 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 and Specialist Securities Listings Requirements. The Companies Act requirements for non-executive directors nominated to the bank must be met. At the group's annual general meeting (AGM), non-executive directors (aside from the chairman) are available 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 AGM, 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. Mr Sibisi has reached the age of 70 and the board supports his nomination for re-election for an additional year (as set out in the Notice of the AGM).

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 C04.

Board of directors of FirstRand Bank Limited

Executive directors

Mary Vilakazi (48)
Chief executive officer
BCom (Hons), CA(SA)
Appointed April 2024

Markos George Davias (44)
Chief financial officer
BCom (Hons), CA(SA)
Appointed April 2024

Independent non-executive directors

Johan Petrus Burger (66)
Independent non-executive chairman
BCom (Hons), CA(SA)
Appointed December 2023

Grant Glenn Gelink (74)
Independent non-executive director
BCom (Hons), BCompt (Hons), CA(SA)
Retired November 2024

Tamara Carol Isaacs (48)
Independent non-executive director
BCom (Hons), CA(SA)
Appointed June 2023

PJ Makosholo (46)
Independent non-executive director
CA (SA), MCom (SA and International Tax)
Appointed October 2024

Premilla Devi (Shireen) Naidoo (63)
Independent non-executive director
BSc
Appointed April 2022

Zelda Roscherr (58)
Independent non-executive director
BSc, BCom (Hons), MSc, QRD®
Appointed April 2020

Sibusiso Patrick Sibisi (70)
Independent non-executive director
BSc, PhD
Appointed April 2021

Louis Leon von Zeuner (64)
Independent non-executive director
BEcon, Chartered Director (SA)
Appointed February 2019

Thomas (Tom) Winterboer (69)
Independent non-executive director
BCom (Hons), CA(SA) AEP
Appointed April 2018

For comprehensive CVs of the directors, please refer to the latest FRB issuer disclosure document available at https://www.firstrand.co.za/investors/debt-investor-centre/prospectuses-and-programme-memoranda/.

B

ANALYSIS OF FINANCIAL RESULTS

OVERVIEW OF RESULTS

Key financial and operational results, ratios and statistics – normalised

for the year ended 30 June

This section is based on normalised results and includes the impact of the accounting provision and related fees associated with the previously disclosed UK motor commission matter set out on pages B19 to B21. A detailed reconciliation between IFRS and normalised results is set out on pages B108 to B110.

R million	**2025**	2024	% change
Earnings performance			
Attributable earnings – IFRS	**27 465**	24 803	11
Headline earnings	**27 407**	24 817	10
Normalised earnings	**27 329**	24 730	11
Normalised net asset value	**127 386**	114 402	11
Average normalised net asset value	**120 894**	109 382	11
Ratios and key statistics			
ROE (%)	**22.6**	22.6	
ROA (%)	**1.53**	1.47	
Diversity ratio (%)	**40.0**	41.8	
Credit impairment charge (R million)	**12 850**	12 451	3
Credit loss ratio (%)	**1.13**	1.16	
Stage 3/NPLs as % of core lending advances	**4.93**	4.58	
Performing book coverage ratio (%)	**1.55**	1.62	
Specific coverage ratio (%)	**45.9**	45.4	
Cost-to-income ratio (%)	**53.2**	55.2	
Effective tax rate (%)	**22.5**	21.5	
Balance sheet			
Normalised total assets (R million)	**1 864 630**	1 715 846	9
Advances (net of credit impairment) (R million)	**1 214 195**	1 143 128	6
Average gross loan-to-deposit and debt funding ratio (%)	**80.9**	81.0	
Deposits and debt funding (R million)	**1 573 203**	1 444 707	9
Capital adequacy – IFRS*			
Capital adequacy ratio (%)	**17.2**	15.6	
Tier 1 ratio (%)	**14.9**	13.6	
Common Equity Tier 1 ratio (%)	**13.3**	12.4	
Leverage – IFRS*			
Leverage ratio (%)	**7.1**	6.9	
Liquidity – IFRS			
Liquidity coverage ratio (%)	**133**	121	
Net stable funding ratio (%)	**117**	116	

* *Ratios including foreign branches and unappropriated profits.*

	2025	2024	% change
Operational statistics			
Number of ATMs (including ADTs)	**4 771**	4 750	–
Number of branches	**630**	623	1
Number of employees	**39 545**	38 581	2
– South Africa	**38 422**	37 531	2
– Broader Africa (central support staff) and other	**190**	165	15
– FirstJob youth employment programme	**933**	885	5
FNB active customers (millions)	**10.01**	9.87	1
– Retail	**8.66**	8.60	1
– Commercial	**1.35**	1.27	6
FNB channel volumes (thousands of transactions)			
– ATM/ADT	**277 705**	292 324	(5)
– Digital	**889 568**	800 924	11
– Card acquiring	**1 111 662**	1 059 275	5
– Card issuing	**1 300 275**	1 221 794	6

Income statement – normalised

for the year ended 30 June

R million	2025	2024	% change
Net interest income before impairment of advances	**65 964**	61 062	8
Impairment charge	**(12 850)**	(12 451)	3
Net interest income after impairment of advances	**53 114**	48 611	9
Non-interest revenue	**44 009**	43 928	–
– Fee and commission income	**33 568**	31 882	5
– Insurance income	**114**	118	(3)
– Trading and other fair value income	**2 690**	5 156	(48)
– Investment income	**237**	(60)	(>100)
– Other non-interest revenue	**7 400**	6 832	8
Income from operations	**97 123**	92 539	5
Operating expenses*	**(58 555)**	(57 980)	1
Income before indirect tax	**38 568**	34 559	12
Indirect tax	**(1 173)**	(1 132)	4
Profit before tax	**37 395**	33 427	12
Income tax expense	**(8 402)**	(7 179)	17
Profit for the year	**28 993**	26 248	10
Other equity instrument holders	**(1 664)**	(1 518)	10
Normalised earnings attributable to ordinary equityholders of the bank	**27 329**	24 730	11

* *Includes R1 533 million (2024:R2 873 million) relating to the UK motor commission matter.*

Statement of other comprehensive income – normalised

for the year ended 30 June

R million	2025	2024	% change
Profit for the year	**28 993**	26 248	10
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**1 932**	2 341	(17)
Gains arising during the year	**2 202**	2 396	(8)
Reclassification adjustments for amounts included in profit or loss	**445**	811	(45)
Deferred income tax	**(715)**	(866)	(17)
FVOCI debt reserve	**256**	(150)	(>100)
Gains/(losses) arising during the year	**364**	(194)	(>100)
Reclassification adjustments for amounts included in profit or loss	**(13)**	(11)	18
Deferred income tax	**(95)**	55	(>100)
Exchange differences on translating foreign operations	**(346)**	(262)	32
Losses arising during the year	**(408)**	(233)	75
Deferred income tax	**62**	(29)	(>100)
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	**13**	(3)	(>100)
Gains/(losses) arising during the year	**17**	(4)	(>100)
Deferred income tax	**(4)**	1	(>100)
Remeasurements on defined benefit post-employment plans	**38**	62	(39)
Gains arising during the year	**52**	85	(39)
Deferred income tax	**(14)**	(23)	(39)
Revaluation of properties on transfer to investment properties	**22**	–	–
Other comprehensive income for the year	**1 915**	1 988	(4)
Total comprehensive income for the year	**30 908**	28 236	9
Attributable to			
Ordinary equityholders	**29 244**	26 718	9
Other equity instrument holders	**1 664**	1 518	10
Total comprehensive income for the year	**30 908**	28 236	9

Statement of financial position – normalised

for the year ended 30 June

R million	**2025**	2024
ASSETS		
Cash and cash equivalents	**115 222**	88 470
Derivative financial instruments	**52 937**	45 974
Commodities	**7 364**	15 109
Investment securities	**340 769**	307 698
Advances	**1 214 195**	1 143 128
– Advances to customers*	**1 147 920**	1 063 654
– Marketable advances	**66 275**	79 474
Collateral, settlement balances and other assets	**34 294**	28 333
Current tax asset	**–**	247
Amounts due by holding company and fellow subsidiaries	**71 653**	58 638
Property and equipment	**19 803**	19 526
Intangible assets	**1 289**	1 150
Investment properties	**445**	281
Deferred income tax asset	**6 659**	7 292
Total assets	**1 864 630**	1 715 846
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**16 533**	9 601
Derivative financial instruments	**51 462**	43 384
Creditors, accruals and provisions	**23 325**	27 019
Current tax liability	**112**	–
Deposits and debt funding**	**1 573 203**	1 444 707
Employee liabilities	**13 277**	13 755
Other liabilities	**3 014**	3 046
Amounts due to holding company and fellow subsidiaries	**17 605**	28 419
Tier 2 liabilities	**20 580**	16 758
Total liabilities	**1 719 111**	1 586 689
Equity		
Ordinary shares	**4**	4
Share premium	**16 804**	16 804
Reserves	**110 578**	97 594
Capital and reserves attributable to ordinary equityholders	**127 386**	114 402
Other equity instruments and reserves	**18 133**	14 755
Total equity	**145 519**	129 157
Total equities and liabilities	**1 864 630**	1 715 846

* *Included in advances to customers are assets under agreements to resell of R104 621 million (2024: R67 757 million).*

** *The line description has been updated from Deposits to Deposits and debt funding to reflect the nature of items included in the balance. The balance previously reported remains unchanged.*

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

Flow of funds analysis – normalised

R million	**June 2025 vs June 2024 12-month movement**	June 2024 vs June 2023 12-month movement
Sources of funds		
Capital account movement (including profit and reserves)	**16 362**	14 866
Working capital movement	**(33 002)**	14 823
Short trading positions and derivative financial instruments	**8 047**	(8 688)
Deposits, debt funding and long-term liabilities	**132 318**	65 953
Total	**123 725**	86 954
(Outflow)/inflow in deployment of funds		
Advances	**(71 067)**	(76 237)
Investments	**7 165**	(313)
Cash and cash equivalents	**(26 752)**	(7 965)
Investment securities (e.g. liquid asset portfolio)	**(33 071)**	(2 439)
Total	**(123 725)**	(86 954)

"FirstRand Bank's performance for the year to 30 June 2025 again demonstrates the benefits of a diversified portfolio with deep franchise value, the continued disciplined allocation of financial resources, focused cost management and successful execution on growth strategies.

The quality of the underlying performance enabled the bank to absorb a further accounting provision for the UK motor commission matter and still deliver strong normalised earnings growth of 11% and an ROE of 22.6%.

These are extremely pleasing outcomes despite a challenging year. The strong operational momentum in FNB, RMB and WesBank sets the bank up for another strong performance in the coming year."

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 in the UK. Many of these businesses are leaders in their respective segments and markets, and offer a broad range of transactional, lending, investment and insurance products and services.

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 relative size and quality of its transactional, deposit, insurance and other non-lending 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 service 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 the bank.

At the same time, 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 characterised by sluggish system growth and increased competition.

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 broader Africa subsidiaries form part of FREMA and thus fall outside the bank.

UK

FirstRand's UK operations include Aldermore Bank and MotoNovo. 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 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 in May 2019 (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, the global macroeconomic environment shifted from a landscape characterised by gradual policy rate cuts and an improvement in risk appetite towards increased levels of geopolitical and geo-economic uncertainty, and a meaningful increase in trade tariffs. These tariffs contributed to lower oil prices as reduced economic activity dampened demand, while hard commodity prices rose, driven by heightened trade frictions and supply-side uncertainties.

Central banks are in a difficult position as they need to lower rates to support economic growth but are challenged by the possible risks of higher inflation due to the impact of tariffs.

In South Africa the combination of global uncertainty and policy friction within the Government of National Unity continued to impact confidence in the level of economic recovery that can be achieved. However gradual implementation of economic reforms, including the progress made under Operation Vulindlela and the shift towards the implementation of a lower inflation level, potentially provides a foundation for higher economic activity, albeit off of a low base. Consumers' disposable income benefited from a reduction in inflation and lower interest rates, resulting in a stabilisation of household affordability levels.

Financial performance

Despite these ongoing macroeconomic challenges, given the quality of the bank's customer-facing franchises, the consistent approach to new business origination and ongoing discipline in the allocation of financial resources, FRB delivered a strong operational performance, delivering high-quality growth in earnings and an excellent ROE.

This performance enabled the bank to absorb the impact of a further pre-tax accounting provision of R1.3 billion relating to the previously disclosed UK motor commission matter. This compares to R2.6 billion raised in the prior year. In addition, a further R205 million (£8.7 million) (2024: R229 million; £9.8 million) of legal and professional fees were incurred in relation to the matter. The total pre-tax impact of these two items relating to the UK motor commission matter was R1.53 billion for the year under review.

Despite this provision, normalised earnings increased 11%, to R27.3 billion, and the bank produced a normalised ROE of 22.6%. Net asset value (NAV) increased 11%. Given its high return profile, the bank remained capital generative, with a solid Common Equity Tier 1 (CET1) ratio of 13.3% (2024: 12.4%).

The overall credit performance is trending broadly in line with the bank's through-the-cycle (TTC) expectations, with the credit loss ratio (CLR) at 113 bps remaining at the mid point of its TTC range. The 3 bps decrease in the CLR was driven mainly by:

- an improvement in retail credit performance, with the retail CLR moving back into its TTC range as the pressures that households experienced over the past two years showed signs of easing; and
- a better-than-expected performance in the corporate portfolio.

This was partly offset by:

- early emerging strain in FNB commercial in line with expectations given the macro cycle and good book growth, particularly in the small and medium-sized enterprise (SME) client segment; and
- a net increase in the bank's central overlay of R100 million year on year.

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

FIRSTSTRAND BANK FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2025**	2024	% change
NII	**65 964**	61 062	8
NIR	**44 009**	43 928	–
Operating expenses*	**(58 555)**	(57 980)	1
Impairment charge	**(12 850)**	(12 451)	3
Normalised earnings	**27 329**	24 730	11
ROE (%)	**22.6**	22.6	
Cost-to-income ratio	**53.2**	55.2	
Deposit franchise	**1 156 253**	1 075 766	7
Core lending advances	**1 152 718**	1 115 828	3
Credit loss ratio (%) – core lending advances	**1.13**	1.16	
Stage 3/NPLs as a % of core lending advances	**4.93**	4.58	

* *Includes R1 533 million (2024: R2 873 million) relating to the UK motor commission matter.*

The bank's diversified portfolio played its part in delivering this operational performance. The gradual recovery in retail and the particularly strong performance from WesBank mitigated, to some extent, the early credit strain emerging from FNB's commercial portfolio. Despite a strong performance from the investment banking and treasury and trade solutions businesses, a weak performance from Global Markets (GM) and the non-repeat of material principal investment (PI) portfolio realisations in the prior year resulted in a decline in RMB's profit before tax (PBT) year on year,

The Centre, comprising Group Treasury and support functions, produced normalised earnings of R3.8 billion, up 13% year on year. The main contribution to this growth came from Group Treasury's effective approach to managing the capital and funding portfolio of the bank. In addition, active capital management strategies have mitigated the impact of reducing rates on endowment net interest income (NII). These strategies include Group Treasury's asset-liability management (ALM) investment activities. The ongoing strong capital generation from the business provided higher investment balances, which also contributed to NII.

Sources of normalised earnings are unpacked in the table below.

SOURCES OF NORMALISED EARNINGS

	Year ended 30 June				
R million	**2025**	**% composition**	2024	% composition	% change
FNB	**18 916**	**69**	17 627	71	7
WesBank	**1 739**	**6**	1 387	6	25
RMB	**5 692**	**21**	5 990	24	(5)
Centre*,**	**3 766**	**14**	3 342	14	13
Other equity instrument holders	**(1 664)**	**(6)**	(1 518)	(6)	10
UK motor commission matter	**(1 120)**	**(4)**	(2 098)	(9)	(47)
Normalised earnings	**27 329**	**100**	24 730	100	11

* *Excluding the impact of the UK motor commission matter disclosed separately.*

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

Background to the additional UK motor commission provision

As outlined in detail in the group's voluntary update to shareholders published on the Stock Exchange News Service on 4 August 2025, the group considers the outcome of the recent UK Supreme Court judgment, which overturned the majority of the previous UK Appeal Court ruling, to be a significant success. In particular the clarity that car dealers do not owe their customers a fiduciary duty, which was the most important and substantive issue that required the Supreme Court's consideration. However, the Supreme Court did find against the bank with regard to unfairness and was ordered to recompense one claimant.

The UK Financial Conduct Authority (FCA) subsequently announced its early thinking on a proposed redress scheme, which was expanded to potentially cover both its initial investigation of discretionary commission arrangements announced in January 2024 together with fixed commissions and any customer detriment resulting from inadequate disclosure as per the ruling of the Supreme Court.

The implications of this expanded process are still not finalised and subject to change. The FCA will publish its consultation process by early October, which will run for six weeks, and aims to finalise the rules such that the scheme can launch in 2026.

This creates ongoing uncertainty, and the possible change in scope of the redress scheme meant the bank believed it prudent to raise an additional provision by revising its probability-weighted scenarios, constructed from own data analysis, and considering both the Supreme Court outcome and statements by the FCA. Further background and context to the commission provision is unpacked in greater detail on page B19 to B21. The amount provided is a best estimate of what can be raised as a conservatively struck accounting provision.

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

	Year ended 30 June		
R million	**2025**	2024	% change
Operating expenses	**(57 022)**	(55 107)	3
Normalised earnings	**28 449**	26 828	6
Normalised net asset value	**128 506**	116 500	10
ROE (%)	**23.4**	24.3	
Cost-to-income ratio (%)	**51.9**	52.5	

Revenue and cost overview

NII increased 8%, driven by core lending advances growth (+3%), continued customer deposit gathering (+7%) and the capital endowment benefit (+13%), which includes the outcomes from the ALM strategy, unpacked in more detail later.

Absolute levels of year-on-year advances growth in the secured retail portfolios showed a relatively mixed but overall positive picture. Residential mortgages growth remained muted (+4%) due to continued household pressures, prevailing low property prices and generally subdued demand. However, retail vehicle asset finance (VAF) continued to grow strongly (+10%). Origination in retail unsecured (+3%) remained anchored to low- and medium-risk customers. As expected, there was continued good growth in FNB commercial and WesBank corporate (+10% on a consolidated basis).

With regard to the RMB core lending advances, net origination remained robust, increasing 7% year on year, although this translated into an overall decline in advances of 2% given the distribution strategy implemented during the year. This strategy aims to enhance returns and focus on velocity of capital and funding of the lower-margin advances portfolios.

The bank's 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 FRM strategy and demonstrates the bank's commitment to balancing growth and returns.

The bank's focus on growing liability-related NII played out strongly across 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	5	7
– Retail	3	7
– Commercial	11	8
WesBank	10	n/a
RMB*	(2)	9

* *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 5%, driven by growth in transactional credit product volumes and retail and commercial customer deposits.

FirstRand's approach to managing the endowment profile (the ALM strategy) is designed to optimise TTC 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 earns 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 the 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.
- Take cognisance of accounting and regulatory requirements.

The outcomes of this approach should be assessed on a TTC basis. The following table shows the cumulative additional endowment NII of R16.3 billion (2024: R15.6 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 2025	2024	% change	Cumulative additional endowment NII*
Capital endowment	**1.4**	0.4	>100	**11.6**
Deposit endowment	**(1.1)**	(1.9)	(42)	**4.7**
Total	**0.3**	(1.5)	(>100)	**16.3**

* *Includes additional endowment NII from 1 July 2017 to 30 June 2025 (measured against repo).*

In the current year the strategy produced an additional R0.3 billion as compared to an opportunity cost of R1.5 billion in the prior year, which represents a R1.8 billion year-on-year change, thus contributing c. 3% to NII growth.

As the interest rate environment moderates lower, the underlying structural interest rate earnings of the group will begin to reduce. However, the ALM strategy, designed to reduce volatility introduced by the cycle, is expected to outperform the overnight rate.

The bank's net interest margin (NIM) increased 8 bps. Margin growth was supported by selected asset growth and pricing, enhanced FRM, higher invested capital and structural interest rate management. This was, however, partially offset by lower deposit endowment given the rate-cutting cycle.

Total non-interest revenue (NIR) remained flat year on year and presents a mixed underlying picture.

FNB delivered solid NIR growth of 5%. Fee and commission income (+5%) benefited from moderate fee increases across both retail and commercial accounts, new customer acquisition and improved volumes.

FNB also benefited from strong NIR growth in value-added services sold into the core transactional base (FNB Connect, Send Money, eBucks and nav). Total revenue from these services grew 15% to more than R2.9 billion in retail. Approximately three million customers use these services.

RMB's NIR decreased 11% year on year due to the base effect created by a significant PI realisation in the previous year and a decline in trading income of 33%, which represents a significant portion of RMB's total NIR. These negative outcomes were partly offset by an increase of 15% in knowledge-based fees and 8% growth in Treasury and Trade Solutions (TTS) NIR, driven by healthy levels of structuring and transactional activities.

Group Treasury NIR decreased R348 million, driven by mismatches in hedging activities related to the employee share scheme, cash flow hedging ineffectiveness and other fair value losses related to curve movements, which were partly offset by foreign exchange (FX) translation benefits, lower sovereign ECL provisions and profits from the sale of bonds in order to rebalance portfolios as part of the ALM strategies.

Total operating expenses were tightly managed, resulting in 1% growth which included a 7% increase in direct staff costs. Operational leverage improved across the operating businesses with investment spend at similar levels to the comparative year.

Including the UK motor commission provision, the cost-to-income ratio improved year on year to 53.2% (2024: 55.2%) and, excluding the provision, improved to 51.9% (2024: 52.5%).

At an operating business level, FNB and RMB increased costs 6% and 5%, respectively, with investment spend mainly driving cost growth above inflation.

Operating expenses at WesBank decreased 3% year on year, reflecting continued benefits from the ongoing integration with FNB's platform.

Credit performance

SUMMARISED CREDIT HIGHLIGHTS AT A GLANCE

R million	Year ended 30 June 2025	2024	% change
Total gross advances	**1 257 339**	1 183 585	6
Total core lending advances	**1 152 718**	1 115 828	3
– Performing core lending advances	**1 095 845**	1 064 768	3
– Non-performing loans	**56 873**	51 060	11
Assets under agreements to resell	**104 621**	67 757	54
NPLs as a % of core lending advances	**4.93**	4.58	
Core lending advances (net of impairment)	**1 109 574**	1 075 371	3
Total impairments	**43 144**	40 457	7
Portfolio impairments	**17 015**	17 294	(2)
NPL specific impairments	**26 129**	23 163	13
Coverage ratios			
Performing book coverage ratio (%) – core lending advances*	**1.55**	1.62	
Specific coverage ratio (%)**	**45.9**	45.4	
Income statement analysis			
Impairment charge	**12 850**	12 451	3
Credit loss ratio (%) – core lending advances	**1.13**	1.16	

* *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 at 113 bps, remaining at the mid point of the bank's TTC range of 100 bps to 130 bps. This is a positive outcome and in line with expectations, despite the shallow rate-cutting cycle and low system growth, and continues to reflect the benefit of the bank's approach to origination, with new business continuing to be weighted towards the low- and medium-risk categories.

Impairments in certain portfolios were elevated, especially in commercial and card, where new business strain is evident after periods of strong growth. Card was also impacted by debt counselling inflows but not out of line with expectations.

Direct customer interventions in the year under review have resulted in slowing growth in debt counselling inflows. However, they remain elevated compared to historical trends.

As expected, lagged impacts are emerging in the small business segment in commercial, with a resilient performance to date from medium and large corporates.

The following table shows the underlying credit performance from the operating businesses. What is demonstrated here is that the bank continues to benefit from portfolio diversification.

The origination approach to target better-risk customers is reflected in the non-performing loan (NPL) formation, which remains within expectations notwithstanding the strain emanating from commercial.

Overall, the bank believes these outcomes are testament to its approach to lending as it balances meeting customer needs with achieving targeted risk-adjusted returns.

	Advances mix %	CLR %	NPLs %	Coverage %	CLR TTC range %
FNB and WesBank					
June 25	**65**	**1.72**	**7.04**	**5.18**	**1.45 – 1.85**
June 24	63	1.80	6.89	5.18	
Retail					
June 25	**47**	**1.99**	**8.58**	**5.93**	**1.70 – 2.10**
June 24	46	2.25	8.39	5.98	
Commercial					
June 25	**18**	**1.03**	**3.33**	**3.37**	**0.80 – 1.20**
June 24	17	0.61	3.07	3.15	
RMB					
June 25	**35**	**0.19**	**1.56**	**1.37**	**0.30 – 0.50**
June 24	37	0.22	0.98	1.15	
FirstRand Bank					
June 25	**100**	**1.13**	**4.93**	**3.74**	**1.00 – 1.30**
June 24	100	1.16	4.58	3.63	

FNB's CLR is trending in line with its TTC expectations, given the macroeconomic environment and specific origination strategies.

The retail CLR is moving back into its TTC range and the pressures households experienced over the past two years have shown signs of easing. However, affordability challenges remain and debt counselling balances are persistently elevated, particularly as the level of economic recovery expected at the beginning of the calendar year has not yet fully materialised and house price growth remains subdued.

Commercial's CLR has trended into the mid point of its TTC range, mainly due to front book strain resulting from new business origination in the SME subsegment over the past three years, which is in line with expectations. Two specific large exposure defaults in the medium corporate subsegment contributed to higher impairments than initially expected at this point of the cycle. Both exposures remain appropriately collateralised.

WesBank's credit performance remained well within expectations.

RMB's CLR trended lower, resulting in a credit impairment charge on the core lending advances of 19 bps (2024: 22 bps), well below the portfolio TTC range. The credit quality of RMB's core lending portfolio remains resilient with the overall performance better than expectations, also reflecting ongoing focused underwriting discipline and prudent provisioning.

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 the group's 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 2025	2024
CET1	11.25 – 12.25	**13.3**	12.4
Tier 1	>13.0	**14.9**	13.6
Total	>15.25	**17.2**	15.6

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

The PA published *Directive 6 of 2024* which requires South African banks to hold a positive cycle-neutral countercyclical buffer (PCN CCyB) of 1% with effect from January 2026. The bank's board-approved internal targets were revised to incorporate the increased PCN CCyB requirement.

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

Key factors driving the CET1 outcome include:

- successful RWA optimisation strategies;
- positive earnings generation partly offset by the payment of dividends, as well as movement in other reserves;
- an increase in credit RWA mainly driven by higher volumes; and
- higher revenue generation increased operational risk RWA.

The bank has issued a combination of Additional Tier 1 (AT1) and Tier 2 instruments to ensure sustainable support for ongoing growth initiatives and redemption of existing capital instruments.

In December 2024, the South African Reserve Bank's (SARB's) Resolution Authority (RA) released *Prudential Standard RA03: Flac Instruments Requirements for Designated Institutions (Prudential Standard RA03)*. Following the release of the prudential standard, the SARB's PA issued *Guidance Notice 1 of 2025: Guidance on minimum Flac requirements* on 22 January 2025. These provided guidance on the implementation timelines, entity level for issuance and calibration. The estimated annual post-tax cost, ranging from R200 million to R300 million at the end state, will be incorporated into the bank's funding strategies and considered as part of the overall FRM process.

It remains the group's intention to continue to optimise its total loss-absorbing capacity by issuing capital and Flac instruments in the domestic and/or international markets. The group plans to transition the issuance of Flac instruments and replace maturing senior unsecured debt instruments with Flac over the phase-in period. FirstRand is in the process of establishing a domestic medium-term note programme (DMTN) programme, which will enable the domestic issuance of Flac instruments from the ultimate bank holding company, as required in terms of Prudential Standard RA03, as well as the issuance of domestic capital instruments.

Liquidity position

The liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) both exceeded their minimum requirement of 100% over the last quarter and the year under review. The change in LCR reflects expected cyclical changes over the period.

PRUDENTIAL LIQUIDITY RATIOS*

%	Year ended 30 June 2025	2024
LCR		
Regulatory minimum	**100**	100
Actual	**133**	121
Average available HQLA (R billion)	**439**	380
NSFR		
Regulatory minimum	**100**	100
Actual	**117**	116

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

During the year under review the level of liquid assets increased, driven by higher reserve balances with the central bank and an increase in reverse repos. This was a result of healthy growth in the underlying deposit franchise and selective capital market issuances.

From a liquidity risk standpoint, the regulatory environment has remained stable, with the bank continuing to optimise its buffer stock of high-quality liquid assets (HQLA). Thematic senior note and securitisation issuances have complemented healthy deposit funding growth to diversify funding. Successful securitisation programmes enabled a reduction in RWA. The bank remains well funded, with adequate liquidity buffers to meet both prudential liquidity requirements and internal risk targets.

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

COMPOSITION OF LIQUID ASSETS

R billion	As at 30 June 2025	2024
Cash and deposits with central banks	**85**	61
Short-term liquidity instruments	**175**	149
Including reverse repos*	**83**	65
Long-term investment securities	**141**	135
Other liquid assets	**38**	35
Total liquid assets	**439**	380

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

The bank recognises that although there is a regulatory requirement to hold certain types of liquid assets, these assets do exhibit credit risk. It thus relies on an internally developed limit and risk assessment framework, which draws on internal and external research, to guide and inform the composition and duration of liquid assets held.

Based on internal assessments and monitoring of jurisdiction specific risks, the bank will vary its holdings of liquid assets between immediately accessible central bank reserves, short-dated treasury bills and long-dated bonds.

Foreign currency balance sheet

The bank's framework for managing 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 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

The global macroeconomic environment remains unsettling but cyclically it is tracking broadly in line with expectations. In South Africa, global fracturing is expected to result in periods of volatility. There are, however, a number of positive signals, such as slow but steady progress on structural reforms unlocked by Operation Vulindlela and other initiatives, and the shift towards a lower inflation level.

The bank's guidance for the year to June 2026 is unpacked on a like-for-like basis, including the motor commission accounting provision. However, it is also important to note that, looking forward, the underlying operational performance of the bank is likely to be better than the year under review, manifesting across various income statement lines.

Starting with NII, the bank expects mid to high single-digit growth in the year ahead. Healthy advances growth is anticipated from all large lending portfolios. Growth in retail advances is expected to exceed the year under review (particularly in the second half of the financial year). More constructive macros are supportive to household affordability levels given lower inflation, reducing rates and an improving trend in property prices. This is creating capacity for both secured and unsecured retail credit extension.

Commercial and corporate advances growth is still anchored to positive momentum in structural reforms and targeted lending to specific sectors of the economy. Commercial lending will grow at similar levels to the year under review and corporate advances are expected to show higher growth than in the year under review, including the impact of the distribution strategy, with improving margins.

The bank's large deposit franchises are expected to continue to grow at similar levels to the previous 12 months. One further rate cut is expected before the end of the calendar year, however, the ALM strategy will continue to provide some protection to endowment.

The bank's CLR is expected to remain at the mid point of its TTC range. Retail credit continues to improve and commercial and corporate are expected to remain within their respective TTC ranges, with some additional front book strain due to book growth.

NIR growth is anticipated to trend higher. This will be driven by resilient fee and commission income growth, and trading income is expected to rebound off the current low base.

Given the base effect of the motor commission provision, cost growth is expected to print slightly below inflationary growth. Excluding this base effect, costs will trend 2% – 3% above inflation which partly reflects expenses incurred by the finalisation of the HSBC transaction in the third quarter of the financial year. Whilst these costs will offset any early revenue benefits, the transaction will provide support to NII and NIR growth in the following years.

The bank's performance reflects the health and quality of its operating franchises, all of which remain well positioned to capture a higher share of any additional growth opportunities that emerge.

Events after reporting date

HSBC transaction

On 10 June 2025 FirstRand announced that it received regulatory approval to acquire selected banking assets and liabilities, and employees of HSBC's South Africa branch. The transaction involves the transfer of HSBC South Africa's corporate and multinational portfolio to FirstRand Bank's corporate and investment banking division, Rand Merchant Bank. This is a major milestone following the announcement on 26 September 2024 of the proposed transaction with HSBC. As part of the transaction, FirstRand is required to ensure seamless migration of HSBC's portfolios. The migration process complexity may affect the completion date, which is expected to be in the 2026 financial year.

The acquired assets are expected to mainly consist of loans and advances, while the liabilities assumed will primarily comprise customer deposits. The financial impact of this transaction is currently being assessed.

UK commission provision

The Supreme Court of England and Wales (UK Supreme Court) issued a judgment in respect of the Wrench and Johnson motor finance commission cases on 1 August 2025, which was followed by an announcement from the FCA on 3 August 2025. The bank concluded that this represented an adjusting post-balance sheet event. Refer to note 33 of the annual financial statements for more information.

JP BURGER	**M VILAKAZI**	**C LOW**	**MG DAVIAS**
CHAIRMAN	CEO	COMPANY SECRETARY	CFO

10 September 2025

Background and context to the motor commission provision

Introduction to dealer commissions in financing arrangements

Finance arrangements play a pivotal role in enabling customers to purchase vehicles, allowing them to tailor the cost of ownership to meet their needs and budgets. Finance offers and the various options available are presented to the customer in documents provided to them by the dealer, operating as a regulated credit broker. Generally, the dealer would have access to a number of lenders when presenting offers to customers.

The final UK Supreme Court ruling refers to a hire purchase transaction as a well-known three-cornered transaction, whereby if the finance offer is acceptable to the customer:

1. the dealer sells the vehicle to the lender;
2. the customer chooses to enter into an agreement with the lender for a specified term, taking final ownership of the vehicle at the end of that term; and
3. the customer acquires the immediate use of their chosen vehicle.

Thereafter, the lender pays the dealer a commission for the introduction of the lending arrangement.

These commissions are paid to enable the dealer to recover its incurred costs, including any margin, of being a regulated credit broker. The cost structure would vary across dealers based on their relative size and scale in the market and could include licensing, employment and training of specialist finance staff, technology, legal, compliance and marketing. Importantly, pre-2021, commissions were predominantly paid pursuant to discretionary commission arrangements (DCAs) and post the FCA ban of DCAs in 2021, all commissions are paid pursuant to fixed commission arrangements (non-DCAs).

In the dealer's sale process, the vehicle price may be reduced for a buyer using finance, relative to a price quoted for a cash buyer. Where a customer needs finance to obtain the car (rather than buying it outright using cash), a finance package on acceptable terms to the customer becomes an integral part of what is negotiated by the dealer to close the transaction efficiently for all parties.

A finance package can often include additional features designed to provide the customer with various options to help them meet any affordability threshold. Such features could include a discount on the price of the car, or altering the term of the agreement such that the monthly repayment meets both the customer's and the lender's stated affordability criteria and terms. In addition, in some instances the dealer may also include additional parts or services as part of the overall outcome.

Disclosure practices

FCA rules requiring dealers to disclose the existence of commission to borrowers have been in place since April 2014. The FCA rules were explicitly changed in January 2021 to ban DCAs and to enhance and further clarify the regulatory requirements for disclosing commissions to customers, particularly regarding the nature of the commission paid. However, even at that point there was no explicit requirement in the rules for the commission amount to be disclosed unless the client requested it. Ultimately, the aim was to create disclosure consistency and transparency across the industry with regard to the requirements of the regulations. This would also assist customers to make more informed decisions about the agreements they enter into. In 2023, the introduction of consumer duty further strengthened the requirements with a focus on good outcomes for customers.

As additional background, after the UK Court of Appeal ruling in October 2024, MotoNovo changed its disclosure practices and required dealers to fully disclose to customers the commission details at the point when finance options are being discussed and offered (including the amount of commission to be paid). It is worth noting that since the introduction of this further disclosure MotoNovo has not experienced any change in the levels of take-up by customers of finance agreements through dealers.

Regulatory process

On 11 January 2024, the FCA announced that it will exercise its powers under section 166 of the Financial Services and Markets Act 2000 to launch a "skilled person review" into historical motor finance DCAs and vehicle sales and financing involving DCAs. At the time, the group welcomed the regulator's decision to undertake this review but has always believed that its own practices complied with the laws and regulations in place at the time.

As covered above, in 2021 the FCA implemented a ban on DCAs to remove the potential incentive for dealers (as regulated credit brokers under the FCA regulations) regarding the selection of customer interest rates. The FCA also introduced minor amendments to its rules and guidance around giving customers further information about commissions. At this point the FCA banned DCA practices from 2021 onwards, but did not explore any retrospective consultation process or redress considerations.

Since the DCA prohibition, there has been a persistent influx of commission-related complaints from customers with a notable surge in recent years, primarily driven by claims management companies (CMCs) and claimant law firms (CLFs). CLFs, often funded by litigation funders, also instituted numerous claims against lenders in the county courts. To date the industry has defended these claims in the county courts with a large majority win-rate based on the underlying facts of each case. FirstRand and other industry firms have maintained their position that they complied with their legal and regulatory obligations as they understood them to be applied at the time.

In addition, a significant number of customer complaints have been referred to the Financial Ombudsman Service (FOS) for resolution. In January 2024, the FOS ruled in favour of consumers in two separate DCA complaints concluding that DCAs created an inherent conflict between the interests of the broker and the interests of the consumer, and that the lenders' disclosures were inadequate. However, the FOS ruled in favour of lenders in relation to a non-DCA complaint.

It is against this backdrop that the FCA chose in January 2024 to invoke a pause on complaints handling for DCA complaints, and later, after the UK Court of Appeal decision in October 2024, to extend that pause to non-DCA complaints, whilst the FCA assessed the issue to determine the best way forward.

In April 2024 the FCA formally communicated its expectation that firms which fall within the remit of their process (including both lenders and dealers/credit brokers), must at all times, maintain adequate financial resources, considering their own specific circumstances. At that time, the FCA further indicated that its process may result in establishing an industry-wide redress scheme and therefore, in line with IFRS Accounting Standards, the bank raised a provision of £112.2 million (R2.6 billion) for the year ending 30 June 2024. This provision was based on a variety of probability-weighted scenarios constructed from the group's own data analysis and required management judgement and assumptions on the information available at that time. This was therefore management's best estimate of a provision for potential redress, including any operational and legal costs to administer a redress scheme, and covered DCAs from April 2007 to January 2021.

Legal process

In October 2024, the UK Court of Appeal ruled in favour of customers in three motor finance commission claims (the Wrench and Johnson case for FirstRand Bank and the Hopcraft case for another lender), and in doing so significantly broadened the issue beyond discretionary commissions to all commissions paid by lenders to dealers where the customer's informed consent was not explicitly obtained. As covered earlier, at this point in time the motor industry adapted its disclosure practices to accommodate the findings of this judgment.

On 11 December 2024, FirstRand received approval from the UK Supreme Court to appeal the judgment made by the UK Court of Appeal concerning the Wrench and Johnson motor finance commissions cases, as well as another lender's request for appeal. At that time FirstRand Bank did not raise an additional provision for new possible scenarios or outcomes from the potential UK Supreme Court ruling. This was communicated at the time of the publication of the bank's results for the six months to 31 December 2024, and was considered appropriate by management due to its belief that it had a strong case to be heard in the UK Supreme Court.

From 1 April 2025 to 3 April 2025 the UK Supreme Court heard the appeal, and the decisive verdict was delivered on 1 August 2025. The group considers the outcome of the judgment, which overturned the most substantive appeal grounds, to be a significant success. The UK Supreme Court found that motor dealers do not owe customers a fiduciary duty in relation to their role as a credit broker arranging finance. A fiduciary duty is necessary to pursue a claim for tort of bribery, and a "disinterested" duty is not sufficient for such a claim. Consequently, the UK Court of Appeal's findings regarding dishonesty by FirstRand Bank London branch as a result of its payment of a commission to the dealer were also superseded.

However, in the Johnson case only, the UK Supreme Court decided that there was an unfair relationship under section140A of the Consumer Credit Act 1974 (CCA), based on the specific facts of the case. In its judgment the UK Supreme Court noted that the UK Court of Appeal made a number of errors that impaired its decision on the issue of unfairness under section 140A of the CCA and the test of unfairness permits courts to take account of a very broad range of factors and is highly fact-sensitive. The UK Supreme Court also clarified that the mere fact that there has been no disclosure or only partial disclosure of the commission will not necessarily suffice to make the relationship between lender and customer unfair. It is a factor to be considered in the overall balancing exercise. It also noted that there are further relevant factors specific to Mr Johnson's case. These included:

- the size of the commission paid by FirstRand (the lender) to the dealer was considered significant, amounting to 25% of the advance of credit and 55% of the total charge for credit (comprising interest and fees);
- the non-disclosure of the existence of a commercial tie between FirstRand and the dealer in which FirstRand contractually had a right of first refusal; and
- Mr Johnson's failure to read any of the documents provided by the dealer. The UK Supreme Court also noted that Mr Johnson was commercially unsophisticated, and considering all the other factors, more prominence was required of the commission disclosure.

Furthermore, the UK Supreme Court emphasised that wide discretion could also be applied by the courts to award a remedy. The bank's view is that although the UK Supreme Court ordered repayment of commission (plus interest at an undefined commercial rate) in this particular case, this does not create a precedent for other courts to follow as any remedy for an unfair relationship should be based on the specific facts. It is important to note that the level of commission in the Johnson case is not indicative of the level of commission across the overall MotoNovo book. Less than 3% of total commissions pre-2021 match the Johnson commission outcome, which was 25% of advance and 55% of total charge for credit. It is worth pointing out that Mr Johnson received the lowest interest rate available from FirstRand Bank London branch via the motor dealer selling the car.

Current regulatory response

Subsequent to the UK Supreme Court ruling, on 3 August 2025, the FCA released a statement that it would consult on a redress scheme over a six-week period in early October 2025. It noted that the UK Supreme Court considered several factors it had identified which could point to an unfair relationship and hence be a contravention of the CCA. The redress approach would depend on various factors including size of commission relative to the charge of credit, the nature of the commission, the needs of the consumer, compliance with regulatory rules and the extent and manner of disclosure, and the considered interaction between them.

The FCA also outlined seven principles underpinning a redress scheme and that the scheme will cover DCAs. It also notes that based on the UK Supreme Court judgment it will consult on whether non-DCAs (i.e. fixed commission arrangements) should also be included. The redress calculation methodology will be informed by the degree of harm suffered by the consumer and the need to ensure consumers can continue to access affordable loans for motor vehicles. The potential remedy will consider the UK Supreme Court outcome alongside alternative approaches. It also notes that it is unlikely that alternatives could lead to a higher remedy outcome, but that some may lead to lower outcomes. The consultation will also consider a *de minimis* threshold to be eligible for compensation payments, consulting on an interest rate of average base rate each year plus 1%, and whether the scheme is opt-in or opt-out for consumers. The FCA noted that the cost of any redress scheme will depend on the final design, and this makes it hard to estimate precisely the cost to the industry. Any estimates are highly indicative and susceptible to change, and the final cost will also depend on the take-up rate, the methodology to calculate redress and the mix of DCA and non-DCA ultimately included. It also notes that most individuals will probably receive less than £950 in compensation per agreement.

Provision recalculation

Given both the outcome of the UK Supreme Court judgment and the statement from the FCA, the bank has taken the decision to recalculate and refine its June 2024 accounting provision, to include all commission arrangements from January 2007 to October 2024. This also includes revising its probability-weighted scenarios, assumptions and management judgements made at the time, to consider the additional information obtained to date (including the proposed interest rate for the redress scheme of the BoE plus 1%) and to recalculate an appropriate estimate accounting provision.

Until the commencement of the consultation process and further clarity on the detailed redress approach considered by the FCA, uncertainty remains, albeit lower than prior to the latest FCA announcement following the UK Supreme Court ruling.

In deriving its provision, the bank has considered all available information and data points to analyse and build scenarios based on its own data. The outcome of this is that at 30 June 2025 the bank has raised a total pre-tax provision of £167 million (R4.1 billion), with an incremental income statement impact for the year to June 2025 of £57 million (R1.3 billion).

The FCA has indicated that it will consult on whether non-DCAs (i.e. fixed commissions) should be included in the redress scheme and the period may extend to 2024. Therefore a higher proportion of the provision is raised by the Aldermore Group (the MotoNovo front book) compared to the previous year.

To be conservative, the bank's provision does not cover some of its own legal and commercial considerations that would need to be addressed as part of the FCA redress consultation process. Examples of these include, any potential dealer liability (given their regulated credit broker responsibilities), any other recoverable amounts by the group that can only be assessed once a redress scheme is announced. In addition, on its own the commission as a percentage of charge for credit can result in a counter-intuitive outcome due to a lower or more favourable interest rate provided to customers that could result in the perception of an "unfair" commission percentage, or vice versa.

REVIEW OF OPERATIONS

Normalised earnings

R18.9bn ↑ 7%

2024: R17.6bn

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;
- integrating WesBank's vehicle and asset finance offering;
- providing innovative products to incentivise and grow customer savings and investments and, in turn, the retail deposit franchise;
- applying disciplined and targeted credit origination strategies that appropriately support customer requirements and affordability across all credit products;
- utilising eBucks to reward desired customer behaviour, drive platform adoption and enable cross-sell;
- leveraging its mobile virtual network operator 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 i.e. CashPlus/ AgencyPlus) distribution channels.

FNB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2025**	2024	% change
Normalised earnings	**18 916**	17 627	7
Normalised profit before tax	**25 855**	24 154	7
– South Africa	**26 293**	24 537	7
– Broader Africa*	**(438)**	(383)	14
Core lending advances	**528 916**	502 273	5
Core deposits	**926 455**	864 176	7
Performing advances	**486 961**	464 066	5
Stage 3/NPLs as a % of advances	**7.93**	7.61	
Credit loss ratio (%) of average advances	**1.92**	1.99	
Cost-to-income ratio (%)	**51.7**	51.5	
Net advances margin (%)	**3.76**	3.70	

* *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 results

FNB delivered normalised PBT growth of 7% in the year under review.

FNB's NII growth of 6% resulted from growth in both advances and deposits. The deposit franchise in South Africa grew 7%.

FNB grew advances 5%, tilted to commercial customers as household affordability remained under pressure. The overall commercial book grew 11%, with lending anchored to targeting specific sectors and subsegments (i.e. SMEs) informed by lending capacity assessments. Retail advances required some risk cuts in the first half of the financial year and origination strategy adjustments, resulting in 3% growth, weighted towards unsecured portfolios.

The advances margin improved to 3.76% (2024: 3.70%), benefiting from the base impact of the one-off updates to the behavioural tenor estimate in the prior year, lower funding costs and targeted repricing initiatives primarily within retail. This was partially offset by growth in interest in suspense, driven by higher NPLs.

The current interest rate cycle resulted in a net endowment reduction year on year, somewhat offset by the group's ALM strategy. Furthermore, deposit margins were impacted by stronger relative growth in lower-margin investment and savings accounts.

Deposit insurance was introduced in April 2024 in South Africa and the impact amounted to a R234 million year-on-year reduction in NII and a 3 bps impact on margins.

FNB delivered 5% growth in NIR. Fee and commission income growth of 5% benefited from moderate fee increases across both retail and commercial accounts, new customer acquisition, improved volumes and cross-sell. This was partially offset by the cost of increased eBucks rewards on the back of the rollout of new partnerships and customer value propositions, and higher transaction processing fees.

FNB's early response to changes in the payments landscape when it reduced all related fees for low-value real-time payments has proved to be the correct outcome for customers. This is demonstrated by the 28% increase in real-time clearing volumes which, in turn, provided strong support for fee and commission income growth and contributed to a 16% increase in payment related NIR in retail. This strong growth was somewhat offset by marginal growth in cash-linked NIR as cash volumes declined year on year, with customers increasingly adopting digital payment methods.

FNB also benefited from strong NIR growth generated by the value-added services sold into the core transactional base (i.e. FNB Connect, Send Money, eBucks and nav). In the year under review FNB Connect alone generated volumes worth R22 billion (2024: R18.6 billion). Approximately three million customers use these services. Total revenue from these services grew 15% to more than R2.9 billion in retail.

FNB's credit performance reflects its origination strategies against a challenging and volatile economic environment. The macroeconomic pressures experienced over the past two years have shown signs of easing, which is evident in the slowing momentum of retail impairments. However, households continue to face affordability pressures, particularly as the level of economic recovery expected at the beginning of the calendar year has not yet materialised. As a result, retail impairments in the second half remain slightly higher than originally expected.

The year-on-year increase in commercial cost of credit reflects strain resulting from new business origination in the SME client segment from the past three years, which is in line with expectations. Two specific large exposure defaults in the enterprise subsegment contributed to higher impairments than initially expected at this point of the cycle.

FNB expenses increased 6%, driven by staff cost increases, renewal of large foreign currency contracts with suppliers and other operating cost increases. The cost-to-income ratio increased marginally to 51.7% (2024: 51.5%), reflecting targeted investments in areas including sales channels and new product development, as well as payments and platform modernisation.

CHANNEL VOLUMES

Thousands of transactions	Year ended 30 June **2025**	 2024	% change
ATM/ADT	**277 705**	292 324	(5)
Digital*	**889 568**	800 924	11
Card acquiring	**1 111 662**	1 059 275	5
Card issuing	**1 300 275**	1 221 794	6

* *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.

Segment performance

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

SEGMENT RESULTS

R million	Year ended 30 June **2025**	 2024*	% change
Normalised PBT			
Retail	**12 245**	10 901	12
Commercial	**14 048**	13 636	3
Broader Africa**	**(438)**	(383)	14
Total FNB	**25 855**	24 154	7

* *Restated. Refer to pages B45 to B46.*

** *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 PBT increase of 12% was supported by NII growth of 4%, in particular from the ongoing strong performance of 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, ultimately resulting in appropriate risk-adjusted returns.

FNB's retail lending approach is 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 3% with good growth particularly in card and FNB personal loans, which increased 7% and 6%, respectively. However, this growth was offset by the continued contraction of the DirectAxis personal loan book (down 11%). A shift in new business origination to the Fusion product has resulted in a decline in overdraft advances over the year, which is aligned to the business strategy. Revolving facilities have continued to perform strongly, increasing 17%.

Growth in secured lending remained subdued at 4% due to pressure on customer affordability and weak demand. Property prices, especially in Gauteng and KwaZulu-Natal, continue to be depressed.

Retail NIR increased 6%, bolstered by the good fee and commission growth in the transactional businesses, especially in the higher-income client segments.

Commercial's performance continues to be resilient and reflects the strength and quality of this business. Its performance was underpinned by strong growth in advance (+11%) and deposits (+8%), contributing to NII growth of 10%. Origination continues to be anchored to FNB's consistent strategy of targeting specific customer cohorts, sectors and counterparties.

Commercial's transactional franchise produced 5% growth in NIR, characterised by higher volumes and fee and commission income on the back of the growth in customers. These trends were somewhat offset by higher transaction processing costs resulting from growth in foreign card spend and card scheme fees. Acquiring card mix and increased competition in merchant services also placed some pressure on NIR growth.

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	7	26 793	3	12 697
– Personal* (≤R750k)	2	2 039	(7)	(6 270)
– Private* (>R750k)	8	24 754	7	18 967
Commercial	8	35 486	11	13 946
Total FNB	7	62 279	5	26 643

* *The income cut-off between the personal and private segments has been updated from R600k to R750k, resulting in the restatement of June 2024 figures.*

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

ACTIVE CUSTOMERS AND PLATFORM USERS

	Year ended 30 June		
Millions	**2025**	2024	% change
Retail	**8.66**	8.60	1
– Personal* (≤R750k)	**7.00**	7.05	(1)
– Private* (>R750k)	**1.66**	1.55	7
Commercial	**1.35**	1.27	6
Total SA customer base	**10.01**	9.87	1
SA eWallets**	**6.39**	6.40	—
Total platform users	**16.40**	16.27	1

* *The income cut-off between the personal and private segments has been updated from R600k to R750k, resulting in the restatement of June 2024 figures.*

** *Represent all eWallets without another FNB relationship/product that had at least one transaction in the past six months. In addition, there are 1.82 million eWallets belonging to FNB customers. FNB customer eWallets represent 22% of the total 8.21 million eWallets.*

Pleasingly, FNB has reached a milestone of 10 million active customers with the active customer base (excluding eWallets) and total platform users growing 1% year on year.

Healthy growth in customers continued in the retail private (+7%) and commercial (+6%) segments.

However, personal segment customer numbers have marginally contracted year on year. This partly reflects migrations from the personal to the private segment, which is a more profitable segment per client due to cross-sell, levels of transactional activity and ability to take on credit.

SA eWallet standalone users were flat. FNB's eWallet remains the market leader in Send Money, recording 69 million transactions in the year under review. FNB's focus is to build out broader functionality beyond traditional Send Money activities as part of its payment modernisation initiatives.

Despite a strong sales performance the personal segment has seen increased attrition, especially in the entry banking space, for several reasons. Firstly, competition levels remain heightened, which means customers with standalone products (such as Easy Zero), where the relationship is not entrenched, are easily switched. In addition FNB's strict application of new tax and Financial Action Task Force regulations resulted in constraints to onboarding and non-compliance account closures.

It is encouraging that the active main-banked customer base has continued to show an increasing trend across segments, growing 2.4% in the personal segment and 3.4% for retail overall.

Businesses that serve the community economy (township and informal sector) represent a significant opportunity and growth driver across retail and commercial. The customer base here has grown to more than 256 000 active customers contributing more than R3.7 billion of revenue (+13%), R17.9 billion of advances (+21%) and R45 billion of deposits (+17%).

Focus remains on cross-selling activities and attracting more customers in segments that have higher product usage. Both the private and commercial segments still represent deep cross-sell opportunities, particularly given the levels of migration and new client acquisition. Cross-sell typically lags upgrades and migration by 12 months.

Credit performance

FNB's credit impairment charge increased 2% to R9 882 million (2024: R9 682 million) with the CLR decreasing to 192 bps (2024: 199 bps).

The year-on-year movement was driven by:

- elevated credit impairments in the commercial segment, including strong growth in the SME client segment and transactional lending products in commercial at higher coverage ratios, creating front book strain;
- accelerated NPL formation, especially in commercial and card on the back of the higher interest rates and inflation. Card was also impacted by debt counselling inflows but not out of line with expectations;
- increase in arrears and debt counselling inflows, and a higher number of accounts driving a significant increase in credit risk (SICR), which reflects continued strain in certain customer segments;
- direct customer interventions in the year under review have resulted in slowing growth in debt counselling inflows, however, they remain elevated compared to historical trends;
- responding to improvements in macroeconomic outlook, releases from forward-looking information (FLI) models benefited performing coverage;
- despite an improving trend, FNB's internal house price index continues to highlight subdued growth, especially in Gauteng and KwaZulu-Natal, impacting coverage ratios in the residential mortgage portfolio as growth in NPL suspended interest continues to exceed overall house price growth; and
- an increase in write-offs and a reduction in post write-off recoveries year on year.

ANALYSIS OF IMPAIRMENT CHARGE

	Year ended 30 June		
R million	**2025**	2024	% change
Movement in balance sheet provisions			
Performing book provisions	**29**	174	(83)
NPL provision	**2 071**	2 963	(30)
Credit provision increase	**2 100**	3 137	(33)
Gross write-off and other	**11 201**	9 639	16
– Bad debts written off*	**11 201**	9 639	16
– Exchange rate and other	**–**	–	–
Amounts recognised directly in income statement			
Modification loss	**932**	814	14
Interest suspended on stage 3 advances	**(3 209)**	(2 636)	22
Post write-off recoveries	**(1 142)**	(1 272)	(10)
Total impairment charge	**9 882**	9 682	2

* *This represents the gross balance sheet amounts written off. The income statement impact has been recognised over various reporting periods.*

FNB's approach to provisioning remains appropriately prudent given the economic cycle.

Arrears and SICR buckets increased, whilst arrears rolling into NPLs accelerated. The current Covid-19 debt relief portfolio continued to perform better than expected and outstanding specific debt relief advances amounted to R152 million (2024: R558 million). Overall performing coverage decreased to 2.10% (2024: 2.20%), benefiting from the improved macroeconomic outlook.

NPL coverage marginally increased to 46.8% (2024: 46.0%). The increase in coverage was due to new NPL inflows requiring higher coverage.

Platform, digitisation and nav

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 2025 are outlined below.

- On the FNB app, 5.9 million (up 16% year on year) virtual cards have been activated and R68.8 billion (up 67% year on year) in value transacted. The virtual card is key to facilitating more secure e-commerce transactions and reducing overall fraud-related outcomes.
- Device payments (using Apple or Android) accounted for 252 million transactions worth R98 billion for the year (up 45% year on year).
- Approximately 8.2 million eWallet users accounted for cash withdrawals of R54.5 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 over 5.5 million users at 30 June 2025, up 20% year on year.
- nav»Home has placed c. 58k families in homes and paid out R71 billion in loans since inception. FNB now originates 12% of home loans through this channel. The platform has 215 registered estate agents, with 2 825 current property listings.
- At 30 June 2025, nav»Car had 1.24 million vehicles (up 17%) loaded in the garage, and WesBank has financed R1.5 billion in vehicle loans through this channel since inception. CarP2P had 192 active private listings at 30 June 2025.
- eBucks travel sales increased by 16% to R1.4 billion (2024: R1.2 billion).
- Digitally active customers grew to 7.78 million (2024: 7.35 million). FNB's digital channels includes mobile banking (USSD), online banking and the award-winning FNB app.
- In June 2025, the banking app active transacting base achieved 6.32 million customers (up 9%), with a new monthly record of 157 million logins. Monthly app logins in June 2025 were 22% higher than in June 2024.
- Digital logins totalled 2.15 billion, with online and mobile banking (USSD) logins of 238 million and 183 million, respectively. The app contributed 1.7 billion logins.
- Total transactional volumes through digital interfaces included 156 million for online banking, 713 million (+14%) for the banking app and 20 million for mobile banking (USSD), highlighting the scalability of FNB's platform.

Normalised earnings

R1.7bn 25%

2024: R1.4bn

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

WesBank's strategy is underpinned by:

- leveraging its long-standing model of partnering with motor manufacturers, suppliers and large dealer groups, and fulfilling motor financing requirements at point of sale;
- applying disciplined credit origination strategies that appropriately support customer requirements and affordability across asset-based 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.

Operating environment

The automotive industry experienced a strong improvement compared to the previous year, with industry sales up 7% to 548 675 units since June 2024.

South Africa's automotive sector faced challenges and growth opportunities, shaped by local and global trends. Chinese car brands are entering the market rapidly, offering advanced technologies, electric and hybrid options, and competitive pricing. WesBank has partnered with several of these brands through multiple supplier and dealer alliance agreements which bolstered advances growth.

Overview of results

Against this backdrop WesBank's origination remains tilted towards quality new business. The strategy of entrenching, 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. Competition for new business continues to increase, particularly for quality-risk customers, resulting in heightened margin pressure to secure these deals.

WESBANK FINANCIAL HIGHLIGHTS

R million	Year ended 30 June 2025	2024	% change
Normalised earnings	**1 739**	1 387	25
Normalised profit before tax	**2 382**	1 901	25
Core lending advances	**188 256**	171 639	10
Performing advances	**179 703**	163 420	10
Stage 3/NPLs as a % of advances	**4.54**	4.79	
Credit loss ratio (%) of average advances	**1.15**	1.24	
Cost-to-income ratio (%)	**51.1**	54.9	
Net interest margin (%)	**2.56**	2.71	

WesBank delivered strong normalised PBT growth of 25% year on year. The business's performance benefited from ongoing strong origination in retail VAF and sustained momentum in commercial.

Solid advances growth contributed to NII growth of 6%, with some offset from an increase in suspended interest and a decline in margin.

NIR has remained flat year on year with an increase in rental income driven by strong fleet management and leasing (FML) new business growth offset by fee and commission expenses growing more than income.

BREAKDOWN OF PRE-TAX PROFITS BY SEGMENT*

R million	Year ended 30 June 2025	2024	% change
Normalised PBT			
Retail VAF	**1 557**	1 062	47
Corporate and commercial	**825**	839	(2)
Total WesBank	**2 382**	1 901	25

* *Refer to additional segmental disclosure on page B44.*

Retail VAF performed well with PBT up 47% year on year benefitting from 10% growth in advances.

Corporate and commercial PBT declined 2% year on year despite strong advances growth of 9%, mainly as a result of higher operating costs as platform and business integration continued with FNB commercial.

WesBank's credit performance was in line with expectations, with both the retail and commercial vehicle and asset-backed finance portfolios showing limited strain. The CLR declined to 1.15% (2024: 1.24%), driven by the deliberate focus on better-quality risk and FNB main-banked customers, together with focused collections initiatives.

ANALYSIS OF IMPAIRMENT CHARGE

	Year ended 30 June		
R million	**2025**	2024	% change
Movement in balance sheet provisions			
Performing book provisions	**47**	44	7
NPL provision	**91**	561	(84)
Credit provision increase	**138**	605	(77)
Gross write-off and other	**2 416**	1 864	30
– Bad debts written off*	**2 416**	1 871	29
– Exchange rate and other	**–**	(7)	(100)
Amounts recognised directly in income statement			
Modification loss	**51**	47	9
Interest suspended on stage 3 advances	**(313)**	(286)	9
Post write-off recoveries	**(231)**	(178)	30
Total impairment charge	**2 061**	2 052	–

* *This represents the gross balance sheet amounts written off. The income statement impact has been recognised over various reporting periods.*

WesBank's credit impairment charge was flat year on year, mainly due to an increase in portfolio write-offs, offset by modelled provision releases.

The overall composition of the charge is outlined below:

- Stage 1 provisions increased in line with book growth.
- Stage 2 advances decreased 3%, driven by cures to stage 1 and migrations to stage 3. Coverage increased to 12.75% (2024: 12.40%). Whilst there has been an increase in debt counselling advances, arrears and SICR declined year on year.
- Performing coverage decreased to 1.82% (2024: 1.98%), reflecting the impact of the improved macroeconomic environment and the benefit of interest rate cuts on customers' ability to service debt.
- Stage 3 advances decreased to 4.54% of total advances (2024: 4.79%).
- NPL coverage reduced to 46.5% (2024: 47.2%) as a function of the higher level of write-offs of operational NPL customers. This was further aided by reduced stage 3 coverage due to newer inflows, better overall collections and curing in the year.
- WesBank's write-off policy remains prudent and the proactive management of NPLs continued, with write-offs increasing 29%. NPLs increased to R8.6 billion (2024: R8.2 billion), but remain in line with expectations given cycle.

Operating expenses decreased 3% as further optimisation benefits continue to be unlocked as the integration between WesBank and FNB continues. This was somewhat offset by the ongoing investment in the fleet management and leasing business, and the additional cost of leveraging the frontline distribution capabilities of FNB commercial.

Pleasingly, operational leverage continues to improve as WesBank further integrates its operating model with FNB. WesBank's cost-to-income ratio further improved to 51.1% (2024: 54.9%).

Normalised earnings

R5.7bn 5%

2024: R6.0bn

RMB represents the bank's activities in the corporate and institutional segments. RMB's strategy is to deliver integrated financial services value propositions to its clients through a portfolio that spans a leading lending and advisory franchise; a market-risk management, capital markets flow, trading and structuring business; and a corporate banking franchise represented by the treasury and trade solutions business and client coverage. This diversified portfolio, coupled with a disciplined approach to balancing risk, return and growth, is well placed to deliver sustainable earnings growth and superior returns through the cycle.

RMB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2025**	2024	% change
Normalised earnings	**5 692**	5 990	(5)
Normalised profit before tax	**7 797**	8 206	(5)
Core lending advances*	**401 627**	408 252	(2)
Core deposits**	**260 488**	239 065	9
Core performing advances coverage	**0.78**	0.89	
Stage 3/NPLs as a % of core lending advances	**1.56**	0.98	
Credit loss ratio (%) – core lending advances	**0.19**	0.22	
Cost-to-income ratio (%)	**59.0**	56.5	

* *Core advances represent total advances, excluding assets under agreements to resell.*

** *Core deposits represent total deposits, excluding deposits under repurchase agreements and collateral deposits.*

RMB's normalised PBT declined 5% year on year, impacted by the non-repeat of material PI portfolio realisations (R508 million) in the prior year.

The underlying operational performances from the client-facing businesses were mixed. The Investment Banking Division's (IBD's) performance reflected continued momentum from the previous financial year and a solid performance was achieved by the TTS business. These outcomes were offset by a weak performance from the GM business.

Overview of financial performance

NII increased 15%, underpinned by growth in SA average operational deposits and investment deposits of 9% and 14%, respectively. NII further benefitted from higher endowment earned on allocated capital.

Net origination remained robust, increasing 7%, although this translated into overall advances decline of 2%, given active distribution activities aimed at improving capital and funding velocity in lower-margin portfolios.

RMB CORE ADVANCES

	Year ended 30 June
R million	**2025**
Opening balance	**408 252**
Net origination*	**27 532**
Balance pre-distribution	**435 784**
Distribution	**(34 157)**
Closing balance	**401 627**

* *Origination less settlements, roll-offs and early termination.*

Advances margins in the core IBD lending portfolios increased 5 bps, as in-force margins benefited from the aforementioned distribution activities as well as lower insurance costs on these assets. These benefits were to some extent offset by increased interest in suspense on higher levels of NPLs as well as the roll-off and settlement of some higher-margin exposures.

Importantly, the average margin on the distributed assets is lower than the average margin on the new net origination, resulting in an overall margin uplift from 174 bps to183 bps for the total RMB core lending advances.

Core deposit margins contracted 6 bps, predominantly driven by stronger growth in term investment deposits relative to operational deposits.

NIR decreased 11% year on year. TTS NIR was up 8%, driven by healthy levels of structuring and transactional activities. Despite 15% growth in knowledge-based fees, IBD's NIR contracted 11%, due to the base effect of the significant PI portfolio realisations in the prior year. A 21% decline in trading income, which represents a significant portion of RMB's total NIR, was driven predominantly by significantly weaker fixed income and, specifically, inflation performance.

Credit impairments reduced 10% to R773 million, resulting in a credit impairment charge on the core lending portfolio of 19 bps (2024: 22 bps), well 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, also reflecting ongoing focused underwriting discipline.

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

ANALYSIS OF IMPAIRMENT CHARGE

	Year ended 30 June		
R million	**2025**	2024	% change
Movement in balance sheet provisions			
Performing book provisions	**(525)**	446	(>100)
NPL provision	**1 312**	(225)	(>100)
Credit provision increase	**787**	221	>100
Gross write-off and other	**169**	701	(76)
– Bad debts written off*	**111**	675	(84)
– Exchange rate and other	**58**	26	>100
Amounts recognised directly in income statement			
Interest suspended on stage 3 advances	**(150)**	(61)	>100
Post write-off recoveries	**(33)**	(5)	>100
Total impairment charge	**773**	856	(10)

* *This represents the gross balance sheet amounts written off. The income statement impact has been recognised over various reporting periods.*

The watchlist as a percentage of RMB's overall advances book decreased 39% to 2.06% (2024: 3.06%). This is due to the negative migration to NPL status of a limited number of counters during the year, reflecting ongoing strain in certain sectors of the domestic economy, including real estate. This was partially offset by positive migration of counters to either surveillance lists or fully performing where the underlying trading performance of specific counters improved during the year.

RMB believes its consistent and prudent provisioning approach remains appropriate, with the performing book coverage ratio against core lending advances at 78 bps (2024: 89 bps).

RMB's cost growth was well managed at 5% year on year, reflecting core costs trending at inflation coupled with ongoing investment spend on platform modernisation and digital transformation to enhance client offerings and create a more efficient operating model. RMB has also further invested in capacity in its offices in the UK, the US and India to support its cross-border activities.

BREAKDOWN OF NORMALISED PBT CONTRIBUTION BY DIVISION

	Year ended 30 June		
R million	**2025**	2024*	% change
Investment banking	**6 226**	5 927	5
Treasury and trade solutions	**2 075**	1 929	8
Global markets	**767**	1 347	(43)
Other**	**(1 271)**	(997)	27
Total RMB	**7 797**	8 206	(5)

* *Comparatives have been restated to reflect a change in the endowment and cost allocation methodology. However, the total PBT remains the same.*

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

IBD

IBD's PBT growth of 5% was achieved off an already high base given the PI portfolio realisations of R508 million in the comparative year. NII increased 16%, benefiting from average core advances growth of 10%. Origination focused on infrastructure, sustainable finance and resources, and the distribution strategy gained traction, which improved overall margins and balance sheet capacity.

NIR declined 11% impacted by lower net one-off income of R778 million which was partially offset by healthy new deal origination, resulting in material structuring and advisory mandates reflecting increased equity capital market activity. IBD has maintained prudent provisioning levels given the increased levels of risk in specific sectors and geographies, and the migration of specific counters to NPL status.

TTS

TTS delivered a solid performance, with PBT increasing 8%.

Revenue growth of 8% benefited from an 8% increase in NIR as a result of increased fees from structured lending, traditional trade and general banking facilities, and a 17% increase in merchant services turnover, assisted by good momentum in SA. Overall margins remained under pressure due to competitive pricing and elevated association fees.

NII increased 7%, impacted by competitive pressures resulting in margin compression in traditional trade products and distribution initiatives. Total average deposits increased 11% with strong growth of 14% in SA average investment deposits, but at lower relative margins to the shorter term and current account balances.

The overall performance benefited from a reduction in credit impairments, in part reflecting the partial resolution of a specific NPL.

GM

GM underperformed relative to expectations with PBT down 43% year on year.

Revenue contracted 17%, primarily reflecting weaker year-on-year performances across most asset classes except equities. Fixed income, specifically the inflation desk, experienced significant headwinds with lower levels of client-led structuring and limited trading opportunities, due to higher levels of interest rates relative to lower inflation levels.

FX was significantly impacted by an intentional reduction in sovereign risk exposures, coupled with lower margins and levels of activity in broader Africa compared to the prior period.

SEGMENTAL REPORTING

Segment report

for the year ended 30 June 2025

	Retail and commercial				
	FNB				
	Retail				
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**
Net interest income before impairment of advances	5 018	5 018	8 620	7 507	**26 163**
Impairment charge	(706)	(2 541)	(4 370)	(442)	**(8 059)**
Net interest income after impairment of advances	4 312	2 477	4 250	7 065	**18 104**
Non-interest revenue	68	4 981	714	14 339	**20 102**
Income from operations	4 380	7 458	4 964	21 404	**38 206**
Operating expenses	(1 781)	(3 448)	(2 413)	(17 617)	**(25 259)**
Income before indirect tax	2 599	4 010	2 551	3 787	**12 947**
Indirect tax	(14)	(28)	(63)	(597)	**(702)**
Profit before tax	2 585	3 982	2 488	3 190	**12 245**
Income tax expense	(698)	(1 075)	(672)	(822)	**(3 267)**
Profit for the period	1 887	2 907	1 816	2 368	**8 978**
Attributable to					
Ordinary equityholders	1 887	2 907	1 816	2 368	**8 978**
Other equity instrument holders	–	–	–	–	**–**
Profit for the period	1 887	2 907	1 816	2 368	**8 978**
Attributable earnings to ordinary equityholders	1 887	2 907	1 816	2 368	**8 978**
Headline earnings adjustments	–	–	–	–	**–**
Headline earnings	1 887	2 907	1 816	2 368	**8 978**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**
Normalised earnings	1 887	2 907	1 816	2 368	**8 978**

Note: 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 B44.*

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

	Retail and commercial					Corporate and institutional				
	Commercial	FNB broader Africa*	**Total FNB**	**WesBank****	**Retail and commercial**	**RMB**	Centre (including Group Treasury) and other#	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
	17 102	(31)	**43 234**	**6 044**	**49 278**	**10 851**	5 835	**65 964**	(1 536)	**64 428**
	(1 823)	–	**(9 882)**	**(2 061)**	**(11 943)**	**(773)**	(134)	**(12 850)**	–	**(12 850)**
	15 279	(31)	**33 352**	**3 983**	**37 335**	**10 078**	5 701	**53 114**	(1 536)	**51 578**
	10 699	1 645	**32 446**	**3 147**	**35 593**	**10 682**	(2 266)	**44 009**	1 633	**45 642**
	25 978	1 614	**65 798**	**7 130**	**72 928**	**20 760**	3 435	**97 123**	97	**97 220**
	(11 849)	(2 051)	**(39 159)**	**(4 700)**	**(43 859)**	**(12 702)**	(1 994)	**(58 555)**	88	**(58 467)**
	14 129	(437)	**26 639**	**2 430**	**29 069**	**8 058**	1 441	**38 568**	185	**38 753**
	(81)	(1)	**(784)**	**(48)**	**(832)**	**(261)**	(80)	**(1 173)**	–	**(1 173)**
	14 048	(438)	**25 855**	**2 382**	**28 237**	**7 797**	1 361	**37 395**	185	**37 580**
	(3 790)	118	**(6 939)**	**(643)**	**(7 582)**	**(2 105)**	1 285	**(8 402)**	(49)	**(8 451)**
	10 258	(320)	**18 916**	**1 739**	**20 655**	**5 692**	2 646	**28 993**	136	**29 129**
	10 258	(320)	**18 916**	**1 739**	**20 655**	**5 692**	982	**27 329**	136	**27 465**
	–	–	**–**	**–**	**–**	**–**	1 664	**1 664**	–	**1 664**
	10 258	(320)	**18 916**	**1 739**	**20 655**	**5 692**	2 646	**28 993**	136	**29 129**
	10 258	(320)	**18 916**	**1 739**	**20 655**	**5 692**	982	**27 329**	136	**27 465**
	–	–	**–**	**–**	**–**	**–**	–	**–**	(58)	**(58)**
	10 258	(320)	**18 916**	**1 739**	**20 655**	**5 692**	982	**27 329**	78	**27 407**
	–	–	**–**	**–**	**–**	**–**	–	**–**	–	**–**
	–	–	**–**	**–**	**–**	**–**	–	**–**	(78)	**(78)**
	10 258	(320)	**18 916**	**1 739**	**20 655**	**5 692**	982	**27 329**	–	**27 329**

Segment report

for the year ended 30 June 2025

R million	Retail and commercial				
	FNB				
	Retail				
	Residential mortgages	Card	Total personal loans	Retail other	**Retail**
Cost-to-income ratio (%)	35.0	34.5	25.9	80.6	**54.6**
Diversity ratio (%)	1.3	49.8	7.6	65.6	**43.4**
Credit loss ratio (%) – core lending advances	0.26	5.94	8.14	6.25	**2.13**
Stage 3/NPLs as a % of core lending advances	7.16	14.17	16.79	13.44	**9.43**
Income statement includes					
Depreciation	(2)	(20)	(13)	(2 332)	**(2 367)**
Amortisation	–	–	–	(193)	**(193)**
Net impairment charges	–	–	–	(79)	**(79)**
Statement of financial position includes					
Advances (before impairments)	279 985	44 236	54 088	6 823	**385 132**
Core lending advances	279 985	44 236	54 088	6 823	**385 132**
– Other core lending advances (AC and FV)	279 985	44 236	54 088	6 823	**385 132**
Assets under agreements to resell	–	–	–	–	**–**
Stage 3/NPLs	20 042	6 268	9 082	917	**36 309**
Total deposits and debt funding (including non-recourse deposits)	514	13 408	30	413 619	**427 571**
Total assets	273 897	37 967	44 243	26 300	**382 407**
Total liabilities†	273 620	35 896	43 563	10 375	**363 454**
Capital expenditure	1	70	16	2 966	**3 053**

Note: 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 B44.*

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

† *Total liabilities are net of interdivisional balances.*

Retail and commercial					Corporate and institutional				
Commercial	FNB broader Africa*	**Total FNB**	**WesBank****	**Retail and commercial**	**RMB**	Centre (including Group Treasury) and other#	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
42.6	>100	**51.7**	**51.1**	**51.7**	**59.0**	55.9	**53.2**		**53.1**
38.5	>100	**42.9**	**34.2**	**41.9**	**49.6**	(63.5)	**40.0**		**41.5**
1.33	–	**1.92**	**1.15**	**1.72**	**0.19**	0.40	**1.13**		**1.13**
3.93	–	**7.93**	**4.54**	**7.04**	**1.56**	0.24	**4.93**		**4.93**
(316)	(2)	**(2 685)**	**(710)**	**(3 395)**	**(201)**	(5)	**(3 601)**	–	**(3 601)**
–	–	**(193)**	**(11)**	**(204)**	**(66)**	–	**(270)**	–	**(270)**
29	–	**(50)**	**(31)**	**(81)**	**(10)**	–	**(91)**	(75)	**(166)**
143 784	–	**528 916**	**188 256**	**717 172**	**487 331**	52 836	**1 257 339**	–	**1 257 339**
143 784	–	**528 916**	**188 256**	**717 172**	**401 627**	33 919	**1 152 718**	–	**1 152 718**
143 784	–	**528 916**	**188 256**	**717 172**	**401 627**	33 919	**1 152 718**	–	**1 152 718**
–	–	**–**	**–**	**–**	**85 704**	18 917	**104 621**	–	**104 621**
5 646	–	**41 955**	**8 553**	**50 508**	**6 282**	83	**56 873**	–	**56 873**
498 884	–	**926 455**	**79**	**926 534**	**328 766**	317 903	**1 573 203**	–	**1 573 203**
146 269	335	**529 011**	**186 720**	**715 731**	**706 436**	442 463	**1 864 630**		**1 864 630**
138 127	775	**502 356**	**184 297**	**686 653**	**700 953**	331 505	**1 719 111**	–	**1 719 111**
423	2	**3 478**	**2 008**	**5 486**	**252**	(128)	**5 610**	–	**5 610**

Segment report

for the year ended 30 June 2024

	Retail and commercial				
	FNB				
	Retail				
R million	Residential mortgages	Card	Total personal loans	Retail other*	**Retail***
Net interest income before impairment of advances	4 593	4 482	8 309	7 706	**25 090**
Impairment charge	(1 185)	(2 256)	(4 814)	(583)	**(8 838)**
Net interest income after impairment of advances	3 408	2 226	3 495	7 123	**16 252**
Non-interest revenue	77	4 475	848	13 522	**18 922**
Income from operations	3 485	6 701	4 343	20 645	**35 174**
Operating expenses	(1 735)	(3 228)	(2 437)	(16 145)	**(23 545)**
Income before indirect tax	1 750	3 473	1 906	4 500	**11 629**
Indirect tax	(13)	(26)	(58)	(631)	**(728)**
Profit before tax	1 737	3 447	1 848	3 869	**10 901**
Income tax expense	(469)	(931)	(499)	(1 050)	**(2 948)**
Profit for the period	1 268	2 516	1 349	2 819	**7 953**
Attributable to					
Ordinary equityholders	1 268	2 516	1 349	2 819	**7 953**
Other equity instrument holders	–	–	–	–	**–**
Profit for the period	1 268	2 516	1 349	2 819	**7 953**
Attributable earnings to ordinary equityholders	1 268	2 516	1 349	2 819	**7 953**
Headline earnings adjustments	–	–	–	–	**–**
Headline earnings	1 268	2 516	1 349	2 819	**7 953**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**
Normalised earnings	1 268	2 516	1 349	2 819	**7 953**

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

* *Restated. Refer to page B45.*

** *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 B44.

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

Retail and commercial					Corporate and institutional				
Commercial*	FNB broader Africa**	**Total FNB**	**WesBank#**	**Retail and commercial**	**RMB**	Centre (including Group Treasury) and other†	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
15 606	(43)	**40 653**	**5 701**	**46 354**	**9 431**	5 277	**61 062**	(1 638)	**59 424**
(844)	–	**(9 682)**	**(2 052)**	**(11 734)**	**(856)**	139	**(12 451)**	–	**(12 451)**
14 762	(43)	**30 971**	**3 649**	**34 620**	**8 575**	5 416	**48 611**	(1 638)	**46 973**
10 221	1 652	**30 795**	**3 151**	**33 946**	**11 981**	(1 999)	**43 928**	1 723	**45 651**
24 983	1 609	**61 766**	**6 800**	**68 566**	**20 556**	3 417	**92 539**	85	**92 624**
(11 279)	(1 991)	**(36 815)**	**(4 858)**	**(41 673)**	**(12 101)**	(4 206)	**(57 980)**	15	**(57 965)**
13 704	(382)	**24 951**	**1 942**	**26 893**	**8 455**	(789)	**34 559**	100	**34 659**
(68)	(1)	**(797)**	**(41)**	**(838)**	**(249)**	(45)	**(1 132)**	–	**(1 132)**
13 636	(383)	**24 154**	**1 901**	**26 055**	**8 206**	(834)	**33 427**	100	**33 527**
(3 682)	103	**(6 527)**	**(514)**	**(7 041)**	**(2 216)**	2 078	**(7 179)**	(27)	**(7 206)**
9 954	(280)	**17 627**	**1 387**	**19 014**	**5 990**	1 244	**26 248**	73	**26 321**
9 954	(280)	**17 627**	**1 387**	**19 014**	**5 990**	(274)	**24 730**	73	**24 803**
–	–	**–**	**–**	**–**	**–**	1 518	**1 518**	–	**1 518**
9 954	(280)	**17 627**	**1 387**	**19 014**	**5 990**	1 244	**26 248**	73	**26 321**
9 954	(280)	**17 627**	**1 387**	**19 014**	**5 990**	(274)	**24 730**	73	**24 803**
–	–	**–**	**–**	**–**	**–**	–	**–**	14	**14**
9 954	(280)	**17 627**	**1 387**	**19 014**	**5 990**	(274)	**24 730**	87	**24 817**
–	–	**–**	**–**	**–**	**–**	–	**–**	–	**–**
–	–	**–**	**–**	**–**	**–**	–	**–**	(87)	**(87)**
9 954	(280)	**17 627**	**1 387**	**19 014**	**5 990**	(274)	**24 730**	–	**24 730**

Segment report

for the year ended 30 June 2024

	Retail and commercial				
	FNB				
	Retail				
R million	Residential mortgages	Card	Total personal loans	Retail other*	**Retail***
Cost-to-income ratio (%)	37.2	36.0	26.6	76.1	**53.5**
Diversity ratio (%)	1.6	50.0	9.3	63.7	**43.0**
Credit loss ratio (%) – core lending advances	0.45	5.75	9.32	7.92	**2.43**
Stage 3/NPLs as a % of core lending advances	6.74	12.65	16.91	13.88	**8.99**
Income statement includes					
Depreciation	(2)	(21)	(17)	(2 201)	**(2 241)**
Amortisation	–	–	–	(19)	**(19)**
Net impairment charges	–	–	–	(82)	**(82)**
Statement of financial position includes					
Advances (before impairments)	270 461	41 374	53 286	7 314	**372 435**
Core lending advances	270 461	41 374	53 286	7 314	**372 435**
– Other core lending advances (AC and FV)	270 461	41 374	53 286	7 314	**372 435**
Assets under agreements to resell	–	–	–	–	**–**
Stage 3/NPLs	18 218	5 233	9 008	1 015	**33 474**
Total deposits and debt funding (including non-recourse deposits)	562	12 039	32	388 145	**400 778**
Total assets	265 054	35 974	43 158	25 992	**370 178**
Total liabilities‡	265 247	34 240	43 023	10 905	**353 415**
Capital expenditure	1	57	4	3 250	**3 312**

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

* *Restated. Refer to page B46.*

** *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 B44.

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

‡ *Total liabilities are net of interdivisional balances.*

	Retail and commercial					Corporate and institutional				
	Commercial*	FNB broader Africa**	**Total FNB**	**WesBank#**	**Retail and commercial**	**RMB**	Centre (including Group Treasury) and other†	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
	43.7	>100	**51.5**	**54.9**	**51.9**	**56.5**	128.3	**55.2**		**55.2**
	39.6	>100	**43.1**	**35.6**	**42.3**	**56.0**	(61.0)	**41.8**		**43.4**
	0.69	–	**1.99**	**1.24**	**1.80**	**0.22**	(0.43)	**1.16**		**1.16**
	3.65	–	**7.61**	**4.79**	**6.89**	**0.98**	1.87	**4.58**		**4.58**
	(291)	(2)	**(2 534)**	**(792)**	**(3 326)**	**(154)**	(3)	**(3 483)**	–	**(3 483)**
	–	–	**(19)**	**(6)**	**(25)**	**(40)**	(101)	**(166)**	–	**(166)**
	(34)	–	**(116)**	**1**	**(115)**	**–**	–	**(115)**	(2)	**(117)**
	129 838	–	**502 273**	**171 639**	**673 912**	**468 553**	41 120	**1 183 585**	–	**1 183 585**
	129 838	–	**502 273**	**171 639**	**673 912**	**408 252**	33 664	**1 115 828**	–	**1 115 828**
	129 838	–	**502 273**	**171 639**	**673 912**	**408 252**	33 664	**1 115 828**	–	**1 115 828**
	–	–	**–**	**–**	**–**	**60 301**	7 456	**67 757**	–	**67 757**
	4 733	–	**38 207**	**8 219**	**46 426**	**4 003**	631	**51 060**	–	**51 060**
	463 398	–	**864 176**	**78**	**864 254**	**287 806**	292 647	**1 444 707**	–	**1 444 707**
	136 596	302	**507 076**	**169 826**	**676 902**	**649 422**	389 522	**1 715 846**	–	**1 715 846**
	128 593	685	**482 693**	**167 907**	**650 600**	**643 171**	292 918	**1 586 689**	–	**1 586 689**
	617	2	**3 931**	**2 726**	**6 657**	**401**	28	**7 086**	–	**7 086**

Additional segmental disclosure – WesBank

	Year ended 30 June 2025		
R million	**Retail**	**Corporate and commercial**	**Total WesBank**
NII before impairment of advances	**4 558**	**1 486**	**6 044**
Impairment of advances	**(1 826)**	**(235)**	**(2 061)**
Normalised profit before tax	**1 557**	**825**	**2 382**
Normalised earnings	**1 136**	**603**	**1 739**
Core advances	**122 379**	**65 877**	**188 256**
Stage 3/NPLs	**7 215**	**1 338**	**8 553**
Advances margin (%)	**2.78**	**2.15**	**2.56**
Stage 3/NPLs as a % of advances	**5.90**	**2.03**	**4.54**
Credit loss ratio (%) of average advances	**1.56**	**0.37**	**1.15**

	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

Additional information on internal restructures

for the year ended 30 June 2024

Internal restructures took place during the year to better facilitate the execution of group strategy. These do not impact like-for-like comparisons at bank level, but they are material to certain individual segments.

FNB's segment disclosure has been updated for the reallocation of a number of transact and support activities from retail to commercial segments.

R million	Retail other previously published	Restatement	Retail other after reallocation	Commercial previously published	Restatement	Commercial after reallocation	**Total FNB previously published**	**Restatement**	**Total FNB after reallocation**
Net interest income before impairment of advances	7 717	(11)	7 706	15 595	11	15 606	**40 653**	**–**	**40 653**
Impairment charge	(583)	–	(583)	(844)	–	(844)	**(9 682)**	**–**	**(9 682)**
Net interest income after impairment of advances	7 134	(11)	7 123	14 751	11	14 762	**30 971**	**–**	**30 971**
Non-interest revenue	13 397	125	13 522	10 346	(125)	10 221	**30 795**	**–**	**30 795**
Income from operations	20 531	114	20 645	25 097	(114)	24 983	**61 766**	**–**	**61 766**
Operating expenses	(16 075)	(70)	(16 145)	(11 349)	70	(11 279)	**(36 815)**	**–**	**(36 815)**
Income before indirect tax	4 456	44	4 500	13 748	(44)	13 704	**24 951**	**–**	**24 951**
Indirect tax	(631)	–	(631)	(68)	–	(68)	**(797)**	**–**	**(797)**
Profit before tax	3 825	44	3 869	13 680	(44)	13 636	**24 154**	**–**	**24 154**
Income tax expense	(1 038)	(12)	(1 050)	(3 694)	12	(3 682)	**(6 527)**	**–**	**(6 527)**
Profit for the period	2 787	32	2 819	9 986	(32)	9 954	**17 627**	**–**	**17 627**
Attributable to									
Ordinary equityholders	2 787	32	2 819	9 986	(32)	9 954	**17 627**	**–**	**17 627**
Other equity instrument holders	–	–	–	–	–	–	**–**	**–**	**–**
Profit for the period	2 787	32	2 819	9 986	(32)	9 954	**17 627**	**–**	**17 627**
Attributable earnings to ordinary equityholders	2 787	32	2 819	9 986	(32)	9 954	**17 627**	**–**	**17 627**
Headline earnings adjustments	–	–	–	–	–	–	**–**	**–**	**–**
Headline earnings	2 787	32	2 819	9 986	(32)	9 954	**17 627**	**–**	**17 627**
TRS and IFRS 2 liability remeasurement	–	–	–	–	–	–	**–**	**–**	**–**
IAS 19 adjustment	–	–	–	–	–	–	**–**	**–**	**–**
Normalised earnings	2 787	32	2 819	9 986	(32)	9 954	**17 627**	**–**	**17 627**

Additional information on internal restructures continued

for the year ended 30 June 2024

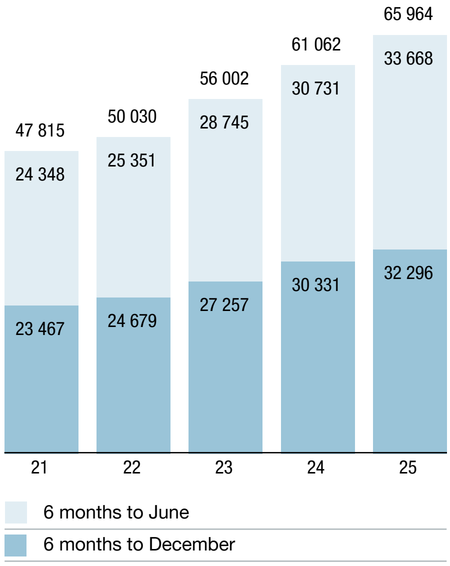
R million	Retail other previously published	Restatement	Retail other after reallocation	Commercial previously published	Restatement	Commercial after reallocation	**Total FNB previously published**	**Restatement**	**Total FNB after reallocation**
Cost-to-income ratio (%)	76.1		76.1	43.7		43.7	**51.5**		**51.5**
Diversity ratio (%)	63.5		63.7	39.9		39.6	**43.1**		**43.1**
Credit loss ratio (%) – core lending advances	7.92		7.92	0.69		0.69	**1.99**		**1.99**
Stage 3/NPLs as a % of core lending advances	13.88		13.88	3.65		3.65	**7.61**		**7.61**
Income statement includes									
Depreciation	(2 201)	–	(2 201)	(291)	–	(291)	**(2 534)**	**–**	**(2 534)**
Amortisation	(19)	–	(19)	–	–	–	**(19)**	**–**	**(19)**
Net impairment charges	(82)	–	(82)	(34)	–	(34)	**(116)**	**–**	**(116)**
Statement of financial position includes									
Advances (before impairments)	7 314	–	7 314	129 838	–	129 838	**502 273**	**–**	**502 273**
Core lending advances	7 314	–	7 314	129 838	–	129 838	**502 273**	**–**	**502 273**
– Other core lending advances (AC and FV)	7 314	–	7 314	129 838	–	129 838	**502 273**	**–**	**502 273**
Assets under agreements to resell	–	–	–	–	–	–	**–**	**–**	**–**
Stage 3/NPLs	1 015	–	1 015	4 733	–	4 733	**38 207**	**–**	**38 207**
Total deposits (including non-recourse deposits)	388 145	–	388 145	463 398	–	463 398	**864 176**	**–**	**864 176**
Total assets	25 992	–	25 992	136 596	–	136 596	**507 076**	**–**	**507 076**
Total liabilities	10 861	44	10 905	128 637	(44)	128 593	**482 693**	**–**	**482 693**
Capital expenditure	3 250	–	3 250	617	–	617	**3 931**	**–**	**3 931**

ANALYSIS OF RESULTS

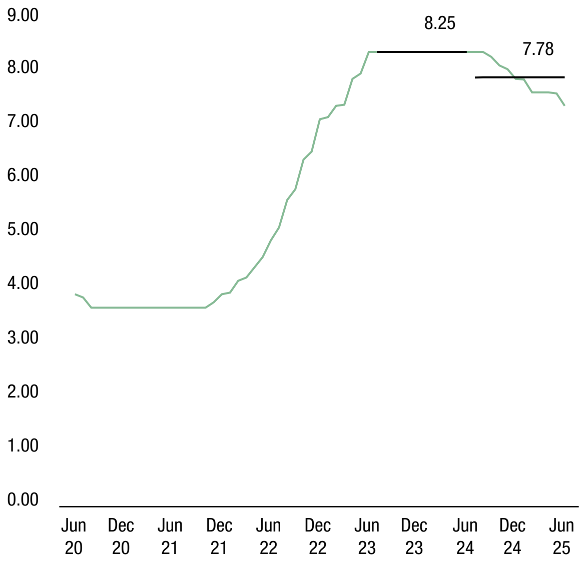
Net interest income (before impairment of advances)

Net interest income (before impairment of advances) – up 8%

Net interest income
(R million)
NII CAGR 8%

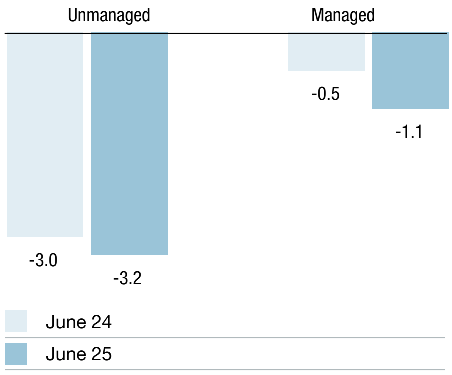


Repo rate
(%)



The average endowment book for FirstRand Bank was c. R324 billion (2024: R321 billion).

FirstRand Bank structural interest rate risk sensitivity
(R billion)
NII per 100 bps



Note: The analysis is an estimate for FirstRand Bank based off the banking book interest rate risk disclosures contained within the Basel Pillar 3 risk report. The analysis shows 12-month behavioural NII sensitivity for sustained, instantaneous parallel downward shocks to interest rates as at 30 June 2025, assuming no subsequent change in the balance sheet and no further management action in response to interest rate movements.

For details on the bank's interest rate risk management approach please refer to the Basel Pillar 3 disclosures, which are available at www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures/.

Net interest income (before impairment of advances) continued

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets (%)	Year ended 30 June 2025 Average interest-earning assets (R million)	2025 NII (R million)	2025 NIM (%)	2024 NIM (%)
Opening normalised margin	1 292 825	61 062	4.72	4.70
Asset growth	80 846	3 818		
Balances with central banks	2 767			
Cash and cash equivalents	(2 204)			
Liquid assets	1 283			
Loans and advances	79 000			
Lending interest-earning assets		771	0.06	(0.03)
Asset pricing		680	0.05	(0.09)
Change in advances mix and other		91	0.01	0.06
Liabilities		(871)	(0.06)	(0.06)
Deposit endowment (including ALM strategies)		(118)	(0.01)	0.03
Deposit pricing		(1 370)	(0.10)	(0.12)
Change in deposit mix and volume		617	0.04	0.03
Capital endowment (including ALM strategies)		1 221	0.09	0.12
Group Treasury, Centre and other activities		(37)	(0.01)	(0.01)
Closing normalised margin	1 373 671	65 964	4.80	4.72

Net interest income (before impairment of advances) continued

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

	Year ended 30 June		
R million	**2025**	2024	% change
Lending	**28 373**	26 346	8
Transactional*	**21 005**	19 932	5
Investment deposits	**4 618**	4 188	10
Capital endowment (including ALM strategies)	**11 188**	9 939	13
Group Treasury, Centre and other**	**780**	657	19
Total net interest income	**65 964**	61 062	8

* *Includes NII related to credit cards, overdrafts and transactional deposit products, and deposit endowment (including ALM strategies).*

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

KEY DRIVERS – *NII*

During the year the average repo rate in South Africa decreased 47 bps to 7.78% (2024: 8.25%).

NII growth was driven by increases in both core advances and customer deposits, supported by capital endowment and portfolio management activities.

Lending NII increased 8%, underpinned by 8% growth in average advances. The retail and commercial portfolios delivered average advances growth of 6%. Margin outcomes still reflect the origination tilt to better-quality credit and change in mix towards lower-yielding products. However, the impact of the origination strategies and mix changes were partly mitigated by repricing strategies implemented in the retail portfolio. RMB average advances (excluding marketable advances and preference shares) reflected growth of 14% year on year as the impact of asset distributions were concentrated in the last six months of the financial year. However, distribution activities resulted in lower growth in overall lending NII. Most portfolios across the bank continued to be impacted by higher levels of suspended interest as NPLs increased, impacting lending NII growth by 2%.

The growth in NII on transactional balances reflects increased product volumes and new customer acquisition in FNB retail, commercial and RMB. The current interest rate cycle resulted in a net endowment reduction, partially mitigated by the bank's ALM investment strategy. Overall NII growth on transactional balances was further negatively impacted by the shift to investment deposits and the implementation of the deposit insurance scheme in April 2024.This resulted in an a year-on-year reduction in NII of R234 million.

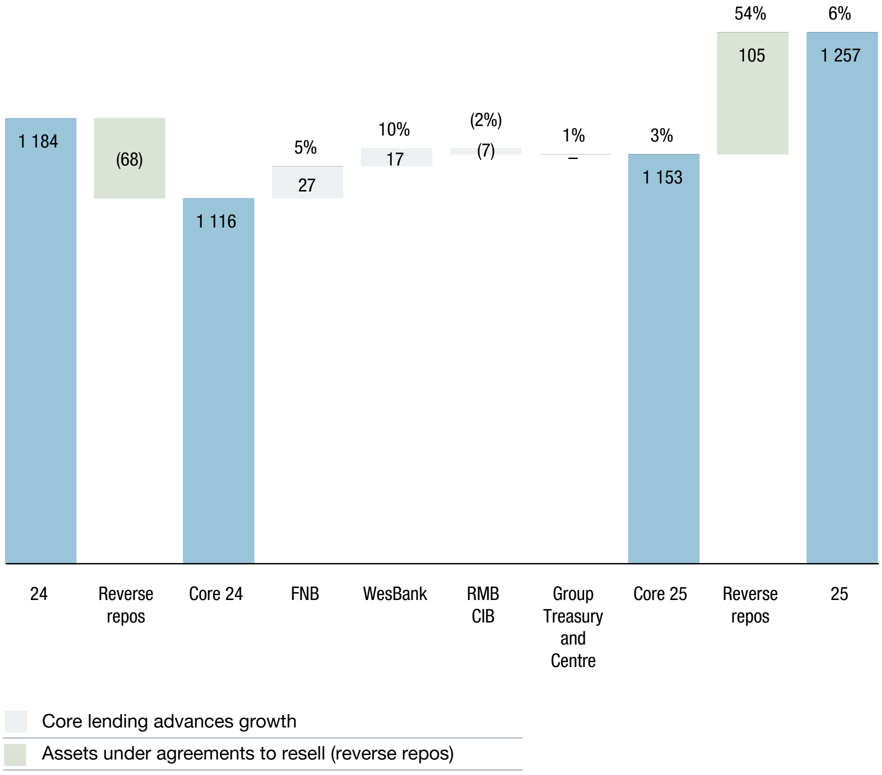
The increase in NII on investment deposits was underpinned by a targeted customer approach to identify appropriate product offerings. This was further supported by customers seeking higher yields on savings and investment balances rather than traditional transactional deposits.

The NII on capital endowment increased despite the pressure from the lower interest rate environment. This was largely driven by growth in the invested capital balance, supported by improved ALM activity.

Group Treasury, Centre and other NII growth emanated from funding and liquidity management activities reflecting the benefit of reduced professional funding costs, offset by lower gains from interest rate mismatches.

Core lending advances – up 3%

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.

	As at 30 June		
R million	**2025**	2024	% change
Total advances	**1 257 339**	1 183 585	6
Assets under agreements to resell	**(104 621)**	(67 757)	54
Total core lending advances (before currency impact)	**1 152 718**	1 115 828	3
Centre and dollar cross-border book currency impact*	**1 389**	–	–
Core lending advances after currency impact	**1 154 107**	1 115 828	3

* *If the exchange rate (£1 = R24.36 and $1 = R17.78) had remained unchanged from 30 June 2024 (£1 = R22.99 and $1 = R18.22).*
For further information on the exchange rate, refer to page D02.

Net interest income (before impairment of advances) continued

KEY DRIVERS – *advances*

Core lending advances increased 3%, slowing relative to the first half of the financial year (December 2024: +7%) as macroeconomic uncertainty continues to weigh on business and household confidence. Although inflation moderated and interest rates declined, the cutting cycle is shallower and later than initially anticipated. This continued to impact retail customer affordability, demand and arrears, resulting in underwriting caution during the first six months of the financial year in the unsecured retail lending portfolio. Absolute growth was further impacted by the distribution strategy in the corporate portfolio.

Retail secured advances increased 5%. Residential mortgage advances growth remained muted (+4%), reflecting continued pressure on customer affordability as the impact of improved economic conditions will unfold gradually. WesBank VAF advances reflect stronger momentum, increasing 10% (2024: 6%) driven by demand for both used and new vehicles, and supported by WesBank's established relationships with dealers and partnerships together with new partnership agreements signed during the year.

The retail unsecured lending portfolio increased 3% year on year (2024: 8%). The growth in card (+7%) has decelerated since June 2024 due to a slowdown in utilisation coupled with risk cuts implemented during the first six months of the financial year. The personal loans portfolio increased 2% since June 2024, impacted by declining volumes in the DirectAxis portfolio, further rundown of the Covid-19 relief book and risk cuts in the first half of the financial year. Excluding DirectAxis and the Covid-19 relief book, personal loans increased 6% during the year, supported by strong growth in revolving facilities (17%).

FNB commercial and WesBank corporate delivered strong growth across the portfolios, increasing 10% year on year. This performance was driven by the acquisition of new customers, focused growth in the SME segment and targeted sector-specific and product origination strategies, namely property finance (+12%), overdrafts and working capital facilities (+16%), specialised finance (+20%) and asset-based finance (+6%).

RMB CIB core advances decreased 2% year on year. Net origination remained resilient at 7%, reflecting sustained new business origination tilted towards better-rated counters in lower-volatility industries. This was offset, however, by the distribution initiatives during the second half of the financial year. These initiatives resulted in a c. R34 billion reduction in on-balance sheet assets but will result in better future margins and returns and support velocity of capital and funding. The cross-border book decreased 15% in dollar terms (17% in rand), with growth limited by distribution initiatives.

Assets under agreements to resell (reverse repos) increased, driven by liquidity deployment strategies.

Net interest income (before impairment of advances) continued

AVERAGE BALANCE SHEET

		June 2025			June 2024		
R million	Notes	**Average balance**	**Interest income/ (expense)**	**Average rate %**	Average balance	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				**11.28**			11.75
Balances with central banks		**37 067**	**–**	**–**	34 300	–	–
Cash and cash equivalents*		**29 919**	**1 439**	**4.81**	32 123	1 903	5.92
Liquid assets portfolio**		**281 032**	**19 419**	**6.91**	279 749	18 976	6.78
Loans and advances to customers	1	**1 025 653**	**117 550**	**11.46**	946 653	112 550	11.89
Interest-earning assets		**1 373 671**	**138 408**	**10.08**	1 292 825	133 429	10.32
INTEREST-BEARING LIABILITIES							
Average repo rate (RSA)				**7.78**			8.25
Deposits due to customers	2	**(1 114 158)**	**(71 536)**	**6.42**	(1 013 599)	(67 366)	6.65
Group Treasury funding		**(269 010)**	**(20 841)**	**7.75**	(279 965)	(24 185)	8.64
Interest-bearing liabilities		**(1 383 168)**	**(92 377)**	**6.68**	(1 293 564)	(91 551)	7.08
ENDOWMENT AND TRADING BOOK							
Other assets#		**287 657**	**–**	**–**	262 341	–	–
Other liabilities†		**(136 724)**	**–**	**–**	(136 836)	–	–
AT1 instruments		**(15 105)**	**–**	**–**	(12 730)	–	–
Equity		**(126 331)**	**–**	**–**	(112 036)	–	–
Endowment and trading book		**9 497**	**19 933**	**>100**	739	19 184	>100
Total interest-bearing liabilities, endowment and trading book		**(1 373 671)**	**(72 444)**	**5.27**	(1 292 825)	(72 367)	5.18
Net interest margin on average interest-earning assets		**1 373 671**	**65 964**	**4.80**	1 292 825	61 062	4.72

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

* *Include 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 2025		June 2024	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average prime rate (RSA)		**11.28**		11.75
Advances				
Retail – secured	**394 008**	**1.80**	376 692	1.84
Residential mortgages	**277 598**	**1.39**	267 685	1.34
VAF	**116 410**	**2.76**	109 007	3.05
Retail – unsecured	**103 027**	**10.65**	98 747	10.57
Card	**44 072**	**7.51**	40 419	7.20
Personal loans	**53 786**	**13.66**	52 401	13.62
Retail other	**5 169**	**6.04**	5 927	6.55
Corporate and commercial	**528 618**	**2.25**	471 214	2.18
FNB commercial	**131 498**	**3.37**	118 266	3.30
– Mortgages	**40 747**	**2.03**	35 101	1.91
– Overdrafts	**53 507**	**4.53**	48 690	4.63
– Term loans	**37 244**	**3.17**	34 475	2.83
WesBank corporate	**61 111**	**2.15**	57 637	2.15
RMB CIB	**336 009**	**1.83**	295 311	1.74
Total advances	**1 025 653**	**2.92**	946 653	2.92

Margin analysis is based on NII as a percentage of average advances/deposits. NII 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 transmits 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 bank 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 to Group Treasury where it is managed in aggregate.

KEY DRIVERS – *advances margin*

Advances margins remained stable, an improvement from the declining trend in June 2024. This reflects the benefit of repricing strategies implemented in the retail portfolio and the distribution of lower-yielding advances in the RMB portfolio. These benefits were somewhat offset by the continued impact of the bank's origination approach in retail and stronger growth in lower-margin commercial and corporate portfolios (based on average advances). The market remained highly competitive in all customer segments.

Retail margins improved due to targeted repricing strategies and from the base impact of updates to the behavioural tenor estimates in the prior year. This was partially offset by higher suspended interest on non-performing loans and slower growth in the unsecured portfolios due to cautious underwriting in the first half of the financial year.

WesBank VAF margins contracted due to market conditions that required competitive pricing to drive volumes, combined with growth in interest in suspense.

FNB commercial margins improved due to a change in book composition, with lower-priced customers rolling off and strong growth in the higher-margin SME segment.

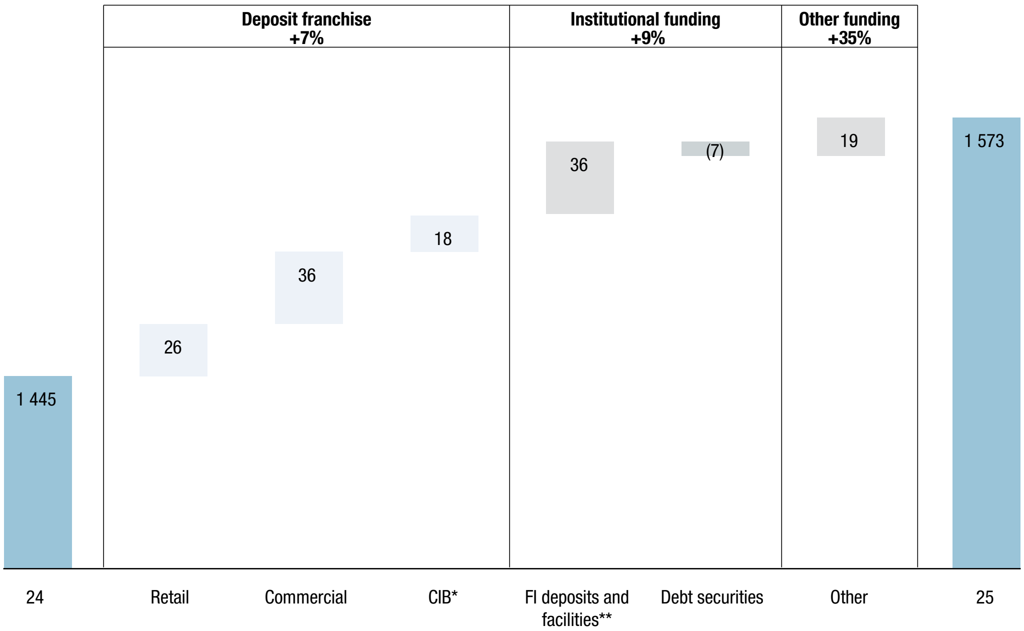
WesBank corporate margins remained stable, an improvement from the decline in June 2024 due to a change in mix of new business towards higher yielding products.

Advances margins in the RMB portfolios increased, reflecting the benefit of enhanced in-force margins from distribution initiatives. These benefits were somewhat offset by higher suspended interest on non-performing loans and the roll-off and settlement of some higher-margin counters.

Net interest income (before impairment of advances) continued

Funding – up 9%

Funding growth by segment
(R billion)



* *Includes South Africa and the London branch.*

** *Financial institutions (FI) deposits and facilities are managed by Group Treasury and include the SARB funding facility related to the South African Covid-19 government-guaranteed loan scheme, the government's bounce-back facility and bounce-back energy facility, totalling c. R1.05 billion.*

KEY DRIVERS – ***deposits and funding***

Deposit franchise

The ongoing strong performance from the FNB retail (+7%) and commercial (+8%) deposit franchises was supported by product updates across segments and competitive pricing. Growth continued to be driven by lower-margin investment deposits (+8% in retail and +7% in commercial) and Islamic deposits (+19% in retail and +17% in commercial). Transactional deposits increased 1% in retail and 6% in commercial, aligned to growth in the active customer base of these segments. The overall level of growth in transactional deposits continues to reflect customer behaviour seeking higher yields on savings and investment balances, particularly in the retail segment where consumers remain constrained.

RMB continues to focus on growing operational balances through primary banked clients and other longer-term targeted strategies. This resulted in domestic average operational balances increasing 9% and robust growth in average investment deposits of 14%.

Institutional funding

Growth in institutional funding was primarily driven by increases in the National Treasury's Tax and Loan account balances, as well as additional client-led deposit inflows. Overall deposit growth enabled a measured reduction in refinancing activity across both money market instruments and senior debt issuance, resulting in a year-on-year decline in debt securities.

Other funding

Other deposits growth reflect increases in collateral received and secured funding transactions, driven by liquidity deployment strategies.

Net interest income (before impairment of advances) continued

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

	June 2025		June 2024	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average repo rate (RSA)		**7.78**		8.25
Deposits				
Retail	**374 341**	**1.75**	344 165	1.96
Current and savings	**95 868**	**5.24**	92 080	5.74
Call	**149 376**	**0.73**	131 797	0.75
Term	**129 097**	**0.34**	120 288	0.39
Commercial	**477 139**	**2.33**	438 182	2.52
Current and savings	**159 572**	**5.66**	148 241	6.05
Call	**136 984**	**1.01**	133 978	1.14
Term	**180 583**	**0.38**	155 963	0.36
Corporate and investment banking	**262 678**	**0.81**	231 252	0.87
Current and savings	**116 453**	**1.54**	106 611	1.52
Call	**91 215**	**0.31**	78 010	0.38
Term	**55 010**	**0.11**	46 631	0.19
Total deposits	**1 114 158**	**1.78**	1 013 599	1.95

Note: Deposit margins reflected in the table above are before ALM strategies.
Average balances are daily averages for FNB, WesBank and RMB corporate (TTS) and monthly averages for RMB investment banking.

KEY DRIVERS *– deposit margins*

FNB's retail and commercial deposit margins declined due to the negative impact of rate cuts on endowment combined with the impact of higher growth in lower-margin investment accounts compared to higher-margin transact balances. Margins were further impacted by the implementation of the deposit insurance scheme in April 2024, impacting margins by 3 bps year on year

RMB deposit margins contracted, reflecting the impact of a reduction in the benefit of the elevated rate cycle experienced in the prior financial year, given the declining rate cycle. This was further impacted by SA average growth tilted toward low-margin investment deposits (+14%) and lower growth in higher-margin operational deposits (+9%).

Credit

CREDIT HIGHLIGHTS AT A GLANCE

		Year ended 30 June		
R million	Notes	**2025**	2024	% change
Total gross advances		**1 257 339**	1 183 585	6
Total core lending advances	2 on p.B68	**1 152 718**	1 115 828	3
– Performing core lending advances		**1 095 845**	1 064 768	3
– Stage 1		**1 021 815**	982 427	4
– Stage 2		**74 030**	82 341	(10)
– Stage 3/NPLs	4 on p.B78	**56 873**	51 060	11
Assets under agreements to resell		**104 621**	67 757	54
Stage 3/NPLs as a % of core lending advances	4 on p.B78	**4.93**	4.58	
Core lending advances (net of impairment)		**1 109 574**	1 075 371	3
Total impairments		**43 144**	40 457	7
Portfolio impairments	3 on p.B76	**17 015**	17 294	(2)
– Stage 1		**8 014**	7 862	2
– Stage 2		**9 001**	9 432	(5)
Stage 3 impairments	4 on p.B78	**26 129**	23 163	13
Coverage ratios				
Performing book coverage ratio (%) – core lending advances*	3 on p.B76	**1.55**	1.62	
Specific coverage ratio (%)**	4 on p.B78	**45.9**	45.4	
Income statement analysis				
Impairment charge	1 on p.B60	**12 850**	12 451	3
Credit loss ratio (%) – core lending advances	1 on p.B60	**1.13**	1.16	

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

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

Credit continued

Impairment charge

ANALYSIS OF IMPAIRMENT CHARGE

The table reflects changes in the impairment charge, based on movements in the balance sheet provisions.

	Year ended 30 June		
R million	**2025**	2024	% change
Movement in balance sheet provisions			
Performing book provisions	**(279)**	867	(>100)
– Stage 1	**152**	483	(69)
– Stage 2	**(431)**	384	(>100)
NPL provision	**2 966**	3 055	(3)
Credit provision increase	**2 687**	3 922	(31)
Gross write-off and other	**14 270**	12 266	16
– Bad debts written off*	**14 248**	12 218	17
– Exchange rate and other	**22**	48	(54)
Amounts recognised directly in income statement			
Modification loss	**983**	861	14
Interest suspended on stage 3 advances	**(3 672)**	(2 983)	23
Post write-off recoveries	**(1 418)**	(1 615)	(12)
Total impairment charge	**12 850**	12 451	3
Credit loss ratio (%) - core lending advances	**1.13**	1.16	

* *This represents the gross balance sheet amounts written off. The income statement impact has been recognised over various reporting periods.*

KEY DRIVERS – *Impairment charge*

The impairment charge increased 3%, with the CLR declining to 113 bps (2024: 116 bps) but remaining at the mid point of the bank's TTC range of 100 bps – 130 bps. The increase in the impairment charge was largely driven by the commercial portfolio, with the retail VAF and card portfolios also contributing to the increase. The increase in the commercial portfolio is in line with expectations, given the strong growth in the portfolio over the past three financial years, particularly in the unsecured SME portfolio, and includes the default of two large counters. Despite the easing inflation and interest rates cuts, it will take time to manifest into improved impairment outcomes. Credit strain is still evident in the underlying portfolio performance, with inflows into NPLs continuing, driving the current year impairment charge. Impairments in the remaining portfolios declined, with the absolute increase in impairments tempered by softer advances growth and an improved macro-economic outlook, resulting in the release of forward-looking modelled provisions.

The impairment charge increased R399 million year on year, due to the following movements in the balance sheet provisions (a further analysis is contained in note 1 on pages B60 to B63):

- Stage 1 provisions increased R152 million, driven by the continued growth in advances across most portfolios. This was partially offset by a decrease in stage 1 coverage due to an improved macro outlook across most jurisdictions, leading to the release of forward-looking modelled provisions.
- Stage 2 provisions decreased R431 million, largely due to a decline in stage 2 advances but partially offset by an increase in stage 2 coverage. The decrease in stage 2 advances was driven by the corporate portfolio as a result of significant exposures curing on the back of improved performance and migrations to stage 3. Stage 2 advances in the remaining portfolios increased, driven by SICR inflows. In the retail portfolios the coverage declined due to lower arrears levels as higher coverage exposures flowed into NPL. Coverage in the commercial and corporate portfolios increased due to inflows with higher coverages. These movements are detailed on page B76.
- Stage 3 provisions continued to increase although a slowdown in the pace of new inflows was noted, with the absolute increase further moderated by increased write-offs.
- The bank's stage 3 coverage increased marginally as increases across the portfolios was offset by decreases in stage 3 coverage in the personal loans and retail VAF portfolios. These changes are unpacked on page B78.
- Net write-offs increased due to higher bad debts written off across the portfolios. NPL inflows increased over the past two financial years, with many of these exposures reaching their write-off point.

In addition to the general drivers of the impairment charge outlined previously, the CLR across the portfolios was impacted by the following factors:

Retail's CLR decreased to 199 bps (2024: 225 bps), moving back into the portfolio's TTC range. The impairment charge declined across all portfolios, with the exception of card and WesBank VAF. The decrease in retail impairments was the result of softer advances growth, cautious releases in modelled FLI provisions as the macro outlook improves and a lower base charge reflecting risk cuts implemented in unsecured lending during the first half of the financial year. The following portfolio-specific drivers were noted:

- Residential mortgages' CLR declined to 26 bps (2024: 45 bps), partly due to softer advances growth on the back of customer affordability pressures and from a high base as June 2024 included additional provisions for house price pressure impacting loss given default (LGD). Although there has been some improvement in this trend since June 2024 house price growth remained subdued, particularly in Gauteng and Kwazulu-Natal, resulting in additional provisions being raised in the current year, albeit at a lower level than the prior period.
- The WesBank VAF impairments increased 2% on the back of stronger advances growth. The CLR decreased to 156 bps (2024: 166 bps), due to improved repayment behaviour and releases of FLI provisions.
- FNB card impairments increased 13% from June 2024, driven by origination strain following strong advances growth over the past two financial years. The CLR increased to 594 bps (2024: 575 bps), driven by increased debt counselling inflows.

FNB commercial and WesBank corporate's CLR increased to 103 bps (2024: 61 bps), mainly due to strong advances growth over the past three financial years, with credit strain emerging in the portfolio, most notably in the FNB commercial unsecured SME segment. The default of two large exposures further contributed 13 bps to the overall increase in the CLR. This increase comes off a low base as the prior year charge benefited from the curing of a few large exposures and the release of sector- and event-related provisions

The RMB (excluding HQLA) CLR decreased to 20 bps (2024: 23 bps). The current year impairment charge reflects the impact of ongoing strain in certain sectors of the domestic economy, in particular real estate, partly offset by positive migrations from stage 2 as the underlying performance of the counters improved.

Credit continued

Note 1: Analysis of income statement credit impairments

IMPAIRMENT CHARGE PER PORTFOLIO

	Total impairment charge			As a % of average core lending advances	
	Year ended 30 June			Year ended 30 June	
R million	**2025**	2024	% change	**2025**	2024
Retail	**9 885**	10 637	(7)	**1.99**	2.25
Retail – secured	**2 532**	2 984	(15)	**0.65**	0.80
Residential mortgages	**706**	1 185	(40)	**0.26**	0.45
WesBank VAF	**1 826**	1 799	2	**1.56**	1.66
Retail – unsecured	**7 353**	7 653	(4)	**7.10**	7.79
FNB card	**2 541**	2 256	13	**5.94**	5.75
Personal loans	**4 370**	4 814	(9)	**8.14**	9.32
Retail other	**442**	583	(24)	**6.25**	7.92
Corporate and commercial	**2 831**	1 953	45	**0.47**	0.34
FNB commercial and WesBank corporate	**2 058**	1 097	88	**1.03**	0.61
FNB commercial	**1 823**	844	>100	**1.33**	0.69
WesBank corporate and commercial	**235**	253	(7)	**0.37**	0.44
RMB CIB	**773**	856	(10)	**0.20**	0.23
– Lending	**774**	857	(10)	**0.20**	0.23
– Loans to private equity investee companies	**(1)**	(1)	–	**(0.33)**	(0.31)
Centre (including Group Treasury)	**134**	(139)	(>100)	**0.40**	(0.43)
Securitisation notes	**(11)**	4	(>100)	**(0.04)**	0.02
Other	**145**	(143)	(>100)	**2.32**	(2.36)
Total impairment charge	**12 850**	12 451	3	**1.13**	1.16
Of which:					
Portfolio impairments charge	**2 658**	3 347	(21)	**0.23**	0.31
Specific impairments charge	**10 192**	9 104	12	**0.90**	0.85

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 PER PORTFOLIO

Year ended 30 June 2025

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
	Movement in the balance sheet provisions						
Retail	213	(271)	108	(137)	(87)	1 255	1 168
– Secured	127	(83)	88	(89)	43	667	710
– Unsecured	86	(188)	20	(48)	(130)	588	458
Commercial	124	(224)	47	216	163	907	1 070
Corporate	32	107	(983)	319	(525)	1 312	787
Centre	(12)	183	16	(17)	170	(508)	(338)
Total	357	(205)	(812)	381	(279)	2 966	2 687

Year ended 30 June 2024

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
	Movement in the balance sheet provisions						
Retail	187	(433)	434	6	**194**	3 291	**3 485**
– Secured	64	(90)	49	161	**184**	1 330	**1 514**
– Unsecured	123	(343)	385	(155)	**10**	1 961	**1 971**
Commercial	139	115	46	(276)	**24**	233	**257**
Corporate	137	128	146	35	**446**	(225)	**221**
Centre	5	205	(10)	3	**203**	(244)	**(41)**
Total	468	15	616	(232)	**867**	3 055	**3 922**

* *This represents the gross balance sheet amounts written off. The income statement impact has been recognised over various reporting periods.*

Year ended 30 June 2025

		Recognised directly in the income statement				
Gross write-off and other*	**Current year ECL provided**	Modification loss	Interest suspended on stage 3 advances	Post write-off recoveries	**Total**	CLR %
11 823	12 991	992	(2 909)	(1 189)	9 885	1.99
2 742	3 452	69	(704)	(285)	2 532	0.65
9 081	9 539	923	(2 205)	(904)	7 353	7.10
1 794	2 864	(9)	(613)	(184)	2 058	1.03
169	956	–	(150)	(33)	773	0.20
484	146	–	–	(12)	134	0.40
14 270	16 957	983	(3 672)	(1 418)	12 850	1.13

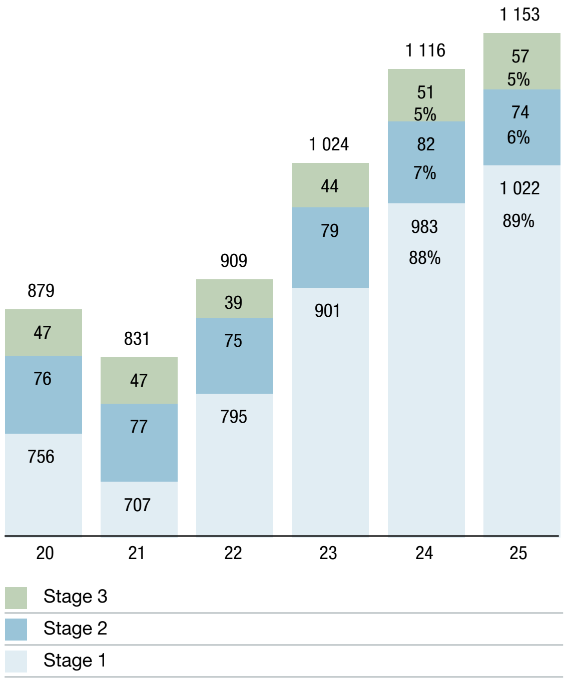
Year ended 30 June 2024

		Recognised directly in the income statement				
Gross write-off and other*	**Current year ECL provided**	Modification loss	Interest suspended on stage 3 advances	Post write-off recoveries	**Total**	CLR %
9 972	**13 457**	861	(2 391)	(1 290)	**10 637**	2.25
2 262	**3 776**	84	(645)	(231)	**2 984**	0.80
7 710	**9 681**	777	(1 746)	(1 059)	**7 653**	7.79
1 531	**1 788**	–	(531)	(160)	**1 097**	0.61
701	**922**	–	(61)	(5)	**856**	0.22
62	**21**	–	–	(160)	**(139)**	(0.43)
12 266	**16 188**	861	(2 983)	(1 615)	**12 451**	1.16

Credit continued

Stage distribution of advances

Total core lending advances by stage
(% per stage in R billion)



Stage 3 non-performing loans

CHANGE IN NPLs

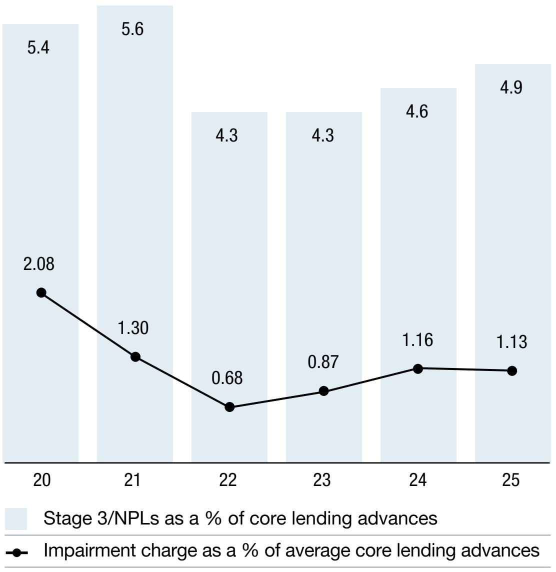
	30 June 2025 vs 30 June 2024		
	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs*	4 928	13	9
Other paying NPLs**	885	7	2
Change in total bank NPLs	**5 813**	**11**	**11**

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

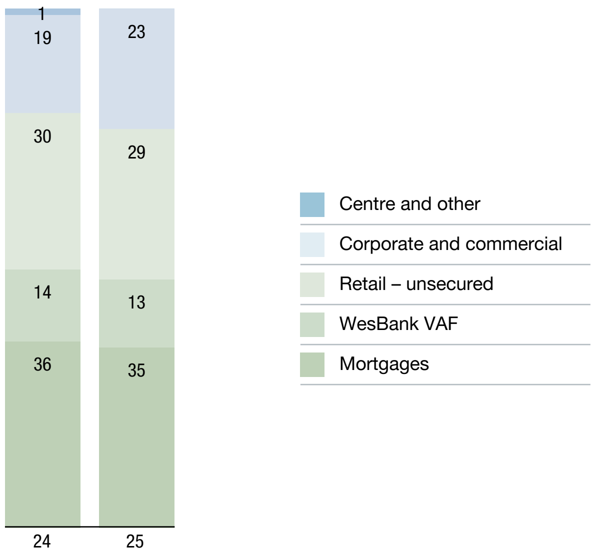
** *Include debt-review and other core lending advances <90 days in arrears and still subject to curing criteria.*

Stage 3 non-performing loans

NPL and impairment history
%



NPL distribution
(%)



Credit continued

KEY DRIVERS – ***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 2 on page B68.

Stage 2 advances

Stage 2 advances decreased, driven by the corporate portfolio. In the retail and commercial portfolios, stage 2 advances continued to increase on the back of advances growth and the persistent impact of higher interest rates and lower real income growth on customers. Stage 2 advances continue to consist predominantly of current exposures that are triggered by SICR indicators. The drivers of these movements are unpacked below.

- Retail stage 2 advances increased year on year, largely driven by the residential mortgages portfolio as underlying repayment pressure continued. The increase was driven by modelled SICR inflows and resulted in a shift in the stage 2 composition from actual arrears emergence to modelled SICR advances. In the remaining portfolios stage 2 advances as a percentage of total advances decreased as arrears exposures migrated to stage 3.
- The increase in FNB commercial and WesBank corporate's stage 2 advances was due to increased SICR levels after the implementation of model refinements.
- RMB stage 2 advances decreased since June 2024 as a result of the migration of a few significant exposures to stage 3 and the curing of material counters due to improved performance.

A further analysis is contained in note 2 on page B68.

KEY DRIVERS – ***Stage distribution of advances***

Stage 3 advances/NPLs

Stage drift continued, reflecting the impact of origination strain and the lagged effect of inflationary and interest rate relief translating into real benefit for customers. As a result, stage 3 advances continued to trend upwards across most portfolios and NPLs as a percentage of core lending advances increased to 4.93% (2024: 4.58%). A slowdown in the rate of inflows into stage 3 was noted, however.

Retail NPLs increased 7% as NPL inflows continued across the underlying portfolios, particularly in the residential mortgages and card portfolios. The NPL ratio increased to 8.58% (2024: 8.39%) driven by arrears emergence, reflecting the continued strain on customers. The inflows of customers entering the debt counselling process continued, although direct customer interventions in the current year resulted in slowing growth. The total advances under debt counselling increased 9% in the current year, a decrease from the 17% growth in June 2024. The debt counselling book amounts to 4.4% (2024: 4.2%) of total retail advances. Although debt counselling inflows have receded from the peak, the absolute levels are still elevated and are expected to remain structurally higher.

WesBank VAF NPLs as a percentage of advances decreased to 5.90% (2024: 6.38%) driven by lower operational NPLs and higher write-offs.

FNB commercial and WesBank corporate NPLs increased as a result of a few large exposures relegated to stage 3 and origination strain in the SME segment

The year-on-year increase of 57% in RMB NPLs is a result of the migration of a few significant secured exposures into stage 3. The RMB NPL ratio increased to 1.62% (2024: 1.03%), with coverage increasing to 38.6% (2024: 27.8%) due to new inflows with higher coverages than the existing portfolio.

A further analysis is provided in note 4 on page B78.

Credit continued

Note 2: Analysis of advances

IMPAIRMENT STAGING AND PORTFOLIO ANALYSIS OF ADVANCES

	Advances				
				As at 30 June	
	As at 30 June			2025	
R million	**2025**	2024	% change	**Stage 1**	**Stage 2**
Retail	**507 511**	483 856	5	**415 092**	**48 895**
Retail – secured	**402 364**	381 882	5	**338 785**	**36 322**
Residential mortgages	**279 985**	270 461	4	**235 805**	**24 138**
WesBank VAF	**122 379**	111 421	10	**102 980**	**12 184**
Retail – unsecured	**105 147**	101 974	3	**76 307**	**12 573**
FNB card	**44 236**	41 374	7	**34 812**	**3 156**
Personal loans	**54 088**	53 286	2	**36 126**	**8 880**
Retail other	**6 823**	7 314	(7)	**5 369**	**537**
Corporate and commercial	**611 288**	598 308	2	**572 942**	**25 080**
FNB commercial and WesBank corporate	**209 661**	190 056	10	**189 719**	**12 958**
FNB commercial	**143 784**	129 838	11	**128 659**	**9 479**
WesBank corporate and commercial	**65 877**	60 218	9	**61 060**	**3 479**
RMB CIB*	**387 487**	387 688	–	**369 083**	**12 122**
– Lending	**387 188**	387 389	–	**368 784**	**12 122**
– Loans to private equity investee companies	**299**	299	–	**299**	**–**
HQLA corporate advances*,**	**14 140**	20 564	(31)	**14 140**	**–**
Centre (including Group Treasury)	**33 919**	33 664	1	**33 781**	**55**
Securitisation notes	**28 118**	26 951	4	**28 118**	**–**
Other	**5 801**	6 713	(14)	**5 663**	**55**
Total core lending advances	**1 152 718**	1 115 828	3	**1 021 815**	**74 030**
Assets under agreements to resell	**104 621**	67 757	54	**104 621**	**–**
Total advances	**1 257 339**	1 183 585	6	**1 126 436**	**74 030**
Total advances excluding currency impact of the Centre and RMB cross-border#	**1 258 728**	1 183 585	6	**1 127 762**	**74 073**
Of which:					
Amortised cost book	**1 122 302**	1 079 725	4	**994 129**	**72 010**
Fair value book	**135 037**	103 860	30	**132 307**	**2 020**

* *RMB CIB, including HQLA core lending advances of R401.6 billion (2024: R408.3 billion).*

** *Managed by the Group Treasurer.*

\# *If the exchange rate had remained unchanged from 30 June 2024.*

Advances				
As at 30 June				% composition 2025
	2024			
Stage 3	Stage 1	Stage 2	Stage 3	
43 524	396 170	47 102	40 584	**40**
27 257	321 999	34 555	25 328	**32**
20 042	230 024	22 219	18 218	**22**
7 215	91 975	12 336	7 110	**10**
16 267	74 171	12 547	15 256	**8**
6 268	33 111	3 030	5 233	**3**
9 082	35 345	8 933	9 008	**4**
917	5 715	584	1 015	**1**
13 266	553 237	35 226	9 845	**49**
6 984	171 472	12 742	5 842	**17**
5 646	116 204	8 901	4 733	**12**
1 338	55 268	3 841	1 109	**5**
6 282	361 201	22 484	4 003	**31**
6 282	360 902	22 484	4 003	**31**
–	299	–	–	**–**
–	20 564	–	–	**1**
83	33 020	13	631	**3**
–	26 951	–	–	**2**
83	6 069	13	631	**1**
56 873	982 427	82 341	51 060	**92**
–	67 757	–	–	**8**
56 873	1 050 184	82 341	51 060	**100**
56 893	1 050 184	82 341	51 060	
56 163	949 207	80 347	50 171	**89**
710	100 977	1 994	889	**11**

Credit continued

CIB ADVANCES BREAKDOWN

	Advances			
	As at 30 June			% composition
R million	**2025**	2024	% change	**2025**
RMB CIB core lending advances	**387 487**	387 688	–	**79**
– South Africa	**331 097**	319 619	4	**67**
– Cross-border (broader Africa)	**56 390**	68 069	(17)	**12**
– Cross-border (broader Africa) – $ million	**3 172**	3 736	(15)	
HQLA corporate advances*	**14 140**	20 564	(31)	**3**
CIB total core lending advances	**401 627**	408 252	(2)	**82**
CIB total lending advances	**401 328**	407 953	(2)	**82**
CIB shareholder loans to private equity investing companies	**299**	299	—	**–**
CIB total core lending advances	**401 627**	408 252	(2)	**82**
CIB core advances – South Africa**	**345 237**	340 183	1	**70**
CIB core advances – broader Africa#	**56 390**	68 069	(17)	**12**
CIB total core lending advances	**401 627**	408 252	(2)	**82**
Assets under agreements to resell	**85 704**	60 301	42	**18**
CIB total advances	**487 331**	468 553	4	**100**
RMB cross-border total advances excluding currency impact†	**57 787**	68 069	(15)	

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

† *If the exchange rate had remained unchanged from 30 June 2024.*

CENTRE (INCLUDING GROUP TREASURY) ADVANCES BREAKDOWN

	Advances			
	As at 30 June			% composition
R million	**2025**	2024	% change	**2025**
Core lending advances	**33 919**	33 664	1	**64**
Assets under agreements to resell*	**18 917**	7 456	>100	**36**
Total advances	**52 836**	41 120	28	**100**

* *Increase driven by liquidity deployment requirements.*

Credit continued

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES AND NPLs

	Advances		
	As at 30 June		
R million	**2025**	2024	% change
Sector analysis			
Agriculture	**58 754**	56 294	4
Banks	**38 356**	30 050	28
Financial institutions*	**204 458**	194 212	5
Building and property development	**78 893**	68 419	15
Government, Land Bank and public authorities	**20 678**	29 559	(30)
Individuals	**478 562**	458 738	4
Manufacturing and commerce	**193 686**	191 810	1
Mining	**27 387**	20 154	36
Transport and communication	**60 550**	53 073	14
Other services	**96 015**	81 276	18
Total	**1 257 339**	1 183 585	6
Geographical analysis			
South Africa	**1 152 434**	1 085 940	6
Broader Africa	**35 688**	51 696	(31)
UK	**30 239**	20 891	45
Other Europe	**22 811**	11 124	>100
Asia, Americas and Australia	**16 167**	13 934	16
Total	**1 257 339**	1 183 585	6

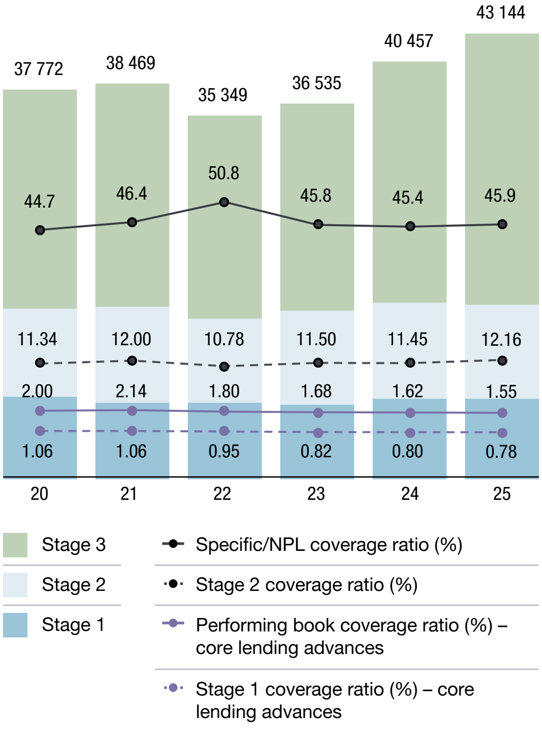
* *Investment holding companies are included in the financial institutions sector.*

% composition 2025	As at 30 June 2025	2024	% change	% composition 2025
5	**1 347**	1 751	(23)	**2**
3	**–**	–	–	**–**
16	**1 266**	290	>100	**2**
6	**3 692**	2 141	72	**6**
2	**1 021**	1 159	(12)	**2**
38	**41 958**	39 591	6	**76**
15	**3 651**	3 099	18	**6**
2	**124**	109	14	**–**
5	**714**	620	15	**1**
8	**3 100**	2 300	35	**5**
100	**56 873**	51 060	11	**100**
92	**55 662**	49 105	13	**98**
3	**1 080**	1 261	(14)	**2**
2	**93**	642	(86)	**–**
2	**17**	30	(43)	**–**
1	**21**	22	(5)	**–**
100	**56 873**	51 060	11	**100**

Table header group: Stage 3/NPLs (columns 2–4).

Credit continued

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



Movement in balance sheet impairments

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

	30 June 2025				30 June 2024			
R million	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	Total	Stage 1	Stage 2	Stage 3
Opening balance	**40 457**	**7 862**	**9 432**	**23 163**	36 535	7 379	9 048	20 108
Total credit provision increase/(release)	**2 687**	**152**	**(431)**	**2 966**	3 922	483	384	3 055
Transfers between stages	**–**	**1 103**	**(3 913)**	**2 810**	–	430	(2 780)	2 350
Current year impairment provided	**16 957**	**(900)**	**3 486**	**14 371**	16 188	69	3 173	12 946
ECL provided on new business*	**5 873**	**2 172**	**1 845**	**1 856**	6 135	2 217	1 949	1 969
ECL provided/(released) on back book*	**11 084**	**(3 072)**	**1 641**	**12 515**	10 053	(2 148)	1 224	10 977
Gross write-off and other**	**(14 270)**	**(51)**	**(4)**	**(14 215)**	(12 266)	(16)	(9)	(12 241)
Closing balance	**43 144**	**8 014**	**9 001**	**26 129**	40 457	7 862	9 432	23 163

* *Interest suspended on stage 3 core lending advances of R3 672 million (2024: R2 983 million) is included in the expected credit losses provided/(released) amounts.*

** *This represents the gross balance sheet amounts written off. The income statement impact has been recognised 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.

KEY DRIVERS – *coverage*

The performing book coverage decreased to 1.55% (2024: 1.62%). The decline was largely driven by FLI releases following an improved forward-looking macro outlook and was impacted by the change in mix towards a higher proportion of secured advances growth from RMB and FNB commercial, which attracts lower coverage than the retail book. The performing book coverage decrease is also reflective of the origination approach to target better-risk customers.

NPL coverage increased marginally to 45.9% (2024: 45.4%) mainly due to increases in coverage levels across most portfolios, offset by a decline in the personal loans and retail VAF portfolios.

During the current year the bank included two additional macroeconomic scenarios, a mild upside and mild downside, in the IFRS 9 impairment models. The purpose of this change is to capture a greater share of the macroeconomic risk distribution. Refer to the forward-looking information in the *Critical accounting estimates, assumptions and judgement* note on page C26 for an overview of the current macroeconomic scenarios and FLI incorporated in the impairment provisions.

Performing coverage

Retail performing coverage decreased mainly due to an improved baseline outlook leading to releases of FLI provisions and as a result of exposures flowing to stage 3.

The increase in the card portfolio's performing coverage is as a result of additional provisions raised for increased arrears levels.

The performing coverage for FNB commercial and WesBank corporate decreased due to the release of FLI modelled provisions and industry-specific and event risk provisions. It was further impacted by stage 2 exposures moving to stage 1 with lower coverage levels and migrations to stage 3.

RMB core advances' performing coverage decreased since June 2024, reflecting book growth tilted to better-rated counterparties, coupled with the migration of a few significant exposures, with higher coverage to stage 3 and the curing of material counters.

Performing coverage in the Centre increased reflecting out-of-model provisions to capture increased risk of geo-economic volatility and uncertainty.

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

Stage 3 coverage

Retail NPL coverage remained stable since June 2024, mainly due to shifts in the underlying portfolio composition. The overall coverage levels in the underlying portfolios were impacted by the following factors:

- Residential mortgages coverage increased to reflect continued negative growth trends in real house prices and increases in overall operational stage 3 advances and the ageing profile of NPL exposures, indicating continued customer strain. In addition, stage 3 coverage levels are also influenced by the treatment of suspended interest under IFRS 9, where it is included in impairment provisions. In contrast, under IAS 39 it was deducted from the carrying value of the exposure. This has resulted in structurally higher stage 3 coverage levels.
- WesBank VAF coverage decreased as a result of the higher level of write-offs of operational NPLs. This was further impacted by newer inflows, better overall collections and curing in the period.
- Stage 3 coverage in the card portfolio increased, reflecting the ageing profile in NPLs due to the continued impact of economic strain on SA consumers.
- The personal loans stage 3 coverage decreased due to an improved repayment performance on paying debt counselling accounts, which however have a lower coverage.

FNB commercial and WesBank corporate's coverage increased since June 2024 due to settlements of highly collateralised exposures with lower coverage and inflows with higher coverage.

Stage 3 coverage increased in RMB following the migration of a few large exposures in the lending portfolio into NPL. These new inflows have higher coverages than the existing NPL portfolio, leading to an increase in the overall stage 3 coverage of the portfolio.

A further analysis is provided in note 4 on page B78.

Credit continued

Note 3: Analysis of performing balance sheet impairments

R million	Total portfolio impairments						
	As at 30 June			As at 30 June			
				2025		2024	
	2025	2024	% change	**Stage 1**	**Stage 2**	Stage 1	Stage 2
Retail	**10 827**	10 914	(1)	**4 656**	**6 171**	4 714	6 200
Retail – secured	**4 581**	4 538	1	**1 435**	**3 146**	1 391	3 147
Residential mortgages	**1 669**	1 701	(2)	**403**	**1 266**	413	1 288
WesBank VAF	**2 912**	2 837	3	**1 032**	**1 880**	978	1 859
Retail – unsecured	**6 246**	6 376	(2)	**3 221**	**3 025**	3 323	3 053
FNB card	**2 115**	1 930	10	**1 258**	**857**	1 157	773
Personal loans	**3 781**	3 996	(5)	**1 762**	**2 019**	1 884	2 112
Retail other	**350**	450	(22)	**201**	**149**	282	168
Corporate and commercial	**5 762**	6 124	(6)	**2 936**	**2 826**	2 897	3 227
FNB commercial and WesBank corporate	**2 697**	2 534	6	**1 340**	**1 357**	1 440	1 094
FNB commercial	**2 333**	2 142	9	**1 093**	**1 240**	1 195	947
WesBank corporate and commercial	**364**	392	(7)	**247**	**117**	245	147
RMB CIB	**3 065**	3 590	(15)	**1 596**	**1 469**	1 457	2 133
– Lending	**3 059**	3 583	(15)	**1 590**	**1 469**	1 450	2 133
– Loans to private equity investee companies	**6**	7	(14)	**6**	**–**	7	–
Centre (including Group Treasury)	**426**	256	66	**422**	**4**	251	5
Securitisation notes	**26**	36	(28)	**26**	**–**	36	–
Other	**400**	220	82	**396**	**4**	215	5
Total portfolio impairments	**17 015**	17 294	(2)	**8 014**	**9 001**	7 862	9 432

Total portfolio impairments					
Performing book coverage ratios (% of performing core lending advances)					
As at 30 June					
2025	**Stage 1**	**Stage 2**	2024	Stage 1	Stage 2
2.33	**1.12**	**12.62**	2.46	1.19	13.16
1.22	**0.42**	**8.66**	1.27	0.43	9.11
0.64	**0.17**	**5.24**	0.67	0.18	5.80
2.53	**1.00**	**15.43**	2.72	1.06	15.07
7.03	**4.22**	**24.06**	7.35	4.48	24.33
5.57	**3.61**	**27.15**	5.34	3.49	25.51
8.40	**4.88**	**22.74**	9.02	5.33	23.64
5.93	**3.74**	**27.75**	7.14	4.93	28.77
0.96	**0.51**	**11.27**	1.04	0.52	9.16
1.33	**0.71**	**10.47**	1.38	0.84	8.59
1.69	**0.85**	**13.08**	1.71	1.03	10.64
0.56	**0.40**	**3.36**	0.66	0.44	3.83
0.80	**0.43**	**12.12**	0.94	0.40	9.49
0.80	**0.43**	**12.12**	0.93	0.40	9.49
2.01	**2.01**	**–**	2.34	2.34	–
1.26	**1.25**	**7.27**	0.77	0.76	38.46
0.09	**0.09**	**–**	0.13	0.13	–
7.00	**6.99**	**7.27**	3.62	3.54	38.46
1.55	**0.78**	**12.16**	1.62	0.80	11.45

Credit continued

Note 4: Analysis of stage 3/NPLs and impairments

	Stage 3/NPLs			
	As at 30 June			% composition
R million	2025	2024	% change	2025
Retail	**43 524**	40 584	7	**77**
Retail – secured	**27 257**	25 328	8	**48**
Residential mortgages	**20 042**	18 218	10	**35**
WesBank VAF	**7 215**	7 110	1	**13**
Retail – unsecured	**16 267**	15 256	7	**29**
FNB card	**6 268**	5 233	20	**11**
Personal loans	**9 082**	9 008	1	**16**
Retail other	**917**	1 015	(10)	**2**
Corporate and commercial	**13 266**	9 845	35	**23**
FNB commercial and WesBank corporate	**6 984**	5 842	20	**12**
FNB commercial	**5 646**	4 733	19	**10**
WesBank corporate and commercial	**1 338**	1 109	21	**2**
RMB CIB	**6 282**	4 003	57	**11**
– Lending	**6 282**	4 003	57	**11**
– Loans to private equity investee companies	**–**	–	–	**–**
Centre (including Group Treasury)	**83**	631	(87)	**–**
Securitisation notes	**–**	–	–	**–**
Other	**83**	631	(87)	**–**
Total stage 3/NPLs	**56 873**	51 060	11	**100**
Of which:				
Amortised cost book	**56 163**	50 171	12	**99**
Fair value book	**710**	889	(20)	**1**

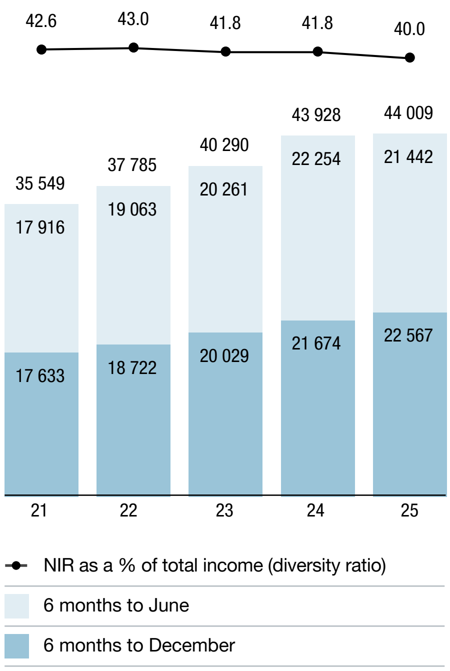
Stage 3/NPLs as a % of core lending advances		Stage 3 specific provisions			Coverage ratios (% of stage 3/NPLs)	
As at 30 June		As at 30 June			As at 30 June	
2025	2024	**2025**	2024	% change	**2025**	2024
8.58	8.39	**19 258**	18 003	7	**44.2**	44.4
6.77	6.63	**7 772**	7 105	9	**28.5**	28.1
7.16	6.74	**4 452**	3 747	19	**22.2**	20.6
5.90	6.38	**3 320**	3 358	(1)	**46.0**	47.2
15.47	14.96	**11 486**	10 898	5	**70.6**	71.4
14.17	12.65	**4 555**	3 775	21	**72.7**	72.1
16.79	16.91	**6 138**	6 247	(2)	**67.6**	69.3
13.44	13.88	**793**	876	(9)	**86.5**	86.3
2.17	1.65	**6 790**	4 571	49	**51.2**	46.4
3.33	3.07	**4 366**	3 459	26	**62.5**	59.2
3.93	3.65	**3 713**	2 935	27	**65.8**	62.0
2.03	1.84	**653**	524	25	**48.8**	47.2
1.62	1.03	**2 424**	1 112	>100	**38.6**	27.8
1.62	1.03	**2 424**	1 112	>100	**38.6**	27.8
–	–	**–**	–	–	**–**	–
0.24	1.87	**81**	589	(86)	**97.6**	93.3
–	–	**–**	–	–	**–**	–
1.43	9.40	**81**	589	(86)	**97.6**	93.3
4.93	4.58	**26 129**	23 163	13	**45.9**	45.4
5.00	4.65					
0.53	0.86					

Non-interest revenue

Non-interest revenue – up 0.2%

Non-interest revenue and diversity ratio
(R million)

NIR CAGR 6%



ANALYSIS OF TOTAL NIR

		Year ended 30 June		
R million	Notes	**2025**	2024	% change
Net fee, commission and insurance income		**33 682**	32 000	5
– Fee and commission income	1	**33 568**	31 882	5
– Insurance income		**114**	118	(3)
Trading and other fair value income	2	**2 690**	5 156	(48)
Investment income	3	**237**	(60)	(>100)
Other non-interest revenue	4	**7 400**	6 832	8
Non-interest revenue		**44 009**	43 928	–

Non-interest revenue continued

NOTE 1 – FEE AND COMMISSION INCOME – UP 5%

	Year ended 30 June		
R million	**2025**	2024	% change
Bank fee and commission income	**35 915**	34 149	5
– Card commissions	**6 671**	6 530	2
– Cash deposit fees	**1 663**	1 626	2
– Exchange and other commissions	**3 409**	3 217	6
– Bank charges	**24 172**	22 776	6
– Commitment fees	**2 250**	2 109	7
– Other bank charges*	**21 922**	20 667	6
Knowledge-based fees	**2 299**	2 007	15
Management and fiduciary fees	**1 328**	1 337	(1)
– Investment management fees	**572**	516	11
– Management fees from associates and joint ventures	**708**	788	(10)
– Other management and brokerage fee income	**48**	33	45
Other non-bank commissions	**1 120**	920	22
Gross fee and commission income	**40 662**	38 413	6
Fee and commission expenditure	**(7 094)**	(6 531)	9
– Transaction-related fees	**(2 232)**	(2 004)	11
– Commission paid	**(156)**	(278)	(44)
– Customer loyalty programmes	**(2 495)**	(2 232)	12
– Cash sorting, handling and transportation charges	**(1 190)**	(1 194)	—
– Card-related	**(522)**	(494)	6
– Other	**(499)**	(329)	52
Net fee and commission income	**33 568**	31 882	5

* *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 increased 5%, driven by customer acquisition (+1%) and growth in transactional volumes (+4%), as well as fee increases, offset by 10% growth in fee and commission expenditure.

Electronic platform volumes grew 5% across all interfaces, whilst manual volumes decreased 5%. Branch and cash centre transaction volumes declined 14% and 16%, respectively, in line with strategy to encourage customers to use electronic platforms for service.

Card swipe volumes increased 6%, contributing to the 2% growth in card commissions.

RMB's knowledge-based fee income grew strongly (+15%), supported by new deal origination with resulting structuring opportunities, coupled with an uptick in advisory income.

Overall fee and commission income growth was moderated by costs growing more than income. These are linked to increased transactional activity and enhanced customer loyalty programme offerings, coupled with higher association fees, which also reflect growth in foreign exchange turnover with higher commission rates.

Non-interest revenue continued

NOTE 2 – TRADING AND OTHER FAIR VALUE INCOME – DOWN 48%

	Year ended 30 June		
R million	**2025**	2024	% change
Trading income	**2 793**	4 143	(33)
– Equities	**(28)**	(312)	(91)
– Commodities	**222**	327	(32)
– Fixed income	**1 294**	2 613	(50)
– Currencies	**1 305**	1 515	(14)
Other fair value income	**(103)**	1 013	(>100)
– RMB investment banking and other activities	**214**	736	(71)
– Group Treasury economic hedges and other	**(317)**	277	(>100)
Total trading and other fair value income	**2 690**	5 156	(48)

KEY DRIVERS – *trading and fair value income*

Trading income declined due to lower structuring and market-making opportunities, and reflects the following:

- Equities trended better off a low base on the back of equity capital market activity and corporate actions in the market, with a corresponding pick up in volumes and higher client hedging activity.
- The commodities performance was impacted by reduced hedging activities in the precious metals business.
- The fixed-income business was constrained by lower client flow and event-driven revenue (particularly in the inflation desk), partially offset by stronger credit note facilitation.
- Currencies' performance was impacted by reduced client volumes coupled with derisking some of the concentration risk positions.

RMB investment banking and other activities included dividend income from the PI portfolio. The decline is due to the significant PI realisation (R508 million) in the prior year.

Group Treasury's performance declined, mainly due to mismatches related to share scheme hedging activities, cash flow hedging ineffectiveness and other fair value losses related to curve movements offset by FX translation benefits.

NOTE 3 – INVESTMENT INCOME – UP (>100)%

KEY DRIVERS – *investment income*

The increase in investment income was mainly driven by lower sovereign ECL provisions in the current year, as well as profits from the sale of bonds in order to rebalance portfolios as part of the ALM strategies.

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

KEY DRIVERS – *other NIR*

A significant component of other NIR relates to various inter-group charges to other FirstRand group companies for the provision of services. These are relevant to the bank but eliminate at a group level.

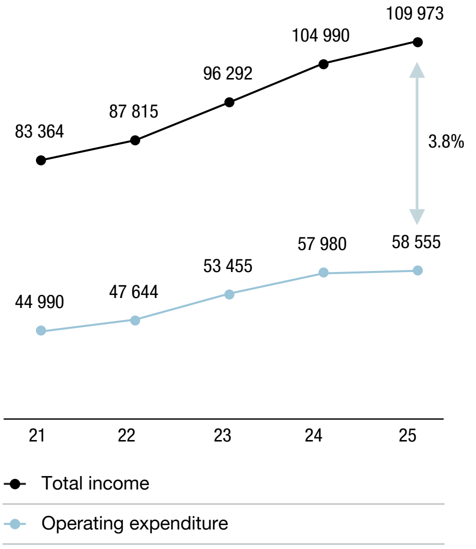
Rental income represents 29% (2024: 28%) of total other NIR and grew 12%, driven by strong FML new business growth.

Other income also includes revenue from FNB's mobile network operations, which benefited from higher revenue on the back of increased data usage and larger supplier rebates.

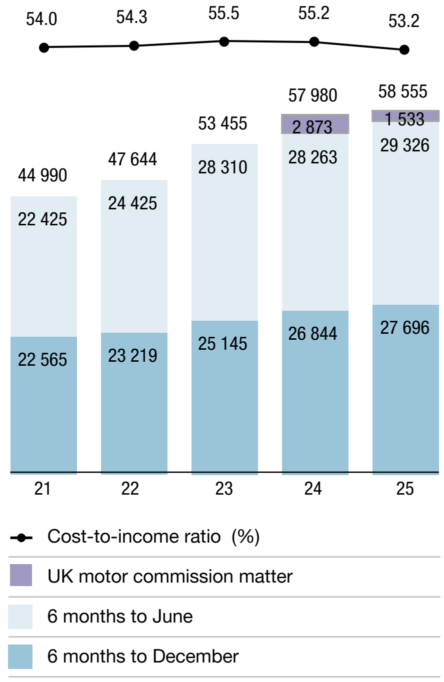
Operating expenses

Operating expenses – up 1%

Operating jaws
(R million)



Operating efficiency
(R million)



Operating expenses continued

OPERATING EXPENSES – UP 1%

	Year ended 30 June		
R million	**2025**	2024	% change
Staff expenditure	**35 509**	33 837	5
– Direct staff expenditure	**26 809**	25 126	7
– Variable staff expenditure	**7 163**	7 089	1
– Short-term incentive payments	**4 953**	4 743	4
– Share price linked incentive payments	**2 210**	2 346	(6)
– Other staff-related expenditure	**1 537**	1 622	(5)
Depreciation of property and equipment	**3 601**	3 483	3
Amortisation of intangible assets	**270**	166	63
Advertising and marketing	**1 975**	1 497	32
Insurance	**260**	260	–
Lease charges	**353**	427	(17)
Professional fees	**3 040**	2 622	16
Audit fees	**522**	492	6
Computer expenses	**4 540**	4 132	10
Repairs and maintenance	**1 515**	1 523	(1)
Telecommunications	**449**	374	20
Property	**1 286**	1 254	3
Business travel	**360**	297	21
Assets costing less than R7 000	**75**	71	6
Stationery and printing	**96**	95	1
Donations	**380**	347	10
Legal fees	**141**	255	(45)
Other expenditure	**2 650**	3 975	(33)
Total operating expenses excluding UK motor commission matter	**57 022**	55 107	3
UK motor commission matter*	**1 533**	2 873	(47)
UK motor commission provision	**1 328**	2 644	(50)
UK motor commission related costs incurred during the year	**205**	229	(10)
Total operating expenses	**58 555**	57 980	1

* *Refer to page B19 to B21 for more information on the UK motor commission matter.*

Operating expenses continued

KEY DRIVERS – *staff expenditure*

Staff costs represent 61% (June 2024: 58%) of the bank's operating expenses and increased 5%.

	% change	Reasons
Direct staff costs	7	• Annual salary increases averaged 6% (unionised staff at 6.2%). • Headcount (excluding FirstJob employees) increased 2% year on year, however due to the timing of new hires this did not fully reflect in the increase.
Variable staff expenditures		
Short-term incentive payments	4	The increase in short-term incentive payments is largely aligned to the bank's performance (excluding the UK motor commission matter), partly offset by timing differences.
Share price linked incentive payments	(6)	The decrease reflects the impact of the new equity-settled share schemes awarded in the current year, share price movements on the cash-settled scheme (CIP24), as well as a higher prior year charge related to the vesting outcome of the CIP21 share award.
Other staff-related costs	(5)	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*

Higher amortisation of intangible assets due to the capitalisation of software costs in the current year.

Advertising and marketing expenses increased, driven by inflation increases, new marketing campaigns and strategic group sponsorships.

Growth in professional fees reflect higher inflation and ongoing spend on platform-related and other projects.

Computer expenses increased due to higher software licensing costs, as well as inflationary pressures.

The increase in business travel is related to the bank's increased business activities.

Other expenditure includes various items such as entertainment, profit share payments, subscriptions and membership fees, and other provisions.

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 integrated 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.

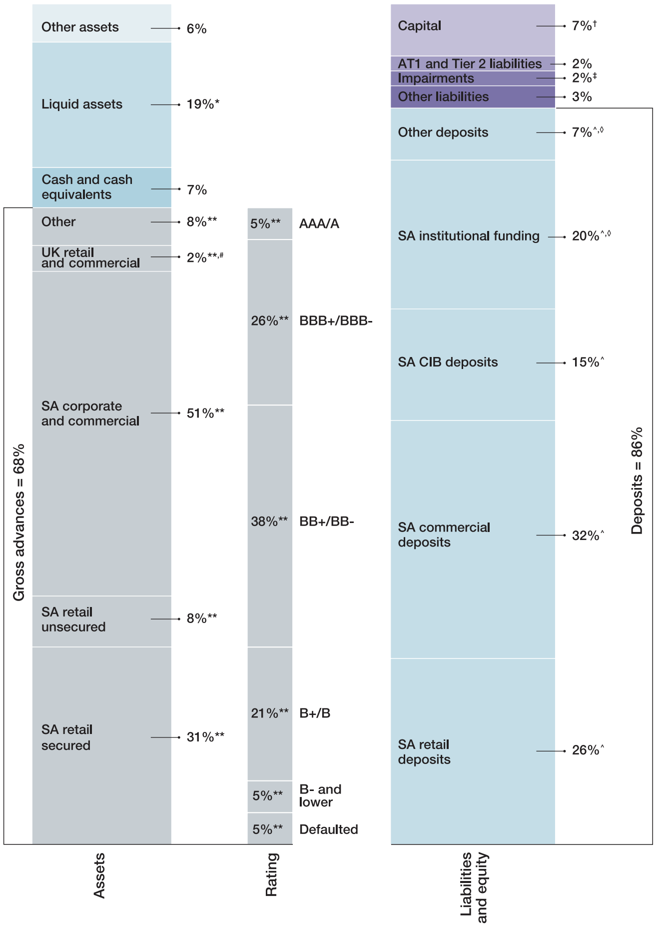
The structure of the balance sheet reflects the group's long-term strategy to increase resilience, diversify credit exposures across sectors and segments, increase asset marketability and optimise the use of institutional funding.

When assessing the underlying risk in the balance sheet, the bank's asset profile reflects a diversified advances portfolio, which constitutes 68% of total assets. The composition of the gross advances portfolio consists of SA retail secured (31%), SA retail unsecured (8%), SA corporate and commercial (51%), UK retail and commercial (2%) and other (8%). At 30 June 2025, the bank reported total NPLs of R56 873 million (4.93% of core lending advances) and a credit loss ratio of average core lending advances of 113 bps.

Cash and cash equivalents, and liquid assets represent 7% and 19%, respectively, of total assets.

The bank maintains a risk-adjusted funding profile focused on its core deposit franchises, which enables optimal use of institutional funding. The weighted average remaining term of domestic institutional funding at 30 June 2025 increased to 39 months (2024: 34 months). The increase reflects refinancing of money market instruments together with additional longer-dated thematic senior debt, Tier 2 and AT1 issuances.

The bank remained strongly capitalised with a CET1 ratio of 13.3%, a Tier 1 ratio of 14.9% and a total capital adequacy ratio of 17.2%. Gearing decreased to 14.8 times from 15.4 times at June 2024, with average assets increasing by 6% and average equity increasing by 11%.



* *Include government securities and treasury bills.*

** *As a proportion of gross advances.*

Include advances originated in London branch (including MotoNovo back book).

† *Ordinary equity.*

‡ *Includes IFRS 9 impairment of advances and investment securities.*

^ *As a proportion of deposits.*

◊ *Includes CIB institutional funding.*

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

Funding and liquidity

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 2025, which is available at www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures/.

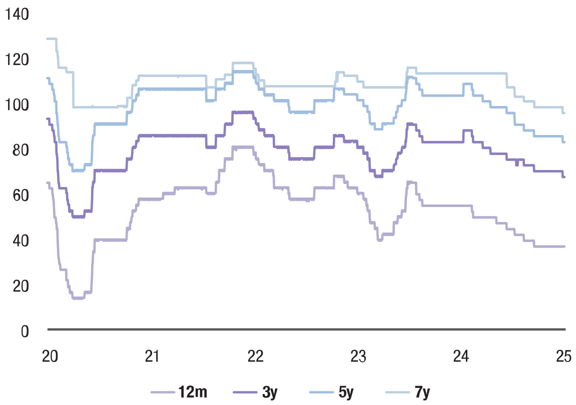
Funding conditions

During the year under review, the global macroeconomic environment remained one of moderate growth amid elevated external risk. Globally, central banks began easing monetary policy as inflation trended lower towards target ranges. In South Africa, inflation fell to the lower bound of the target range, prompting the SARB to ease its monetary policy stance, which reduced the policy rate by 100 bps during the year. Moderate economic growth was underpinned by easing inflation and policy coordination efforts by the Government of National Unity. However, fiscal pressures, elevated debt levels and external risks have tempered the overall recovery momentum. Liquidity contributions by the SARB and National Treasury under the updated Gold and Foreign Exchange Contingency Reserve Account (GFECRA) framework have been accommodated by larger SARB quotas and secured interbank channels.

From a funding perspective, market conditions remained supportive with the group benefiting from continued access to rand and hard-currency funding. Attractive interest rates on cash investment products supported strong deposit inflows, which enabled moderation in funding from wholesale sources. The bank successfully raised funding in rand from institutional issuances, including ZARONIA-based money market instruments, and hard currency funding from international finance partners. In line with strategy, institutional funding remains a smaller proportion of the bank's funding relative to the peer group.

The graphs below depict both the spread to the Johannesburg Interbank Average Rate (JIBAR) paid on 12-month money market instruments, the most representative money market cost, as well as the spread to JIBAR paid on benchmark-tenor capital market instruments. During the past 12 months, institutional funding spreads across both the money markets and capital markets have tracked lower in light of improved liquidity availability.

Term funding spreads
(bps)



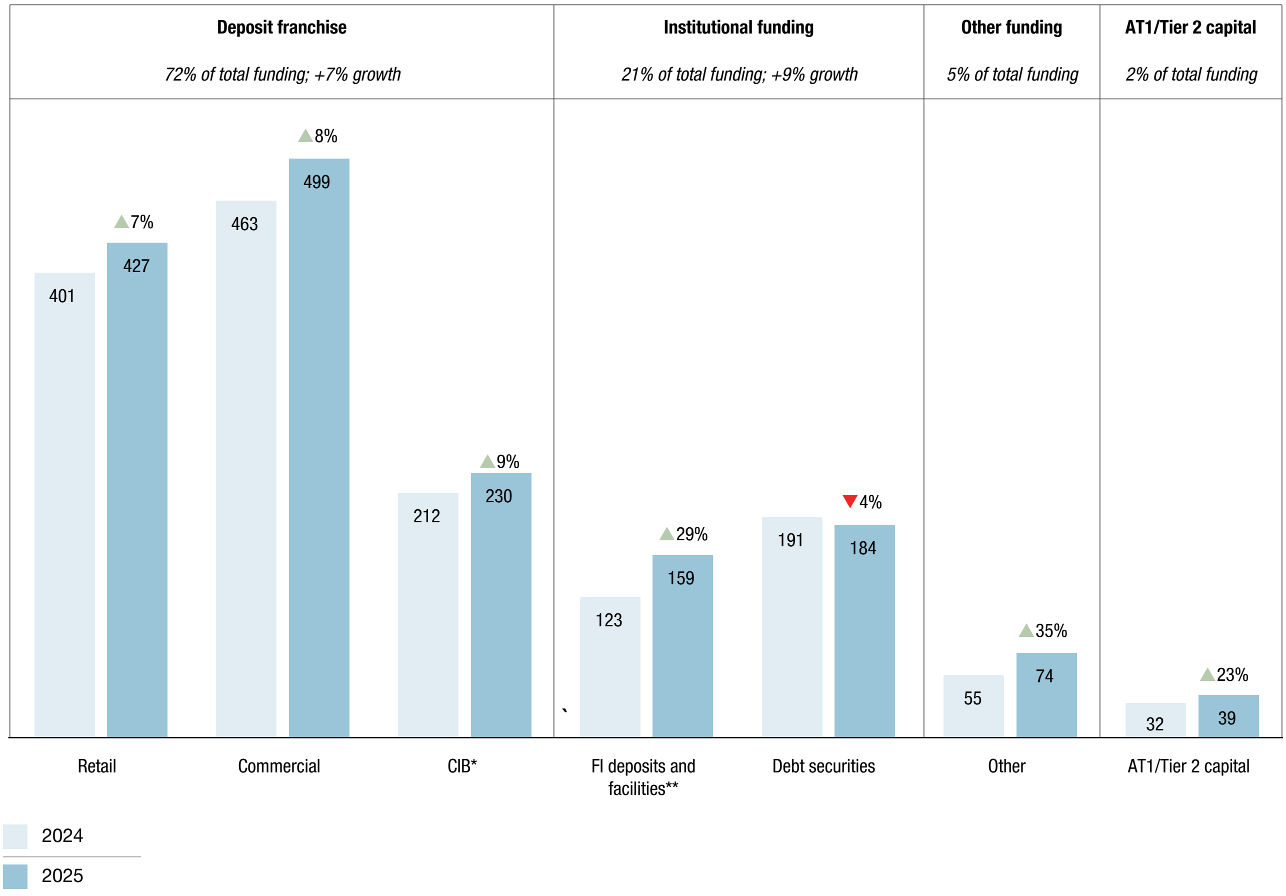
Sources: Bloomberg (RMBP screen) and Reuters.

Funding and liquidity continued

Funding measurement and activity

The following graph and the table overleaf provide a segmental and product analysis, respectively, of the bank's funding base and unpacks the contribution of each funding category to the bank's overall funding. As part of its capital market issuance plans, AT1 and Tier 2 instruments are issued to meet the bank's total capital adequacy requirements, whilst also providing balance sheet funding capacity.

Funding portfolio growth
(R billion)



Note: 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.

* *South Africa and the London branch.*

** *FI deposits and facilities are managed by Group Treasury and include the SARB funding facility related to the South African Covid-19 government-guaranteed loan scheme, the government's bounce-back facility and bounce-back energy facility, totalling c. R1.05 billion.*

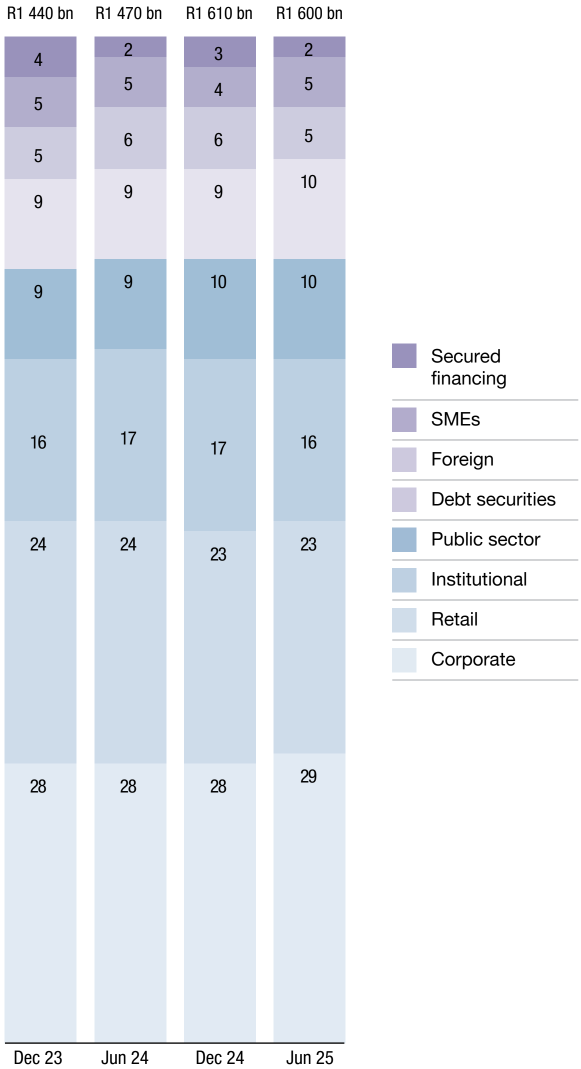
Funding and liquidity continued

R billion	2025	2024
	As at 30 June	
Deposit franchise	**1 156**	1 076
– Current	**353**	343
– Call	**351**	339
– Savings	**62**	54
– Fixed and notice	**388**	338
– Other	**2**	2
Institutional funding	**343**	314
FI deposits and facilities managed by Group Treasury	**159**	123
Debt securities - money market instruments	**95**	100
– Negotiable certificates of deposit	**32**	64
– Fixed and floating rate notes	**63**	36
Debt securities - capital market issuance	**89**	91
– SA senior unsecured	**60**	65
– SA structured products	**29**	26
Other funding	**74**	55
– Repurchase agreements and securities lending	**33**	22
– Cash collateral, credit-linked notes and other	**41**	33
Deposits and debt funding balances	**1 573**	1 445

Funding and liquidity continued

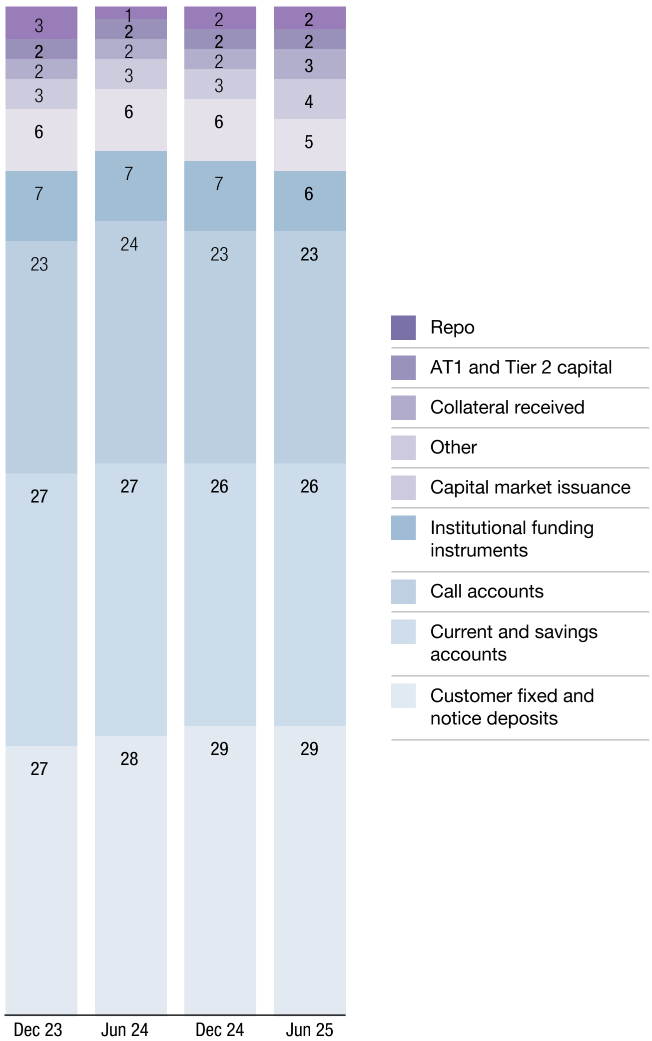
The bank's focus on growing main-banked transactional accounts and retail and commercial savings and investment deposits naturally results in a significant proportion of contractually short-dated funding. Although these deposits fluctuate depending on each customer's individual transactional and savings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

Bank funding analysis by source*
(%)



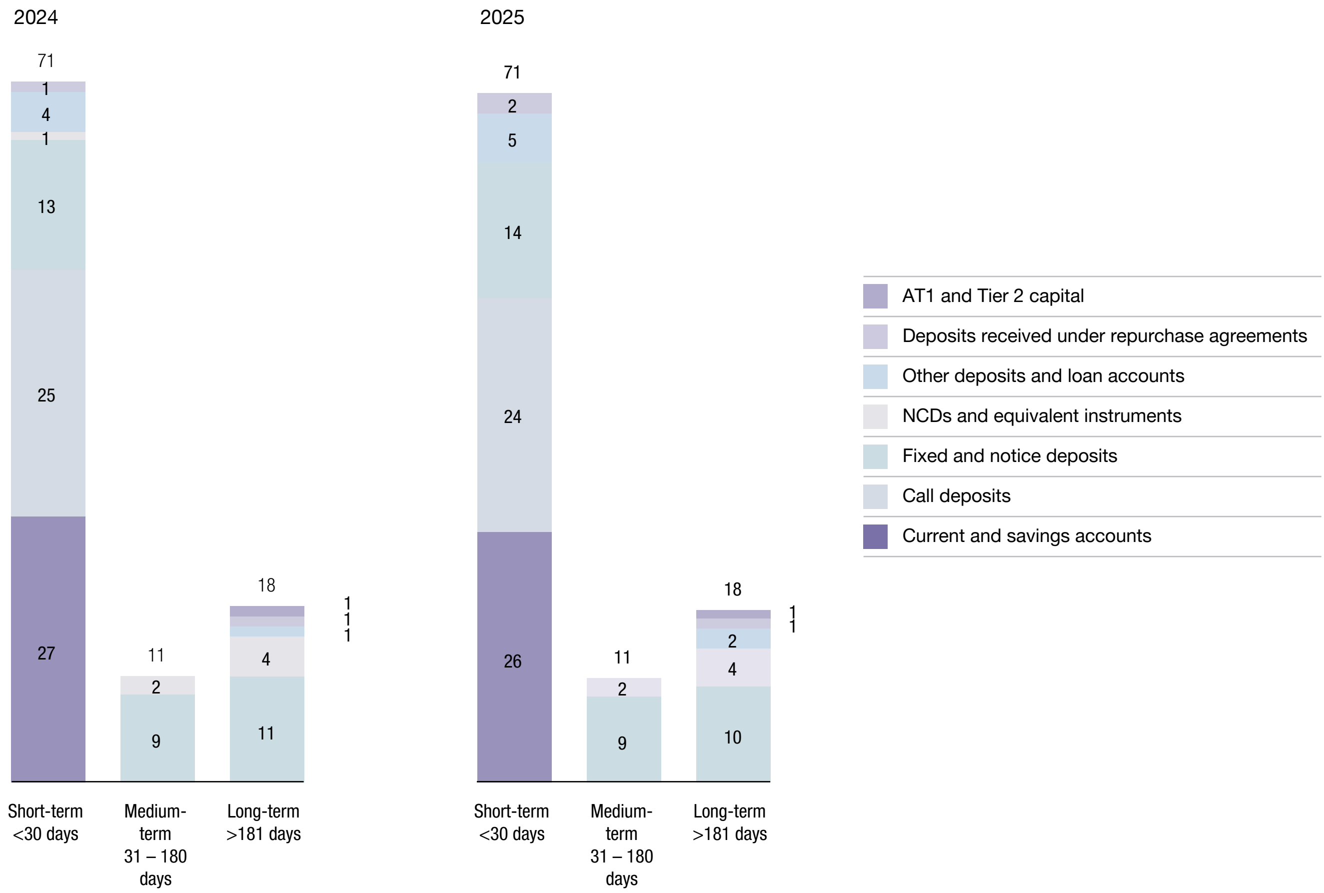
* *Excluding foreign branches.*

Funding analysis by product
(%)



Funding and liquidity continued

Funding liabilities by instrument type and term
(%)4

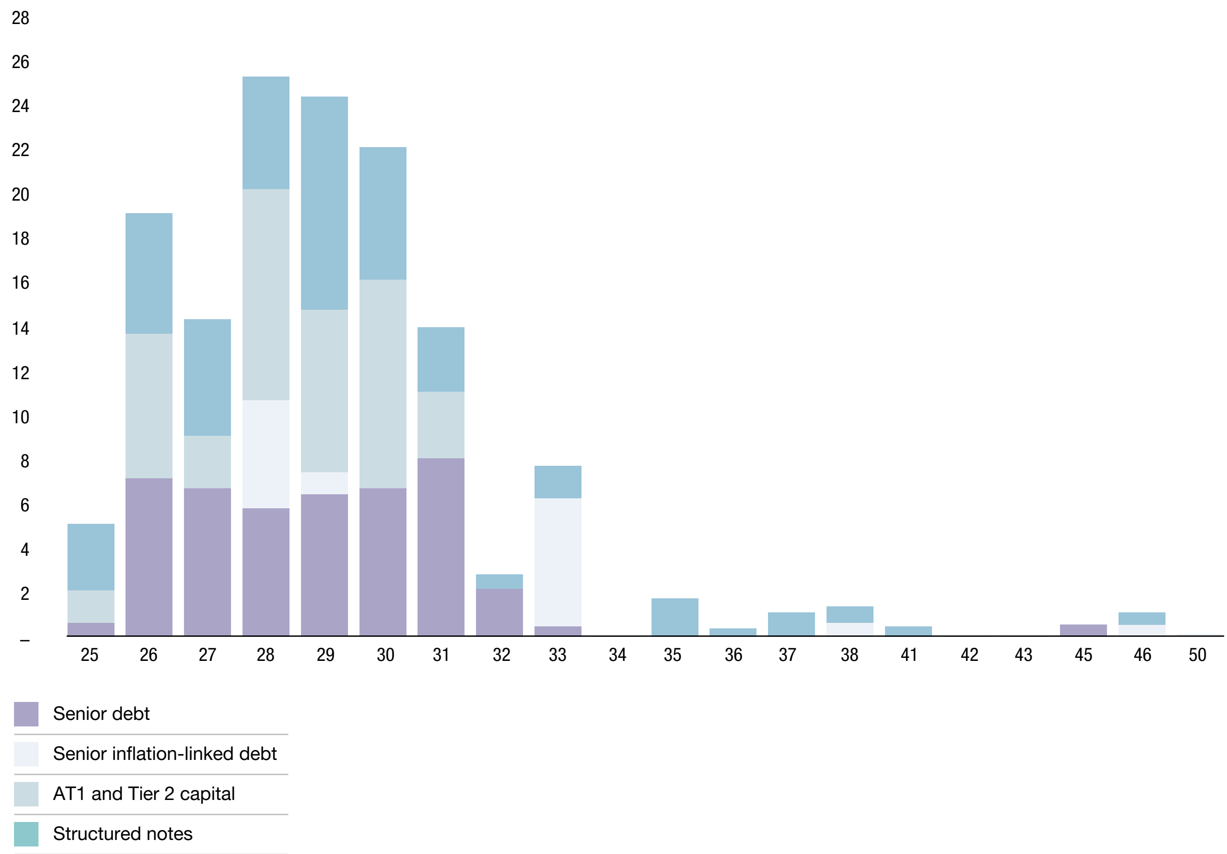


Funding and liquidity continued

The maturity profile of the bank's capital market instruments is depicted in the following chart. The bank does not have significant instrument-specific concentrations in any one period and seeks to issue across benchmark tenors, taking pricing and investor demand into account. The regulations as it pertains to Flac have been finalised and will be incorporated into the bank's future issuance strategies.

Maturity profile of the bank's* capital market instruments

(R billion)



* *Excluding foreign branches.*

Liquidity risk position

Liquidity risk is a natural outcome of the bank's business activities. To manage and mitigate liquidity risk, the bank holds liquidity buffers comprising HQLA in addition to pursuing a diverse and stable funding profile which incorporates structural and regulatory constraints.

The bank's portfolio of HQLA enables access to liquidity in instances of market stress or wider disruptions. It also enables the bank to accommodate the changing liquidity needs of its operating businesses and seamlessly meet its short-term obligations. The HQLA portfolio takes into consideration the bank's funding composition, asset growth and liquidity risk appetite, and regulatory requirements. The composition and quantum of available HQLA is determined by considering both the funding liquidity risk and market liquidity depth of the underlying assets. The portfolio is actively managed to ensure optimal composition, return and size.

The bank's deposit-led funding strategy underpins its funding profile where client franchise deposits offer funding diversification and stability. Deposit funding is supplemented with both money market and capital market issuances in benchmark tenors to achieve a maturity profile without undue concentrations. The bank monitors market developments, key risk metrics and early warning indicators as part of its ongoing funding and liquidity management and planning.

The prudential liquidity risk metrics incorporate a management buffer above the regulatory minimums to allow for the liquidity seasonality and cyclicality arising from the funding mix. The buffer is based on stress and scenario analysis of the cash inflows and outflows that result from the bank's balance sheet profile.

Liquidity ratios for the bank at 30 June 2025 are summarised below.

LIQUIDITY RATIOS

%	LCR*	NSFR*
Regulatory minimum	**100**	**100**
Actual	**133**	**117**

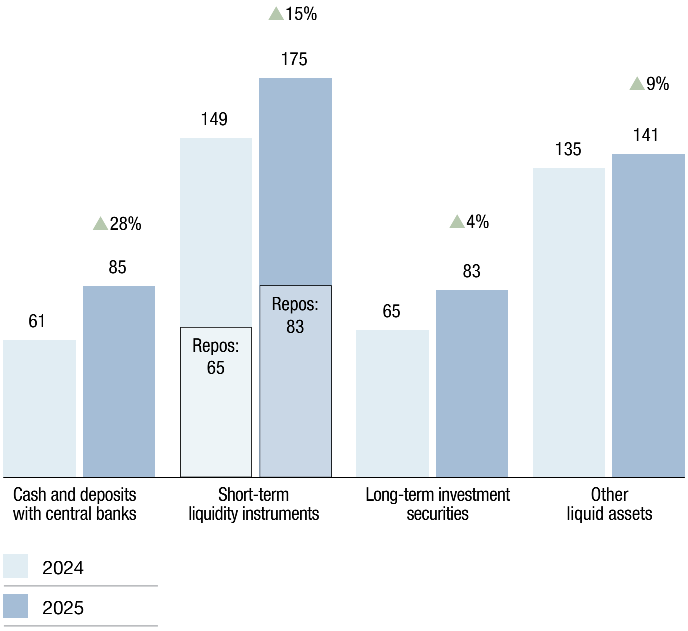
* *The bank's LCR and NSFR reflect South African operations only. LCR is calculated as a simple 91-day average of daily observations over the period ended 30 June 2025 for FirstRand Bank South Africa.*

Funding and liquidity continued

The bank manages excess liquidity through deployment primarily into central bank deposits, treasury bills and government bonds (acquired outright and through reverse repos) in the normal course of business. The liquid asset profile remains risk aware and liquidity deployment will reflect the bank's risk appetite.

Liquidity management by investment type*

(R billion)

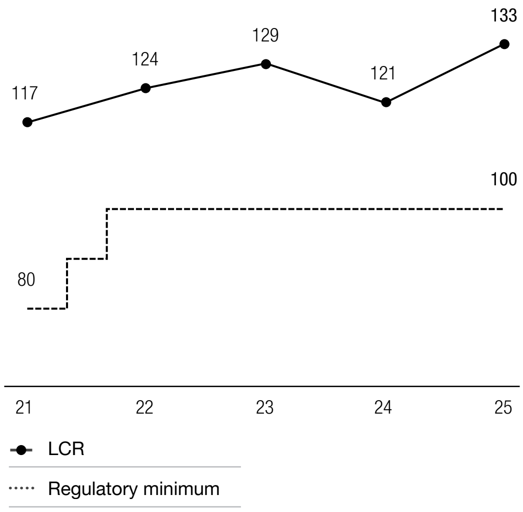


Note: Percentage change is based on actual underlying numbers rather than the rounded figures shown in the bar graphs above.

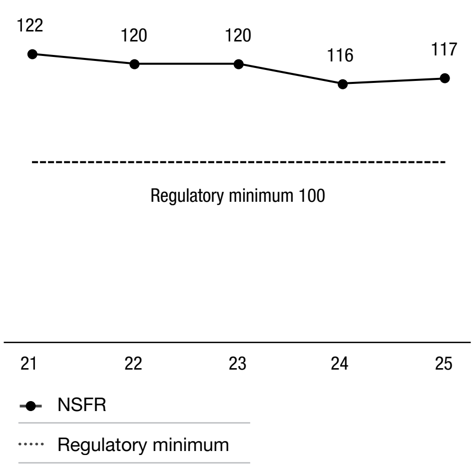
* *Chart is based on rand liquid assets in FirstRand Bank South Africa held by Group Treasury only.*

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 2025, 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 PA published Directive 6 of 2024 in October 2024, requiring South African banks to hold a PCN CCyB of 1% with effect from January 2026. The bank's board-approved internal targets were revised to incorporate the increased PCN CCyB requirement. 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	11.25 – 12.25	>13.0	>15.25	>5.5
Actual (including unappropriated profits)**				
2025	**13.3**	**14.9**	**17.2**	**7.1**
2024	12.4	13.6	15.6	6.9

* *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.*

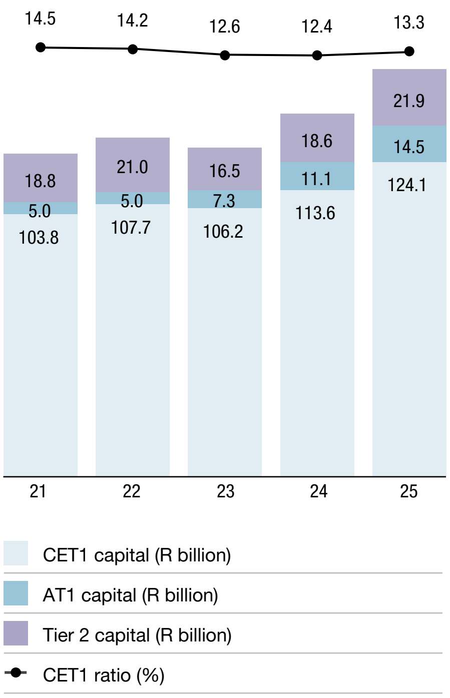
There is ongoing focus on optimising the bank's overall level and mix of capital. During the year under review the bank issued a combination of AT1 and Tier 2 instruments to ensure sustainable support for ongoing growth initiatives and redemption of existing capital instruments.

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 1.7 times on a post-diversified basis.

Capital continued

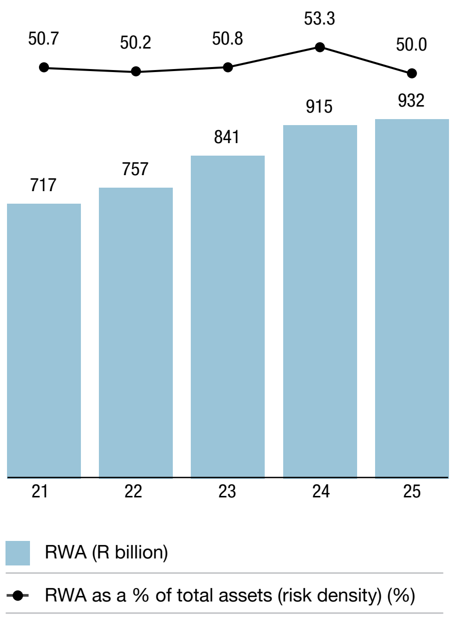
The graphs below provide a five-year view of the bank's capital adequacy, RWA and leverage positions. The decrease in the bank's risk density reflects changes in the balance sheet mix and RWA optimisation.

Capital adequacy*

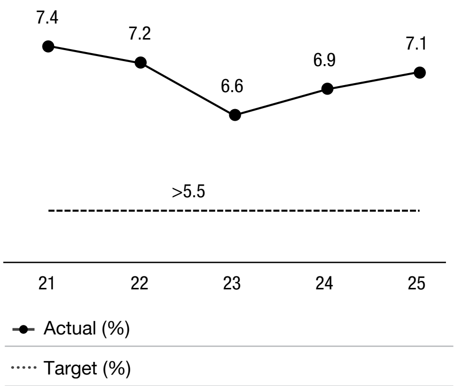


* *Including unappropriated profits.*

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 2025 is due to an increase in Tier 1 capital, partly offset by an increase in total exposures.

Supply of capital

COMPOSITION OF CAPITAL*

	As at 30 June 2025	
R million	**2025**	2024
CET1 capital including unappropriated profits	**124 117**	113 571
Additional Tier 1 capital	**14 479**	11 053
Tier 1 capital	**138 596**	124 624
Tier 2 capital	**21 915**	18 561
Total qualifying capital	**160 511**	143 185

* *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

2025 vs 2024

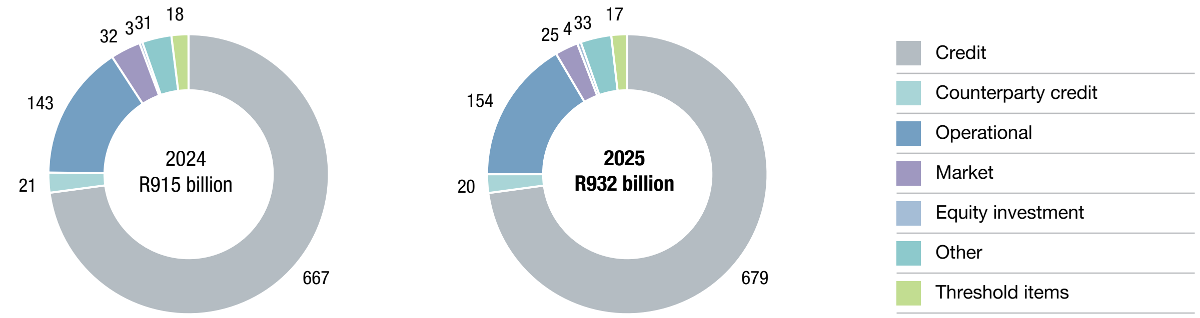
CET1 capital	▲	Positive earnings generation partly offset by the payment of dividends, as well as movement in other reserves.
AT1 capital	▲	AT1 and Tier 2 issuances net of redemptions to manage rollover of existing profile, support balance sheet growth and optimise the overall capital stack.
Tier 2 capital	▲	

Additional detail on the bank's capital instruments is included on page D05.

Capital continued

Demand for capital

RWA analysis
(R billion)



KEY DRIVERS

2025 vs 2024

Credit	▲	Volume growth partly offset by model refinements and optimisation.
Operational	▲	Updates to the model input data for entities on the advanced measurement approach, as well as changes in average gross income impacting the regulatory capital floor and entities on the standardised approach.
Market	▼	Decrease in the trading book risk profile across foreign exchange and interest rates asset classes in response to market conditions.

Capital adequacy position for the bank and its regulated entities

	As at 30 June		
	2025		2024
%	**Total minimum requirement***	**Total capital adequacy**	Total capital adequacy
Basel III (PA regulations)			
FirstRand Bank**	**13.0**	**17.2**	15.6
FirstRand Bank South Africa#	**13.0**	**16.7**	15.4
FirstRand Bank London	**13.5**	**27.1**	17.8
FirstRand Bank Guernsey	**13.0**	**>100**	98.1
FirstRand Bank India†	**13.0**	**>100**	>100

* *Total minimum requirement excluding any confidential bank-specific requirements. RWA for entities outside of South Africa converted to rand using the closing exchange rates at 30 June 2025.*

** *Including unappropriated profits and foreign branches.*

\# *Ratios including unappropriated profits: CET1 of 12.8%, Tier 1 of 14.4% and total capital adequacy of 16.7%.*
Ratios excluding unappropriated profits: CET1 of 12.4%, Tier 1 of 14.0% and total capital adequacy of 16.3%.

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

Regulatory update

Resolution framework

South Africa's resolution framework, effected via the Financial Sector Laws Amendment Act (FSLAA) was effective from 1 June 2023 and aligned to global FSB standards. The designation of the SARB as the RA provided 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. Key prudential resolution standards issued to date include:

- RA01 – Stays and Resolution Moratoria (Effective 1 June 2024): limits early termination rights and mandates contractual recognition clauses.
- RA02 – Transfers of Assets and Liabilities: requires Separability Analysis and Transfer Playbooks, and is effective two years post resolution strategy finalisation.
- RA03 – Flac Instruments (Effective 1 January 2026): sets out implementation timelines, entity level for issuance and calibration.

Draft standards that have been released for comment in July 2025 include *Requirements for Valuators Appointed for Resolution Purposes* and *Requirements for the Identification of Resolution Groups and Reporting Obligations for Designated Institutions*.

Capital

The Minister of Finance has, in terms of section 90 of the Banks Act, amended the Regulations on 26 June 2025 in response to the final Basel reforms and was effective from 1 July 2025. A new output floor was also introduced to reduce undue variability in banks' RWA and improve comparability of capital ratios between banks. It will be phased in over a three-year period. 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. D-SIB banks are required to maintain a leverage ratio buffer of 50% of the higher loss absorbency requirement imposed on CET1 capital, in addition to the 4% minimum leverage ratio requirement. Capital distribution constraints will also be applied when the leverage ratio declines below the specified requirement.

Liquidity

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.

This adjustment was withdrawn in terms of Directive 1/2023, 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 20% to 10% took effect on 1 January 2025.

Rate reforms

JIBAR is set to be replaced. The SARB has indicated the change is likely to occur by the end of 2026, with a confirmation date expected in December 2025. The Market Practitioners Group (MPG) has designated the South African Rand Overnight Index Average (ZARONIA) as the successor rate to JIBAR.

The bank currently holds several contracts, including derivatives, that reference JIBAR. To oversee the transition to ZARONIA, a steering committee within FirstRand 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.

PRESENTATION AND RECONCILIATIONS

Presentation

Normalised results

The bank believes normalised earnings 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 2025, 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 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* information was prepared using the unadjusted IFRS information which has been extracted by the directors from the audited consolidated financial statements, and the adjustments thereto have been extracted by the directors from either the audited consolidated financial statements or the information underlying those financial statements for the year ended 30 June 2025.

The *pro forma* financial information should be read in conjunction with the unmodified Ernst & Young Inc. and PricewaterhouseCoopers Inc. independent auditors' assurance report, in terms of International Standard on Assurance Engagements (ISAE 3420), on pages B105 and B106.

Forecast information

Any forecast financial information contained herein, which is the responsibility of the bank's directors, has not been reviewed or reported on by the bank's external auditors.

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 page B107.

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/.

Independent Auditors' Assurance Report on the compilation of pro forma financial information for the year ended 30 June 2025 included in the 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 B110 of the Annual Report, consists of the following information (collectively referred to as the "Pro Forma Financial Information"):

- Reconciliation from headline to normalised earnings for the year ended 30 June 2025; and
- Reconciliation of normalised to IFRS summary consolidated income statement for the year ended 30 June 2025.

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 reflect operational performance for the year ended 30 June 2025. 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 2025, on which an audit opinion was issued on 10 September 2025.

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 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.

Auditors' 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 on the basis of 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 of the Bank is solely prepared for illustrative purposes to reflect operational performance for the year ended 30 June 2025.

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
10 September 2025

Ernst & Young Inc.

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

Johannesburg, South Africa
10 September 2025

Statement of headline earnings – IFRS

for the year ended 30 June

R million	**2025**	2024	% change
Profit for the year	**29 129**	26 321	11
Other equity instrument holders	**(1 664)**	(1 518)	10
Earnings attributable to ordinary equityholders	**27 465**	24 803	11
Adjusted for	**(58)**	14	(>100)
(Gain)/loss on disposal of property and equipment	**(150)**	17	(>100)
Fair value movement on investment properties	**(3)**	–	—
Impairment of assets in terms of IAS 36	**75**	2	>100
Tax effects of adjustments	**20**	(5)	(>100)
Headline earnings	**27 407**	24 817	10

Reconciliation from headline to normalised earnings

for the year ended 30 June

R million	**2025**	2024	% change
Headline earnings	**27 407**	24 817	10
Adjusted for	**(78)**	(87)	(10)
IAS 19 adjustment	**(78)**	(87)	(10)
Normalised earnings	**27 329**	24 730	11

Reconciliation of normalised to IFRS income statement

for the year ended 30 June 2025

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	65 964	(1 851)	–	–	315	64 428
Impairment charge	(12 850)	–	–	–	–	(12 850)
Net interest income after impairment of advances	53 114	(1 851)	–	–	315	51 578
Total non-interest revenue	44 009	1 851	–	153	(371)	45 642
Income from operations	97 123	–	–	153	(56)	97 220
Operating expenses	(58 555)	–	107	(75)	56	(58 467)
Income before indirect tax	38 568	–	107	78	–	38 753
Indirect tax	(1 173)	–		–	–	(1 173)
Profit before tax	37 395	–	107	78	–	37 580
Income tax expense	(8 402)	–	(29)	(20)	–	(8 451)
Profit for the year	28 993	–	78	58	–	29 129
Attributable to						
Other equity instrument holders	(1 664)	–	–	–	–	(1 664)
Ordinary equityholders	27 329	–	78	58	–	27 465
Headline and normalised earnings adjustments	–	–	(78)	(58)	–	(136)
Normalised earnings attributable to ordinary equityholders of the bank	27 329	–	–	–	–	27 329

Reconciliation of normalised to IFRS 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
Total 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

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ANNUAL FINANCIAL STATEMENTS

Audit committee report

The fundamental role of an audit committee is to assist the board in fulfilling its oversight responsibilities in areas such as financial reporting, internal and external audit functions, 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 four times during the 2025 financial year, five including the trilateral meeting with external auditors and the Prudential Authority. The committee is chaired by an independent non-executive chairman, T Winterboer who was appointed in November 2024 following GG Gelink retiring as chairman and committee member in November 2024, and PJ Makosholo was appointed as a new committee member to further strengthen the skill sets of the audit committee. Furthermore, the committee is satisfied that individual members 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.

KPMG was appointed at the 29 November 2024 annual general meeting (AGM) as one of the joint auditors of FirstRand, replacing PricewaterhouseCoopers (PwC), for the financial year ending 30 June 2026. The appointment of KPMG Incorporated as external auditor of FirstRand Bank Limited, and Pierre Fourie as the engagement partner was approved by the Prudential Authority on 30 July 2025.

The committee reappointed EY and PwC as the external audit firm responsible for performing the function of joint auditors for the 2025 financial year. 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 corporate governance report, which will be made available at https://www.firstrand.co.za/investors/integrated-reporting-hub/governance/ .

Signed on behalf of the group audit committee:

T Winterboer
Chairman, audit committee
Sandton

10 September 2025

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 2025.

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, JSE Debt and Specialist Securities Listings and Listings Requirements of the JSE Limited, 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 C19 to C198, were approved by the board of directors on 10 September 2025.

It is the responsibility of the bank's independent external auditors, Ernst & Young Inc. (EY), and PricewaterhouseCoopers Inc. (PwC), 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 C06.

JP Burger	M Vilakazi	MG Davias
Chairman	Chief Executive Officer	Chief Financial Officer

Sandton
10 September 2025

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
10 September 2025

Directors' report

for the year ended 30 June 2025

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 R29 129 million (2024: R26 321 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 411 million were paid during the 2025 financial year (2024: R16 663 million).

Distributions of R1 664 million were made on AT1 instruments (2024: R1 518 million). Current tax of R449 million (2024: R410 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 events after reporting period are detailed in note 33.

JP Burger
Chairman
Sandton

M Vilakazi
Chief Executive Officer

MG Davias
Chief Financial Officer

10 September 2025

Independent auditors' report

To the shareholder of FirstRand Bank Limited

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of FirstRand Bank Limited (the Company) set out on pages C19 to C198 which comprise:

- the statement of financial position as at 30 June 2025;
- 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of FirstRand Bank Limited as at 30 June 2025, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Companies Act of South Africa.

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.

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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

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T: +27 (0) 11 772 3000, F: +27 (0) 11 772 4000,
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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).*

Reporting in terms of the IRBA Rule on Enhanced Auditor Reporting

In terms of the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette Number 49309 dated 15 September 2023 (EAR Rule), we report:

Final materiality

The amount we set as final materiality represents a quantitative threshold used to evaluate the effects of misstatements to the financial statements as a whole based on our professional judgement. Qualitative factors are also considered in making final determinations regarding what is material to the financial statements.

Final materiality	R1 955 million
How we determined it	5% of adjusted profit before income tax
Rationale for the materiality benchmark applied	We have identified profit before income tax as the most appropriate basis because, in our view, it is the measure against which the performance of the Company is most commonly measured by users of the financial statements, and is a generally accepted materiality benchmark for similar entities. The profit before income tax was adjusted for a non-recurring provision for the UK Motor Commission matter, as disclosed in note 3, recognised in the current year, which is not reflective of the Company's normal operations. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

We considered the Company's organisational, legal, aggregation structures and its financial reporting processes when identifying components for purposes of planning and performing audit procedures. For purposes of our Company audit scope, we considered a component to be a single reporting unit within the Company being aggregated.

In establishing the Company audit scope, based on our Company risk assessment we determined the type of work that needed to be undertaken on the financial information of the components. In selecting components, we performed risk assessment procedures across the Company and its components to identify risks of material misstatement. We then identified how the nature and size of the account balances at the components contributed to those risks and determined which account balances required an audit response. We have identified 5 components where we assessed that further audit procedures would be required to address the risks of material misstatement at the Company level.

Based on our scoping procedures described above, we have determined that 5 components would be subject to full scope audits on the entire financial information of the component. For other components, analytical procedures to confirm our risk assessment were performed. As a result, based on the risk assessment and scoping procedures performed, we have determined that there is a less than reasonable possibility of a material misstatement in the remaining financial information that was not subject to further audit procedures.

We determined the type of work that was needed to be performed by us, as the joint auditors of the Company, or component auditors from other network firms of the joint Company auditors or other firms operating under our instructions. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

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.

In terms of the EAR Rule, we are required to report key audit matters and the outcome of audit procedures or key observations with respect to the key audit matters, and these are included below.

Key audit matter	***How our audit addressed the key audit matter***
Impairment of Advances Management has continued to exercise judgement to ensure that the final Expected Credit Loss (ECL) is aligned to the requirements of IFRS Accounting 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.	Our audit of impairment of advances included the following procedures to address the key areas of significant judgement and estimation in determining the ECL, using our economic, credit and actuarial expertise: • 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.

Key audit matter	*How our audit addressed the key audit matter*
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.	• 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 as well as attendance of the governance forums. • Assessed the macroeconomic variables through comparison to our own and benchmarked economic forecasts and independent market data. • 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 macroeconomic environment.
Wholesale Advances* 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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td></td><td>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.</td></tr>
<tr><td>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).</td><td>• 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.</td></tr>
<tr><td>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.</td><td>• 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.</td></tr>
<tr><td>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.</td><td>• 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.</td></tr>
<tr><td>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 RMB Corporate and Investment Banking,</td><td>• 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.</td></tr>
</table>

Key audit matter	*How our audit addressed the key audit matter*
as well as Centre (including Group Treasury). **<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 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 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. • 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. • Through reperformance, as applicable, tested the accurate implementation of the documented methodologies and assessed the alignment between modelled outcomes and recent actual experience. • 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

Key audit matter	How our audit addressed the key audit matter
	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.

Key audit matter	*How our audit addressed the key audit matter*
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 and overlays. ***This applies to retail and commercial advances in total retail secured and unsecured, FNB Commercial, WesBank Corporate and Commercial, and Broader Africa.* 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.	• Assessed, recalculated and performed a sensitivity analysis on management's post-model adjustments relating to the impact on ECL of additional relevant information not catered for in 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. **Observations – Impairment of Advances** Based on the procedures performed over impairment of advances, we did not identify any significant matters requiring further consideration in concluding on our procedures.
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,	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.

Key audit matter	*How our audit addressed the key audit matter*
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 (certain level 2 and 3); and • Investment securities valued with reference to unobservable inputs (level 3). 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.	• 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. • 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.

Key audit matter	*How our audit addressed the key audit matter*
	Observations – Fair value measurement Based on the procedures performed over fair value measurement, we did not identify any significant matters requiring further consideration in concluding on our procedures.
UK Motor Commission matter Under International Accounting Standard 37 – Provisions, Contingent Liabilities and Contingent Assets (IAS 37), significant judgement is required in determining whether a present obligation exists or whether an outflow is probable, and in estimating the amount required to settle the obligation. Significant uncertainties can arise in measuring potential obligations due to the range of possible outcomes relating to operational, legal and regulatory matters. The most significant matter in this regard is management's provision in respect of motor commissions, recognised at 30 June 2025. Management's estimate is based on the information available to them in respect of motor finance commission arrangements following developments during 2024 and 2025, including the adjusting post-balance sheet events arising from the Supreme Court judgement on 1 August 2025 and Financial Conduct Authority (FCA) announcement on 3 August 2025. The key areas of estimation uncertainty include the redress approaches that management have incorporated across each of its scenarios, along with the probability-weights assigned to each scenario to calculate the overall estimate. The effect of these matters is that, as part of our risk assessment, we determined that the provision for motor commissions has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as whole, and possibly many times that amount.	Our audit of the provision for the UK motor commission matter included the following procedures to address the key areas of significant judgement and estimation in determining the provision: • Assessed the methodology implementation applied by management to calculate the provision against the requirements of IAS 37. • Evaluated management's assessment of the potential outcomes and associated probabilities. In addition, tested the data inputs and mathematical accuracy of the provision calculation and critically evaluated the assumptions used in calculating the estimate. • Performed a sensitivity analysis on the judgemental assumptions, including customer response rates and probability-weightings, to determine those most significant to the estimated provision. The impact on the provision was also critically assessed using a range of alternative assumptions.

Key audit matter	How our audit addressed the key audit matter
The disclosures regarding management's approach to determining provision amounts under the motor finance commission matter are important in explaining the key judgements and material inputs to the provision calculations, as well as the sensitivity of provision amounts to changes in management's assumptions, in light of the estimation uncertainty arising. The related disclosures in the financial statements are included in: • Note 3 – Operating expenses; and • Note 20 – Creditors, accruals and provisions.	• Assessed whether management's disclosures appropriately reflect and address the uncertainty which exists in determining the provision for motor finance commissions, as well as whether the sensitivity disclosures are adequate and clear. In addition, challenged whether the disclosure of the key judgements and assumptions made are sufficiently clear. **Observations – UK motor commission matter** Based on the procedures performed over the provision created for the motor finance commission matter, we did not identify any significant matters requiring further consideration in concluding on our procedures.

Other information

The directors are responsible for the other information. The other information comprises the information included in the documents titled “FirstRand Bank Annual Report for the year ended 30 June 2025”, 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 and will 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of 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, 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.
- Plan and perform the Company audit to obtain sufficient appropriate audit evidence, regarding the financial information of the entities or business units within the Company, as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Company 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

Audit tenure

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Incorporated and Ernst & Young Incorporated have been the joint auditors of FirstRand Bank Limited for 27 years and 2 years, respectively.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Keith Ackerman
Chartered Accountant (SA)
Registered Auditor
Johannesburg, South Africa
10 September 2025

Ernst & Young Inc

Ernst & Young Inc.
Director: Ernest van Rooyen
Chartered Accountant (SA)
Registered Auditor
Johannesburg, South Africa
10 September 2025

Income statement

for the year ended 30 June

R million	Notes	2025	2024
Interest income calculated using effective interest rate		150 567	140 110
Interest on other financial instruments and similar income		771	2 311
Interest and similar income	1.1	151 338	142 421
Interest expense and similar charges	1.2	(86 910)	(82 997)
Net interest income before impairment of advances		64 428	59 424
Impairment and fair value of credit of advances		(12 850)	(12 451)
– Impairment on amortised cost advances	11.2	(12 894)	(12 462)
– Fair value of credit on advances	11.2	44	11
Net interest income after impairment of advances		51 578	46 973
Non-interest revenue	2	45 642	45 651
– Net fee and commission income	2.1	33 568	31 882
– Fee and commission income		40 661	38 414
– Fee and commission expense		(7 093)	(6 532)
– Insurance commission income	2.2	114	118
– Fair value income and foreign exchange gains	2.3	3 771	7 182
– Fair value income and foreign exchange gains		15 451	18 781
– Interest expense on fair value activities		(11 680)	(11 599)
– Gains less losses from investing activities	2.4	240	(60)
– Net other non-interest revenue	2.5	7 949	6 529
– Other non-interest revenue		9 751	8 466
– Other non-interest related expense		(1 802)	(1 937)
Income from operations		97 220	92 624
Operating expenses	3	(58 467)	(57 965)
Income before indirect tax		38 753	34 659
Indirect tax	4.1	(1 173)	(1 132)
Profit before income tax		37 580	33 527
Income tax expense	4.2	(8 451)	(7 206)
Profit for the year		29 129	26 321
Attributable to			
Ordinary equityholders		27 465	24 803
Other equity instrument holders		1 664	1 518
Profit for the year		29 129	26 321

Statement of other comprehensive income

for the year ended 30 June

R million	**2025**	2024
Profit for the year	**29 129**	26 321
Items that may subsequently be reclassified to profit or loss		
Cash flow hedges	**1 932**	2 341
Gains arising during the year	**2 202**	2 396
Reclassification adjustments for amounts included in profit or loss	**445**	811
Deferred income tax	**(715)**	(866)
FVOCI debt reserve	**256**	(150)
Gains/(losses) arising during the year	**364**	(194)
Reclassification adjustments for amounts included in profit or loss	**(13)**	(11)
Deferred income tax	**(95)**	55
Exchange differences on translating foreign operations	**(346)**	(262)
Losses arising during the year	**(408)**	(233)
Deferred income tax	**62**	(29)
Items that may not subsequently be reclassified to profit or loss		
FVOCI equity reserve	**13**	(3)
Gains/(losses) arising during the year	**17**	(4)
Deferred income tax	**(4)**	1
Remeasurements on defined benefit post-employment plans	**(40)**	(25)
Losses arising during the year	**(55)**	(34)
Deferred income tax	**15**	9
Revaluation of properties on transfer to investment properties	**22**	–
Other comprehensive income for the year	**1 837**	1 901
Total comprehensive income for the year	**30 966**	28 222
Attributable to		
Ordinary equityholders	**29 302**	26 704
Other equity instrument holders	**1 664**	1 518
Total comprehensive income for the year	**30 966**	28 222

Statement of financial position

as at 30 June

R million	Notes	2025	2024
ASSETS			
Cash and cash equivalents	6	115 222	88 470
Derivative financial instruments	7	52 937	45 974
Commodities	8	7 364	15 109
Investment securities	9	340 769	307 698
Advances	10	1 214 195	1 143 128
– Advances to customers*		1 147 920	1 063 654
– Marketable advances		66 275	79 474
Collateral, settlement balances and other assets	12	34 294	28 333
Current tax asset		–	247
Amounts due by holding company and fellow subsidiary companies	13	71 653	58 638
Property and equipment	14	19 803	19 526
Intangible assets	15	1 289	1 150
Investment properties	16	445	281
Deferred income tax asset	18	6 659	7 292
Total assets		1 864 630	1 715 846
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	19	16 533	9 601
Derivative financial instruments	7	51 462	43 384
Creditors, accruals and provisions	20	23 325	27 019
Current tax liability		112	–
Deposits and debt funding**	21	1 573 203	1 444 707
Employee liabilities	17	13 277	13 755
Other liabilities	22	3 014	3 046
Amounts due to holding company and fellow subsidiary companies	13	17 605	28 419
Tier 2 liabilities	23	20 580	16 758
Total liabilities		1 719 111	1 586 689
Equity			
Ordinary shares	24.1	4	4
Share premium	24.1	16 804	16 804
Reserves		110 578	97 594
Capital and reserves attributable to equityholders		127 386	114 402
Other equity instruments	24.2	18 133	14 755
Total equity		145 519	129 157
Total equity and liabilities		1 864 630	1 715 846

* *Included in advances to customers are assets under agreements to resell of R104 621 million (2024: R67 757 million).*

** *The prior year description for this line was Deposits. During the current year, the bank changed the description to Deposits and debt funding to better reflect the nature of the balance. The prior year balance was not impacted by the change in description.*

Statement of changes in equity

for the year ended 30 June

	Ordinary share capital and ordinary equityholders' funds					
R million	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve	Share-based payment reserve
Balance as at 1 July 2023	4	16 804	**16 808**	(533)	(3 225)	–
Additional Tier 1 capital issued during the year	–	–	–	–	–	–
Additional Tier 1 capital redeemed during the period	–	–	–	–	–	–
Ordinary dividends	–	–	–	–	–	–
Distributions on other equity instruments	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(25)	2 341	–
– Profit for the year	–	–	–	–	–	–
– Other comprehensive income for the year	–	–	–	(25)	2 341	–
Balance as at 30 June 2024	4	16 804	**16 808**	(558)	(884)	–
Additional Tier 1 capital issued during the year	–	–	–	–	–	–
Additional Tier 1 capital redeemed during the period	–	–	–	–	–	–
Share-based payment expense	–	–	–	–	–	405
Deemed distribution to settle shared-based payment expense	–	–	–	–	–	(325)
Deferred tax on share based payment reserve	–	–	–	–	–	13
Ordinary dividends	–	–	–	–	–	–
Distributions on other equity instruments	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(40)	1 932	–
– Profit for the year	–	–	–	–	–	–
– Other comprehensive income for the year	–	–	–	(40)	1 932	–
Balance as at 30 June 2025	4	16 804	**16 808**	(598)	1 048	93

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

** *Other equity instruments and reserves at 30 June 2025 include R18 133 million (2024: R14 755 million) of AT1 instruments.*

Ordinary share capital and ordinary equityholders' funds					
Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equity-holders**	**Other equity instruments and reserves****	**Total equity**
2 576	1 305	87 430	87 553	9 930	114 291
–	–	–	–	7 090	7 090
–	–	–	–	(2 265)	(2 265)
–	–	(16 663)	(16 663)	–	(16 663)
–	–	–	–	(1 518)	(1 518)
(262)	(153)	24 803	26 704	1 518	28 222
–	–	24 803	24 803	1 518	26 321
(262)	(153)	–	1 901	–	1 901
2 314	1 152	95 570	97 594	14 755	129 157
–	–	–	–	6 839	6 839
–	–	–	–	(3 461)	(3 461)
–	–	–	405	–	405
–	–	–	(325)	–	(325)
–	–	–	13	–	13
–	–	(16 411)	(16 411)	–	(16 411)
–	–	–	–	(1 664)	(1 664)
(346)	291	27 465	29 302	1 664	30 966
–	–	27 465	27 465	1 664	29 129
(346)	291	–	1 837	–	1 837
1 968	1 443	106 624	110 578	18 133	145 519

Statement of cash flows

for the year ended 30 June

R million	Notes	2025	Restated 2024
Cash flows from operating activities			
Profit before tax for the period		**37 580**	33 527
Adjustments for non-cash items:		**(45 590)**	(41 764)
– Depreciation and amortisation		**3 871**	3 649
– Net impairment on intangible assets and property, plant and equipment		**166**	116
– Impairment loss on advances excluding post write-off recoveries		**14 268**	14 066
– Equity-settled share-based payments		**405**	–
– Interest and similar income		**(151 338)**	(142 421)
– Interest expenses and similar charges		**86 910**	82 997
– Net (gain)/loss on investing activities		**(242)**	60
– Impairment loss on investment securities		**8**	175
– Fair value remeasurement on investment property		**(3)**	–
– Forex adjustment on investing and financing activities		**–**	(8)
– Dividends accrued		**(808)**	(1 530)
– Indirect tax		**1 173**	1 132
– Interest received		**152 176**	145 921
– Interest paid		**(87 254)**	(84 546)
– Dividends received		**808**	1 530
– Dividends paid		**(18 075)**	(18 181)
– Recharge - share award scheme		**(325)**	–
– Taxation paid		**(9 237)**	(8 716)
– Indirect tax paid		**(1 066)**	(1 057)
– Income tax paid		**(8 171)**	(7 659)
Cash generated from operating activities		**30 083**	27 771
Movements in operating assets and liabilities		**(5 947)**	(18 414)
– Investment securities	9	**(33 063)**	(2 208)
– Advances*	10	**(83 984)**	(91 209)
– Deposits and debt funding*	21	**127 899**	67 181
– Collateral, settlement balances and other assets	12	**(5 982)**	3 660
– Creditors, accruals and provisions	20	**(4 064)**	7 095
– Employee liabilities	17	**(545)**	(511)
– Amounts due (to/by) holding company and fellow subsidiary companies	13	**(22 301)**	4 123
– Derivatives and short trading position liabilities		**15 010**	(26 021)
– Derivatives and commodities assets		**1 083**	19 476
Net cash generated from operating activities		**24 136**	9 357
Cash flows from investing activities			
Acquisition of property and equipment	14	**(4 593)**	(5 694)
Proceeds on disposal of property and equipment	14	**1 371**	900
Acquisition of intangible assets	15	**(409)**	(529)
Proceeds on disposal of intangible assets	15	**–**	(9)
Net cash outflow from investing activities		**(3 631)**	(5 332)
Cash flows from financing activities			
Proceeds on the issue of other financing liabilities	22.1	**334**	651
Redemption of other financing liabilities		**(509)**	(533)
Principal payments towards lease liabilities	22.1	**(742)**	(707)
Proceeds from issue of Tier 2 liabilities	23.1	**3 798**	1 548
Capital repaid on Tier 2 liabilities	23.1	**–**	(1 910)
Redemption of AT1 equity instruments		**(3 461)**	(2 265)
Proceeds from issue of AT1 equity instruments		**6 839**	7 090
Net cash inflow/(outflow) from financing activities		**6 259**	3 874
Net increase in cash and cash equivalents		**26 764**	7 899
Cash and cash equivalents at the beginning of the year	6	**88 470**	80 505
Effect of exchange rate changes on cash and cash equivalents		**(12)**	66
Cash and cash equivalents at the end of the year		**115 222**	88 470
Cash and cash equivalents comprise:			
Coins and bank notes		**7 814**	8 256
Money at call and short notice		**19 770**	28 207
Mandatory reserve balances with central banks		**37 975**	35 285
Other balances with central banks		**49 663**	16 722
Cash and cash equivalents at the end of the year	6	**115 222**	88 470

* *The prior year reported cashflows for the movement on advances and deposits and debt funding were amended by (R3 153 million) and R3 153 million respectively, following a revision to the methodology for allocating non-cash items, specifically related to FCTR. Total net cash inflows/outflows from operating activities remained unchanged.*

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 and Specialist Securities 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 2025; 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 material accounting policies and other explanatory notes. The accounting policies applied in preparation of the bank's annual financial statements have been consistently applied to all years presented.

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. 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.

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 the 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 the 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).

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. 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 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.

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. Sustainability risks and the impact on macroeconomic forecasts are also considered. 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. Other post-model overlays reflecting additional relevant information not catered for in models are also incorporated into the ECL allowance and staged appropriately per portfolio. This approach is followed across all portfolios and does not constitute a material portion of the ECL allowance.

For the bank, three macroeconomic scenarios were utilised for the financial year ended 30 June 2024, namely a base scenario, an upside scenario and a downside scenario. For the 30 June 2025 financial year the bank has included two additional macroeconomic scenarios, a mild upside and mild downside, in the IFRS 9 impairment models. These additional scenarios were included to capture a greater share of the macroeconomic risk distribution to reduce the risk of non-linear impacts on the bank's ECL provisions.The objective of these new scenarios is to capture the risk distribution that sit between the baseline houseview forecast and the upside risk scenario and downside risk scenario.

FORWARD-LOOKING INFORMATION continued

The table below sets out the most significant macroeconomic factors used to estimate the FLI relating to ECL provisions and is forecast over a period of three years.

Scenario	Probability	Description
Baseline	57% (2024: 60%)	• The global economy slows but avoids a sharp and sudden economic downturn. • Geopolitical and trade tensions are managed in such a way that financial and trade flows are substantially disrupted. • Countries adopt a fragmented approach towards reducing carbon emissions, carbon tax regimes become more punitive and the outcome puts the globe on course for an above Paris Agreement temperature increase of around 2°C by 2050. • Preferential access to the US export markets is lost. • Inflation lifts cyclically within target levels and the South African Reserve Bank (SARB) is able to shift monetary policy into neutral territory. • Real GDP growth lifts, supporting a recovery in credit demand above pre-pandemic levels and a mild consolidation of sovereign indebtedness. • The sovereign rating is upgraded to BB- and BB+ for foreign and local currency ratings, respectively. • South Africa realises some reductions in carbon emissions from adding renewables to its energy mix, but does not realise its Nationally Determined Contributions (NDCs) in terms of the Paris Agreement.
Upside	5% (2024:15%)	• The global economy slows but avoids a recession. • Geopolitical and trade tensions are managed in such a way that financial and trade flows are not materially disrupted. • Countries adopt a loosely coordinated approach towards reducing carbon emissions over the forecast horizon, carbon tax regimes are broadly complied with and a path towards a Paris-aligned temperature increase of 1.5°C is realised. • Inflation falls below target levels and the SARB is able to shift monetary policy into accommodative territory. • Real GDP growth lifts, supporting increases in credit demand and a reduction in sovereign indebtedness. • The sovereign rating is upgraded twice over the forecast period to BBB- and BBB on foreign and local currency ratings, respectively. • South Africa realises significant emissions reductions, thanks to the addition of renewables to its energy mix and well-coordinated investments in emissions reductions across industries, allowing the country to achieve its NDCs in terms of the Paris Agreement.
Mild upside	13%	• The global economy slows but avoids a recession. • Geopolitical and trade tensions are managed, albeit with increased frictions to financial and trade flows. • Countries continue to invest in reducing carbon emissions, carbon tax regimes are partially complied with and a path towards a Paris-aligned temperature increase is realised. • Inflation falls below target levels and the SARB is able to shift monetary policy to mildly accommodative territory. • Real GDP growth lifts above baseline expectations, supporting increases in credit demand and a reduction in sovereign indebtedness. • The sovereign rating is upgraded over the forecast period to BB+ and BBB- on foreign and local currency ratings, respectively. • South Africa realises some emissions reductions thanks to the addition of renewables to its energy mix and emissions reductions across industries.

Critical accounting estimates, assumptions and judgements continued

FORWARD-LOOKING INFORMATION continued		
Scenario	**Probability**	**Description**
Downside	9% (2024: 25%)	• The US and global economies fall into recession. • Geopolitical and trade tensions are handled in such a way that financial and trade flows are materially disrupted, leading to increased geopolitical strife and volatility. • Countries adopt a limited approach towards reducing carbon emissions, carbon tax regimes become more punitive in pockets, and the outcome puts the globe on course for an above Paris Agreement temperature increase of around 3°C by 2050. • Exports are materially constrained through US trade restrictions translating into global trade restrictions. • Inflation lifts meaningfully on account of higher global input prices and currency pressure, and the SARB is forced to hike interest rates. • Real GDP growth falls, taking demand for and supply of credit into further contractions and fails to reduce sovereign indebtedness. • The sovereign rating is downgraded once over the forecast period to B+ and BB- on foreign and local currency ratings, respectively. • South Africa adopts a “business as usual” approach to the climate transition and does not realise its NDCs in terms of the Paris Agreement.
Mild downside	16%	• The US experiences a recession and the global economy slows considerably. • Geopolitical and trade tensions are handled in such a way that financial and trade flows are materially disrupted. • Countries take a fragmented approach towards reducing carbon emissions and carbon tax regimes become more haphazard. This puts the globe on course for an above Paris Agreement temperature increase of more than 2°C by 2050. • Preferential access to the US market is lost and a material share of US exports cannot be rerouted to other markets. • Inflation lifts on account of higher global input prices and currency pressure, and the SARB is forced to maintain restrictive interest rates. • Real GDP growth remains low, constraining demand for and supply of credit. This results in limited progress to reduce sovereign indebtedness. • The sovereign rating remains unchanged over the forecast period, at BB and BB+ on foreign and local currency ratings, respectively. • South Africa adopts a “business as usual” approach to the climate transition and does not realise its NDCs in terms of the Paris agreement.

FORWARD-LOOKING INFORMATION continued

Overview of forward-looking information included in the 30 June 2025 impairment of advances

During the year, global economic growth and inflation continued to moderate and central banks implemented cutting cycles. However, uncertainty about the extent of the expected economic slowdown, combined with ongoing geopolitical risk and policy uncertainty in the US, continued to drive market volatility. This includes ongoing tariff and trade war uncertainty and an expectation that trade surpluses with the US will be under significant policy pressure.

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

South Africa

South Africa's inflation has moderated below the target range, prompting a gradual easing of interest rates and offering some relief to consumers and businesses. However, real economic activity remains subdued, with household consumption and corporate earnings still impacted by the effects of prior monetary tightening and inflationary pressures. The SARB has signalled a strong preference to anchor inflation at 3%, the lower bound of its current 3% – 6% target range. To secure this objective, the SARB's Monetary Policy Committee is expected to maintain a slightly restrictive interest rate stance in the near term, balancing inflation control with economic support.

The cessation of rolling blackouts and a marginal improvement in logistics have provided a modest boost to operational stability, yet export growth continues to be constrained by weak global demand. Furthermore, geopolitical tensions have intensified, further clouding the external trade outlook.

The peaceful election and establishment of the Government of National Unity (GNU) have elevated hopes for reform and improved service delivery, reflected in resilient financial market performance. Nonetheless, internal ideological divisions within the GNU have introduced political friction, raising concerns about policy coherence and long-term stability.

Looking ahead, South Africa's economic trajectory will hinge on its ability to navigate global headwinds, maintain fiscal discipline and translate political consensus into actionable reform.

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 2025

South Africa	Upside scenario			Mild upside scenario			Baseline scenario			Mild downside scenario			Downside scenario		
(%)	**2026**	**2027**	**2028**	**2026**	**2027**	**2028**	**2026**	**2027**	**2028**	**2026**	**2027**	**2028**	**2026**	**2027**	**2028**
	Applicable across all portfolios														
Real GDP growth	3.90	3.90	2.70	2.80	2.90	2.40	1.60	1.80	2.00	0.70	1.20	2.50	(0.60)	(0.20)	2.50
CPI inflation	2.90	3.00	3.00	3.70	3.80	3.90	4.20	4.20	4.30	4.90	5.60	4.30	5.60	6.90	5.90
Repo rate	5.50	5.50	5.50	6.25	6.25	6.25	7.00	7.00	7.00	8.00	7.25	7.25	9.00	8.00	7.50
	Retail-specific														
Retail real income growth	7.90	3.80	2.10	4.80	2.90	1.80	1.90	2.00	1.90	(0.90)	–	2.00	(3.60)	(2.30)	1.10
House price index growth*	6.10	7.70	6.00	4.80	6.20	5.40	2.70	3.10	3.20	1.00	2.20	3.60	(0.50)	0.90	4.30
Household debt to income	59.60	60.60	63.80	60.70	61.50	63.70	61.80	62.70	63.90	62.20	63.00	63.70	62.70	63.60	63.50
Household debt service cost to income**	8.50	8.80	9.20	8.60	8.90	9.20	8.80	9.00	9.10	9.00	9.10	9.20	9.20	9.30	9.20
Employment growth	0.80	1.50	1.90	0.80	1.30	1.50	0.70	1.00	1.10	0.50	0.90	1.10	0.20	0.60	0.90
	Wholesale-specific														
Fixed capital formation	5.40	9.10	8.20	4.10	6.10	6.40	2.40	3.10	4.50	–	1.30	4.80	(2.60)	(1.00)	4.20
Foreign exchange rate (USD/ZAR)	17.80	17.30	17.00	18.10	17.90	17.80	18.30	18.50	18.70	19.20	19.00	19.10	20.10	19.50	19.60

* *Applicable to the secured portfolio.*

** *This indicator has become a significant input in the FLI modelled provisions during the current year.*

Critical accounting estimates, assumptions and judgements continued

SIGNIFICANT MACROECONOMIC FACTORS continued

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

The following table reflects the impact on the performing (stage 1 and stage 2) impairment provisions on advances, if the probability weighting assigned to the baseline, upside and downside scenarios were increased to 100%. The analysis only reflects changing the probability assigned to these scenarios to 100%. As the mild upside and mild downside scenarios have not been implemented across all portfolios within the Group, they have not been included in the analysis.

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 2025	**16 410**	**16 232**	**(1)**	**13 329**	**(19)**	**19 721**	**20**
Retail	**10 827**	**10 575**	**(2)**	**8 437**	**(22)**	**13 613**	**26**
Commercial	**2 681**	**2 752**	**3**	**2 136**	**(20)**	**3 049**	**14**
RMB CIB	**2 484**	**2 487**	**–**	**2 343**	**(6)**	**2 637**	**6**
Centre (including Group Treasury)	**418**	**418**	**–**	**413**	**(1)**	**422**	**1**
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

Critical accounting estimates, assumptions and judgements continued

<table>
<tr><th>Judgement</th><th>Retail and retail SME</th><th>Wholesale and commercial SME</th></tr>
<tr><td rowspan="2">Measurement of the 12-month ECL and lifetime expected credit losses (LECL)</td><td>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, the 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.</td><td>Parameters are determined based on the application of statistical models that produce estimates based on counterparty-specific financial information and transaction characteristics. These characteristics include the nature of available collateral. Due to the specialised nature of these exposures, parameters produced by models are taken through a robust review and challenge process before being applied to calculate ECL, and are required to be signed off by a committee of wholesale and commercial credit experts who can motivate adjustments to modelled parameters.</td></tr>
<tr><td colspan="2">Parameters are calibrated for the calculation of 12-month ECL 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.</td></tr>
<tr><td>Determination of whether the credit risk of financial instruments have increased significantly since initial recognition (SICR)</td><td>SICR triggers continue to be based on client behaviour, client-based behaviour scores and judgemental factors.</td><td>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.</td></tr>
</table>

Critical accounting estimates, assumptions and judgements 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 gross carrying amount (GCA) of advances suffered a SICR and were moved from stage 1 to stage 2 as at 30 June 2025. A movement of 5% of the stage 1 balance to stage 2 can be viewed as a reasonably possible alternative based on the current economic conditions.	

	30 June 2025	
R million	**5% increase in gross carrying amount of exposure**	**Increase in the loss allowance**
Retail secured	**16 939**	**1 341**
Retail unsecured	**3 815**	**797**
Total retail secured and unsecured	**20 754**	**2 138**
FNB commercial	**6 433**	**781**
WesBank corporate and commercial	**3 053**	**90**
RMB corporate and investment banking	**23 446**	**3 117**
Total corporate and commercial	**32 932**	**3 988**
Centre (including Group Treasury)	**2 636**	**904**
Total increase in stage 2 advances and ECL	**56 322**	**7 030**
	30 June 2024*	
Retail secured	16 100	1 291
Retail unsecured	3 709	756
Total retail secured and unsecured	**19 809**	**2 047**
FNB commercial	5 810	554
WesBank corporate and commercial	2 763	93
RMB corporate and investment banking	22 103	1 892
Total corporate and commercial	**30 676**	**2 539**
Centre (including Group Treasury)	2 024	804
Total increase in stage 2 advances and ECL	52 509	5 390

* *Amounts disclosed has been updated to the classes presented in the notes to the annual financial statements. The total previously presented has remained unchanged.*

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

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 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.

TRANSACTION WITH EMPLOYEES	
EMPLOYEE BENEFITS – DEFINED BENEFIT PLANS	
Determination of required funding levels	Funding levels are monitored on an annual basis and the current agreed employer contribution rate in respect of the defined benefit members in the pension fund is 21.1% (2024: 21.1%) 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 interim actuarial valuation of the pension fund (during 30 June 2024), all categories of liabilities were at least 100% funded. If a defined contribution member chooses to retire and purchase a life annuity in the fund, the funding position of the pensioner liabilities increases as the life annuity purchase price is determined on the stronger solvency reserve basis.
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, expected salary, medical scheme contribution 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.
EQUITY-SETTLED SHARE-BASED PAYMENT PLANS	
Determination of fair value of the award	The total value of the services received is calculated with reference to the fair value of the award on grant date. The fair value of the award is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of awards expected to vest.

Critical accounting estimates, assumptions and judgements and new standards adopted in the current year

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.

New standards adopted in the current year

Amendments to IFRS 16 – *Leases*, IAS 1 – *Presentation of Financial Statements*, IAS 7 – *Statement of Cash Flows* and IFRS 7 – *Financial Instruments: Disclosures* became effective in the current year. None of these amendments to the IFRS Accounting Standards impacted the bank's reported earnings, financial position or reserves, or the accounting policies.

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	**2025**	2024
Analysis of interest and similar income		
Debt instruments at fair value through other comprehensive income	**1 618**	1 523
Instruments at fair value through profit and loss	**754**	2 296
Instruments at amortised cost	**148 949**	138 587
Non-financial instruments	**17**	15
Interest and similar income	**151 338**	142 421
Advances	**123 731**	119 310
– Overdrafts and cash management accounts	**10 378**	10 100
– Term loans	**7 663**	7 092
– Card loans	**7 365**	6 877
– Instalment sales and hire purchase agreements	**17 684**	16 976
– Lease payments receivable	**256**	298
– Property finance	**33 052**	32 753
– Home loans	**28 084**	28 274
– Commercial property finance	**4 968**	4 479
– Personal loans	**12 181**	11 796
– Preference share agreements	**2 416**	2 552
– Assets under agreements to resell	**1 134**	1 027
– Investment bank term loans	**20 159**	17 300
– Other customer advances	**4 057**	4 231
– Invoice finance	**1 142**	1 312
– Marketable advances	**6 244**	6 996
Cash and cash equivalents	**4 021**	2 338
Investment securities	**19 583**	19 114
Amounts due by holding company and fellow subsidiaries	**1 933**	2 353
Preference share dividends received from FirstRand group companies	**1 517**	1 339
Interest on deposit insurance scheme	**305**	51
Interest on derivatives qualifying as hedging instruments	**(1 251)**	(3 479)
Collateral, settlement balances and other	**1 499**	1 395
Interest and similar income	**151 338**	142 421

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	**2025**	2024
Analysis of interest expense and similar charges		
Instruments at fair value through profit or loss	**(200)**	(1 411)
Instruments at amortised cost	**(86 568)**	(81 450)
Non-financial instruments	**(142)**	(136)
Interest expense and similar charges	**(86 910)**	(82 997)
Deposits and debt funding	**(95 316)**	(93 124)
Deposits from customers	**(78 578)**	(74 848)
– Current accounts	**(10 513)**	(10 929)
– Savings deposits	**(3 896)**	(3 431)
– Call deposits	**(27 384)**	(27 029)
– Fixed and notice deposits	**(34 944)**	(32 552)
– Other deposits	**(1 841)**	(907)
Debt securities	**(14 816)**	(15 984)
– Negotiable certificates of deposit	**(4 230)**	(5 789)
– Fixed and floating rate notes	**(10 586)**	(10 195)
Repurchase agreements	**(415)**	(690)
Securities lending	**(402)**	(377)
Cash collateral and credit-linked notes	**(1 105)**	(1 225)
SARB funding facility due to Covid-19 SME government guarantee	**(71)**	(93)
Preference shares and other	**(88)**	(28)
Lease liabilities	**(142)**	(121)
Tier 2 liabilities	**(1 851)**	(1 752)
Amounts due to holding company and fellow subsidiaries	**(1 292)**	(1 718)
Interest on derivatives qualifying as hedging instruments	**460**	2 342
Receiver of revenue	**–**	(15)
Deposit insurance scheme levies	**(20)**	(18)
Deposit insurance scheme premiums	**(264)**	(63)
Other	**(6)**	(6)
Gross interest expense and similar charges	**(98 590)**	(94 596)
Less: interest expense on fair value activities reallocated*	**11 680**	11 599
Interest expense and similar charges	**(86 910)**	(82 997)

* *Relates to interest expense accrued on amortised cost financial liabilities that fund fair value activities. This has been reallocated to non-interest revenue.*

2 Non-interest revenue

R million	Notes	2025	2024
Fee and commission income		**40 661**	38 414
– Instruments at amortised cost		**33 210**	31 097
– Instruments at fair value through profit or loss		**53**	29
– Non-financial instruments		**7 398**	7 288
Fee and commission expenses		**(7 093)**	(6 532)
Net fee and commission income	2.1	**33 568**	31 882
Insurance commission income	2.2	**114**	118
– Instruments mandatory at fair value through profit or loss		**1 743**	8 727
– Instruments designated at fair value through profit or loss		**376**	303
– Translation gains or losses on instruments not held at fair value through profit or loss		**1 652**	(1 848)
Fair value income and foreign exchange gains/(losses)	2.3	**3 771**	7 182
– Instruments at fair value through profit or loss		**5**	(11)
– Mandatory fair value through profit or loss		**5**	(11)
– Instruments at amortised cost		**81**	(183)
– Instruments at fair value through other comprehensive income		**29**	24
– Non-financial instruments		**125**	110
Gains less losses from investing activities*	2.4	**240**	(60)
Net other non-interest revenue	2.5	**7 949**	6 529
Total non-interest revenue		**45 642**	45 651

* *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	2025	2024
Banking fee and commission income	35 914	34 149
– Card commissions	6 671	6 530
– Cash deposit fees	1 663	1 626
– Commitment fees	2 250	2 109
– Electronic transaction fees	1 034	1 009
– Exchange commissions	2 374	2 208
– Brokerage income	7	70
– Bank charges	21 915	20 597
– Transaction and service fees	7 570	6 805
– Documentation and administration fees	10 855	10 288
– Cash handling fees	2 553	2 535
– Other	937	969
Knowledge-based fee and commission income	2 299	2 007
Management, trust and fiduciary fees	1 328	1 337
Other non-bank commissions	1 120	921
Fee and commission income*	**40 661**	38 414
Transaction processing fees	(2 126)	(1 792)
Transaction-based fees	(105)	(212)
Commission paid	(98)	(216)
Customer loyalty programmes	(2 495)	(2 232)
Cash sorting, handling and transportation charges	(1 190)	(1 194)
Card and cheque book related	(522)	(494)
ATM commissions paid	(57)	(62)
Other	(500)	(330)
Fee and commission expenses	**(7 093)**	(6 532)
Net fee and commission income	**33 568**	31 882

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

2.2 Insurance commission income

R million	2025	2024
Commission and brokerage	114	118
Insurance commission income*	**114**	118

* *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

R million	2025	2024
Dividend income on preference shares held	778	1 536
Fair value income	2 993	5 646
Fair value income and foreign exchange gains	**3 771**	**7 182**

2.4 Gains less losses from investing activities

R million	Notes	2025	2024
Gain/(loss) on disposal of investment activities at amortised cost		78	(2)
Impairment loss of debt investment securities at amortised cost		(8)	(175)
Reclassification from other comprehensive income on the derecognition/sale of assets FVOCI		14	11
Dividends on equity instruments at FVOCI		15	13
Other dividends received and associated fair value movements*		15	(16)
Fair value remeasurements on investment properties	16	3	–
Rental income from investment properties	16	122	110
Other gains from investing activities		1	(1)
Gains less losses from investing activities		**240**	**(60)**

* *In the prior year, (R18 million) was disclosed separately as Preference dividends from insurance profit share arrangements. This line has been incorporated into Other dividends received in the current year. The line description for Other dividends received has been changed to Other dividends received and associated fair value movements, to better reflect the nature of the balance.*

2.5 Net other non-interest revenue

R million	Notes	2025	2024
Revenue from contracts with customers*		3 607	3 516
– Sales**		2 619	2 545
– Other income		988	971
Recoveries from holding company and fellow subsidiaries#	29	3 676	2 753
Rental income†		2 135	1 905
Other operating lease transactions		333	292
Other non-interest revenue		**9 751**	**8 466**
– Cost of sales		(1 947)	(1 913)
– Gain/(loss) on disposal of property and equipment		150	(17)
– Other		(5)	(7)
Other non-interest related expense		**(1 802)**	**(1 937)**
Net other non-interest revenue		**7 949**	**6 529**

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

** *This balance includes revenue from commission and sale of smart devices of R982 million (2024: R999 million) and network services of R1 224 million (2024: R1 108 million) which are recognised at a point in time and over time respectively.*

\# *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	2025	2024
Auditors' remuneration		**(521)**	(491)
– Audit fees		**(500)**	(476)
– Fees for other services		**(21)**	(14)
– Prior year under accrual		**–**	(1)
Non-capitalised lease charges		**(353)**	(427)
– Short-term lease charge		**(254)**	(263)
– Low-value lease charge		**(119)**	(190)
– Early termination gains on lease		**20**	26
Staff costs		**(35 345)**	(33 819)
– Salaries, wages and allowances		**(26 809)**	(25 126)
– Contributions to employee benefit funds		**(131)**	(120)
– Defined contribution schemes		**(89)**	(25)
– Defined benefit schemes	17.1	**(42)**	(95)
– Social security levies		**(480)**	(458)
– Share-based payments	25	**(2 155)**	(2 448)
– Movement in short-term employee benefit liabilities		**(5 028)**	(4 846)
– Other staff costs		**(742)**	(821)
Other operating costs		**(20 715)**	(20 355)
– Amortisation of intangible assets	15	**(270)**	(166)
– Depreciation of property and equipment	14	**(3 601)**	(3 483)
– Impairments incurred*		**(206)**	(168)
– Impairments reversed		**40**	51
– Insurance		**(260)**	(260)
– Advertising and marketing		**(1 975)**	(1 497)
– Maintenance		**(1 515)**	(1 523)
– Property		**(1 286)**	(1 254)
– Computer		**(4 540)**	(4 132)
– Stationery, storage and delivery		**(218)**	(214)
– Telecommunications		**(449)**	(374)
– Professional fees		**(3 040)**	(2 621)
– Expenses paid to holding company and fellow subsidiaries	29	**(1 039)**	(1 104)
– Donations		**(380)**	(347)
– Assets costing less than R7 000		**(75)**	(71)
– Business travel		**(360)**	(297)
– Profit share expenses		**(85)**	(161)
– Bank charges		**(15)**	(12)
– Legal fee expenses		**(141)**	(255)
– Entertainment		**(312)**	(238)
– Subscriptions and memberships		**(357)**	(321)
– Training expenses		**(306)**	(268)
– Other operating expenditure		**(325)**	(1 640)
Total operating expenses excluding UK motor commission matter		**(56 934)**	(55 092)
UK motor commission matter**		**(1 533)**	(2 873)
UK motor commission provision**		**(1 328)**	(2 644)
UK motor commission related costs incurred during the year**		**(205)**	(229)
Total operating expenses		**(58 467)**	(57 965)

* *Notable impairments incurred include R115 million (2024: R20 million) impairment losses recognised on properties held by the bank that have been reduced to their respective recoverable amounts. Other notable impairments in the current year include ECL of R76 million (2024: R115 million) 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

	2025			2024		
	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
G Gelink (resigned 29 November 2024)	1 362	1 283	2 645	2 632	1 936	4 568
RM Loubser (resigned 30 November 2023)	–	–	–	1 544	1 158	2 702
PD Naidoo	1 487	347	1 834	1 252	261	1 513
L Von Zeuner	3 615	1 428	5 043	2 931	1 148	4 079
T Winterboer	2 313	2 139	4 452	1 943	1 579	3 522
Z Roscherr	2 957	1 968	4 925	2 375	1 982	4 357
SP Sibisi	1 932	1 783	3 715	1 847	1 251	3 098
TC Isaacs	2 332	349	2 681	1 474	–	1 474
P Makosholo (Appointed 1 October 2024)	1 207	298	1 505	–	–	–
JP Burger (Chairman)	8 184	893	9 077	5 064	997	6 061
Total	25 389	10 488	35 877	24 818	10 516	35 334

Directors Emoluments reporting: Awarded Remuneration

Cash package, retirement contributions and other allowances reflect what was paid to the prescribed officers during the year ended 30 June 2025. 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 granted annually under the conditional incentive plan (CIP), with vesting subject to the achievement of cumulative performance conditions over a three year period. Previously, LTI's were reported for the year in which they were issued, which occurred in the September of the financial year with reference to the previous financial year. For the year ended 30 June 2025, the value in the remuneration table reflect the face value of the LTI awarded in respect of the reporting period i.e. the LTIs awarded for the year ended 30 June issued in September of the following financial year. Comparative information is presented on the same basis.

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	**2025**	2024
AP Pullinger[5]		
Cash package paid during the year	**–**	10 084
Retirement contributions paid during the year	**–**	229
Other allowances	**–**	372
Guaranteed package	**–**	10 685
Performance-related STI:		
Cash[2]	**–**	10 800
– Within 6 months	**–**	7 533
– Within 1 year	**–**	3 267
Restricted share award 2 years (BSOP)[3]	**–**	8 800
Variable pay	**–**	19 600
Total guaranteed and variable pay	**–**	30 285
Value of LTI awards allocated during the financial year under the CIP[4]	**–**	–
Total reward including LTIs	**–**	30 285
M Vilakazi (group CEO)[1,6]		
Cash package paid during the year	**10 703**	8 973
Retirement contributions paid during the year	**231**	187
Other allowances	**270**	242
Guaranteed package	**11 204**	9 402
Performance-related STI:		
Cash[2]	**12 500**	8 275
– Within 6 months	**8 667**	5 850
– Within 1 year	**3 833**	2 425
Restricted share award 2 years (BSOP)[3]	**10 500**	6 275
Variable pay	**23 000**	14 550
Total guaranteed and variable pay	**34 204**	23 952
Value of LTI awards allocated during the financial year under the CIP[4]	**26 000**	24 000
Special LTI Award[6]	**18 000**	–
Total reward including LTIs	**78 204**	47 952
M Davias (group CFO)		
Cash package paid during the year	**8 331**	6 770
Retirement contributions paid during the year	**171**	134
Other allowances	**311**	278
Guaranteed package	**8 813**	7 182
Performance-related STI:		
Cash[2]	**10 000**	6 880
– Within 6 months	**7 000**	4 920
– Within 1 year	**3 000**	1 960
Restricted share award 2 years (BSOP)[3]	**8 000**	4 880
Variable pay	**18 000**	11 760
Total guaranteed and variable pay	**26 813**	18 942
Value of LTI awards allocated during the financial year under the CIP[4]	**19 000**	16 600
Total reward including LTIs	**45 813**	35 542

3 Operating expenses continued

R thousand	2025	2024
HS Kellan (CEO FNB)		
Cash package paid during the year	9 137	9 083
Retirement contributions paid during the year	74	74
Other allowances	249	266
Guaranteed package	9 460	9 423
Performance-related STI:		
Cash[2]	11 000	8 335
– Within 6 months	7 667	5 890
– Within 1 year	3 333	2 445
Restricted share award 2 years (BSOP)[3]	9 000	6 335
Variable pay	20 000	14 670
Total guaranteed and variable pay	29 460	24 093
Value of LTI awards allocated during the financial year under the CIP[4]	17 500	19 200
Total reward including LTIs	46 960	43 293
J Celliers[7]		
Cash package paid during the year	–	8 629
Retirement contributions paid during the year	–	181
Other allowances	–	332
Guaranteed package	–	9 142
Performance-related STI:		
Cash[2]	–	10 218
– Within 6 months	–	7 145
– Within 1 year	–	3 073
Restricted share award 2 years (BSOP)[3]	–	8 217
Variable pay	–	18 435
Total guaranteed and variable pay	–	27 577
Value of LTI awards allocated during the financial year under the CIP[4]	–	13 000
Total reward including LTIs	–	40 577
E Brown (CEO RMB)		
Cash package paid during the year	8 529	8 009
Retirement contributions paid during the year	154	139
Other allowances	75	69
Guaranteed package	8 758	8 217
Performance-related STI:		
Cash[2]	11 210	11 045
– Within 6 months	7 807	7 696
– Within 1 year	3 403	3 349
Restricted share award 2 years (BSOP)[3]	9 210	9 045
Variable pay	20 420	20 090
Total guaranteed and variable pay	29 178	28 307
Value of LTI awards allocated during the financial year under the CIP[4]	17 500	15 000
Total reward including LTIs	46 678	43 307

Notes to the annual financial statements continued

3 Operating expenses continued

£ thousand	2025	2024
S Cooper (Aldermore CEO)		
Cash package paid during the year	814	796
Retirement contributions paid during the year	71	80
Other allowances	297	290
Guaranteed package	**1 182**	1 166
Performance-related STI:		
Cash	612	565
– Within 6 months[8]	245	334
- More than one year (in line with CRD V regulations)[11]	367	231
Share linked- deferred[9]	611	566
Variable pay	**1 223**	1 131
Total guaranteed and variable pay	**2 405**	2 297
Value of LTI awards allocated during the financial year under the CIP[4,10]	–	360
Total reward including LTIs	2 405	2 657

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 restricted share awards and vests after two years and earns dividends as and when they are declared.*

4 *Long-term incentive (LTI) awards are granted annually under the CIP, with vesting subject to the achievement of cumulative performance conditions over a three-year period. Previously, LTI's were reported for the year in which they were issued, which occurred in the September of the financial year with reference to the previous financial year. For the year ended 30 June 2025, the value disclosed in the remuneration table reflect the face value of the LTI awarded in respect of the reporting period i.e. LTI's awarded for 30 June issued in September of the following financial year. Comparative information is presented on the same basis. (LTI awarded values disclosed in the 2024 financial year based on historical disclosure methodology: A Pullinger - R28 000, M Vilakazi - R16 600, M Davias - R7 441, HS Kellan - R18 317, J Celliers - R18 918, E Brown - R13 750 and S Cooper - £282)*

5 *Alan Pullinger stepped down as group CEO on the 31 of March 2024 and retired on the 30th of June 2024.*

6 *A once-off award of R18 million was awarded to Mary and will vest in equal portions over three years, subject to the LTI performance targets being achieved. Vesting of this award will occur in September 2025, September 2026 and September 2027.*

7 *Jacques Celliers stepped down as CEO FNB on 31 March 2024.*

8 *The Aldermore performance-related STI cash component is paid in full in August.*

9 *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.*

10 *The Aldermore performance related STI share price linked is released in equal annual tranches over the deferral period required by Capital Requirements Directive 5 (CRD V) Regulations.*

11 *The Aldermore LTI allocated amount is the on-target value assumed at 67% of maximum. The LTI is a 100 % share price linked award.*

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 2025, 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
M Vilakazi			
Deferred share price linked STI awards			
2022 (2-year deferral)	September 2022	4 406	September 2024
2023 (2-year deferral)	September 2023	4 912	September 2025
Balance deferred share price linked STIs		**9 318**	
Restricted Share Awards (BSOP) STI awards			
2024 (2-year deferral)	September 2024	6 275	September 2026
2025 (2-year deferral)	September 2025	10 500	September 2027
Balance deferred share price linked STIs		**16 775**	
LTI awards under the CIP			
2021	September 2021	14 000	September 2024
2022	September 2022	15 120	September 2025
2023	September 2023	16 600	September 2026
2024	September 2024	24 000	September 2027
2025	September 2025	18 000	September 2025-2027
2025	September 2025	26 000	September 2028
Balance LTIs		**113 720**	
MG Davias			
Deferred share price linked STI awards			
2022 (2-year deferral)	September 2022	3 250	September 2024
2023 (2-year deferral)	September 2023	3 640	September 2025
Balance deferred share price linked STIs		**6 890**	
Restricted Share Awards (BSOP) STI awards			
2024 (2-year deferral)	September 2024	4 880	September 2026
2025 (2-year deferral)	September 2025	8 000	September 2027
Balance deferred share price linked STIs		**12 880**	
LTI awards under the CIP			
2021	September 2021	6 500	September 2024
2022	September 2022	6 890	September 2025
2023	September 2023	7 441	September 2026
2024	September 2024	16 600	September 2027
2025	September 2025	19 000	September 2028
Balance LTIs		**56 431**	
HS Kellan			
Deferred share price linked STI awards			
2022 (2-year deferral)	September 2022	4 838	September 2024
2023 (2-year deferral)	September 2023	5 362	September 2025
Balance deferred share price linked STIs		**10 200**	
Restricted Share Awards (BSOP) STI awards			
2024 (2-year deferral)	September 2024	6 335	September 2026
2025 (2-year deferral)	September 2025	9 000	September 2027
Balance deferred share price linked STIs		**15 335**	
LTI awards under the CIP			
2021	September 2021	16 000	September 2024
2022	September 2022	16 960	September 2025
2023	September 2023	18 317	September 2026
2024	September 2024	19 200	September 2027
2025	September 2025	17 500	September 2028
Balance LTIs		**87 977**	

Units					
Opening balance	Awards made during year[1,2]	Number of awards settled in year	Closing number of awards[3,4] 30 Jun 2025	Value on settlement in 2025[5] R thousand	Total value of dividends paid in respect of all plans[6] R thousand
70 977	–	(70 977)	–	6 717	–
75 737	–	–	75 737	–	–
146 714	–	(70 977)	75 737	6 717	–
–	84 835	–	84 835	–	186
–	–	–	–	–	–
–	84 835	–	84 835	–	186
227 221	–	(227 221)	–	23 557	–
243 557	–	–	243 557	–	–
255 936	–	–	255 936	–	–
–	285 205	–	285 205	–	–
–	260 456	–	260 456	–	–
–	–	–	–	–	–
726 714	545 661	(227 221)	1 045 154	23 557	–
52 352	–	(52 352)	–	4 954	–
56 121	–	–	56 121	–	–
108 473	–	(52 352)	56 121	4 954	–
–	65 975	–	65 975	–	144
–	–	–	–	–	–
–	65 975	–	65 975	–	144
105 496	–	(105 496)	–	12 837	–
110 986	–	–	110 986	–	–
114 727	–	–	114 727	–	–
–	197 266	–	197 266	–	–
–	–	–	–	–	–
331 209	197 266	(105 496)	422 979	12 837	–
77 924	–	(77 924)	–	7 374	–
82 678	–	–	82 678	–	–
160 602	–	(77 924)	82 678	7 374	–
–	85 646	–	85 646	–	188
–	–	–	–	–	–
–	85 646	–	85 646	–	188
259 682	–	(259 682)	–	26 922	–
273 196	–	–	273 196	–	–
282 405	–	–	282 405	–	–
–	228 163	–	228 163	–	–
–	–	–	–	–	–
815 283	228 163	(259 682)	783 764	26 922	–

Notes to the annual financial statements continued

3 Operating expenses continued

	Issue date	Value at grant date R thousand	Settlement date
E Brown			
Deferred share price linked STI awards			
2022 (2-year deferral)	September 2022	8 375	September 2024
2023 (2-year deferral)	September 2023	8 550	September 2025
Balance deferred share price linked STIs		**16 925**	
Restricted Share Awards (BSOP) STI awards			
2024 (2-year deferral)	September 2024	9 045	September 2026
2025 (2-year deferral)	September 2025	9 210	September 2027
Balance deferred share price linked STIs		**18 255**	
LTI awards under the CIP			
2021	September 2021	8 400	September 2024
2022	September 2022	12 500	September 2025
2023	September 2023	13 750	September 2026
2024	September 2024	15 000	September 2027
2025	September 2025	17 500	September 2028
Balance LTIs		**67 150**	
S Cooper (£ thousand)			
Deferred share price linked STI awards[7]			
2021 (3-year deferral)	September 2021	32	September 2022-2024
2022 (7-year deferral)	September 2022	434	September 2023-2030
2023 (7-year deferral)	September 2023	581	September 2024-2031
2024 (7-year deferral)	September 2024	566	September 2025-2032
2025 (7-year deferral)	September 2025	611	September 2026-2033
Balance deferred share price linked STIs		**2 224**	
LTI awards under the CIP[8]			
2021	September 2021	542	September 2024-2029
2022	September 2022	282	September 2025-2030
2023	September 2023	282	September 2026-2031
2024	September 2024	360	September 2027-2032
2025	September 2025	–	September 2028-2033
Balance LTIs		**1 466**	

1 *FirstRand share price linked schemes (BCIP/CIP) are determined on monetary value and not on the number of shares. The allocation of the share price linked 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 restricted shares allocated in 2025 is only calculated after the annual financial statements are issued.*

2 *The allocation of restricted share awards (BSOP) is determined after the half year results announcement, using the average price (VWAP) ten days after the results announcement.*

3 *Deferred share price linked STI awards and restricted share awards vesting depends on continued employment over two years as well as individual and business unit performance.*

4 *For all, LTI schemes vesting depends on performance conditions and targets being met on a cumulative basis over three years.The group does not apply a probability of vesting to the unvested awards and the assumption is 100% vesting up until the final remuneration committee decision, given the current environment and uncertainty in quantifying the probability of vesting. For information purposes, the maximum possible value of the unvested awards as at June 2025 is the market value of the total number of shares at R75.69 per share on the last trading day of the financial year (28 June 2025).*

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

6 *Dividends are payable on restricted share awards as and when they are declared.*

7 *The Aldermore performance-related STI share price linked component is released in equal annual tranches over the deferral period required by CRD V regulations.*

8 *Aldermore incentive awards are not convertible into units.*

For prior year disclosure refer to Note 32 Disclosure of comparative information.

Units					
Opening balance	Awards made during year[1,2]	Number of awards settled in year	Closing number of awards[3,4] 30 Jun 2025	Value on settlement in 2025[5] R thousand	Total value of dividends paid in respect of all plans[6] R thousand
134 907	–	(134 907)	–	12 767	–
131 822	–	–	131 822	–	–
266 729	–	(134 907)	131 822	12 767	–
–	122 286	–	122 286	–	268
–	–	–	–	–	–
–	122 286	–	122 286	–	268
136 333	–	(136 333)	–	16 589	–
201 353	–	–	201 353	–	–
211 995	–	–	211 995	–	–
–	178 253	–	178 253	–	–
–	–	–	–	–	–
549 681	178 253	(136 333)	591 601	16 589	–
–	–	–	–	14	–
–	–	–	–	–	–
–	–	–	–	434	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	448	–
–	–	–	–	860	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	860	–

Notes to the annual financial statements continued

4 Indirect and income tax expense

	R million	2025	2024
4.1	**Indirect tax**		
	Value-added tax (net)	(1 173)	(1 132)
	Total indirect tax	(1 173)	(1 132)
4.2	**Income tax expense**		
	South African income tax		
	Current	(8 209)	(7 940)
	– Current year	(8 147)	(7 975)
	– Prior year adjustment	(62)	35
	Deferred income tax	586	225
	– Current year	608	301
	– Prior year adjustment	(22)	(76)
	Total South African income tax	(7 623)	(7 715)
	Foreign company and withholding tax		
	Current	(327)	(1)
	– Current year	(270)	(1)
	– Prior year adjustment	(57)	–
	Deferred income tax	(501)	502
	– Current year	(501)	502
	Total foreign company and withholding tax	(828)	501
	South African capital gains tax	–	8
	– Deferred capital gains tax	–	8
	Total capital gains tax	–	8
	Total income tax expense	(8 451)	(7 206)

4 Indirect and income tax expense continued

Tax rate reconciliation

%	2025	2024
Standard rate of income tax	**27.0**	27.0
Total tax has been affected by:		
Dividend and other exempt income	**(4.1)**	(4.7)
Other non-taxable income*	**(0.3)**	(0.1)
Prior year adjustments	**0.4**	0.1
Effect of capital gains tax rate	**(0.1)**	–
Disallowed expenditure**	**0.7**	0.3
Other#	**(1.1)**	(1.1)
Effective rate of tax	**22.5**	21.5

* *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.

R million	Notes	Amortised cost	At fair value through profit or loss Mandatory	At fair value through profit or loss Designated
ASSETS				
Cash and cash equivalents	6	**115 222**	**–**	**–**
Derivative financial instruments	7	**–**	**51 261**	**–**
Investment securities	9	**214 432**	**106 129**	**202**
Advances	10	**1 079 968**	**111 787**	**22 440**
Collateral, settlement balances and other assets	12	**29 364**	**–**	**–**
Amounts due by holding company and fellow subsidiaries		**70 652**	**1 001**	**–**
Non-financial assets		**–**	**–**	**–**
Total assets		**1 509 638**	**270 178**	**22 642**
Cash and cash equivalents	6	88 470	–	–
Derivative financial instruments	7	–	44 780	–
Investment securities	9	196 074	92 314	202
Advances	10	1 040 129	87 942	15 057
Collateral, settlement balances and other assets	12	24 139	–	–
Amounts due by holding company and fellow subsidiaries		57 344	1 294	–
Non-financial assets		–	–	–
Total assets		1 406 156	226 330	15 259

2025							
At fair value through other comprehensive income		Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current and non-contractual
Debt	Equity					
–	–	–	–	115 222	115 222	–
–	–	1 676	–	52 937	51 131	1 806
19 647	359	–	–	340 769	196 494	144 275
–	–	–	–	1 214 195	399 887	814 308
–	–	–	4 930	34 294	25 206	9 088
–	–	–	–	71 653	30 797	40 856
–	–	–	35 560	35 560	7 364	28 196
19 647	359	1 676	40 490	1 864 630	826 101	1 038 529
2024						
–	–	–	–	88 470	88 470	–
–	–	1 194	–	45 974	45 650	324
18 765	343	–	–	307 698	163 456	144 242
–	–	–	–	1 143 128	393 844	749 284
–	–	–	4 194	28 333	21 795	6 538
–	–	–	–	58 638	40 430	18 208
–	–	–	43 605	43 605	15 355	28 250
18 765	343	1 194	47 799	1 715 846	769 000	946 846

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.

		2025		
			At fair value through profit or loss	
R million	Notes	Amortised cost	Mandatory	Designated
LIABILITIES				
Short trading positions	19	**–**	**16 533**	**–**
Derivative financial instruments	7	**–**	**50 491**	**–**
Creditors, accruals and provisions	20	**9 495**	**–**	**–**
Deposits and debt funding	21	**1 488 689**	**80 217**	**4 297**
Other liabilities	22	**–**	**–**	**945**
Amounts due to holding company and fellow subsidiaries	13	**17 407**	**198**	**–**
Tier 2 liabilities	23	**20 580**	**–**	**–**
Non-financial liabilities		**–**	**–**	**–**
Total liabilities		**1 536 171**	**147 439**	**5 242**
			2024	
Short trading positions	19	–	9 601	–
Derivative financial instruments	7	–	42 918	–
Creditors, accruals and provisions	20	11 780	–	–
Deposits and debt funding	21	1 383 790	55 761	5 156
Other liabilities	22	–	–	931
Amounts due to holding company and fellow subsidiaries	13	28 269	150	–
Tier 2 liabilities	23	16 758	–	–
Non-financial liabilities		–	–	–
Total liabilities		1 440 597	108 430	6 087

Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current and non-contractual
		2025		
–	–	16 533	16 533	–
971	–	51 462	51 108	354
–	13 830	23 325	15 248	8 077
–	–	1 573 203	1 376 496	196 707
–	2 069	3 014	1 239	1 775
–	–	17 605	15 946	1 659
–	–	20 580	3 848	16 732
–	13 389	13 389	7 903	5 486
971	**29 288**	**1 719 111**	**1 488 321**	**230 790**
		2024		
–	–	9 601	9 601	–
466	–	43 384	42 959	425
–	15 239	27 019	18 899	8 120
–	–	1 444 707	1 280 789	163 918
–	2 115	3 046	1 102	1 944
–	–	28 419	21 033	7 386
–	–	16 758	–	16 758
–	13 755	13 755	7 512	6 243
466	31 109	1 586 689	1 381 895	204 794

Notes to the annual financial statements continued

6 Cash and cash equivalents

R million	2025	2024
Coins and bank notes	7 814	8 256
Money at call and short notice	19 770	28 207
Balances with central banks	87 638	52 007
Mandatory reserve balances with central banks	37 975	35 285
Other balances with central banks	49 663	16 722
Total cash and cash equivalents*	**115 222**	88 470

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

Mandatory reserve balances with central banks

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 may be 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. 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's share price. This equity price risk is managed by purchasing equity derivatives which mitigate the exposure to variability in cash outflows as a result of FirstRand's share price. Cash flow hedge accounting is employed to provide a better reflection of how equity price risk is managed in profit or loss.

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.

Notes to the annual financial statements continued

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's 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

	2025				
R million	Notional asset	Notional liability	Total notional	Fair value asset	Fair value liability
Qualifying for hedge accounting	188 682	187 273	375 955	1 676	971
Fair value hedge accounting	18 629	9 201	27 830	1 009	339
– Interest rate derivatives*	18 629	9 201	27 830	1 009	339
Cash flow hedge accounting	170 053	178 072	348 125	667	632
– Interest rate derivatives*	168 774	174 616	343 390	450	318
– Equity derivatives	1 279	3 456	4 735	217	314
Held for trading	11 625 680	11 413 755	23 039 435	51 261	50 491
– Currency derivatives	377 085	349 899	726 984	10 233	8 878
– Interest rate derivatives*	11 165 310	10 969 943	22 135 253	34 306	35 488
– Equity derivatives	48 999	46 368	95 367	4 791	2 692
– Commodity derivatives	26 695	43 236	69 931	1 572	3 203
– Energy derivatives	3 064	3 148	6 212	161	150
– Credit derivatives	4 527	1 161	5 688	198	80
Total derivative assets/liabilities	11 814 362	11 601 028	23 415 390	52 937	51 462
Exchange traded	35 745	32 917	68 662	–	–
Over the counter	11 778 617	11 568 111	23 346 728	52 937	51 462
Total derivative assets/liabilities	11 814 362	11 601 028	23 415 390	52 937	51 462

* *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.*

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.

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

Notes to the annual financial statements continued

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 rate 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.

	2025	2024
	Interest rate risk	Interest rate risk
R million	**Notional amount**	Notional amount*
1 – 3 months	**2 356**	–
4 – 12 months	**800**	–
1 – 5 years	**17 138**	8 204
>5 years	**7 536**	19 095
Total	**27 830**	27 299

* *In the prior year the total notional was reflected as R28 713 million, it has been restated to R27 299 million. In the prior year, R9 619 million was incorrectly disclosed in the 1-5 years maturity.*

	2025	2024
	Average interest rate	Average interest rate
R million	**risk (%)**	risk (%)
Derivative assets*		
1 – 3 months	**2**	–
4 – 12 months	**1**	–
1 – 5 years	**5**	4
>5 years	**5**	5
Derivative liabilities*		
1 – 5 years	**8**	–
>5 years	**9**	9

* *In the current year the average interest rate for the Derivative assets and Derivative liabilities has been disaggregated. In the prior year the average interest rate for the Derivative liabilities > 5 years bucket was reflected as 0% and has been restated to 9%.*

7 Derivative financial instruments continued

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

R million	2025		2024	
	Advances	**Investment securities**	Advances	Investment securities*
Interest rate risk — hedged items				
Carrying amount excluding fair value hedge adjustments	**–**	**27 814**	–	27 383
Accumulated fair value hedge adjustments for instruments that are actively hedged	**–**	**130**	–	(1 099)
Total carrying amount of hedged items	**–**	**27 944**	–	26 284
Accumulated fair value hedge adjustments for items that have ceased to be adjusted for fair value hedge gains and losses	–	(227)	26	(267)

* *In the current year, the bank has refined the calculation of the carrying amount for investment securities to include only the proportion of bonds that are subject to fair value hedging. The prior year has been restated. It was previously reported as R30 008 million.*

The following amounts were recognised in NII and NIR for the year in respect of fair value hedging relationships (single hedge relationships). Negative values reflect a credit, positive values reflect a debit against the carrying amount of the hedging instrument and the hedged item.

R million	2025	2024
Interest rate risk		
Changes in fair value for the year arising on hedging instruments	**(1 190)**	(456)
– Interest rate derivatives	**(1 190)**	(456)
Changes in fair value on the hedged items attributable to the hedged risk	**1 273**	552
– Investment securities — amortised cost	**684**	(40)
– Investment securities — FVOCI	**589**	592
Ineffectiveness recognised in NIR*	**83**	96

* *Included in fair value income and foreign exchange gains/losses.*

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.

Notes to the annual financial statements continued

7 Derivative financial instruments continued

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 63 million (2024: 99 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.

The following table discloses the maturity of the hedging instruments according to their respective maturity buckets and the average rate included in cash flow hedging relationships.

	2025		2024	
	Notional amount		Notional amount	
R million	**Interest rate risk**	**Equity price risk**	Interest rate risk	Equity price risk
1 – 3 months	**9 098**	**–**	98 772	–
4 – 12 months	**50 632**	**4 735**	224 677	5 021
1 – 5 years	**248 170**	**–**	279 532	1 128
>5 years	**35 489**	**–**	41 265	–
Total	**343 389**	**4 735**	644 246	6 149
	Average rate/share price		Average rate/share price	
	Interest rate risk (%)	**Equity price risk (ZAR)**	Interest rate risk (%)	Equity price risk (ZAR)
Derivative assets				
1 – 3 months	**5**	**–**	7	–
4 – 12 months	**7**	**63**	7	62
1 – 5 years	**8**	**–**	7	63
>5 years	**8**	**–**	8	–
Derivative liabilities				
1 – 3 months	**6**	**–**	8	–
4 – 12 months	**6**	**81**	7	–
1 – 5 years	**8**	**–**	7	–
>5 years	**8**	**–**	8	–

7 Derivative financial instruments continued

The following amounts were recorded in NIR for the year in respect of cash flow hedging relationships. Negative values reflects a credit and a positive value reflects a debit against the carrying amount of the hedging instrument.

R million	2025 Interest rate risk	2025 Equity price risk	2025 Total	2024 Interest rate risk	2024 Equity price risk	2024 Total
Changes in fair value for the year						
On the hedging instruments	**2 794**	**497**	**3 291**	3 022	723	3 745
– Interest rate derivatives	**2 794**	**–**	**2 794**	3 022	–	3 022
– Equity derivatives	**–**	**497**	**497**	–	723	723
On the hedged item subject to the hedged risk	**(2 748)**	**(728)**	**(3 476)**	(2 929)	(765)	(3 694)
– Advances	**(5 649)**	**–**	**(5 649)**	(6 152)	–	(6 152)
– Other funding liabilities	**2 901**	**–**	**2 901**	3 223	–	3 223
– Share-based payment	**–**	**(728)**	**(728)**	–	(765)	(765)
Ineffectiveness recognised in NIR*	**46**	**–**	**46**	93	–	93

* *Included in fair value income and foreign exchange gains/losses.*

The following amounts relate to the fair value and cash flow movements in the cash flow hedge reserve reflected through other comprehensive income on hedging instruments included in cash flow hedging relationships.

R million	2025 Interest rate risk	2025 Equity price risk	2025 Total	2024 Interest rate risk	2024 Equity price risk	2024 Total
Cash flow hedge reserve – opening balance ((debit)/credit)	**(1 270)**	**386**	**(884)**	(3 721)	496	(3 225)
Movement in reserve attributable to changes in the fair value of the hedging instruments	**1 779**	**423**	**2 202**	1 781	615	2 396
Analysis of transfers out of cash flow hedging reserve:						
NII and operating expenses (staff costs)	**1 173**	**(728)**	**445**	1 576	(765)	811
– Hedged item affects profit or loss	**1 142**	**(728)**	**414**	1 214	(765)	449
– Hedged future cash flows no longer expected to occur	**31**	**—**	**31**	362	—	362
Deferred tax on reserve movement	**(797)**	**82**	**(715)**	(906)	40	(866)
Cash flow hedge reserve – closing balance ((debit)/credit)	**885**	**163**	**1 048**	(1 270)	386	(884)
Cash flow hedge reserve relating to continuing hedges	**583**	**163**	**746**	(1 446)	386	(1 060)
Cash flow hedge reserve relating to discontinued hedges	**302**	**—**	**302**	176	—	176
Cash flow hedge reserve – closing balance ((debit)/credit)	**885**	**163**	**1 048**	(1 270)	386	(884)

8 Commodities

R million	2025	2024
Agricultural commodities	**1 256**	1 426
Gold	**6 006**	13 611
Platinum group metals	**102**	72
Total commodities	**7 364**	15 109

Notes to the annual financial statements continued

9 Investment securities

R million	2025	2024
Treasury bills	**93 062**	78 294
Other government and government-guaranteed stock	**237 292**	217 234
Other dated securities	**1 781**	5 585
Other undated securities	**1 250**	1 220
Equities	**7 714**	5 687
Total gross carrying amount of investment securities	**341 099**	308 020
Loss allowance on investment securities	**(330)**	(322)
Total investment securities	**340 769**	307 698

9.1 *Analysis of impairment stages of investment securities*

	2025					
	Amortised cost			**FVOCI (debt)**		
R million	**Gross carrying amount***	**ECL allowance**	**Carrying amount**	**Gross carrying amount***	**ECL allowance****	**Carrying amount**
As at 30 June 2025						
Stage 1	**214 762**	**330**	**214 432**	**19 647**	**–**	**19 647**
Total investment securities	**214 762**	**330**	**214 432**	**19 647**	**–**	**19 647**
	2024					
As at 30 June 2024						
Stage 1	196 396	322	196 074	18 765	–	18 765
Total investment securities	196 396	322	196 074	18 765	–	18 765

* *In the prior year, the carrying amount column represented the gross carrying amount. The description has been updated and the carrying amount information has been included in the current year in accordance with IFRS 7.*

** *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 and debt funding (carrying amount)	
R million	**2025**	2024*	**2025**	2024*
Repurchase agreements	**26 303**	11 437	**26 017**	11 123

* *The prior year balance for the carrying amount of Investment securities and Associated liabilities were understated by R4 166 million and R3 852 million respectively, comparatives have been restated.*

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 R26 303 million (2024: R11 437 million) and that of the associated liabilities is R26 017 million (2024: R11 123 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 R359 million (2024: R343 million).

10 Advances

10.1 *Category analysis of advances*

R million	Notes	2025	2024
Overdrafts and cash management accounts		**88 383**	86 389
Term loans		**77 093**	80 592
Card loans		**48 418**	45 477
Instalment sales, hire purchase agreements and lease payments receivable	10.2	**165 466**	152 324
Property finance		**321 873**	307 039
Personal loans		**56 789**	55 781
Preference share agreements		**29 744**	30 211
Investment bank term loans		**235 494**	217 669
Long-term loans to group associates and joint ventures		**550**	452
Other		**62 633**	60 420
Total customer advances		**1 086 443**	1 036 354
Marketable advances		**66 275**	79 474
Assets under agreements to resell		**104 621**	67 757
Gross value of advances		**1 257 339**	1 183 585
Impairment and credit of fair value advances	11.1	**(43 144)**	(40 457)
Net advances		**1 214 195**	1 143 128
Gross advances – amortised cost		**1 122 302**	1 079 725
Impairment of advances – amortised cost		**(42 334)**	(39 596)
Net advances – amortised cost		**1 079 968**	1 040 129
Gross advances – fair value		**135 037**	103 860
Impairment of advances – fair value		**(810)**	(861)
Net advances – fair value		**134 227**	102 999
Net advances		**1 214 195**	1 143 128

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

R million	2025	2024
Within 1 year	**1 578**	1 800
Between 1 and 2 years	**792**	859
Between 2 and 3 years	**563**	607
Between 3 and 4 years	**373**	367
Between 4 and 5 years	**191**	201
More than 5 years	**82**	79
Total gross amount*	**3 579**	3 913
Unearned finance charges	**(553)**	(525)
Net amount of hire purchase and lease payments receivable	**3 026**	3 388
Instalment sales	**162 440**	148 936
Total instalment sales, hire purchase agreements and lease payments receivable	**165 466**	152 324

* *Hire purchase agreements and lease payments receivable relate to leases for motor vehicles and equipment. The agreements do not include contingent rentals.The decrease in the gross amount is attributable to the run-down of the hire purchase agreements in the MotoNovo back book. Lease payments receivable in WesBank increased due to improved demand as economic conditions ease.*

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 - Nitro 7 and Nitro 8) and FNB residential mortgages (Lehae Programme). These structured entities are consolidated by FirstRand. During the financial year, new issuances were made under the Nitro programme (Nitro 8) and the notes under the FAST securitisation was settled. 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**	**2025**	2024	**2025**	2024
FAST	July 2016	R6.8 billion	**1 343**	1 919	**3**	704
Nitro Programme (Nitro 7)	May 2019	R2 billion	**–**	2	**–**	–
Lehae Programme	September 2023	R2.04 billion	**1 758**	1 980	**1 742**	1 971
Nitro Programme (Nitro 8)	December 2024	R2.05 billion	**1 731**	–	**1 716**	–

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 – Assets	Carrying amount of continuing involvement recognised in the statement of financial position – Liabilities	Fair value of continuing involvement – Assets	Fair value of continuing involvement – Liabilities	Maximum exposure to loss
As at 30 June 2025					
Traditional securitisation transactions					
Derivative financial instruments	**1**	**4**	**1**	**4**	**1 086**
Investment securities and other investments	**208**	**889**	**222**	**889**	**208**
Total	**209**	**893**	**223**	**893**	**1 294**
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

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) 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.

	2025			2024		
R million	**Traditional securitisation transactions**	**Other structured transactions**	**Total**	Traditional securitisation transactions	Other structured transactions	Total
Loss at date of transfer	**(425)**	**–**	**(425)**	(384)	–	(384)
Income recognised from continuing involvement	**2 555**	**–**	**2 555**	2 693	–	2 693
– for the current period	**(2)**	**–**	**(2)**	134	–	134
– cumulative	**2 557**	**–**	**2 557**	2 559	–	2 559

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* continued

R million	2025 Traditional securitisation transactions	2025 Other structured transactions	2025 Total	2024 Traditional securitisation transactions	2024 Other structured transactions	2024 Total
Total undiscounted cash outflows	**3 996**	**–**	**3 996**	3 507	–	3 507
– Call	**–**	**–**	**–**	–	–	–
– 1 – 3 months	**301**	**–**	**301**	240	–	240
– 4 – 12 months	**613**	**–**	**613**	583	–	583
– 1 – 5 years	**3 082**	**–**	**3 082**	2 684	–	2 684
– >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, whereafter the type of loans provided to that type of client is reflected as subclasses.

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 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 R12 223 million (30 June 2024: R11 185 million).

Included in the core lending advances is advances of R1 937 million (30 June 2024: R1 628 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 2025

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
GCA reported as at 1 July 2024	270 461	111 421	41 374	53 286	7 314
– Stage 1	230 024	91 975	33 111	35 345	5 715
– Stage 2	22 219	12 336	3 030	8 933	584
– Stage 3	18 218	7 110	5 233	9 008	1 015
– Purchased or originated credit impaired	–	–	–	–	–
Transfers between stages	–	–	–	–	–
Transfers to/(from) stage 1	(4 821)	(3 381)	(2 168)	(4 225)	(207)
– Transfers into stage 1	6 547	2 737	944	1 759	145
– Transfers out of stage 1	(11 368)	(6 118)	(3 112)	(5 984)	(352)
Transfers to/(from) stage 2	1 317	499	(394)	(539)	82
– Transfers into stage 2	11 489	5 388	1 355	4 179	347
– Transfers out of stage 2	(10 172)	(4 889)	(1 749)	(4 718)	(265)
Transfers to/(from) stage 3	3 504	2 882	2 562	4 764	125
– Transfers into stage 3	6 339	3 970	2 678	6 119	275
– Transfers out of stage 3	(2 835)	(1 088)	(116)	(1 355)	(150)
Current year movement	10 061	15 220	5 165	7 719	294
New business – changes in exposure	40 396	47 874	3 730	19 976	1 251
Back book – current year movement	(30 335)	(32 654)	1 435	(12 257)	(957)
– Exposures with a change in measurement basis from 12 months to LECL	(1 323)	(1 935)	144	(1 368)	(8)
– Other current year change in exposure/ net movement on GCA	(29 012)	(30 719)	1 291	(10 889)	(949)
Purchased or originated credit impaired	–	–	–	–	–
Acquisition/(disposal) of advances	–	(1 990)	–	–	–
Transfers from/(to) other divisions	1	–	–	2	(1)
Exchange rate differences	–	–	–	–	–
Bad debts written off	(520)	(2 221)	(2 151)	(6 177)	(755)
Modifications that did not give rise to derecognition	(18)	(51)	(152)	(742)	(29)
GCA as at 30 June 2025	279 985	122 379	44 236	54 088	6 823
– Stage 1	235 805	102 980	34 812	36 126	5 369
– Stage 2	24 138	12 184	3 156	8 880	537
– Stage 3	20 042	7 215	6 268	9 082	917
– Purchased or originated credit impaired	–	–	–	–	–
Core lending advances	279 985	122 379	44 236	54 088	6 823
Assets under agreements to resell*	–	–	–	–	–
Total GCA of advances as at 30 June 2025	279 985	122 379	44 236	54 088	6 823

**All balances are included in stage 1.*

Corporate and commercial				
FNB commercial	WesBank corporate and commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
129 022	60 218	366 875	39 754	1 079 725
115 388	55 268	343 271	39 110	949 207
8 901	3 841	20 490	13	80 347
4 733	1 109	2 274	631	49 331
–	–	840	–	840
–	–	–	–	–
(3 190)	(1 192)	5 740	3	(13 441)
1 672	1 781	10 498	5	26 088
(4 862)	(2 973)	(4 758)	(2)	(39 529)
534	512	(8 732)	(1)	(6 722)
3 153	2 528	4 758	2	33 199
(2 619)	(2 016)	(13 490)	(3)	(39 921)
2 656	680	2 992	(2)	20 163
2 756	800	2 992	1	25 930
(100)	(120)	–	(3)	(5 767)
15 538	5 854	19 588	9 286	88 725
30 099	18 699	116 499	497	279 021
(14 561)	(12 845)	(97 030)	8 789	(190 415)
(1 145)	(1 268)	(949)	1	(7 851)
(13 416)	(11 577)	(96 081)	8 788	(182 564)
–	–	119	–	119
–	–	(28 384)	–	(30 374)
(2)	–	–	–	–
–	–	(583)	38	(545)
(1 598)	(195)	(111)	(518)	(14 246)
9	–	–	–	(983)
142 969	65 877	357 385	48 560	1 122 302
127 844	61 060	341 667	48 466	994 129
9 479	3 479	10 146	11	72 010
5 646	1 338	4 680	83	55 271
–	–	892	–	892
142 969	65 877	357 319	32 312	1 105 988
–	–	66	16 248	16 314
142 969	65 877	357 385	48 560	1 122 302

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 2025

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
ECL reported as at 1 July 2024	5 448	6 195	5 705	10 243	1 326
– Stage 1	413	978	1 157	1 884	282
– Stage 2	1 288	1 859	773	2 112	168
– Stage 3	3 747	3 358	3 775	6 247	876
– Purchased or originated credit impaired	–	–	–	–	–
Transfers between stages	–	–	–	–	–
Transfers to/(from) stage 1	206	233	56	(124)	10
– Transfers into stage 1	253	313	215	376	24
– Transfers out of stage 1	(47)	(80)	(159)	(500)	(14)
Transfers to/(from) stage 2	(245)	(641)	(414)	(1 192)	3
– Transfers into stage 2	282	149	81	672	67
– Transfers out of stage 2	(527)	(790)	(495)	(1 864)	(64)
Transfers to/(from) stage 3	39	408	358	1 316	(13)
– Transfers into stage 3	319	525	422	1 845	53
– Transfers out of stage 3	(280)	(117)	(64)	(529)	(66)
Current year provision created/(released)	1 193	2 258	3 116	5 851	572
New business – impairment charge/(release)	312	1 398	291	2 431	182
Back book – impairment charge/(release)	881	860	2 825	3 420	390
– Exposures with a change in measurement basis from 12 months to LECL	67	(245)	166	46	9
– Other current year impairment charge/(release)	814	1 105	2 659	3 374	381
Purchased or originated credit impaired	–	–	–	–	–
Acquisition/(disposal) of advances	–	–	–	–	–
Transfers from/(to) other divisions	–	–	–	2	–
Exchange rate differences	–	–	–	–	–
Bad debts written off	(520)	(2 221)	(2 151)	(6 177)	(755)
ECL as at 30 June 2025	6 121	6 232	6 670	9 919	1 143
– Stage 1	403	1 032	1 258	1 762	201
– Stage 2	1 266	1 880	857	2 019	149
– Stage 3	4 452	3 320	4 555	6 138	793
– Purchased or originated credit impaired	–	–	–	–	–
Current year provision created/(released) per impairment stage	1 193	2 258	3 116	5 851	572
– Stage 1	(216)	(179)	45	4	(94)
– Stage 2	223	662	498	1 098	(20)
– Stage 3	1 186	1 775	2 573	4 749	686
– Purchased or originated credit impaired	–	–	–	–	–

Corporate and commercial				
FNB commercial	WesBank corporate and commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
5 071	916	3 854	838	39 596
1 189	245	960	244	7 352
947	147	2 024	5	9 323
2 935	524	288	589	22 339
–	–	582	–	582
–	–	–	–	–
149	49	513	1	1 093
268	76	539	1	2 065
(119)	(27)	(26)	–	(972)
(384)	(59)	(971)	–	(3 903)
97	29	26	–	1 403
(481)	(88)	(997)	–	(5 306)
235	10	458	(1)	2 810
289	32	458	–	3 943
(54)	(22)	–	(1)	(1 133)
2 559	296	1 012	144	17 001
504	193	483	–	5 794
2 055	103	350	144	11 028
359	(3)	(168)	(1)	230
1 696	106	518	145	10 798
–	–	179	–	179
–	–	(50)	–	(50)
(2)	–	–	–	–
–	–	(3)	36	33
(1 598)	(195)	(111)	(518)	(14 246)
6 030	1 017	4 702	500	42 334
1 077	247	1 486	414	7 880
1 240	117	998	4	8 530
3 713	653	1 524	82	25 230
–	–	694	–	694
2 559	296	1 012	144	17 001
(260)	(48)	64	167	(517)
675	29	(54)	–	3 111
2 144	315	823	(23)	14 228
–	–	179	–	179

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 2025

R million	FNB commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
GCA reported as at 1 July 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	–	–	–	–
Transfers between stages	–	–	–	–
Transfers to/(from) stage 1	–	(327)	(41)	(368)
– Transfers into stage 1	–	282	–	282
– Transfers out of stage 1	–	(609)	(41)	(650)
Transfers to/(from) stage 2	–	331	41	372
– Transfers into stage 2	–	609	41	650
– Transfers out of stage 2	–	(278)	–	(278)
Transfers to/(from) stage 3	–	(4)	–	(4)
– Transfers into stage 3	–	(4)	–	(4)
– Transfers out of stage 3	–	–	–	–
Current year movement	(1)	28 379	2 912	31 290
New business – changes in exposure	–	14 697	–	14 697
Back book – current year movement	(1)	13 682	2 912	16 593
– Exposures with a change in measurement basis from 12 months to LECL	–	(1)	2	1
– Other current year change in exposure/net movement on GCA	(1)	13 683	2 910	16 592
Purchased or originated credit impaired	–	–	–	–
Acquisition/(disposal) of advances	–	–	–	–
Transfers from/(to) other divisions	–	–	–	–
Exchange rate differences	–	(111)	–	(111)
Bad debts written off	–	–	(2)	(2)
GCA as at 30 June 2025	815	129 946	4 276	135 037
– Stage 1	815	127 260	4 232	132 307
– Stage 2	–	1 976	44	2 020
– Stage 3	–	710	–	710
– Purchased or originated credit impaired	–	–	–	–
Core lending advances	815	44 308	1 607	46 730
Assets under agreements to resell*	–	85 638	2 669	88 307
Total GCA of advances as at 30 June 2025	815	129 946	4 276	135 037

* *All balances are included in stage 1.*

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 2025

R million	FNB commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
ECL reported as at 1 July 2024	6	848	7	861
– Stage 1	6	497	7	510
– Stage 2	–	109	–	109
– Stage 3	–	242	–	242
– Purchased or originated credit impaired	–	–	–	–
Transfers between stages	–	–	–	–
Transfers to/(from) stage 1	–	8	2	10
– Transfers into stage 1	–	18	2	20
– Transfers out of stage 1	–	(10)	–	(10)
Transfers to/(from) stage 2	–	(8)	(2)	(10)
– Transfers into stage 2	–	10	–	10
– Transfers out of stage 2	–	(18)	(2)	(20)
Transfers to/(from) stage 3	–	–	–	–
– Transfers into stage 3	–	–	–	–
– Transfers out of stage 3	–	–	–	–
Current year provision created/(released)	10	(56)	2	(44)
New business – impairment charge/(release)	–	78	1	79
Back book – impairment charge/(release)	10	(134)	1	(123)
– Exposures with a change in measurement basis from 12 months to LECL	–	189	1	190
– Other current year impairment charge/(release)	10	(323)	–	(313)
Purchased or originated credit impaired	–	–	–	–
Acquisition/(disposal) of advances	–	–	–	–
Transfers from/(to) other divisions	–	–	–	–
Exchange rate differences	–	(5)	–	(5)
Bad debts written off	–	–	(2)	(2)
ECL as at 30 June 2025	16	787	7	810
– Stage 1	16	110	8	134
– Stage 2	–	471	–	471
– Stage 3	–	206	(1)	205
– Purchased or originated credit impaired	–	–	–	–
Current year provision created/(released) per impairment stage	10	(56)	2	(44)
– Stage 1	10	(392)	(1)	(383)
– Stage 2	–	373	2	375
– Stage 3	–	(37)	1	(36)
– 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 2024

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
GCA reported as at 1 July 2023	259 635	105 433	37 149	50 072	7 406
– Stage 1	223 096	87 489	30 073	35 024	5 843
– Stage 2	22 466	11 944	3 019	7 501	639
– Stage 3	14 073	6 000	4 057	7 547	924
– Purchased or originated credit impaired	–	–	–	–	–
Transfers between stages	**–**	**–**	**–**	**–**	**–**
Transfers to/(from) stage 1	(4 661)	(4 068)	(1 733)	(5 211)	(261)
– Transfers into stage 1	6 758	2 551	1 066	1 443	177
– Transfers out of stage 1	(11 419)	(6 619)	(2 799)	(6 654)	(438)
Transfers to/(from) stage 2	(572)	858	(634)	130	19
– Transfers into stage 2	10 455	5 645	1 221	3 920	342
– Transfers out of stage 2	(11 027)	(4 787)	(1 855)	(3 790)	(323)
Transfers to/(from) stage 3	5 233	3 210	2 367	5 081	242
– Transfers into stage 3	6 913	4 065	2 464	5 821	358
– Transfers out of stage 3	(1 680)	(855)	(97)	(740)	(116)
Current year movement	**13 309**	**7 674**	**6 190**	**9 127**	**559**
New business – changes in exposure	40 258	38 693	3 735	20 785	1 207
Back book – current year movement	(26 949)	(31 019)	2 455	(11 658)	(648)
– Exposures with a change in measurement basis from 12 months to LECL	(1 229)	(2 017)	198	(1 251)	1
– Other current year change in exposure/ net movement on GCA	(25 720)	(29 002)	2 257	(10 407)	(649)
Purchased or originated credit impaired	–	–	–	–	–
Acquisition/(disposal) of advances	(1 971)	113	–	–	–
Transfers from/(to) other divisions	(28)	–	–	–	28
Exchange rate differences	–	–	–	–	–
Bad debts written off	(447)	(1 752)	(1 869)	(5 263)	(648)
Modifications that did not give rise to derecognition	(37)	(47)	(96)	(650)	(31)
GCA as at 30 June 2024	270 461	111 421	41 374	53 286	7 314
– Stage 1	230 024	91 975	33 111	35 345	5 715
– Stage 2	22 219	12 336	3 030	8 933	584
– Stage 3	18 218	7 110	5 233	9 008	1 015
– Purchased or originated credit impaired	–	–	–	–	–
Core lending advances	270 461	111 421	41 374	53 286	7 314
Assets under agreements to resell*	–	–	–	–	–
Total GCA of advances as at 30 June 2024	270 461	111 421	41 374	53 286	7 314

* *All amounts are included in stage 1.*

Corporate and commercial				
FNB commercial	WesBank corporate and commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
115 928	54 212	306 892	42 510	979 237
102 500	49 682	287 049	41 544	862 300
8 655	3 464	16 071	46	73 805
4 773	1 066	2 990	920	42 350
–	–	782	–	782
–	**–**	**–**	**–**	**–**
(1 761)	(827)	(7 589)	9	(26 102)
3 297	2 745	530	20	18 587
(5 058)	(3 572)	(8 119)	(11)	(44 689)
240	484	7 419	12	7 956
4 293	3 238	8 028	9	37 151
(4 053)	(2 754)	(609)	3	(29 195)
1 521	343	170	(21)	18 146
1 822	607	170	22	22 242
(301)	(264)	–	(43)	(4 096)
14 506	**6 125**	**65 096**	**(2 678)**	**119 908**
28 905	20 517	126 375	3 014	283 489
(14 399)	(14 392)	(61 337)	(5 692)	(163 639)
(567)	(590)	(2 162)	(37)	(7 654)
(13 832)	(13 802)	(59 175)	(5 655)	(155 985)
–	–	58	–	58
–	–	(3 807)	–	(5 665)
–	–	–	–	–
–	–	(1 003)	(45)	(1 048)
(1 412)	(119)	(303)	(33)	(11 846)
–	–	–	–	(861)
129 022	60 218	366 875	39 754	1 079 725
115 388	55 268	343 271	39 110	949 207
8 901	3 841	20 490	13	80 347
4 733	1 109	2 274	631	49 331
–	–	840	–	840
129 022	60 218	366 799	32 298	1 072 193
–	–	76	7 456	7 532
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

10.6.6 Reconciliation of the loss allowance on total advances per class

Amortised cost – 30 June 2024

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
ECL reported as at 1 July 2023	4 356	5 773	4 767	9 289	1 247
– Stage 1	432	985	1 165	2 069	309
– Stage 2	1 076	1 861	754	1 901	168
– Stage 3	2 848	2 927	2 848	5 319	770
– Purchased or originated credit impaired	–	–	–	–	–
Transfers between stages	–	–	–	–	–
Transfers to/(from) stage 1	187	198	81	(327)	8
– Transfers into stage 1	226	287	234	326	30
– Transfers out of stage 1	(39)	(89)	(153)	(653)	(22)
Transfers to/(from) stage 2	(337)	(606)	(422)	(1 024)	(21)
– Transfers into stage 2	157	141	79	486	58
– Transfers out of stage 2	(494)	(747)	(501)	(1 510)	(79)
Transfers to/(from) stage 3	150	408	341	1 351	13
– Transfers into stage 3	304	497	395	1 633	67
– Transfers out of stage 3	(154)	(89)	(54)	(282)	(54)
Current year provision created/(released)	1 609	2 167	2 807	6 122	752
New business – impairment charge/(release)	362	1 280	328	2 779	161
Back book – impairment charge/(release)	1 247	887	2 479	3 343	591
– Exposures with a change in measurement basis from 12 months to LECL	119	(185)	171	52	15
– Other current year impairment charge/(release)	1 128	1 072	2 308	3 291	576
Purchased or originated credit impaired	–	–	–	–	–
Acquisition/(disposal) of advances	–	7	–	–	–
Transfers from/(to) other divisions	(70)	–	–	95	(25)
Exchange rate differences	–	–	–	–	–
Bad debts written off	(447)	(1 752)	(1 869)	(5 263)	(648)
ECL as at 30 June 2024	5 448	6 195	5 705	10 243	1 326
– Stage 1	413	978	1 157	1 884	282
– Stage 2	1 288	1 859	773	2 112	168
– Stage 3	3 747	3 358	3 775	6 247	876
– Purchased or originated credit impaired	–	–	–	–	–
Current year provision created/(released) per impairment stage	1 609	2 167	2 807	6 122	752
– Stage 1	(135)	(205)	(90)	46	(9)
– Stage 2	549	602	442	1 235	20
– Stage 3	1 195	1 770	2 455	4 841	741
– Purchased or originated credit impaired	–	–	–	–	–

Corporate and commercial				
FNB commercial	WesBank corporate and commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
4 952	733	3 295	870	35 282
907	228	960	37	7 092
1 213	111	1 469	8	8 561
2 832	394	621	825	19 384
–	–	245	–	245
–	–	–	–	–
206	62	(5)	9	419
282	81	25	9	1 500
(76)	(19)	(30)	–	(1 081)
(324)	(34)	(9)	–	(2 777)
96	29	29	2	1 077
(420)	(63)	(38)	(2)	(3 854)
118	(28)	14	(9)	2 358
225	17	14	2	3 154
(107)	(45)	–	(11)	(796)
1 531	302	877	30	16 197
511	225	441	–	6 087
1 020	77	99	30	9 773
189	31	194	(2)	584
831	46	(95)	32	9 189
–	–	337	–	337
–	–	(9)	–	(2)
–	–	–	–	–
–	–	(6)	(29)	(35)
(1 412)	(119)	(303)	(33)	(11 846)
5 071	916	3 854	838	39 596
1 189	245	960	244	7 352
947	147	2 024	5	9 323
2 935	524	288	589	22 339
–	–	582	–	582
1 531	302	877	30	16 197
76	(44)	20	197	(144)
58	70	564	(2)	3 538
1 397	276	(44)	(165)	12 466
–	–	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

10.6.7 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 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

**All amounts are included in stage 1.*

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 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

10.7 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.

	2025			
	Stage 2 and stage 3			
R million	Gross carrying amount before modification	Loss allowance before modification	Amortised cost before modification	Modification gain/(loss)
Residential mortgages	802	(72)	730	(18)
WesBank VAF	1 659	(447)	1 212	(51)
Total retail secured	2 461	(519)	1 942	(69)
FNB card	1 059	(584)	475	(152)
Personal loans	2 773	(1 047)	1 726	(742)
Retail other	91	(44)	47	(29)
Total retail unsecured	3 923	(1 675)	2 248	(923)
FNB commercial	259	(42)	217	9
Total	6 643	(2 236)	4 407	(983)

The GCA in stage 2 or stage 3 of advances that previously had been modified but not derecognised, and whose improvement in credit risk in the current year has moved into stage 1, amounted to R546 million (2024: R475 million).

11 Impairment of advances

11.1 Analysis of the loss allowance closing balance

	2025				
	Loss allowance				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Amount as at 30 June 2025	43 144	8 014	9 001	25 435	694
Amortised cost	42 334	7 880	8 530	25 230	694
Fair value	810	134	471	205	–
Included in the total loss allowance					
– On- and off-balance sheet exposure*	43 031	7 960	8 951	25 426	694
– Letters of credit and guarantees**	113	54	50	9	–
Components of total loss allowance as at 30 June 2025					
– Forward-looking information#	720	275	323	122	–
– Model updates†	481	15	206	260	–
	2024				
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	–

* *Includes loan commitments as the credit risks are 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.*

** *These represent the total ECL closing balance related to letters of credit and guarantees granted to customers but undrawn at 30 June.*

This represents the total ECL closing balance as at 30 June that is attributable to incorporating modelled FLI macroeconomic information into the ECL calculations. For more detail on the process of incorporating FLI into the ECL calculation, please refer to the critical accounting estimates and judgements on page C26.

† *These represent 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.*

2024			
Stage 2 and stage 3			
Gross carrying amount before modification	Loss allowance before modification	Amortised cost before modification	Modification gain/(loss)
938	(85)	853	(37)
1 495	(348)	1 147	(47)
2 433	(433)	2 000	(84)
823	(434)	389	(96)
2 810	(1 163)	1 647	(650)
99	(50)	49	(31)
3 732	(1 647)	2 085	(777)
43	(3)	40	–
6 208	(2 083)	4 125	(861)

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

	2025				
R million	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired**
Current year ECL provided	16 957	(900)	3 486	14 192	179
Interest suspended on stage 3 advances	(3 672)	–	–	(3 584)	(88)
Current year change in ECL provided after interest suspended on stage 3 advances	13 285	(900)	3 486	10 608	91
Post write-off recoveries	(1 418)	–	–	(1 418)	–
Modification losses	983	–	72	911	–
Impairment recognised in the income statement for the year ended 30 June 2025	12 850	(900)	3 558	10 101	91
Amortised cost	12 894	(517)	3 183	10 137	91
Fair value*	(44)	(383)	375	(36)	–
	2024				
Current year ECL provided	16 188	69	3 173	12 609	337
Interest suspended on stage 3 advances	(2 983)	–	–	(2 926)	(57)
Current year 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 year 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	–

* *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 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 (non-performing loans (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

	Movement in the balance sheet provisions				
R million	Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage	Performing book provisions
Total retail secured	127	(83)	88	(89)	43
Total retail unsecured	86	(188)	20	(48)	(130)
Total retail secured and unsecured	213	(271)	108	(137)	(87)
FNB commercial	98	(200)	61	232	191
WesBank corporate and commercial	26	(24)	(14)	(16)	(28)
RMB corporate and investment banking	32	107	(983)	319	(525)
Total corporate and commercial	156	(117)	(936)	535	(362)
Centre (including Group Treasury)	(12)	183	16	(17)	170
Total	357	(205)	(812)	381	(279)
Total retail secured	64	(90)	49	161	184
Total retail unsecured	123	(343)	385	(155)	10
Total retail secured and unsecured	187	(433)	434	6	194
FNB commercial	113	124	34	(300)	(29)
WesBank corporate and commercial	26	(9)	12	24	53
RMB corporate and investment banking	137	128	146	35	446
Total corporate and commercial	276	243	192	(241)	470
Centre (including Group Treasury)	5	205	(10)	3	203
Total	468	15	616	(232)	867

* *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.*

2025							
Movement in the balance sheet provisions				**Recognised directly in the income statement**			
Change in stage 3 provisions	**Credit provision increase/ (decrease)**	**Gross write-off and other**	**Current year ECL provided**	**Modification loss**	**Interest suspended on stage 3 advances**	**Post write-off recoveries***	**Total**
667	**710**	**2 742**	**3 452**	**69**	**(704)**	**(285)**	**2 532**
588	**458**	**9 081**	**9 539**	**923**	**(2 205)**	**(904)**	**7 353**
1 255	**1 168**	**11 823**	**12 991**	**992**	**(2 909)**	**(1 189)**	**9 885**
778	**969**	**1 600**	**2 569**	**(9)**	**(567)**	**(170)**	**1 823**
129	**101**	**194**	**295**	**–**	**(46)**	**(14)**	**235**
1 312	**787**	**169**	**956**	**–**	**(150)**	**(33)**	**773**
2 219	**1 857**	**1 963**	**3 820**	**(9)**	**(763)**	**(217)**	**2 831**
(508)	**(338)**	**484**	**146**	**–**	**–**	**(12)**	**134**
2 966	**2 687**	**14 270**	**16 957**	**983**	**(3 672)**	**(1 418)**	**12 850**
2024							
1 330	1 514	2 262	3 776	84	(645)	(231)	2 984
1 961	1 971	7 710	9 681	777	(1 746)	(1 059)	7 653
3 291	3 485	9 972	13 457	861	(2 391)	(1 290)	10 637
103	74	1 412	1 486	–	(495)	(147)	844
130	183	119	302	–	(36)	(13)	253
(225)	221	701	922	–	(61)	(5)	856
8	478	2 232	2 710	–	(592)	(165)	1 953
(244)	(41)	62	21	–	–	(160)	(139)
3 055	3 922	12 266	16 188	861	(2 983)	(1 615)	12 451

Notes to the annual financial statements continued

12 Collateral and settlement balances and other assets

R million	2025	2024
Items in transit	5 793	4 043
Interest and commission accrued	3	15
Prepayments	3 141	2 701
Properties in possession	11	17
Sundry debtors	711	559
Accounts receivable and other	3 703	3 856
Collateral and settlement balances	21 331	17 613
– Variation margin – unsettled balances	46	79
– Variation margin	6 551	4 754
– Initial margin	14 734	12 780
Total gross carrying amount of other assets	34 693	28 805
– Financial	29 763	24 611
– Non-financial	4 930	4 194
– Loss allowance on other financial assets*	(399)	(472)
Total collateral, settlement balances and other assets	34 294	28 333

* *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	**2025**	2024
Amounts due by holding company	**9**	1
Amounts due by fellow subsidiaries	**71 750**	58 794
Impairment provision on amounts due by fellow subsidiaries*	**(106)**	(157)
Total amounts due by holding company and fellow subsidiaries	**71 653**	58 638
Amounts due to holding company	**(931)**	(670)
Amounts due to fellow subsidiaries	**(16 674)**	(27 749)
Total amounts due to holding company and fellow subsidiaries	**(17 605)**	(28 419)
Net amounts due by holding company and fellow subsidiaries	**54 048**	30 219

* *The bank follows a similar credit risk process to intercompany loans as applied to advances to customers. Refer to the accounting policies for details of the approach followed.*

As at 30 June 2025 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.
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**
2025				
Derivative financial instruments	**26 819**	**1 001**	**19 761**	**198**
Currency contracts	**11 294**	**259**	**10 059**	**152**
Equity contracts	**1 889**	**1**	**–**	**–**
Bonds	**3 903**	**5**	**3 806**	**3**
Gold	**2 260**	**612**	**–**	**–**
Metals	**19**	**1**	**–**	**–**
Interest rate contracts	**7 454**	**123**	**5 896**	**43**
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	–	–	–	–
Interest rate contracts	5 786	114	6 159	79

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 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)**
Movement for the year	**(401)**	**(34)**	**(31)**	**375**	**368**	**277**
Acquisitions*	**100**	**966**	**131**	**1 691**	**2 313**	**5 202**
Disposals	**(85)**	**(23)**	**–**	**(20)**	**(1 096)**	**(1 223)**
Exchange rate difference	**–**	**10**	**–**	**–**	**1**	**11**
Depreciation charge for the year	**(301)**	**(964)**	**(149)**	**(1 296)**	**(890)**	**(3 601)**
Impairments recognised	**(115)**	**–**	**–**	**–**	**–**	**(115)**
Early terminations/modification of leases	**–**	**(23)**	**(13)**	**–**	**–**	**(37)**
Impairments reversed	**–**	**–**	**–**	**–**	**40**	**40**
Net book value at 30 June 2025	**7 017**	**2 368**	**225**	**4 272**	**5 921**	**19 803**
Cost	**10 542**	**6 134**	**476**	**8 301**	**9 183**	**34 636**
Accumulated depreciation	**(3 525)**	**(3 766)**	**(251)**	**(4 029)**	**(3 262)**	**(14 833)**

* *Include capitalised improvements to property leases of R356 million (2024: R374 million) and transfer to investment property of R133 million.*

15 Intangible assets

R million	Software and develop-ment costs	Total
Net book value at 1 July 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)**
Movement for the year	**139**	**139**
Acquisitions and capitalisations	**409**	**409**
Amortisation for the year	**(270)**	**(270)**
Net book value at 30 June 2025	**1 289**	**1 289**
Cost	**2 727**	**2 727**
Accumulated amortisation and impairment	**(1 438)**	**(1 438)**

16 Investment properties

R million	Notes	2025	2024
Opening balance		**281**	281
Fair value remeasurements	2.4	**3**	–
Additions*		**161**	–
Closing balance		**445**	281

**This balance includes transfer from property and equipment of R133 million*

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

R million	Notes	2025	2024
Rental income from investment property	2.4	**122**	110
Direct operating expenses on investment property that generated rental income		**75**	71

In the current and prior year the bank has and had 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 May 2025. A desktop valuation is undertaken in the years where an external valuation is not performed, so as to ensure significant changes in the 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	2025	2024
Liability for short-term employee benefits		**7 828**	7 639
Share-based payment liability (detailed in note 25)		**4 004**	4 737
Defined benefit post-employment liability	17.1	**1 443**	1 377
Other long-term employee benefit liability		**2**	2
Total employee liabilities		**13 277**	13 755

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 a closed group of employees payable during retirement, and a defined benefit pension plan. In terms of the defined post-employment medical plan, the bank is liable to the retirees for specific payments in their retirement and for the defined benefit pension plan the bank is liable 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 trust 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 dependant's 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 (10 members), the bank 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 the value of member contributions and investment returns 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 plan 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 benefits on death, retrenchment and withdrawal.	

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 pension plan Board of Trustees ensures that the investment positions are managed within an asset and liability matching 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 plan's asset-liability matching 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 plan trustees actively monitor how the duration and expected yield of the investments match the expected cash outflows arising from the pension obligations. Investments are well diversified to ensure 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 plan.

RISK ASSOCIATED WITH THE PLANS

The bank is exposed to a number of risks through its defined benefit pension plans and post-employment medical plans. The most significant of risks 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 mismatch profit or 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 the net fund asset/liability are shown below.

		2025			2024		
R million	Notes	**Pension**	**Medical***	**Total**	Pension	Medical*	Total
Post-employment benefit fund liability							
Present value of funded obligation		**7 269**	**3 248**	**10 517**	7 136	3 200	10 336
Fair value of plan assets		**(8 354)**	**(1 805)**	**(10 159)**	(8 171)	(1 823)	(9 994)
– Listed equity instruments		**(2 439)**	**–**	**(2 439)**	(2 181)	–	(2 181)
– Cash and cash equivalents		**(158)**	**–**	**(158)**	(159)	–	(159)
– Debt instruments		**(2 177)**	**–**	**(2 177)**	(2 157)	–	(2 157)
– Derivatives		**(18)**	**–**	**(18)**	(20)	–	(20)
– Qualifying insurance policy		**–**	**(1 805)**	**(1 805)**	–	(1 823)	(1 823)
– Other		**(3 562)**	**–**	**(3 562)**	(3 654)	–	(3 654)
Total employee (asset)/liability		**(1 085)**	**1 443**	**358**	(1 035)	1 377	342
Limitation imposed by IAS 19 asset ceiling		**1 085**	**–**	**1 085**	1 035	–	1 035
Total net post-employment (asset)/liability		**–**	**1 443**	**1 443**	–	1 377	1 377
Total amount recognised on the income statement (included in staff costs)	3	**(127)**	**178**	**51**	(82)	177	95
Movement in post-employment benefit fund liability*							
Present value at the beginning of the year		**7 136**	**3 200**	**10 336**	7 307	3 105	10 412
Current service cost		**2**	**29**	**31**	2	30	32
Interest expense		**833**	**365**	**1 198**	853	362	1 215
Remeasurements: recognised in OCI		**78**	**(110)**	**(32)**	(201)	(75)	(276)
– Actuarial (losses)/gains from financial assumptions		**66**	**(81)**	**(15)**	(267)	(38)	(305)
– Other remeasurements		**12**	**(29)**	**(17)**	66	(37)	29
Benefits paid		**(780)**	**(236)**	**(1 016)**	(825)	(222)	(1 047)
Employer contribution		**–**	**–**	**–**	–	–	–
Employee contribution		**–**	**–**	**–**	–	–	–
Closing balance		**7 269**	**3 248**	**10 517**	7 136	3 200	10 336

* *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

	2025			2024		
R million	**Pension**	**Medical***	**Total**	Pension	Medical*	Total
Movement in the fair value of plan assets:						
Opening balance	**8 171**	**1 823**	**9 994**	7 990	1 818	9 808
Interest income	**971**	**216**	**1 186**	937	215	1 152
Remeasurements: recognised in OCI	**(10)**	**(27)**	**(37)**	67	(25)	42
Employer contributions	**1**	**29**	**30**	1	37	38
Employee contributions	**1**	**–**	**1**	1	–	1
Benefits paid and settlements	**(780)**	**(236)**	**(1 016)**	(825)	(222)	(1 047)
Closing balance	**8 354**	**1 805**	**10 159**	8 171	1 823	9 994
Reconciliation of limitation imposed by IAS 19 asset ceiling						
Opening balance	**1 035**	**–**	**1 035**	683	–	683
Interest income	**129**	**–**	**129**	85	–	85
Change in the asset ceiling, excluding	**—**	**–**	**—**	—	–	—
amounts included in interest	**(78)**	**–**	**(78)**	267	–	267
Closing balance	**1 085**	**–**	**1 085**	1 035	–	1 035
Actual return on plan assets was	**11%**			12%		
Included in plan assets were the following:						
FirstRand Limited ordinary shares with						
a fair value of	**555**	**–**	**555**	34	–	34
Total	**555**	**–**	**555**	34	–	34

* *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.

	2025			2024		
R million	**Pension**	**Medical**	**Total**	Pension	Medical	Total
Movement in post-employment benefit fund liability						
Present value at the beginning of the year	**–**	**1 377**	**1 377**	–	1 287	1 287
Current service cost	**2**	**29**	**31**	2	30	32
Net interest	**(138)**	**149**	**11**	(84)	147	63
Remeasurements: recognised in OCI	**138**	**(83)**	**55**	84	(50)	34
– Actuarial (losses)/gains from financial assumptions	**66**	**(81)**	**(15)**	(267)	(38)	(305)
– Other remeasurements	**72**	**(2)**	**70**	351	(12)	339
Benefits paid	**–**	**–**	**–**	–	–	–
Employer contribution	**(1)**	**(29)**	**(30)**	(1)	(37)	(38)
Employee contribution	**(1)**	**–**	**(1)**	(1)	–	(1)
Closing balance	**–**	**1 443**	**1 443**	–	1 377	1 377

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.

	2025		2024	
%	**Pension**	**Medical**	Pension	Medical
The principal actuarial assumptions used for accounting purposes were:				
Expected rates of salary increases %	**6.9**	**–**	8.4	–
Discount rate %	**11.2**	**10.8**	12.5	11.8
Long-term increase in health costs %	**–**	**7.4**	—	9.1
The effects of a change in the discount rate were:				
Increase in the discount rate by 1%:				
Effect on the defined benefit obligation (R million)	**1.8**	**284.9**	2.0	276.3
Effect on the aggregate of the current service cost and interest cost (R million)	**0.4**	**5.9**	0.5	11.4
Decrease in the discount rate by 1%:				
Effect on the defined benefit obligation (R million)	**(1.9)**	**(337.1)**	(2.2)	(326.2)
Effect on the aggregate of the current service cost and interest cost (R million)	**(0.3)**	**(6.1)**	(0.4)	(12.8)
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)	**1.9**	**345.1**	2.2	335.3
Effect on the aggregate of the current service cost and interest cost (R million)	**0.3**	**41.9**	0.4	44.5
Decrease of 1%				
Effect on the defined benefit obligation (R million)	**(0.7)**	**(295.4)**	(2.1)	(287.5)
Effect on the aggregate of the current service cost and interest cost (R million)	**(1.8)**	**(35.7)**	(0.5)	(38.0)
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)	**234.2**	**105.9**	226.7	99.9
Effect on the aggregate of the current service cost and interest cost (R million)	**42.9**	**12.0**	45.8	12.5
Decrease in life expectancy by 1 year				
Effect on the defined benefit obligation (R million)	**(233.2)**	**(106.4)**	(226.0)	(99.8)
Effect on the aggregate of the current service cost and interest cost (R million)	**(42.8)**	**(12.1)**	(45.8)	(12.5)
Estimated contributions expected to be paid to the plan in the next annual period (R million)	**1.8**	**–**	2.3	–
Net increase in rate used to value pensions, allowing for pension increases (%)	**5.1**	**3.5**	5.3	3.2
The weighted average duration of the defined benefit obligation (years)	**8.1**	**10.6**	8.0	10.5

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	**832**	**3 279**	**41 408**	**45 519**
Post-employment medical benefits	**245**	**1 135**	**16 058**	**17 438**
Total as at 30 June 2025	**1 077**	**4 414**	**57 466**	**62 957**
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

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

17.1 *Defined benefit post-employment liability* 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 a 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.

	2025	2024
Pension		
The number of employees covered by the scheme		
Active members	**10**	12
Pensioners	**4 900**	5 027
Deferred plan participants	**245**	245
Total employees	**5 155**	5 284
Defined benefit obligation amounts due to		
Benefits vested at the end of the reporting period (R million)	**7 269**	7 137
– Amounts attributable to future salary increases (R million)	**41**	50
– Other benefits (R million)	**7 228**	7 087
Medical		
The number of employees covered by the scheme		
Active members	**1 905**	2 090
Pensioners	**4 941**	5 019
Total employees	**6 846**	7 109
Defined benefit obligation amounts due to		
Total benefits (R million)	**3 248**	3 200
– Benefits vested at the end of the reporting period (R million)	**2 396**	2 338
– Benefits accrued but not vested at the end of the reporting period (R million)	**852**	862
Total benefits (R million)	**3 248**	3 200
– Conditional benefits (R million)	**852**	862
– Other benefits (R million)	**2 396**	2 338

17.2 *Defined contribution post-employment liability*

R million	**2025**	2024
Post-employment defined contribution plan		
Present value of obligation	**42 932**	36 639
Present value of assets	**(42 932)**	(36 639)
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 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.

18 Deferred income tax

R million	2025	2024
Deferred income tax asset		
Opening balance	7 292	7 398
Exchange rate difference	11	(12)
Release to profit or loss	85	736
Deferred income tax on amounts charged directly to other comprehensive income	(729)	(830)
Total deferred income tax asset	**6 659**	**7 292**

	As at 30 June		Recognised on income statement	
R million	2025	2024	2025	2024
Deferred income tax asset				
Provision for loan impairment	4 072	3 976	96	312
Provision for post-employment benefits	390	372	3	15
Other provisions	2 239	1 882	346	690
Cash flow hedges	(388)	327	–	–
Financial instruments	(2)	13	(15)	(1)
Instalment credit assets	(89)	(172)	83	28
Accruals	87	77	10	11
Debt instruments designated at FVOCI	(133)	(38)	–	–
Capital gains tax	3	303	(300)	13
Equity instruments designated at FVOCI	78	81	–	–
Foreign currency translation reserve	–	–	(62)	29
Share-based payments	1 081	1 279	(211)	(177)
Deferred revenue and deferred expenses	(545)	(489)	(56)	(76)
Intangible assets	56	31	25	(11)
Other*	(190)	(350)	166	(97)
Total deferred income tax asset	**6 659**	**7 292**	**85**	**736**

* *Other relates mainly to prepayments and fixed assets.*

On 24 December 2024 legislation implementing the Organisation for Economic Co-operation and Development's (OECD's) Pillar Two model rules within South Africa was signed by the President and published in the Government Gazette. The law requires large SA-parented multinational enterprises to be subject to a minimum effective corporate tax rate of 15% in each jurisdiction in which they operate for fiscal years beginning on or after 1 January 2024 (i.e. applicable to bank's 2025 financial year). The bank is within the scope of the OECD's Pillar Two global minimum tax model rules, however the rules do not impact the bank's financial statements as its ultimate parent company, FirstRand Limited, is liable to pay the additional tax, if any.

19 Short trading positions

R million	2025	2024
Government and government-guaranteed stock	16 522	9 555
Other dated securities	11	46
Total short trading positions	**16 533**	**9 601**

Notes to the annual financial statements continued

20 Creditors, accruals and provisions

R million	Notes	2025	2024
Net unclaimed balances		**547**	397
Accounts payable		**10 586**	15 865
Accrued expenses		**3 466**	2 651
Audit fees accrued		**321**	286
Customer loyalty programme liability	20.1	**2 091**	2 039
Contract liabilities	20.1	**321**	379
Payments received in advance		**218**	119
Provisions (including litigations and claims)	20.2	**4 957**	4 524
Withholding tax for employees		**818**	759
Total creditors, accruals and provisions		**23 325**	27 019

20.1 *Reconciliation of contract liabilities and customer loyalty programme liability*

R million	2025	2024
Opening balance	**2 418**	2 515
Increases due to cash received and other increases in contract liabilities	**3 281**	2 723
Revenue recognised during the year	**(3 287)**	(2 820)
Closing balance	**2 412**	2 418

Contract liabilities relate to service fees that are earned on value-added products provided to customers, with the revenue recognised over the contract period. The customer loyalty programme liability relates to eBucks, and is determined based on the value of 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.

20.2 *Reconciliation of provisions*

	2025			2024*		
R million	**UK motor commission provision**	**Other**	**Total**	UK motor commission provision	Other	Total
Opening balance	**2 581**	**1 943**	**4 524**	–	1 922	1 922
Exchange rate differences	**208**	**15**	**223**	(63)	(47)	(110)
Charge to profit or loss	**1 328**	**(717)**	**611**	2 644	497	3 141
– Additional provisions created	**1 328**	**208**	**1 536**	2 644	553	3 197
– Unused provisions reversed	**–**	**(925)**	**(925)**	–	(56)	(56)
Utilised	**(51)**	**(350)**	**(401)**	–	(429)	(429)
Closing balance	**4 066**	**891**	**4 957**	2 581	1 943	4 524

* *In the prior year, provisions was disclosed as other. The Motor commission provision has been separately disclosed in the current year to provide additional information.*

A provision of £112.2 million (R2.64 billion) for the potential impact of the UK Financial Conduct Authority (FCA)'s review into historical motor finance commission arrangements and sales, which was announced on 11 January 2024, was recorded in the prior year.

The bank has recognised a further provision of £56.6 million (R1.33 billion) in the current financial year for this matter, following the announcement from the FCA on 3 August 2025 after the judgment from the Supreme Court of England and Wales (the SC) handed down on 1 August 2025. The bank concluded that this represented an adjusting event after the reporting period. This brings the total provision held on the statement of financial position to £166.9 million (R4.07 billion) as at 30 June 2025.

On 11 December 2024, the bank obtained permission from the SC to appeal the Court of Appeal's (CoA) October 2024 judgment against it in respect of the Wrench and Johnson motor finance commissions cases. This appeal was heard by the SC between 1 April 2025 and 3 April 2025. Another UK lender obtained the same permission from the SC for a separate case with related but different grounds.

20 Creditors, accruals and provisions continued

20.2 Reconciliation of provisions continued

The CoA had held that motor dealers, acting as credit brokers, owed disinterested and fiduciary duties to customers and should have obtained consent any commission paid to them by lenders, who were also deemed to be liable for any deficiencies in the dealers' disclosure of these commissions, with the deficiencies in disclosures being noted as potentially dishonest. This increased the threshold for disclosure of, and customer consent to, the nature, value and existence of any commission paid relative to the bank's understanding of what was required under legal and regulatory standards in place at the time (and prior to this verdict), and which it sought to comply with at the time. It also brought into scope both discretionary commission arrangements (DCA) and non-DCA cases and went beyond the remit of the FCA's original review.

The main ground of appeal before the SC, was upheld in that motor dealers do not owe customers a fiduciary duty in relation to their role as a credit broker arranging finance (relevant to claims for the tort of bribery and secret/half-secret commissions). A fiduciary duty is required to bring a bribery claim against a lender; further, "disinterested" duty is not sufficient for such a claim. Therefore, the CoA's findings of dishonesty around the disclosures were all superseded.

In the Johnson case only, the SC decided that there was an unfair relationship under s140A of the Consumer Credit Act 1974 on the specific facts of the case and hence found against the group. It is important to note that the SC emphasised that the court had a wide discretion to award a remedy under s140A and the outcome and remedy in Johnson was based on the specific facts of that case. Accordingly, the group does not believe that this verdict on unfairness creates a precedent for other courts to follow.

Subsequent to the SC ruling, the FCA issued a statement on 3 August outlining its initial thinking on a proposed redress scheme. The proposals within that statement were not final and are subject to change. The FCA noted that it will publish its consultation process for a redress scheme by early October 2025 and this will run for 6 weeks. It aims to finalise the rules, such that a redress scheme can launch next year. The bank continues to engage with the FCA and will participate in the consultation process.

The FCA extended its temporary complaint handling moratorium for DCA complaints to include non-DCA complaints until December 2025 following the CoA verdict in October 2024.

The bank has continued to receive a large number of complaints as well as County Court claims for motor finance commissions during the current year. Many of these claims have been paused, pending the verdict from the SC and the ultimate FCA remediation scheme.

An upcoming CoA hearing involving another lender may influence the eventual outcome of this matter. This appeal relates to a judicial review of a final decision by the Financial Ombudsman Service (FOS) against another lender, originally heard in October 2024. This was deferred, pending the outcome of the SC verdict. The appeal will now be heard by the CoA on 16 to 18 September.

In light of the above, the provision for this matter has been reassessed during the year, based on probability-weighted scenarios constructed from the bank's own data analysis, assumptions and emerging estimates. It comprises probable legal, future incremental operational and redress costs (using a range of judgemental assumptions for commissions, interest rates, redress approaches including for both DCA and non-DCA customers and response rates). A number of potential outcomes for a remediation scheme are therefore covered with all scenarios taking into account the SC's unfairness finding held in the Johnson case. Compensatory interest has been assumed utilising the FCA's proposed interest rate of the average Bank of England base rate per year +1%. The amount covers from origination by MotoNovo Finance from April 2007 to April 2019.

The bank believes estimation uncertainty remains in deriving its current provision at least until the FCA provides full and final clarity of the proposed redress scheme. It has therefore undertaken a sensitivity analysis whereby a 5% increase in the probability applied to the most unfavourable scenario included within the provision has been offset by a compensating 5% reduction in the most favourable scenario. Assuming all other assumptions remain unchanged, the outcome would be less than a 10% increase in the estimated provision. A further key area of estimation uncertainty relates to the customer response rates used in constructing the provision, which as set, are higher than the current level of customer contract rates observed by the group.. A 10% change in the assumed response rates, with all other assumptions unchanged, would also increase or decrease the estimated provision by less than 10%.

The developments identified above mean it is possible that the key areas of estimation uncertainty could change by more than the sensitivities illustrated and therefore require a significant/material adjustment to the provision. IFRS Accounting Standards require that the bank discloses the fact that the ultimate financial impact could be higher or lower than the amount currently provided, which includes the possibility of a future provision increase or decrease in excess of the sensitivities disclosed above. The Bank however believes that the current provision is appropriate based on the information available at the time of reporting.

During the financial year under review, the bank incurred £8.7 million (R205 million) (2024: £9.8 million (R229 million)) of operational and legal costs in relation to managing increased complaints volumes and legal expenses largely resulting from the CoA and SC cases.

Notes to the annual financial statements continued

21 Deposits and debt funding

R million	2025	2024
Category analysis		
Deposits from customers	1 314 227	1 197 280
– Current accounts	352 840	343 188
– Call deposits	370 615	355 162
– Savings accounts	61 735	53 432
– Fixed and notice deposits	466 362	408 114
– Other deposits from customers	62 675	37 384
Debt securities	183 646	190 992
– Negotiable certificates of deposit	31 781	63 593
– Fixed-rate and floating-rate notes	150 478	124 866
– Exchange-traded notes	1 387	2 533
Other	75 330	56 435
– Repurchase agreements	31 347	20 074
– Securities lending	1 534	1 658
– Cash collateral and credit-linked notes	41 403	33 174
– SARB funding facility	1 046	1 529
Total deposits and debt funding	1 573 203	1 444 707

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22 Other liabilities

R million	2025	2024
Lease liabilities	1 747	1 794
Funding liabilities	1 267	1 252
– Preference shares	323	321
– Other	944	931
Total other liabilities	3 014	3 046

22.1 Other liabilities reconciliation

	2025			2024		
R million	**Funding liabilities**	**Lease**	**Total**	Funding liabilities	Lease	Total
Opening balance	1 252	1 794	3 046	1 122	1 756	2 878
Cash flow movements	(179)	(878)	(1 057)	115	(820)	(705)
– Proceeds from the issue of other liabilities	334	–	334	650	–	650
– Redemption of other liabilities	(509)	–	(509)	(533)	–	(533)
– Principal payments towards lease liabilities	–	(742)	(742)	–	(707)	(707)
– Interest paid	(4)	(136)	(140)	(2)	(113)	(115)
Non-cash flow movements	194	831	1 025	15	858	873
– Fair value movement	105	–	105	11	1	12
– Foreign exchange	–	9	9	–	(8)	(8)
– New leases recognised during the year	–	740	740	–	820	820
– Early termination/modification of lease	–	(60)	(60)	–	(76)	(76)
– Interest accrued	89	142	231	4	121	125
Total other liabilities	1 267	1 747	3 014	1 252	1 794	3 046

22 Other liabilities continued

22.1 *Other liabilities reconciliation* continued

The bank's significant leases relate to property rentals of office premises and the various branch network channels represented by full-service and tellerless branches, self-service devices and Smartboxes. The rentals have fixed monthly payments. Escalation clauses are based on market-related rates and vary between 0% and 10%.

The lease periods usually have a duration 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**	**2025**	2024
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				**19 150**	15 328
	19 April 2026 to 13 November 2030	19 April 2031 to 13 November 2035	3-month JIBAR + 173 bps – 234 bps	**19 150**	15 328
Total Tier 2 liabilities				**20 580**	16 758

* *Redemption subject to regulatory approval.*

23.1 *Tier 2 liabilities reconciliation*

R million	**2025**	2024
Opening balance	**16 758**	16 337
Cash flow movements	**1 972**	(1 331)
– Proceeds from the issue of Tier 2 liabilities	**3 798**	1 548
– Capital repaid on Tier 2 liabilities	**–**	(1 910)
– Interest paid on Tier 2 liabilities	**(1 826)**	(969)
Non-cash flow movements	**1 850**	1 752
– Foreign exchange	**–**	–
– Fair value hedging adjustment	**–**	–
– Interest accrued	**1 850**	1 752
Total Tier 2 liabilities	**20 580**	16 758

Notes to the annual financial statements continued

24 Share capital, share premium and other reserves

24.1 Share capital and share premium

Authorised shares

	2025	2024
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

	2025			2024		
	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 411 million (2024: R16 663 million) which resulted in a dividend per share of R8 791 (2024: R8 926).

24.2 Additional Tier 1 capital

R million	Rate	2025	2024
FRB25	3-month JIBAR plus 440 basis points	**–**	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**	1 387
FRB38	3-month JIBAR plus 296 basis points	**2 039**	2 039
FRB39	3-month JIBAR plus 290 basis points	**1 574**	1 574
FRB41	3-month JIBAR plus 290 basis points	**2 090**	2 090
FRB42	3-month JIBAR plus 284 basis points	**3 910**	–
FRB44	3-month JIBAR plus 262 basis points	**2 929**	–
Total Additional Tier 1 capital		**18 133**	14 755

FirstRand Bank Limited’s (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 Prudential Authority (PA) and Resolution Authority (RA), 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 coupons to the noteholders.

The total coupon paid during the financial year was R1 664 million (2024: R1 518 million). Current tax of R449 million (2024: R410 million) was recognised in the income statement.

24.3 Other reserves

Other reserves are made up of the following:

R million	2025	2024
FVOCI reserve – debt instruments	**359**	103
FVOCI reserve – equity instruments	**(282)**	(295)
Capital redemption reserve fund	**1 345**	1 345
Other reserves	**21**	(1)
Total	**1 443**	1 152

25 Remuneration schemes

R million	Notes	2025	2024
The charge to profit or loss for share-based payments is as follows:			
Conditional and deferred incentive plan		2 155	2 448
Amount included in profit or loss	3	**2 155**	**2 448**
Attributable to:			
- Cash-settled share-based payments		1 750	2 448
- Equity-settled share-based payments		405	–

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 AWARDS		
IFRS 2 treatment	**Cash settled**	**Equity settled**
Description	The award is a notional share based on the FirstRand share price.	For share ownership plans settled by the parent with FirstRand shares.
Vesting conditions	**Deferred bonus awards** Short-term incentives over a specified threshold are converted to notional share awards and vest after 24 months to ensure that these payments are share price linked. These awards are subject to employment conditions and personal and business unit performance requirements, and have been included in the share awards outstanding tables below. From September 2024, group introduced share ownership plans for all new awards going forward. Previously, the awards were share price linked. The new scheme awards restricted share instruments, with the participant qualifying for dividends when they are declared. **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. From September 2024, the group introduced the share ownership plans for all new awards going forward. Similar to the DIP, this award is only forfeited if the individual performance requirements are not met over the three-year vesting period, or if the individual is no longer employed by the group. However, where the DIP is share price linked, the share ownership plans award restricted share instruments, with the participants qualifying for dividends when they are declared. 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.	The award value is settled by the delivery of a variable number of FirstRand shares by the parent, at specified points during the vesting period. As such, the share awards are valued at the fair value of the award at grant date.

VALUATION ASSUMPTIONS	
Dividend data	Management's estimates of future discrete dividends
Market related	Interest rate is the risk-free rate of return as recorded on the last day of the financial year, on a funding curve of a term equal to the remaining expected life of the plan.
Employee related	The weighted average forfeiture rate used is based on historical forfeiture data observed over all schemes.

Notes to the annual financial statements continued

25 Remuneration schemes continued

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 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. 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 factors. In terms of the scheme rules, participants are not entitled to dividends on their conditional share awards during the vesting period.

The criteria for the expired and currently open schemes are set out below.

Expired schemes

2021 (Award vested at 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 materially 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);
- 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.*

25 Remuneration schemes continued

During the prior year, it was determined by Remco that the ROE and earnings growth conditions were met for 100% vesting even when including the UK motor commission provision as at 30 June 2024. Remco however excluded the UK motor commission provision from the calculation of the graded vesting level for all participants other than the executive directors (in the role pre-April 2024). The outcomes were as follows (excluding the UK motor commission provision):

- The ROE at 30 June 2024 was delivered at the upper end of the group's target ROE range, at 21.2%. The ROE outcome was delivered at the 150% vesting level and therefore the lower vesting outcome relating to the compound growth in normalised earnings per share determined the final vesting level. Normalised earnings per share at 30 June 2024 was 716.4 cents, and delivered a three-year compound annual growth rate of 14.8%. This growth was 7.4% above real GDP plus CPI measured over the three-year period.
- The combination of the ROE at 21.2% and the strong earnings growth performance resulted in the vesting level of 144.6%, as the group delivered on its outperformance targets.
- For the executive directors (in the role pre-April 2024), the vesting outcome is 123.2%.
- After considering the non-financial measures, Remco concluded that no downward adjustment of the vesting outcome was necessary.

Currently open

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 materially 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 three years of real GDP growth plus CPI plus 1.5%
On-target performance	100%	≥20.5%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 2.5%
Stretch†	120%	≥22%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 5%
Super stretch†	150%	≥22%	Cumulative normalised earnings per share growth rate over three 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.*

Notes to the annual financial statements continued

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 materially 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 three years of real GDP growth plus CPI
On-target performance	100%	≥21%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 4%
Stretch†	120%	≥22%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 6.5%
Super stretch†	150%	≥22%	Cumulative normalised earnings per share growth rate over three 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.*

25 Remuneration schemes continued

Currently open continued

2024 (Vesting date in September 2027) - All CIP awards are subject to performance conditions and must be settled in FirstRand shares. For all the awards graded vesting applies. All awards that vest will be settled in shares. 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 materially 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 2024, as set out for each vesting level indicated below:
Threshold (minimum vesting, below which the award lapses)	50%	≥19.5%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 1.5%
On-target performance	100%	≥20.5%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 2.5% to real GDP growth plus CPI plus 4%
Stretch†	120%	≥21.5%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 6%
Super stretch†	150%	≥21.5%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 9%

* *Linear grading between these vesting levels based on the earnings growth achieved. After measuring the ROE outcome and growth outcome separately, the lower of either will become the vesting level. Both conditions must be met for vesting at any level to occur. Thereafter, Remco will assess if any downward adjustment is necessary for the factors listed.*

** *The ROE is measured as the average over the three-year performance period. The ROE calculation is based on net asset value (NAV) taking into consideration adjustments (if required) resulting from, for example, material dividend policy changes, regulatory changes, IFRS Accounting Standards changes or volatile reserves (including the foreign currency translation 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 ≥21.5% 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.*

Notes to the annual financial statements continued

25 Remuneration schemes continued

The significant weighted average assumptions used to estimate the grant value (for equity-settled share-based payments) and the fair value (for cash-settled share-based payments) of the various awards granted are detailed below.

	Conditional and deferred incentive plans (FirstRand shares)	
	2025	2024
Award life (years)	**0.32 - 3**	1 – 3
Risk-free rate (%)	**7.35 - 7.68**	8.43 – 8.83

	Conditional and deferred incentive plans (FirstRand shares)	
Share awards outstanding	**2025**	2024
Number of awards in force at the beginning of the year (millions)	**103.6**	128.4
Number of awards granted during the year (millions)	**12.8**	42.8
Number of awards purchased with respect to the share ownership award plans (millions)	**4.4**	–
Number of awards transferred (within the group) during the year (millions)	**(0.5)**	0.3
Number of awards exercised/released during the year (millions)	**(37.6)**	(57.7)
– Market value range at date of exercise/release (cents)*	**6 486 - 8 415**	6 089 – 7 381
– Weighted average (cents)	**8 396**	6 534
Number of awards forfeited during the year (millions)	**(2.7)**	(10.2)
Number of awards in force at the end of the year (millions)	**80.0**	103.6

	Conditional and deferred incentive plan (FirstRand shares)*			
	2025		2024	
*Awards outstanding***	**Weighted average remaining life (years)**	**Outstanding awards (millions)**	Weighted average remaining life (years)	Outstanding awards (millions)
Vesting during 2023	**–**	**0.1**	–	0.1
Vesting during 2024	**–**	**–**	0.25	35.9
Vesting during 2025	**0.26**	**33.9**	1.36	35.2
Vesting during 2026	**1.31**	**35.3**	2.32	32.3
Vesting during 2027	**2.31**	**10.7**		
Total conditional awards		**80.0**		103.6
Number of participants		**4 289**		4,708

* *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.*

With respect to the Share Ownership Award Plans, the award value granted to employees is settled in a variable number of shares at specific points throughout the vesting period. Therefore it is not possible to determine at reporting date, the number of awards in force. The award value outstanding table below reflects the share award value for which the parent shares have not yet been purchased. At the point the parent shares are purchased, the value of the award is transferred to awards outstanding, with the number of shares purchased with respect to the share ownership award plan reflected in the share award outstanding table above.

	Share Award Plans	
R million	**2025**	2024
Award value outstanding		
Value of awards in force at the beginning of the year		
Value of awards granted during the year	**1 692.2**	
Value of awards forfeited during the year	**(46.8)**	
Value of awards that were transferred to awards outstanding	**(323.9)**	
Value of awards in force at the end of the year	**1 321.5**	

26 Contingencies and commitments

R million	**2025**	2024
Committed capital expenditure*	**5 674**	4 535
Legal proceedings**	**70**	68
Total contingencies and commitments	**5 744**	4 603

* *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 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.

	2025			
R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
Property	**91**	**222**	**66**	**379**
Motor vehicles	**1 371**	**2 272**	**239**	**3 882**
Total operating lease commitments	**1 462**	**2 494**	**305**	**4 261**
	2024			
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

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 Range of volatilities: 1 759 - 11 575 bps (2024: 1 839 - 12 910 bps)
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 a case where the fair value of the credit is not significant year on year but may become significant in future, and where the 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 such as PD of the counterparty. 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	Market interest rates	Credit spread Range of credit spreads: 3.5 - 3 198 bps (2024: 3.8 - 3 596 bps)
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 Range of P/E multiples: 1.3 - 15 (2024: 2.9 - 15.6)
Unlisted bonds, bonds listed in an inactive market or negotiable certificates of deposit (NCDs)	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 Range of credit inputs: 115 - 414 bps (2024: 139 - 677 bps)

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 specific debt market trading models, for example models of the 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 AND DEBT FUNDING				
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, rate curves, market risk and correlation factors Spread of rate curves: -34 - 650 bps (2024: 241 - 1 249 bps)

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	Income capitalisation method/ Discounted cash flow	The fair value of investment properties is determined through valuations conducted by professional valuers. These valuations incorporate either the discounted cash flow (DCF) method or the income capitalisation approach, depending on the nature of the property and available data. The DCF method estimates value by calculating the present value of projected future cash flows, including an appropriate exit or terminal value. The income capitalisation method, on the other hand, applies a capitalisation rate to the property's net operating income. Both approaches consider factors such as above-market and below-market rentals, variable operating expenses, and general property risk. Inputs are sourced from market surveys and comparable recent transactions that are not publicly quoted. Professional valuations are performed every two years and are subject to internal management review. Desktop valuations are performed in the years where professional valuations are not performed. The resulting fair value reflects the use of unobservable inputs, including income capitalisation rates.	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.

	2025			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	–	48 658	4 279	52 937
Advances	–	80 927	53 301	134 228
Investment securities	115 746	9 390	1 200	126 336
Commodities	7 364	–	–	7 364
Investment properties	–	–	445	445
Amounts due by holding company and fellow subsidiaries	–	1 001	–	1 001
Total fair value assets	123 110	139 976	59 225	322 311
Liabilities				
Recurring fair value measurements				
Short trading positions	15 000	1 533	–	16 533
Derivative financial instruments	–	49 536	1 927	51 463
Deposits and debt funding	–	68 711	15 803	84 514
Other liabilities	–	945	–	945
Amounts due to holding company and fellow subsidiaries	–	198	–	198
Total fair value liabilities	15 000	120 923	17 730	153 653

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.

	2025		
R million	Transfers in	Transfers out	Reasons for significant transfers in
Level 1	417	(136)	The inputs used in determining the fair value of certain investment securities became observable in the current year due to improved market liquidity. As a result, these investment securities transferred from level 3 to level 1.
Level 2	1 192	(1 392)	The inputs used to determine the fair value of certain structured deposits and derivatives have become observable during the current year, resulting in the transfer from level 3 to level 2.
Level 3	1 528	(1 609)	The inputs used to determine the fair value of certain structured deposits and equity derivatives have become unobservable during the current year, resulting in the transfer from level 2 to level 3.
Total transfers	3 137	(3 137)	

2024			
Level 1	Level 2	Level 3	Total fair value
18	45 328	628	45 974
–	58 620	44 379	102 999
101 269	8 671	1 684	111 624
15 109	–	–	15 109
–	–	281	281
–	1 293	–	1 293
116 396	113 912	46 972	277 280
8 806	795	–	9 601
6	41 524	1 854	43 384
1 545	48 903	10 469	60 917
–	931	–	931
–	150	–	150
10 357	92 303	12 323	114 983

2024		
Transfers in	Transfers out	Reasons for significant transfers in
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.
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.
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.
1 414	(1 414)	

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 and debt funding
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
Losses recognised in other comprehensive income	–	–	(5)	–	–	–
Purchases, sales, issue and settlements	(807)	(20 219)	(1 340)	–	(1 409)	3 419
Net transfer to 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**
Gains or losses recognised in profit or loss	**3 144**	**4 953**	**(302)**	**3**	**1 056**	**260**
Gains recognised in other comprehensive income	**–**	**–**	**13**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**(251)**	**4 055**	**(494)**	**161**	**(781)**	**6 012**
Net transfer (to)/from level 3	**758**	**–**	**301**	**–**	**(202)**	**(938)**
Exchange rate differences	**–**	**(86)**	**(2)**	**–**	**–**	**–**
Balance as at 30 June 2025	**4 279**	**53 301**	**1 200**	**445**	**1 927**	**15 803**

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 , 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.

	2025		2024	
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	3 059	–	483	–
Advances*	4 200	–	4 016	–
Investment securities	(834)	13	665	–
Investment properties	155	–	—	–
Total	6 580	13	5 164	–
Liabilities				
Derivative financial instruments	(896)	–	(786)	–
Deposits and debt funding	(652)	–	(1 137)	–
Total	(1 548)	–	(1 923)	–

* *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.*

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 is adjusted to fully reflect the upside or downside scenarios 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 the reasonability of the rate(s) used.
Deposits and debt funding	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.

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 continued

	2025			2024		
		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	**4 279**	**4 468**	**4 091**	628	676	579
Advances	**53 301**	**53 376**	**53 161**	44 379	44 495	44 239
Investment securities	**1 200**	**1 346**	**1 033**	1 684	1 811	1 579
Investment properties	**445**	**507**	**383**	281	310	258
Total financial assets measured at fair value in level 3	**59 225**	**59 697**	**58 668**	46 972	47 292	46 655
Liabilities						
Derivative financial instruments	**1 927**	**1 886**	**1 982**	1 854	1 800	1 905
Deposits and debt funding	**15 803**	**15 561**	**16 047**	10 469	10 205	10 734
Total financial liabilities measured at fair value in level 3	**17 730**	**17 447**	**18 029**	12 323	12 005	12 639

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
	2025				
Assets					
Advances	**1 079 968**	**1 091 448**	**–**	**187 583**	**903 865**
Investment securities	**214 432**	**213 778**	**135 029**	**78 749**	**–**
Total financial assets at amortised cost	**1 294 400**	**1 305 226**	**135 029**	**266 332**	**903 865**
Liabilities					
Deposits and debt funding	**1 488 689**	**1 488 348**	**–**	**1 488 271**	**77**
Other liabilities	**323**	**328**	**–**	**–**	**328**
Tier 2 liabilities	**20 580**	**20 756**	**–**	**20 756**	**–**
Total financial liabilities at amortised cost	**1 509 592**	**1 509 432**	**–**	**1 509 027**	**405**
	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 and debt funding	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

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	**2025**	2024
Opening balance	**169**	195
Day 1 profits or losses not initially recognised on financial instruments in the current year	**33**	305
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(163)**	(331)
Closing balance	**39**	169

Notes to the annual financial statements continued

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 regarding the change in credit risk attributable to these financial assets. Losses are indicated in brackets.

	2025			
			Change in fair value due to credit risk	
R million	**Fair value**	**Mitigated credit risk**	**Current period**	**Cumulative**
Advances	**23 250**	**550**	**66**	**(134)**
Investment securities	**201**	**–**	**–**	**–**
Total	**23 451**	**550**	**66**	**(134)**
	2024			
Advances	15 918	857	129	45
Investment securities	201	–	–	–
Total	16 119	857	129	45

Losses are included in brackets.

27.6.2 Financial liabilities designated at fair value through profit or loss

	2025		2024	
R million	**Fair value**	**Contractually payable at maturity**	Fair value	Contractually payable at maturity
Deposits and debt funding	**4 297**	**3 894**	5 156	4 563
Other liabilities	**945**	**945**	931	931
Total	**5 242**	**4 839**	6 087	5 494

27.7 Total fair value income included in profit or loss for the year

R million	**2025**	2024
Total fair value income for the year has been disclosed as:		
Fair value gains and losses included in non-interest revenue*	**3 771**	7 182
Fair value of credit of advances included in impairment of advances	**44**	11

* Refer to note 2.3.

28 Segment information

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.

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), small and medium-sized enterprises (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, a 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 its 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.

Notes to the annual financial statements continued

28 Segment information

28.1 Reportable segments

REPORTABLE SEGMENTS		
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 and 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.

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

	2025		
	Retail and commercial		
	FNB		
R million	FNB SA	FNB broader Africa	WesBank
Net interest income before impairment of advances	43 265	(31)	6 044
Impairment charge	(9 882)	–	(2 061)
Net interest income after impairment of advances	33 383	(31)	3 983
Non-interest revenue	30 801	1 645	3 147
Net income from operations	64 184	1 614	7 130
Operating expenses*	(37 108)	(2 051)	(4 700)
Income before tax	27 076	(437)	2 430
Indirect tax	(783)	(1)	(48)
Profit for the year before tax	26 293	(438)	2 382
Income tax expense	(7 057)	118	(643)
Profit for the year	19 236	(320)	1 739
The income statement includes			
Staff expenditure	(24 405)	(400)	(1 696)
Depreciation	(2 683)	(2)	(710)
Amortisation	(193)	–	(11)
Net impairment charges (non-financial assets)	(50)	–	(31)
Non-interest revenue earned between segments**	253	64	–
Non-interest revenue includes the following external revenue from contracts with customers#			
Banking fees and commissions	32 363	(12)	536
Non-banking fees and commissions	1 083	–	4
Insurance income (excluding risk-related income)	48	–	65
Management, trust and fiduciary fees	454	–	576
Other non-interest revenue from customers	1 964	(7)	1 192
The statement of financial position includes			
Total assets	528 676	335	186 720
Total liabilities†	501 581	775	184 297

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

* *Includes the change in UK motor commission provision for which R1 533 million is included in the Centre segment.*

** *During the year the bank reviewed the segmental reporting disclosure. As a result of the review, the bank enhanced the disclosure by providing the NIR earned between segments. To provide comparability the prior year amount has been disclosed.*

\# *The vast majority of external revenue from contracts with customers was recognised at a point in time.*

† *Total liabilities are net of interdivisional balances..*

2025					
	Corporate and institutional				
Retail and commercial	RMB	Centre (including Group Treasury)	FirstRand Bank – normalised	Normalised adjustments	FirstRand Bank – IFRS
49 278	10 851	5 835	65 964	(1 536)	64 428
(11 943)	(773)	(134)	(12 850)	–	(12 850)
37 335	10 078	5 701	53 114	(1 536)	51 578
35 593	10 682	(2 266)	44 009	1 633	45 642
72 928	20 760	3 435	97 123	97	97 220
(43 859)	(12 702)	(1 994)	(58 555)	88	(58 467)
29 069	8 058	1 441	38 568	185	38 753
(832)	(261)	(80)	(1 173)	–	(1 173)
28 237	7 797	1 361	37 395	185	37 580
(7 582)	(2 105)	1 285	(8 402)	(49)	(8 451)
20 655	5 692	2 646	28 993	136	29 129
(26 501)	(6 639)	(2 369)	(35 509)	164	(35 345)
(3 395)	(201)	(5)	(3 601)	–	(3 601)
(204)	(66)	–	(270)	–	(270)
(81)	(10)	–	(91)	(75)	(166)
317	(1 085)	768	–	–	–
32 887	5 344	(18)	38 213	–	38 213
1 087	28	5	1 120	–	1 120
113	–	1	114	–	114
1 030	256	42	1 328	–	1 328
3 149	271	34	3 454	149	3 603
715 731	706 436	442 463	1 864 630	–	1 864 630
686 653	700 953	331 505	1 719 111	–	1 719 111

Notes to the annual financial statements continued

28 Segment information continued

28.3 Reportable segments continued

	2024		
	Retail and commercial		
	FNB		
R million	FNB SA	FNB broader Africa	WesBank
Net interest income before impairment of advances	40 696	(43)	5 701
Impairment charge	(9 682)	–	(2 052)
Net interest income after impairment of advances	31 014	(43)	3 649
Non-interest revenue	29 143	1 652	3 151
Net income from operations	60 157	1 609	6 800
Operating expenses*	(34 824)	(1 991)	(4 858)
Income before tax	25 333	(382)	1 942
Indirect tax	(796)	(1)	(41)
Profit for the year before tax	24 537	(383)	1 901
Income tax expense	(6 630)	103	(514)
Profit for the year	17 907	(280)	1 387
The income statement includes			
Staff expenditure**	(22 980)	(389)	(1 701)
Depreciation	(2 532)	(2)	(792)
Amortisation	(19)	–	(6)
Net impairment charges (non-financial asset)	(116)	–	1
Non-interest revenue earned between segments#	277	–	–
Non-interest revenue includes the following external revenue from contracts with customers†			
Banking fees and commissions	30 549	(10)	625
Non-banking fees and commissions	887	–	6
Insurance income (excluding risk-related income)	50	–	68
Management, trust and fiduciary fees	492	–	575
Other non-interest revenue from customers	2 438	–	1 103
The statement of financial position includes			
Total assets	506 774	302	169 826
Total liabilities‡	482 008	685	167 907

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

* *Includes the UK motor commission matter for which R2 873 million is included in the Centre segment.*

** *In the prior year, the signage of staff expenditure amounts were presented as positive. The signage has been updated to negative in the current year. This does not impact any totals presented in the prior year.*

\# *During the year the bank reviewed the segmental reporting disclosure. As a result of the review, the bank enhanced the disclosure by providing the NIR earned between segments. To provide comparability the prior year amount has been disclosed.*

† *The vast majority of external revenue from contracts with customers was recognised at a point in time.*

‡ *Total liabilities are net of interdivisional balances.*

2024					
	Corporate and institutional				
Retail and commercial	RMB	Centre (including Group Treasury)	FirstRand Bank – normalised	Normalised adjustments	FirstRand Bank– IFRS
46 354	9 431	5 277	61 062	(1 638)	59 424
(11 734)	(856)	139	(12 451)	–	(12 451)
34 620	8 575	5 416	48 611	(1 638)	46 973
33 946	11 981	(1 999)	43 928	1 723	45 651
68 566	20 556	3 417	92 539	85	92 624
(41 673)	(12 101)	(4 206)	(57 980)	15	(57 965)
26 893	8 455	(789)	34 559	100	34 659
(838)	(249)	(45)	(1 132)	–	(1 132)
26 055	8 206	(834)	33 427	100	33 527
(7 041)	(2 216)	2 078	(7 179)	(27)	(7 206)
19 014	5 990	1 244	26 248	73	26 321
(25 070)	(6 484)	(2 283)	(33 837)	18	(33 819)
(3 326)	(154)	(3)	(3 483)	–	(3 483)
(25)	(40)	(101)	(166)	–	(166)
(115)	–	–	(115)	(2)	(117)
277	(218)	(59)	–	–	–
31 164	5 006	(14)	36 156	–	36 156
893	20	8	921	–	921
118	–	–	118	–	118
1 067	245	25	1 337	–	1 337
3 541	32	(40)	3 533	(17)	3 516
676 902	649 422	389 522	1 715 846	–	1 715 846
650 600	643 171	292 918	1 586 689	–	1 586 689

Notes to the annual financial statements continued

28 Segment information continued

Geographical segments

R million	South Africa	United Kingdom	Other	Total
		2025		
Net interest income after impairment	**50 187**	**765**	**626**	**51 578**
Non-interest revenue	**44 092**	**1 527**	**23**	**45 642**
– Non-interest revenue from contracts with customers*	**42 126**	**263**	**41**	**42 430**
– Other non-interest revenue	**1 966**	**1 264**	**(18)**	**3 212**
Non-current assets**	**21 356**	**180**	**1**	**21 537**
		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

* *Includes other non-interest related expenses which mostly relate to South Africa.*

** *Exclude financial instruments, other assets, deferred income tax assets, current tax assets and post-employment benefit assets.*

29 Related parties

29.1 Balances with related parties

R million	2025	2024
Advances		
Associates*	23 994	20 944
Joint ventures	1 041	2 905
Key management personnel	43	41
Other assets		
Associates	693	914
Joint ventures	10 565	9 855
Amounts due by holding company and fellow subsidiaries		
Parent	9	1
Fellow subsidiaries	70 912	58 356
Fellow subsidiaries – bank accounts	732	281
Investment securities		
Parent	545	–
Associates	162	234
Deposits and debt funding		
Associates	1 713	1 476
Joint ventures	11 800	11 004
Key management personnel	194	87
Accounts payable		
Associates	61	7
Amounts due to holding company and fellow subsidiaries		
Parent	931	670
Fellow subsidiaries	12 883	24 030
Fellow subsidiaries – bank accounts	3 790	3 719
Derivative liabilities		
Joint ventures	138	4 152
Commitments		
Fellow subsidiaries	13 969	14 132
Associates	207	401
Joint ventures	3	5 886

* *The prior year amount disclosed was R21 244 million, which included R300 million that is not advances. The comparative has been restated to reflect the correct balance.*

Refer to the remuneration disclosures on page C130 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 R550 million (2024: R541 million), which provides growth finance to early-stage SMEs. The prior year amount disclosed in the narrative was R841 million, which included R300 million that is not advances. The comparative has been restated to reflect the correct balance.

Notes to the annual financial statements continued

29 Related parties continued

29.2 Transactions with related parties appear below

R million	2025	2024
Interest received		
Fellow subsidiaries	1 933	2 353
Associates	2 117	1 091
Joint ventures	844	915
Key management personnel	12	7
Interest paid		
Fellow subsidiaries*	(1 292)	(1 718)
Associates	(70)	(73)
Joint ventures	(266)	(339)
Key management personnel	(17)	(11)
Non-interest revenue		
Fellow subsidiaries	3 676	2 753
Associates**	1 269	3 594
Joint ventures	386	1 552
Key management personnel	7	1
Operating expenses		
Fellow subsidiaries	(1 039)	(1 104)
Associates	(863)	(964)
Dividends received		
Parent	16	–
Joint ventures	738	711
Dividends paid#		
Parent	(16 411)	(16 663)
Recharge - share award scheme		
Parent	325	–
Salaries and other employee benefits		
Key management personnel	94	119
– Salaries and other short-term benefits	59	76
– Share-based payments	35	43

* *Interest paid on bank accounts with fellow subsidiaries amounted to R207 million (2024: R206 million).*

** *The non-interest revenue for Associates was previously reported as R3 019 million and has been restated by R575 million to include management fees.*

The Dividends paid amount has been disaggregated and shown separately from the Dividends received line in the current year. The prior year reported amount has not been impacted by the change in presentation.

Deferred compensation of R18 million (2024: R23 million) is due to KMP and settlement value is linked to 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	2025	2024
Dividend income	26	21
Deposits held with the group	969	702
Interest income	56	53

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 it either does not have the power to control the investment decisions or 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, subscription to 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 are limited to typical lender protection rights. The bank's investment in the preference shares or the bank's financing of notes issued by the entities is 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 and the 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.

The following table shows the carrying amount of the bank's recorded interest in its statement of financial position, in R'millions, as well as the maximum exposure to risk due to these exposures in the unconsolidated structured entities.

	2025			2024		
	Structured investment vehicles*	**Investment in funds**	**Total**	Structured investment vehicles*	Investment in funds	Total
Advances	**111**	**1 599**	**1 710**	33	1 360	1 393
Total assets	**111**	**1 599**	**1 710**	33	1 360	1 393
Liabilities	**—**	**—**	**—**	—	—	—
Off-balance sheet exposures	**—**	**—**	**—**	—	—	—
Fair value income/(loss)	**—**	**13**	**13**	—	14	—
Maximum exposure to loss**	**460**	**1 599**	**2 059**	460	1 360	1 820

* *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 (2024: Rnil). The bank did not provide any financial support during the current financial reporting period to unconsolidated structured entities.

Notes to the annual financial statements continued

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 those 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 http://www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures/.

31 Financial risks continued

Overview of financial 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 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 and debt funding (31.2.4).</td></tr>
</table>

Notes to the annual financial statements continued

31 Financial risks continued

Overview of financial risks continued

<table>
<tr><th colspan="3">Overview of financial risks</th></tr>
<tr><td rowspan="4">Market risk</td><td colspan="2">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.</td></tr>
<tr><td>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.</td><td>10-day 99% Value-at-Risk (VaR) analysis has been presented for traded market risk.</td></tr>
<tr><td>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.</td><td>The following information is presented for interest rate risk in the banking book:
• projected NII sensitivity to interest rate movements; and
• banking book NAV sensitivity to interest rate movements as a percentage of total bank capital.</td></tr>
<tr><td>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.</td><td>Information on the bank's net structural foreign exposures and sensitivity of these exposures are presented.</td></tr>
<tr><td rowspan="2">Equity investment risk</td><td colspan="2">The risk of an adverse change in the fair value of an investment in a company, fund or listed, unlisted or bespoke financial instruments.</td></tr>
<tr><td>Equity investment risk (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.</td><td>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.</td></tr>
<tr><td rowspan="2">Tax risk</td><td colspan="2">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.</td></tr>
<tr><td colspan="2">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.</td></tr>
<tr><td>Capital management</td><td colspan="2">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.</td></tr>
</table>

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. During the current year the mapping table was updated based on the latest historic and external default data. 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-, BBB+, BBB (upper)
15 – 25	0.29 %	BBB, BBB-(upper), BBB-, BB+(upper), BB+
26 – 32	0.77 %	BB(upper), BB, BB-(upper), BB-
33 – 39	1.44 %	B+(upper)
40 – 53	2.52 %	B+, B(upper)
54 – 83	6.18 %	B, B-(upper), B-
84 – 90	13.68 %	CCC+
91 – 99	59.11 %	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 R96 108 million (2024: R93 949 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.

	2025					
R million	South Africa	Broader Africa	United Kingdom	Other Europe	Asia, Americas and Australasia	Total
On-balance sheet exposures						
Cash and short-term funds	92 865	454	4 801	4 943	4 345	107 408
Total advances	1 152 434	35 688	30 239	22 811	16 167	1 257 339
Stage 3 advances*	55 662	1 080	93	17	21	56 873
Derivatives	23 712	840	10 866	17 051	468	52 937
Debt investment securities	304 338	6 382	610	81	21 974	333 385
Collateral, settlement balances and other financial assets	20 996	207	4 347	3 105	1 108	29 763
Off-balance sheet exposures						
Guarantees, acceptances and letters of credit**	43 999	14 680	244	1 470	5 914	66 307
Loan commitments	155 206	4 822	7 196	4 768	3 455	175 447

* *Include purchased or originated credit impaired advances.*

** *Includes intercompany guarantees, acceptances and letters of credit of R21 283 million (June 2024: R18 951 million).*

2024					
South Africa	Broader Africa	United Kingdom	Other Europe	Asia, Americas and Australasia	Total
55 935	294	5 946	7 067	10 972	80 214
1 085 940	51 696	20 891	11 124	13 934	1 183 585
49 105	1 261	642	30	22	51 060
23 449	262	13 248	8 891	124	45 974
272 244	4 485	2 304	1 014	22 286	302 333
20 258	186	1 577	1 445	1 145	24 611
42 881	16 729	346	2 682	3 030	65 668
160 474	4 599	7 790	8 604	2 460	183 927

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	**2025**	2024
Retail secured	**402 364**	381 882
– Residential mortgages	**279 985**	270 461
– WesBank VAF*	**122 379**	111 421
Retail unsecured**	**105 147**	101 974
– FNB card	**44 236**	41 374
– Personal loans	**54 088**	53 286
– Retail other	**6 823**	7 314
Corporate and commercial	**696 992**	658 609
– FNB commercial	**143 784**	129 838
– WesBank corporate and commercial	**65 877**	60 218
– RMB corporate and investment banking	**487 331**	468 553
Centre (including Group Treasury)	**52 836**	41 120
Gross advances	**1 257 339**	1 183 585

* *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.

	2025			
		Stage 3		
R million	**Total advances**	**Advances**	**Security held and expected recoveries**	**Impairment**
Sector analysis				
Agriculture	**58 754**	**1 347**	**806**	**541**
Banks	**38 356**	**–**	**–**	**–**
Financial institutions	**204 458**	**1 266**	**586**	**680**
Building and property development	**78 893**	**3 692**	**2 418**	**1 274**
Government, Land Bank and public authorities	**20 678**	**1 021**	**805**	**216**
Individuals	**478 562**	**41 958**	**23 514**	**18 444**
Manufacturing and commerce	**193 686**	**3 651**	**1 143**	**2 508**
Mining	**27 387**	**124**	**33**	**91**
Transport and communication	**60 550**	**714**	**301**	**413**
Other services	**96 015**	**3 100**	**1 138**	**1 962**
Total advances	**1 257 339**	**56 873**	**30 744**	**26 129**
	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

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 2025

R million	Retail secured		Retail unsecured	
	Residential mortgages	WesBank VAF	FNB card	Personal loans
Total on-balance sheet	279 985	122 379	44 236	54 088
FirstRand 1-25 on-balance sheet	107 149	–	669	273
– Stage 1	106 994	–	669	73
– Stage 2	155	–	–	200
– Stage 3	–	–	–	–
– Purchased or originated credit impaired	–	–	–	–
FirstRand 26-90 on-balance sheet	141 795	111 823	35 380	36 647
– Stage 1	128 390	102 796	33 638	34 858
– Stage 2	13 395	9 027	1 742	1 789
– Stage 3	10	–	–	–
– Purchased or originated credit impaired	–	–	–	–
FirstRand 91-100 on-balance sheet	31 041	10 556	8 187	17 168
– Stage 1	421	184	505	1 195
– Stage 2	10 588	3 157	1 414	6 891
– Stage 3	20 032	7 215	6 268	9 082
– Purchased or originated credit impaired	–	–	–	–
Total off-balance sheet	49 371	–	–	–
FirstRand 1-25 off-balance sheet	45 911	–	–	–
– Stage 1	45 911	–	–	–
– Stage 2	–	–	–	–
– Stage 3	–	–	–	–
– Purchased or originated credit impaired	–	–	–	–
FirstRand 26-90 off-balance sheet	3 449	–	–	–
– Stage 1	3 411	–	–	–
– Stage 2	38	–	–	–
– Stage 3	–	–	–	–
– Purchased or originated credit impaired	–	–	–	–
FirstRand 91-100 off-balance sheet	11	–	–	–
– Stage 1	1	–	–	–
– Stage 2	5	–	–	–
– Stage 3	5	–	–	–
– Purchased or originated credit impaired	–	–	–	–
Total exposure	329 356	122 379	44 236	54 088
– Stage 1	285 128	102 980	34 812	36 126
– Stage 2	24 181	12 184	3 156	8 880
– Stage 3	20 047	7 215	6 268	9 082
– Purchased or originated credit impaired	–	–	–	–

Retail other	FNB commercial	WesBank corporate and commercial (Corporate and commercial)	RMB corporate and investment banking (Corporate and commercial)	Centre (including Group Treasury)	Total
6 823	143 784	65 877	487 331	52 836	1 257 339
286	10	11 693	227 282	46 372	393 734
286	10	11 689	227 148	46 372	393 241
–	–	4	134	–	493
–	–	–	–	–	–
–	–	–	–	–	–
5 138	134 228	51 904	252 983	6 368	776 266
5 013	128 418	49 064	241 760	6 325	730 262
116	5 700	2 840	11 223	43	45 875
9	110	–	–	–	129
–	–	–	–	–	–
1 399	9 546	2 280	7 066	96	87 339
70	231	307	19	1	2 933
421	3 779	635	765	12	27 662
908	5 536	1 338	5 390	83	55 852
–	–	–	892	–	892
553	15 752	1 409	153 386	–	220 471
74	–	1 394	81 253	–	128 632
74	–	1 394	81 253	–	128 632
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
460	15 674	15	71 593	–	91 191
460	15 379	15	69 583	–	88 848
–	292	–	2 010	–	2 340
–	3	–	–	–	3
–	–	–	–	–	–
19	78	–	540	–	648
19	23	–	187	–	230
–	35	–	252	–	292
–	20	–	57	–	82
–	–	–	44	–	44
7 376	159 536	67 286	640 717	52 836	1 477 810
5 922	144 061	62 469	619 950	52 698	1 344 146
537	9 806	3 479	14 384	55	76 662
917	5 669	1 338	5 447	83	56 066
–	–	–	936	–	936

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

R million	Retail secured		Retail unsecured	
	Residential mortgages	WesBank VAF	FNB card	Personal loans
Total on-balance sheet	270 461	111 421	41 374	53 286
FirstRand 1-25 on-balance sheet	103 255	–	462	208
– Stage 1	103 059	–	462	50
– Stage 2	196	–	–	158
– Stage 3	–	–	–	–
– Purchased or originated credit impaired	–	–	–	–
FirstRand 26-90 on-balance sheet	139 758	101 041	34 045	36 270
– Stage 1	126 703	91 828	32 209	33 955
– Stage 2	13 055	9 213	1 836	2 315
– Stage 3	–	–	–	–
– Purchased or originated credit impaired	–	–	–	–
FirstRand 91-100 on-balance sheet	27 448	10 380	6 867	16 808
– Stage 1	262	147	440	1 340
– Stage 2	8 968	3 123	1 194	6 460
– Stage 3	18 218	7 110	5 233	9 008
– Purchased or originated credit impaired	–	–	–	–
Total off-balance sheet	46 890	–	–	–
FirstRand 1-25 off-balance sheet	43 698	–	–	–
– Stage 1	43 692	–	–	–
– Stage 2	6	–	–	–
– Stage 3	–	–	–	–
– Purchased or originated credit impaired	–	–	–	–
FirstRand 26-90 off-balance sheet	3 167	–	–	–
– Stage 1	3 119	–	–	–
– Stage 2	48	–	–	–
– Stage 3	–	–	–	–
– Purchased or originated credit impaired	–	–	–	–
FirstRand 91-100 off-balance sheet	25	–	–	–
– Stage 1	2	–	–	–
– Stage 2	9	–	–	–
– Stage 3	14	–	–	–
– Purchased or originated credit impaired	–	–	–	–
Total exposure	317 351	111 421	41 374	53 286
– Stage 1	276 837	91 975	33 111	35 345
– Stage 2	22 282	12 336	3 030	8 933
– Stage 3	18 232	7 110	5 233	9 008
– Purchased or originated credit impaired	–	–	–	–

Corporate and commercial					
Retail other	FNB commercial	WesBank corporate and commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
7 314	129 838	60 218	468 553	41 120	1 183 585
303	–	10 157	150 184	6 920	271 489
303	–	10 147	150 184	6 920	271 125
–	–	10	–	–	364
–	–	–	–	–	–
–	–	–	–	–	–
5 452	122 610	48 432	311 632	33 556	832 796
5 319	116 089	44 906	291 882	33 556	776 447
124	6 466	3 526	19 750	–	56 285
9	55	–	–	–	64
–	–	–	–	–	–
1 559	7 228	1 629	6 737	644	79 300
93	115	215	–	–	2 612
460	2 435	305	2 734	13	25 692
1 006	4 678	1 109	3 163	631	50 156
–	–	–	840	–	840
412	14 031	2 766	165 288	1 256	230 643
66	–	2 766	75 310	–	121 840
66	–	2 766	75 310	–	121 834
–	–	–	–	–	6
–	–	–	–	–	–
–	–	–	–	–	–
343	13 919	–	88 566	1 256	107 251
343	13 694	–	87 105	1 256	105 517
–	224	–	1 461	–	1 733
–	1	–	–	–	1
–	–	–	–	–	–
3	112	–	1 412	–	1 552
3	7	–	610	–	622
–	51	–	728	–	788
–	54	–	74	–	142
–	–	–	–	–	–
7 726	143 869	62 984	633 841	42 376	1 414 228
6 127	129 905	58 034	605 091	41 732	1 278 157
584	9 176	3 841	24 673	13	84 868
1 015	4 788	1 109	3 237	631	50 363
–	–	–	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

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.

	2025		
R million	**Total**	**Security held and expected recoveries**	**Stage 3 impairment**
Stage 3 by class			
Total retail secured	27 257	19 485	7 772
– Residential mortgages	20 042	15 590	4 452
– WesBank VAF	7 215	3 895	3 320
Total retail unsecured	16 267	4 781	11 486
– FNB card	6 268	1 713	4 555
– Personal loans	9 082	2 944	6 138
– Retail other	917	124	793
Total retail secured and unsecured	43 524	24 266	19 258
Total corporate and commercial*	13 266	6 476	6 790
– FNB commercial	5 646	1 933	3 713
– WesBank corporate and commercial	1 338	685	653
– RMB corporate and investment banking	6 282	3 858	2 424
Centre (including Group Treasury) – unsecured	83	2	81
Total stage 3	56 873	30 744	26 129
Stage 3 by category			
Overdrafts and cash management accounts	3 414	628	2 786
Term loans	1 425	632	793
Card loans	6 614	1 745	4 869
Instalment sales and hire purchase agreements	8 594	4 573	4 021
Lease payments receivable	79	27	52
Property finance	21 282	16 291	4 991
– Home loans	19 928	15 507	4 421
– Commercial property finance	1 354	784	570
Personal loans	9 172	2 989	6 183
Investment bank term loans	5 746	3 537	2 209
Other	547	322	225
Total stage 3	56 873	30 744	26 129

** The vast majority of total corporate and commercial is secured with collateral.*

2024		
Total	Security held and expected recoveries	Stage 3 impairment
25 328	18 223	7 105
18 218	14 471	3 747
7 110	3 752	3 358
15 256	4 358	10 898
5 233	1 458	3 775
9 008	2 761	6 247
1 015	139	876
40 584	22 581	18 003
9 845	5 274	4 571
4 733	1 798	2 935
1 109	585	524
4 003	2 891	1 112
631	42	589
51 060	27 897	23 163
3 267	693	2 574
1 184	653	531
5 509	1 484	4 025
8 795	4 370	4 425
66	14	52
19 216	15 072	4 144
18 119	14 389	3 730
1 097	683	414
9 089	2 805	6 284
3 339	2 355	984
595	451	144
51 060	27 897	23 163

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.

	2025		
R million	**AAA to BBB**	**BB+ to B-**	**CCC**
Investment securities			
Investment securities at amortised cost	10 066	204 697	–
– Stage 1	10 066	204 697	–
Investment securities at fair value through other comprehensive income	3 146	16 494	6
– Stage 1	3 146	16 494	6
Investment securities at fair value through profit or loss	11 228	87 630	118
Total investment securities	24 440	308 821	124
Collateral, settlement balances and other financial assets			
– Stage 1*	7 050	14 279	–
– Stage 2	496	7 335	256
– Stage 3	–	250	97
Total collateral, settlement balances and other financial assets	7 546	21 864	353
Cash and cash equivalents			
– Stage 1	15 055	92 353	–
Total cash and cash equivalents	15 055	92 353	–
Derivative assets	32 214	20 706	17

* *Collateral balances are similar in nature to cash and cash equivalents and are included in stage 1.*

	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.*

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.

There have been no significant changes to collateral valuation policies and procedures in the reporting period.

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

	2025			
R million	**Gross carrying amount**	**Off-balance sheet exposure**	**Loss allowance**	**Maximum exposure to credit risk**
Residential mortgages	**279 985**	**49 371**	**(6 121)**	**323 235**
WesBank VAF	**122 379**	**–**	**(6 232)**	**116 147**
FNB card	**44 236**	**–**	**(6 670)**	**37 566**
Personal loans	**54 088**	**–**	**(9 919)**	**44 169**
Retail other	**6 823**	**553**	**(1 143)**	**6 233**
FNB commercial	**143 784**	**15 752**	**(6 046)**	**153 490**
WesBank corporate and commercial	**65 877**	**1 409**	**(1 017)**	**66 269**
RMB corporate and investment banking	**487 331**	**153 386**	**(5 489)**	**635 228**
Centre (including Group Treasury)	**52 836**	**–**	**(507)**	**52 329**
Total advances	**1 257 339**	**220 471**	**(43 144)**	**1 434 666**
Investment securities#	**333 385**	**–**	**(330)**	**333 055**
Cash and cash equivalents	**107 408**	**–**	**–**	**107 408**
Collateral, settlement balances and other financial assets	**29 763**	**–**	**(399)**	**29 364**
Derivatives	**52 937**	**–**	**–**	**52 937**
				2024
Residential mortgages	270 461	46 890	(5 448)	311 903
WesBank VAF	111 421	–	(6 195)	105 226
FNB card	41 374	–	(5 705)	35 669
Personal loans	53 286	–	(10 243)	43 043
Retail other	7 314	412	(1 326)	6 400
FNB commercial	129 838	14 031	(5 077)	138 792
WesBank corporate and commercial	60 218	2 766	(916)	62 068
RMB corporate and investment banking	468 553	165 288	(4 702)	629 139
Centre (including Group Treasury)	41 120	1 256	(845)	41 531
Total advances	1 183 585	230 643	(40 457)	1 373 771
Investment securities#,†	302 333	–	(322)	302 011
Cash and cash equivalents	80 214	–	–	80 214
Collateral, settlement balances and other financial assets	24 611	–	(472)	24 139
Derivatives	45 974	–	–	45 974

* *Financial collateral relating to reverse repos are excluded. Details of these transactions are included on page C150 on the note detailing the offsetting disclosures.*

** *Secured represent balances which have non-financial collateral and financial collateral received under reverse repos. Details of financial collateral and netting on these are disclosed on page C150 on the note detailing the offsetting disclosures.*

Include debt instruments measured at fair value but excludes equity.

† *The netting and financial collateral and unsecured amount for the prior year has been restated by R14 711 million. The amount was incorrectly reflected as collateral and has been moved to the unsecured column. The unsecured amount previously presented was R286 057 million.*

2025		
Netting and financial collateral*	Unsecured	Secured**
2 553	40	320 642
–	–	116 147
–	37 566	–
–	44 169	–
–	3 124	3 109
4 282	25 782	123 426
–	123	66 146
1 711	123 430	510 087
–	31 779	20 550
8 546	266 013	1 160 107
–	331 131	1 924
3 526	103 882	–
20 725	8 634	5
39 775	13 162	–
1 686	68	310 149
–	–	105 226
–	35 669	–
–	43 043	–
388	3 776	2 236
7 353	22 081	109 358
–	69	61 999
1 970	130 832	496 337
–	30 480	11 051
11 397	266 018	1 096 356
–	300 768	1 243
4 131	76 083	–
15 845	8 294	–
30 900	15 074	–

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	2025	2024
Cash collateral held	**11 218**	14 346

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

	2025		2024	
R million	Fair value	Fair value of collateral sold or repledged in the absence of default	Fair value	Fair value of collateral sold or repledged in the absence of default
Cash and cash equivalents	**11 217**	**–**	14 346	–
Advances	**104 621**	**24 294**	67 758	25 379
Investment securities	**3 539**	**3 520**	4 158	4 131
Total collateral pledged	**119 377**	**27 814**	86 262	29 510

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 R11 million (2024: R17 million).

31 Financial risks continued

31.1 *Credit risk* continued

31.1.4 Credit risk mitigation and collateral held 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	**2025**	2024	**2025**	2024	**2025**	2024
Assets						
Offsetting applied						
Gross amount	**88 227**	75 990	**135 814**	91 054	**86 803**	58 640
Amount offset*	**(35 290)**	(30 016)	**(31 193)**	(23 297)	**(15 150)**	(2)
Net amount reported on the statement of financial position	**52 937**	45 974	**104 621**	67 757	**71 653**	58 638
Offsetting not applied						
Financial instruments subject to MNAs and similar agreements	**(37 303)**	(28 874)	**(5 289)**	(1 184)	**(171)**	(590)
Financial collateral	**(2 472)**	(2 026)	**(77 899)**	(40 980)	**(18 812)**	–
Net amount	**13 162**	15 074	**21 433**	25 593	**52 670**	58 048
Liabilities						
Offsetting applied						
Gross amount	**86 752**	73 400	**64 074**	45 030	**32 755**	28 421
Amount offset*	**(35 290)**	(30 016)	**(31 193)**	(23 297)	**(15 150)**	(2)
Net amount reported on the statement of financial position	**51 462**	43 384	**32 881**	21 733	**17 605**	28 419
Offsetting not applied						
Financial instruments subject to MNAs and similar agreements**	**(37 303)**	(28 874)	**(5 289)**	(1 184)	**(171)**	(590)
Financial collateral	**(9 140)**	(7 231)	**(17 786)**	(11 850)	**(624)**	–
Net amount	**5 019**	7 279	**9 806**	8 699	**16 810**	27 829

* *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.*

** *In the prior year, the signage on the amount disclosed for MNAs and similar agreements was positive. This has been updated to negative in the current year. The prior year total for the Net amount was reported as R65 027.*

31.2 *Liquidity risk*

Objective

Liquidity risk arises from the bank's potential inability to meet its payment obligations as and 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 effectively manage and mitigate the liquidity risk introduced by its business activities, the bank strategically optimises its funding mix within structural and regulatory constraints and pursues a funding strategy that supports operational efficiency and long-term sustainability.

The bank continues to offer innovative and competitive products to grow its deposit franchise to reduce dependence on institutional funding. These initiatives continue to improve the funding and liquidity profile of the bank and provide for natural liquidity risk buffers. Ongoing compliance with prudential liquidity metrics remains a central pillar of the bank's funding approach.

Assessment and management

The bank focuses on continually monitoring and analysing the impact of potential risks on its funding and liquidity position in order to ensure that business activities are preserved, and that funding is available and stable. This ensures that the bank can operate through periods of stress when access to funding may be 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 is 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 below.

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 the 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.

	2025			
		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 debt funding	**1 658 798**	**1 242 212**	**154 420**	**262 166**
Short trading positions	**16 533**	**16 533**	**–**	**–**
Derivative financial instruments	**51 936**	**49 607**	**1 721**	**608**
Creditors, accruals and provisions	**23 347**	**13 658**	**1 608**	**8 081**
Tier 2 liabilities	**26 103**	**450**	**5 286**	**20 367**
Other liabilities	**1 366**	**489**	**–**	**877**
Lease liabilities	**2 022**	**202**	**606**	**1 214**
Amounts due to holding company and fellow subsidiaries	**17 688**	**13 394**	**2 635**	**1 659**
Off-balance sheet exposures*				
Financial and other guarantees	**66 307**	**65 109**	**1 169**	**29**
Loan commitments	**175 447**	**175 447**	**–**	**–**
	2024			
On-balance sheet exposures				
Deposits and debt funding	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
Loan commitments	183 927	183 927	–	–

* *The bank has re-assessed the liquidity risk disclosures and consequently removed Other contingencies and commitments which are not within scope of IFRS 7.*

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

	2025			
		Term to maturity		
R million	**Discounted carrying amount**	**Call to 3 months**	**4 – 12 months**	**> 12 months and non-contractual**
Total assets	**1 864 630**	**640 119**	**185 982**	**1 038 529**
Total equity and liabilities	**1 864 630**	**1 336 927**	**151 394**	**376 309**
Net liquidity gap	**–**	**(696 808)**	**34 588**	**662 220**
Cumulative liquidity gap	**–**	**(696 808)**	**(662 220)**	**–**
	2024			
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)	–

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 that 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	**2025**	2024*
Cash and collateral balances	**22 642**	18 502
Advances	**1 013**	903
Investment securities – held under repurchase agreements	**26 303**	11 437
Investment securities – other	**4 521**	8 380
Total assets pledged	**54 479**	39 222

* *Investment securities - other has been restated by an amount of R3 292 million due to the reclassification of R4 166 million to Investment securities - held under repurchase agreements and an understatement of R874 million. This resulted in total assets pledged being restated from R38 348 million to R39 222 million.*

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	**2025**	2024
Short-trading positions	**16 533**	9 601
Total deposits	**33 790**	22 804
– Deposits under repurchase agreements	**31 347**	20 075
– Deposits in securities lending transactions*	**1 534**	1 658
– Other secured deposits	**909**	1 071
Derivative liabilities	**21 734**	16 917
Total	**72 057**	49 322

* *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	**2025**	2024
Sector analysis		
Deposit current accounts and other loans		
Sovereigns, including central banks	**88 468**	56 101
Public sector entities	**90 028**	88 743
Local authorities	**14 572**	14 671
Banks	**59 090**	59 457
Securities firms	**9 522**	10 800
SME, commercial and corporate customers	**870 025**	800 430
Retail customers	**438 454**	411 325
Other	**3 044**	3 180
Total deposits and debt funding	**1 573 203**	1 444 707
Geographical analysis		
South Africa	**1 473 307**	1 343 376
Broader Africa	**29 232**	27 699
UK	**23 445**	23 043
Other	**47 219**	50 589
Total deposits and debt funding	**1 573 203**	1 444 707

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 for its domestic trading units, which is based on its internal VaR model supplemented with a stressed VaR (sVaR). In addition, risk related to market risk-taking activities is also measured using an internal expected tail loss (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 on page C158 of this report. 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 R99 million on a 10-day ETL basis at 30 June 2025 (2024: R92 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 an 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 Financial Risk Management executive committee and the FirstRand Market and Investment Risk Committee. 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 economic expansion weakened primarily as a consequence of sustained uncertainty imposed by geopolitical tensions in the Middle East and adjustments to international trade tariffs weighing on global trade flows and currency strength on 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.

	2025*						
R million	Equities	Interest rates**	Foreign exchange	Com-modities	Traded credit	Diversi-fication effect	Diversified total
VaR (10-day 99%)							
Maximum value#	67.8	370.7	516.8	119.9	6.3	–	503.0
Average value	25.0	184.3	287.2	29.1	3.5	–	309.5
Minimum value#	1.8	58.1	50.9	3.0	0.6	–	82.6
Period end	66.8	195.4	66.8	115.8	2.6	(240.8)	206.5
sVaR (10-day 99%)							
Maximum value#	155.6	604.0	418.6	86.0	19.5	–	520.7
Average value	69.2	306.1	141.9	30.2	6.8	–	285.4
Minimum value#	4.8	125.0	30.6	8.9	1.8	–	123.9
Period end	105.1	257.6	232.6	28.2	8.6	(422.7)	209.4

* *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.

2024*						
Equities	Interest rates#	Foreign exchange	Com-modities	Traded credit	Diversi-fication effect	Diversified total
58.2	550.2	474.8	72.1	17.2	–	448.4
20.5	284.3	217.9	24.7	6.7	–	279.5
4.5	138.3	77.1	8.1	2.5	–	170.4
20.0	166.7	357.8	17.6	6.2	(210.6)	357.7
106.7	590.9	412.4	87.8	30.5	–	374.7
51.4	312.0	184.3	36.7	11.4	–	247.3
7.0	148.0	29.3	9.4	3.4	–	131.8
16.6	176.0	70.4	30.9	6.2	(168.3)	131.8

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, NAV/economic value of equity (EVE) sensitivity and the closely related daily price value of a basis point 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 at 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 portfolio-wide 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. Where 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 Group Treasury Risk Management. Where applicable, NAV sensitivity risk limits are 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 and enhance both the financial performance as a result of a change in earnings as well as 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 group IRRBB methodology as per Directive 2 of 2023, 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 repay 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 to different interest rates and different possible shocks; and
3. there is a more explicit consideration of basis risk and credit spread risk.

Earnings sensitivity

Earnings models are run monthly to provide a measure of the NII sensitivity of the existing banking book balance sheet to shocks in interest rates. The calculation assumes a constant balance sheet size and product mix over the forecast horizon.

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 is consistent with the regulatory prescribed shocks per currency. The most material shocks applied are 400 bps for ZAR exposures, 200 bps for USD exposures and 250 bps for GBP exposures.

Most of the bank's NII sensitivity relates to the endowment book mismatch. The bank's average endowment book was R324 billion for the year ended 30 June 2025 (2024: R321 billion).

Projected ZAR NII sensitivity to interest rate movements:

	Change in projected 12-month NII	
R million	**2025**	2024
Downward	**(4 227)**	(2 160)
Upward	**4 270**	1 801

As at 30 June 2025, 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 R4 227 million (2024: R2 160 million). A similar increase in interest rates would result in an increase in projected 12-month NII of R4 270 million (2024: R1 801 million).

The endowment effect is the most significant driver of IRRBB and is a result of the use of low or non-rate liabilities to fund variable-rate assets. The primary driver of the year-on-year change, beyond the impact of the endowment effect, is due to a change in the interest rate benchmark applied to certain underlying non-maturity products, with a resultant change in the ALM profile.

Effect of reference rate reform

The Johannesburg Interbank Average Rate (JIBAR) will be succeeded by the South African Index Average (ZARONIA). The industry timeline published by the SARB outlines several key milestones leading up to this transition. Notable events include the initial use of ZARONIA for derivatives and its introduction in the bond and negotiable certificates of deposit markets, which both commenced in May 2025. Future milestones include the formal announcement of JIBAR cessation which is anticipated for December 2025, the no new JIBAR milestone is provisionally set to occur from March 2026 and the final cessation of JIBAR is set for the end of 2026.

A steering committee, comprising key personnel from finance, risk, IT, treasury, legal and compliance departments, along with external advisors, oversees the group's interbank offered rate reform transition. This committee has developed a comprehensive transition process for both existing and potential future contracts, aiming to minimise business disruption, mitigate operational and conduct risks, and prevent financial losses. The South African rates reform steering committee will apply the same transition policies to these JIBAR-referenced contracts as it did for other 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	2025 ZAR JIBAR	2024 ZAR JIBAR
Assets recognised on the balance sheet		
Derivative financial instruments (assets)*	**5 809 756**	8 659 444
Investment securities	**28 332**	27 605
Advances	**191 211**	198 033
Other assets	**3 824**	3 838
Total assets recognised on the balance sheet subject to reference rate reform	**6 033 123**	8 888 920
Off-balance sheet items		
Loan commitments	**19 314**	26 823
Total off-balance sheet exposure subject to reference rate reform	**19 314**	26 823
Total asset exposure subject to reference rate reform	**6 052 437**	8 915 743

Financial liabilities that are impacted by reference rate reform:

R million	2025 ZAR JIBAR	2024 ZAR JIBAR
Liabilities recognised on the balance sheet		
Derivative financial instruments (liabilities)*	**5 508 578**	8 710 585
Deposits and debt funding	**121 682**	66 530
Other liabilities	**3**	86
Tier 2 liabilities	**19 099**	15 129
Total liabilities recognised subject to reference rate reform	**5 649 362**	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 on the total NAV of the bank as a result of a shock to underlying rates. Unlike the trading book, where a change in rates will impact fair value income and reportable earnings of an entity, the realisation of a rate move in the banking book will impact the distributable and non-distributable reserves to varying degrees. This represents an opportunity cost/benefit over the life of the underlying positions. As a result, a purely forward-looking EVE shock applied to the banking book 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 comprise 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

	2025	2024
Downward	**11.90**	13.24
Upward	**(9.94)**	(11.01)

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 rand, as well as through structural foreign exchange risk from the translation of its foreign operations' results into rand.

Group Treasury is responsible for the oversight of structural foreign exchange risk and reports to group ALCCO, a subcommittee of the RCCC. It is also responsible for the management and reporting of the group's foreign currency exposures relative to the macroprudential limit for authorised dealers.

Assessment and management

The ability to transact on-balance sheet in a currency other than the home currency (rand) is governed by 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 feasible, given market constraints and 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

	2025		2024	
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	**9 426**	**1 414**	7 876	1 181
Sterling	**(1 692)**	**(254)**	(1 947)	(292)
Indian rupee	**714**	**107**	746	112
Total	**8 448**	**1 267**	6 675	1 001

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 the 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. 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 the carrying value of investments in associates and joint ventures.

Investment risk exposure and sensitivity of investment risk

R million	**2025**	2024
Listed investment risk exposure included in the equity investment risk ETL process	**–**	19
Estimated sensitivity of remaining investment balances		
Sensitivity to 10% movement in market value on investment fair value	**101**	76

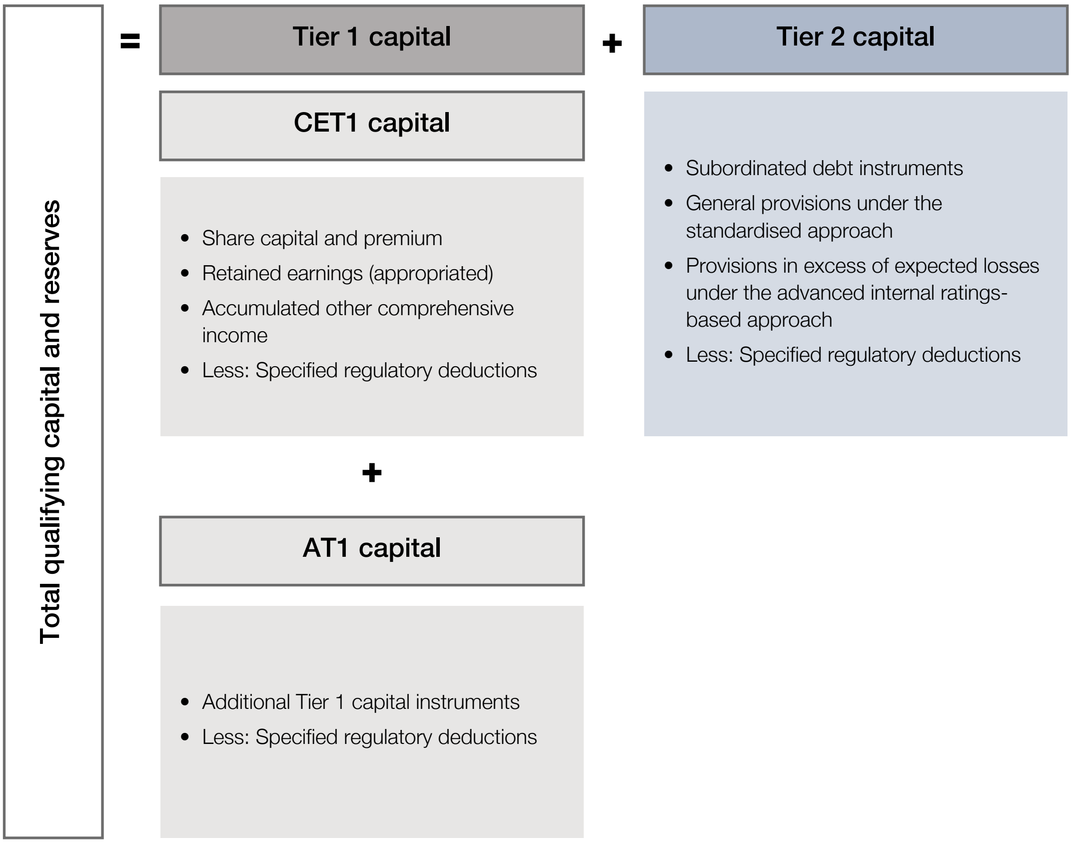
Notes to the annual financial statements continued

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 11.25% – 12.25% (2024: 11.0% – 12.0%), Tier 1 of >13.0% (2024: >12.0%) and total capital of >15.25% (2024: >14.25%).

The following diagram defines the main components of qualifying capital and reserves.



Notes to the annual financial statements continued

32 Disclosure of comparative information

	Issue date	Value at grant date R thousand	Settlement date
AP Pullinger			
Deferred share price linked STI awards			
2020 (3-year deferral)	September 2020	1 913	September 2023
2021 (2-year deferral)	September 2021	5 032	September 2023
2022 (2-year deferral)	September 2022	5 912	September 2024
2023 (2-year deferral)	September 2023	6 475	September 2025
2024 (2-year deferral)	September 2024	8 800	September 2026
Balance deferred share price linked STIs		**28 132**	
LTI awards under the CIP			
2020	September 2020	24 000	September 2023
2021	September 2021	24 840	September 2024
2022	September 2022	26 330	September 2025
2023	September 2023	28 000	September 2026
Balance LTIs		**103 170**	
LTI awards under the Covid-19 scheme[5]			
2020	September 2020	6 425	September 2023
Balance Covid-19 award		**6 425**	
M Vilakazi			
Deferred share price linked STI awards			
2020 (3-year deferral)	September 2020	1 013	September 2023
2021 (2-year deferral)	September 2021	3 325	September 2023
2022 (2-year deferral)	September 2022	4 406	September 2024
2023 (2-year deferral)	September 2023	4 912	September 2025
2024 (2-year deferral)	September 2024	6 275	September 2026
Balance deferred share price linked STIs		**19 931**	
LTI awards under the CIP			
2020	September 2020	11 184	September 2023
2021	September 2021	14 000	September 2024
2022	September 2022	15 120	September 2025
2023	September 2023	16 600	September 2026
Balance LTIs		**56 904**	
LTI awards under the Covid-19 scheme[5]			
2020	September 2020	5 546	September 2023
Balance Covid-19 award		**5 546**	

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
48 738	–	(48 738)	–	–	3 477
81 658	–	(81 658)	–	–	5 922
95 234	–	–	–	95 234	–
99 844	–	–	–	99 844	–
–	–	–	–	–	–
325 474	–	(130 396)	–	195 078	9 399
611 621	–	(611 621)	–	–	47 604
403 156	–	–	–	403 156	–
424 137	–	–	–	424 137	–
–	431 699	–	–	431 699	–
1 438 914	431 699	(611 621)	–	1 258 992	47 604
163 719	–	(163 719)	–	–	10 619
163 719	–	(163 719)	–	–	10 619
25 802	–	(25 802)	–	–	1 841
53 965	–	(53 965)	–	–	3 914
70 977	–	–	–	70 977	–
75 737	–	–	–	75 737	–
–	–	–	–	–	–
226 481	–	(79 767)	–	146 714	5 755
285 015	–	(285 015)	–	–	22 183
227 221	–	–	–	227 221	–
243 557	–	–	–	243 557	–
–	255 936	–	–	255 936	–
755 793	255 936	(285 015)	–	726 714	22 183
141 331	–	(141 331)	–	–	9 167
141 331	–	(141 331)	–	–	9 167

Notes to the annual financial statements continued

32 Disclosure of comparative information continued

	Issue date	Value at grant date R thousand	Settlement date
MG Davias			
Deferred share price linked STI awards			
2021 (2-year deferral)	September 2021	2 400	September 2023
2022 (2-year deferral)	September 2022	3 250	September 2024
2023 (2-year deferral)	September 2023	3 640	September 2025
2024 (2-year deferral)	September 2024	4 880	September 2026
Balance deferred share price linked STIs		**14 170**	
LTI awards under the CIP			
2020	September 2020	6 000	September 2023
2021	September 2021	6 500	September 2024
2022	September 2022	6 890	September 2025
2023	September 2023	7 441	September 2026
Balance LTIs		**26 831**	
LTI awards under the Covid-19 scheme[5]			
2020	September 2020	2 008	September 2023
Balance Covid-19 award		**2 008**	
HS Kellan			
Deferred share price linked STI awards			
2020 (3-year deferral)	September 2020	1 150	September 2023
2021 (2-year deferral)	September 2021	3 750	September 2023
2022 (2-year deferral)	September 2022	4 838	September 2024
2023 (2-year deferral)	September 2023	5 362	September 2025
2024 (2-year deferral)	September 2024	6 335	September 2026
Balance deferred share price linked STIs		**21 435**	
LTI awards under the CIP			
2020	September 2020	13 950	September 2023
2021	September 2021	16 000	September 2024
2022	September 2022	16 960	September 2025
2023	September 2023	18 317	September 2026
Balance LTIs		**65 227**	
LTI awards under the Covid-19 scheme[5]			
2020	September 2020	4 240	September 2023
Balance Covid-19 award		**4 240**	

		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
38 952	–	(38 952)	–	–	2 825
52 352	–	–	–	52 352	–
56 121	–	–	–	56 121	–
–	–	–	–	–	–
147 425	–	(38 952)	–	108 473	2 825
152 905	–	(152 905)	–	–	11 901
105 496	–	–	–	105 496	–
110 986	–	–	–	110 986	–
–	114 727	–	–	114 727	–
369 387	114 727	(152 905)	–	331 209	11 901
51 180	–	(51 180)	–	–	3 320
51 180	–	(51 180)	–	–	3 320
29 306	–	(29 306)	–	–	2 091
60 863	–	(60 863)	–	–	4 414
77 924	–	–	–	77 924	–
82 678	–	–	–	82 678	–
–	–	–	–	–	–
250 771	–	(90 169)	–	160 602	6 505
355 530	–	(355 530)	–	–	27 672
259 682	–	–	–	259 682	–
273 196	–	–	–	273 196	–
–	282 405	–	–	282 405	–
888 408	282 405	(355 530)	–	815 283	27 672
108 053	–	(108 053)	–	–	7 008
108 053	–	(108 053)	–	–	7 008

Notes to the annual financial statements continued

32 Disclosure of comparative information continued

	Issue date	Value at grant date R thousand	Settlement date
J Celliers			
Deferred share price linked STI awards			
2020 (3-year deferral)	September 2020	2 075	September 2023
2021 (2-year deferral)	September 2021	5 850	September 2023
2022 (2-year deferral)	September 2022	7 357	September 2024
2023 (2-year deferral)	September 2023	8 109	September 2025
2024 (2-year deferral)	September 2024	8 217	September 2026
Balance deferred share price linked STIs		**31 608**	
LTI awards under the CIP			
2020	September 2020	16 100	September 2023
2021	September 2021	16 664	September 2024
2022	September 2022	17 663	September 2025
2023	September 2023	18 918	September 2026
Balance LTIs		**69 345**	
LTI awards under the Covid-19 scheme[5]			
2020	September 2020	5 003	September 2023
Balance Covid-19 award		**5 003**	
E Brown			
Deferred share price linked STI awards			
2021 (2-year deferral)	September 2021	6 350	September 2023
2022 (2-year deferral)	September 2022	8 375	September 2024
2023 (2-year deferral)	September 2023	8 550	September 2025
2024 (2-year deferral)	September 2024	9 045	September 2026
Balance deferred share price linked STIs		**32 320**	
LTI awards under the CIP			
2020	September 2020	8 000	September 2023
2021	September 2021	8 400	September 2024
2022	September 2022	12 500	September 2025
2023	September 2023	13 750	September 2026
Balance LTIs		**42 650**	
LTI awards under the Covid-19 scheme[5]			
2020	September 2020	1 175	September 2023
Balance Covid-19 award		**1 175**	

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
52 880	–	(52 880)	–	–	3 773
94 946	–	(94 946)	–	–	6 886
118 508	–	–	–	118 508	–
125 025	–	–	–	125 025	–
–	–	–	–	–	–
391 359	–	(147 826)	–	243 533	10 659
410 296	–	(410 296)	–	–	31 934
270 458	–	–	–	270 458	–
284 534	–	–	–	284 534	–
–	291 674	–	–	291 674	–
965 288	291 674	(410 296)	–	846 666	31 934
127 484	–	(127 484)	–	–	8 269
127 484	–	(127 484)	–	–	8 269
103 061	–	(103 061)	–	–	7 475
134 907	–	–	–	134 907	–
131 822	–	–	–	131 822	–
–	–	–	–	–	–
369 790	–	(103 061)	–	266 729	7 475
203 874	–	(203 874)	–	–	15 868
136 333	–	–	–	136 333	–
201 353	–	–	–	201 353	–
–	211 995	–	–	211 995	–
541 560	211 995	(203 874)	–	549 681	15 868
29 944	–	(29 944)	–	–	1 942
29 944	–	(29 944)	–	–	1 942

Notes to the annual financial statements continued

32 Disclosure of comparative information continued

	Issue date	Value at grant date R thousand	Settlement date
S Cooper (£ thousand)			
Deferred share price linked STI awards[6]			
2021 (3-year deferral)	September 2021	32	September 2022-2024
2022 (7-year deferral)	September 2022	434	September 2023-2030
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**	
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.*

		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
–	–	–	–	–	11
–	–	–	–	–	288
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	299
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–

Notes to the annual financial statements continued

33 Events after balance sheet date

HSBC transaction

On 10 June 2025 FirstRand announced that it received regulatory approval to acquire selected banking assets and liabilities, and employees of HSBC's South Africa branch. The transaction involves the transfer of HSBC South Africa's corporate and multinational portfolio to FirstRand's corporate and investment banking division, Rand Merchant Bank (RMB). This is a major milestone following the announcement on 26 September 2024 of the proposed transaction with HSBC. As part of the transaction FirstRand is required to ensure seamless migration of HSBC's portfolios, and the migration process complexity may affect the completion date.

The acquired assets are expected to mainly consist of loans and advance, while the liabilities assumed will primarily comprise customer deposits. The financial impact of this transaction is currently being assessed.

UK commission provision

The Supreme Court of England and Wales (SC) issued a judgement in respect of the Wrench and Johnson motor finance commission cases on 1 August 2025, which was followed by an announcement from the FCA on 3 August 2025. The group concluded that this represented an adjusting event after the reporting period. Refer to note 20 for more information.

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 2024.

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). These investments 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 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 is calculated using the effective interest rate, which includes origination fees. The original effective interest rate is applied to:

- the GCA of financial assets which are not credit impaired;
- 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 in non-interest revenue as part of the gain/(loss) arising from the disposal of financial assets measured at amortised cost. New fees or costs charged on the new balance which are integral to the new asset recognised are capitalised to the new loan.

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; and
- fees and transaction costs that form an integral part of generating an involvement with the resulting financial instrument.

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.

The 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

<table>
<tr><th colspan="2">NON-INTEREST AND FINANCIAL INSTRUMENT REVENUE RECOGNISED IN PROFIT OR LOSS</th></tr>
<tr><th colspan="2">Non-interest revenue from contracts with customers</th></tr>
<tr><td>Fee and commission income</td><td>Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers.

Fee and commission income is earned by the 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, electronic transaction fees, card commissions, exchange commissions, brokerage income, 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 management, trust and fiduciary fees.

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.</td></tr>
</table>

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 they are 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 (network 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 and foreign exchange 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;
- 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; and
- ineffectiveness gain or loss arising from fair value and cash flow hedges.

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 falls on 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 timeframe 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 at least, although franchises will perform the assessment on a portfolio or sub-portfolio 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 occasions that 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 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.

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 bank'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.

FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS

Financial guarantee contracts are initially recognised at fair value on the date that the guarantee is provided. The bank's liabilities under such guarantees are subsequently measured at the higher of the initial measurement, less amortisation of any fee income earned over the reporting period, and the amount of the ECL calculated in terms of IFRS 9 at the reporting date.

Loan commitments are measured with reference to the quantum of ECL required to be recognised. In the case of undrawn loan commitments, the inherent credit risk is managed and monitored by the bank together with the drawn component as a single exposure.

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 commitments that are irrevocable over the life of the facility, or are revocable only in response to a materially 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 of this document, 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 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 SME facilities on a credit watchlist. 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	These are 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 reassessment 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 vehicle asset finance (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 bank 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, is 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 bank 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 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 table below.

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 interbank offered rates with alternative reference rates 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

a. 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 4c. 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

a. *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 those forming 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.

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).

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.

b. *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

c. *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 in section 3. 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. Refer to accounting policy 4a. 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.	The bank's equity includes ordinary shares and Additional Tier 1 notes. Additional Tier 1 notes 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

a. *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

a. *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.

b. *Share-based payment transactions*

The bank operates cash-settled and equity-settled share-based incentive plans for employees.

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

Awards where FirstRand Limited is obligated to settle the award with its own shares, the bank treats such plans as an equity-settled incentive plans. The recharge paid by bank to FirstRand Limited is viewed as a non-reciprocal distribution, which is reflected as a debit to the equity-settled share-based payment reserve, when paid.

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
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 linked features and other similar contingent features; • the treatment of non-recourse assets and contractually linked instruments; and • additional disclosure requirements for financial assets and liabilities with contractual terms that reference a contingent event. The impact on the annual financial statements is currently being assessed and not expected to have a material impact on the bank's results.	Annual periods commencing on or after 1 January 2026
IFRS 9 and IFRS 7	**Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7** The amendments include: • clarifying the application of the own-use requirements; • permitting hedge accounting if these contracts are used as hedging instruments; and • adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. 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 income statement.	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

D

SUPPLEMENTARY INFORMATION

Key market indicators

	Year ended 30 June		
	2025	2024	% change
Market indicators			
$/R exchange rate			
– Closing	**17.78**	18.22	(2)
– Average	**18.15**	18.71	(3)
£/R exchange rate			
– Closing	**24.36**	22.99	6
– Average	**23.49**	23.55	–
SA prime overdraft (%)	**10.75**	11.75	
SA average prime overdraft (%)	**11.28**	11.75	
SA average CPI (%)	**3.27**	5.26	
JSE All Share Index	**96 430**	79 707	21
JSE Banks Index	**12 828**	11 833	8

Company information

Directors

JP Burger (chairman), M Vilakazi (CEO), MG Davias (CFO),
TC Isaacs, PJ Makosholo, PD Naidoo, Z Roscherr, SP Sibisi,
LL von Zeuner, T Winterboer

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JSE debt sponsor

(in terms of JSE Debt and Specialist Securities Listings Requirements)
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Tel: +27 11 282 1808

Auditors

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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

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/

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

			As at 30 June	
R million	Maturity date	Call date	**2025**	2024
AT1				
FRB25	Perpetual	2024/09/19	**–**	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**	1 387
FRB38	Perpetual	2029/05/06	**2 039**	2 039
FRB39	Perpetual	2028/11/13	**1 574**	1 574
FRB41	Perpetual	2029/06/12	**2 090**	2 090
FRB42	Perpetual	2030/09/26	**3 910**	–
FRB44	Perpetual	2031/06/09	**2 929**	–
Total AT1			**18 133**	14 755
Tier 2				
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**	1 662
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	**2 846**	1 548
FRB43	2035/11/13	2030/11/13	**2 500**	–
Total Tier 2			**20 391**	16 593

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

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 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
CCA	Consumer Credit Act 1974 (UK)
CCyB	Countercyclical buffer
CET1	Common Equity Tier 1
CIB	Corporate and investment banking
CLR	Credit loss ratio
CoA	UK Court of Appeal
CoDI	Corporation for Deposit Insurance
Covid-19	Coronavirus disease
DCA	Discretionary commission arrangement
ECL	Expected credit loss
ETL	Expected tail loss
EVE	Economic value of equity
FCA	Financial Conduct Authority
FI	Financial institution
FLI	Forward-looking information
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRI	FirstRand International Limited
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRISCOL	FirstRand Insurance Services Company
FRM	Financial 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
IFRS	IFRS® Accounting Standards
IMF	International Monetary Fund
IRRBB	Interest rate risk in the banking book
JIBAR	Johannesburg Interbank Average Rate
JSE	JSE Limited
JSE DSSLR	JSE Limited Debt and Specialist Securities Listing Requirements
LCR	Liquidity coverage ratio
LGD	Loss given default
NAV	Net asset value
NCD	Negotiable certificate of deposit
NDC	Nationally Determined Contribution
NII	Net interest income
NIM	Net interest margin
NIR	Non-interest revenue
NPL	Non-performing loan
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
PA	Prudential Authority
PBT	Profit before tax
PI	Principal investment
RA	Resolution Authority
ROA	Return on assets
ROE	Return on equity
RTC	Real-time clearing
RWA	Risk-weighted assets
SA	South Africa
SC	UK Supreme Court
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SME	Small and medium-sized enterprise
sVaR	Stressed value-at-risk
TRS	Total return swap
TTC	Through-the-cycle
TTS	Treasury and trade solutions
UK	United Kingdom
VAF	Vehicle asset finance
VaR	Value-at-risk
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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