FirstRand Bank

annual

report

for the year ended 30 June 2023

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

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

FirstRand Bank

Contents

About this report

This report covers the audited financial results of the bank based on International Financial Reporting Standards (IFRS) for the year ended 30 June 2023.

FirstRand Bank endorses and endeavours to adhere to the guidelines and principles of King IV. FirstRand Bank has applied the King IV principles as disclosed in the FirstRand corporate governance report which will be available at https://www.firstrand.co.za/investors/integrated-reporting-hub/governance/ in October 2023. In accordance with section 94(2)(b) of the Companies Act, the audit committee of FirstRand Limited performs the functions under the section on behalf of FirstRand Bank Limited.

In the analysis of results section of this report, the primary results and accompanying commentary are presented on a normalised basis as the bank believes this most accurately reflects its economic performance. The normalised results have been derived from the audited financial results.

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

Simplified group structure

FirstRand

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

This report covers the results of FRB

100% FirstRand Bank Limited (FRB)

SA banking

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

100% FirstRand EMA Holdings (Pty) Ltd (FREMA)

Broader Africa

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

100% FirstRand International Limited (Guernsey) (FRI)

UK banking and hard currency platform

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

100% FirstRand Insurance Holdings (Pty) Ltd

Insurance

- 100% FirstRand Life Assurance
- 100% FirstRand Short Term Insurance (STI)
- 100% FirstRand Insurance Services Company (FRISCOL)

100% FirstRand Investment Management Holdings Limited

Investment management

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

100% FirstRand Investment Holdings (Pty) Ltd (FRIHL)

Other activities

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

* *Division*
** *Branch*
# *Trading as FNB Channel Islands.*
† *Representative office*
DirectAxis is a business unit of FirstRand Bank Limited.

‡ *Wholly owned subsidiary of Aldermore Group.*
^ *Wholly owned subsidiary of FirstRand Securities.*
◊ *Ashburton Investments has a number of general partners for fund seeding purposes. All of these entities fall under FirstRand Investment Management Holdings Limited.*

Notes:

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

Structure shows effective consolidated shareholding.

For segmental analysis purposes entities included in FRIHL, FREMA, FRI, FirstRand Investment Management Holdings Limited and FirstRand Insurance Holdings (Pty) Ltd are reported as part of the results of the managing business (i.e. FNB, WesBank, RMB or the Centre). The group's securitisations and other special purpose vehicles (SPVs) are in FRB, FRI and FRIHL.

A

overview

of firstrand bank

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

Performance highlights

Normalised earnings

R24.8bn

2022: R24.7bn ▲

Return on equity

23.5%

2022: 23.4% ▲10 bps

Net asset value

R104.4bn

2022: R106.6bn ▼2%

CET1 ratio

12.6%

2022: 14.2% ▼160 bps

Normalised earnings

FNB

R18.2bn

RMB

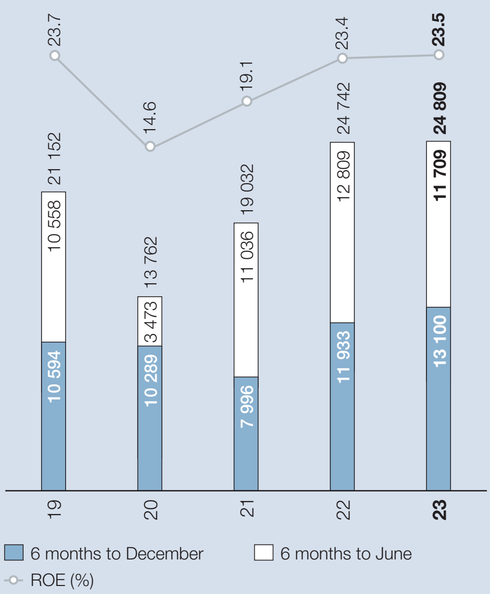
R4.5bn

WesBank

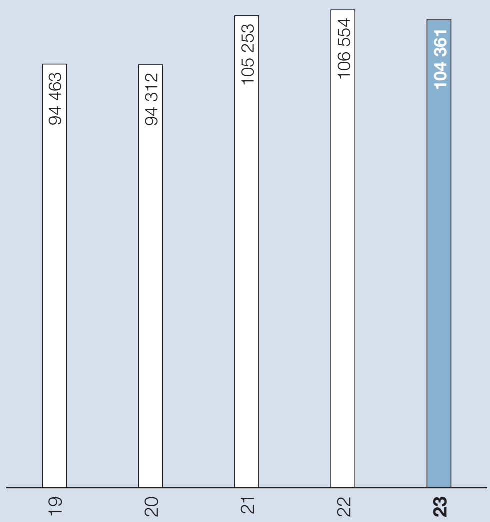
R1.2bn

TRACK RECORD

Normalised earnings *(R million)*
and ROE *(%)*
CAGR 4%



Normalised net asset value
(R million)
CAGR 3%



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

Foreign branches and representative offices

Representative offices (managed by RMB):

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

Branches:

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

Corporate governance

Compliance statement

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

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

Board changes

Changes to the directorate are outlined below.

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

* *Ms Mashego resigned as an independent non-executive director to devote more time to her executive role and responsibilities.*

** *Ms Isaacs's appointment adds further audit and risk skills to the board.*

Responsibilities of directors

The board of directors of the bank (the board) is responsible for reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; monitoring corporate performance and overseeing major capital expenditure, acquisitions and disposals, information technology and stakeholder relations, while still retaining full and effective control over the bank. The bank has a unitary board and the chairman is an independent non-executive, 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. William Rodger (Roger) Jardine has been the independent non-executive chairman of the board with effect from 1 April 2018. Roger has extensive experience and has served as an independent non-executive director on the bank and group boards. His experience and knowledge of the group enable him to fulfil the role of chairman efficiently and effectively. The chairman's duties and responsibilities are clearly defined in the board charter and are in accordance with the provisions of King IV, JSE Listings Requirements and the Banks Act. It is also the view of the directors that a strong independent element of non-executive directors exists in the board and that this provides the necessary objectivity and independence of mind essential for its effective functioning. The roles of chairman and CEO are separate, with segregated duties. The group's audit committee is constituted in respect of its duties in terms of section 94(7) of the Companies Act no. 71 of 2008 and section 64 of the Banks Act (1990).

The board comprises 13 directors of whom three serve in an executive capacity. The other ten are non-executive and nine of these directors are independent. 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, non-executive or independent non-executive, act independently, free of undue influence, and in the best interests of the bank. The roles of the chairman and chief executive officer are clearly defined in the board charter, demonstrating a clear balance of power and authority at board level to ensure that no one director has unfettered powers of decision-making.

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

Corporate governance continued

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

Limitation to appointment period

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

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

Company secretary

The company secretary is suitably qualified and experienced. She/he 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 C7.

Board of directors of FirstRand Bank Limited

Executive directors

Alan Patrick Pullinger (57)
Chief Executive Officer since April 2018
MCom, CA(SA), CFA
Appointed October 2015

Hetash Surendrakumar (Harry) Kellan (51)
Financial Director
BCom (Hons), CA(SA)
Appointed January 2014

Mary Vilakazi (46)
Chief Operating Officer
BCom (Hons), CA(SA)
Appointed July 2018

Non-executive directors

Johan Petrus Burger (64)
Non-executive director since 1 September 2018
BCom (Hons), CA(SA)

Independent non-executive directors

William Rodger (Roger) Jardine (57)
Independent non-executive chairman since 1 April 2018
BSc, MSc

Tamara Carol Isaacs (46)
Independent non-executive director
BCom (Hons), CA(SA)
Appointed June 2023

Grant Glenn Gelink (73)
Independent non-executive director
BCom (Hons), BCompt (Hons), CA(SA)
Appointed January 2013

Thandie Sylvia Mashego (45)
Independent non-executive director
BCom (Hons), CA(SA), MBL
Resigned December 2022

Russell Mark Loubser (73)
Independent non-executive director
BCom (Hons), MCom, CA(SA)
Appointed September 2014

Premilla Devi (Shireen) Naidoo (61)
Independent non-executive director
BSc
Appointed April 2022

Zelda Roscherr (56)
Independent non-executive director
BSc, BCom (Hons), MSc
Appointed April 2020

Sibusiso Patrick Sibisi (68)
Independent non-executive director
BSc, PhD
Appointed April 2021

Louis Leon von Zeuner (62)
Independent non-executive director
BEcon, Chartered Director (SA)
Appointed February 2019

Thomas (Tom) Winterboer (67)
Independent non-executive director
BCom (Hons), CA(SA) AEP
Appointed April 2018

For comprehensive CVs of the directors, please refer to the latest issuer disclosure document available at https://www.firstrand.co.za/media/investors/prospectus/FRB-issuer-disclosure-document-Aug-2023.pdf.

B

analysis

of 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. A detailed reconciliation between IFRS and normalised results is set out on pages B112 and B113.

R million	**2023**	2022	% change
Earnings performance			
Attributable earnings – IFRS (refer page C67)	**24 894**	24 884	–
Headline earnings	**24 907**	24 904	–
Normalised earnings	**24 809**	24 742	–
Normalised net asset value	**104 361**	106 554	(2)
Average normalised net asset value	**105 458**	105 904	–
Ratios and key statistics			
ROE (%)	**23.5**	23.4	
ROA (%)	**1.57**	1.69	
Diversity ratio (%)	**41.8**	43.0	
Credit impairment charge	**8 413**	5 891	43
Credit loss ratio (%)	**0.87**	0.68	
Stage 3/NPLs as % of core lending advances	**4.28**	4.26	
Specific coverage ratio (%)	**45.8**	50.8	
Performing book coverage ratio (%)	**1.68**	1.80	
Cost-to-income ratio (%)	**55.5**	54.3	
Effective tax rate (%)	**23.3**	24.3	
Balance sheet			
Normalised total assets	**1 654 964**	1 507 347	10
Advances (net of credit impairment)	**1 066 891**	944 087	13
Average gross loan-to-deposit ratio (%)	**80.1**	79.6	
Deposits	**1 381 773**	1 220 026	13
Capital adequacy – IFRS*			
Capital adequacy ratio (%)	**15.4**	17.7	
Tier 1 ratio (%)	**13.5**	14.9	
Common Equity Tier 1 ratio (%)	**12.6**	14.2	
Leverage – IFRS*			
Leverage ratio (%)	**6.6**	7.2	
Liquidity – IFRS			
Liquidity coverage ratio (%)	**129**	124	
Net stable funding ratio (%)	**120**	120	

* *Ratios including foreign branches and unappropriated profits.*

Key financial and operational results, ratios and statistics – normalised continued

	2023	2022	% change
Operational statistics			
Number of ATMs (including ADTs)	**4 789**	4 774	–
Number of branches	**614**	604	2
Number of employees	**39 561**	38 221	4
– South Africa	**38 800**	37 130	4
– Broader Africa (central support staff)	**114**	137	(17)
– FirstJob youth employment programme	**722**	954	(24)
FNB customer numbers (millions)	**9.46**	9.06	4
– Retail	**8.25**	7.86	5
– Commercial	**1.21**	1.20	1
FNB channel volumes (thousands of transactions)			
– ATM/ADT*	**285 132**	280 269	2
– Digital	**737 469**	673 582	9
– Card acquiring	**968 928**	819 682	18
– Card issuing	**1 132 203**	992 896	14

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

Income statement – normalised
for the year ended 30 June

R million	**2023**	2022	% change
Net interest income before impairment of advances	**56 002**	50 030	12
Impairment charge	**(8 413)**	(5 891)	43
Net interest income after impairment of advances	**47 589**	44 139	8
Non-interest revenue	**40 290**	37 785	7
– Fee and commission income	**29 842**	27 883	7
– Insurance income	**437**	439	–
– Trading and other fair value income	**3 620**	3 966	(9)
– Investment income	**55**	199	(72)
– Other non-interest revenue	**6 336**	5 298	20
Income from operations	**87 879**	81 924	7
Operating expenses	**(53 455)**	(47 644)	12
Income before indirect tax	**34 424**	34 280	–
Indirect tax	**(810)**	(805)	1
Profit before tax	**33 614**	33 475	–
Income tax expense	**(7 848)**	(8 140)	(4)
Profit for the year	**25 766**	25 335	2
Other equity instrument holders	**(957)**	(593)	61
Normalised earnings attributable to ordinary equityholders of the bank	**24 809**	24 742	–

Statement of other comprehensive income – normalised

for the year ended 30 June

R million	2023	2022	% change
Profit for the year	**25 766**	25 335	2
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**(846)**	(3 712)	(77)
Gains/(losses) arising during the year	**42**	(2 137)	(>100)
Reclassification adjustments for amounts included in profit or loss	**(1 201)**	(2 973)	(60)
Deferred income tax	**313**	1 398	(78)
FVOCI debt reserve	**92**	(18)	(>100)
Gains/(losses) arising during the year	**70**	(17)	(>100)
Reclassification adjustments for amounts included in profit or loss	**56**	(10)	(>100)
Deferred income tax	**(34)**	9	(>100)
Exchange differences on translating foreign operations	**922**	762	21
Gains arising during the year	**815**	753	8
Deferred income tax	**107**	9	>100
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	**16**	3	>100
Gains arising during the year	**21**	8	>100
Deferred income tax	**(5)**	(5)	–
Remeasurements on defined benefit post-employment plans	**119**	126	(6)
Gains arising during the year	**162**	185	(12)
Deferred income tax	**(43)**	(59)	(27)
Other comprehensive gain/(loss) for the year	**303**	(2 839)	(>100)
Total comprehensive income for the year	**26 069**	22 496	16
Attributable to			
Ordinary equityholders	**25 112**	21 903	15
Other equity instrument holders	**957**	593	61
Total comprehensive income for the year	**26 069**	22 496	16

Statement of financial position – normalised
as at 30 June

R million	2023	2022
ASSETS		
Cash and cash equivalents	**103 714**	104 625
Derivative financial instruments	**63 307**	61 674
Commodities	**17 252**	17 580
Investment securities	**305 259**	278 879
Advances	**1 066 891**	944 087
– Advances to customers*	**981 244**	871 338
– Marketable advances	**85 647**	72 749
Other assets	**8 908**	5 789
Current tax asset	**530**	125
Amounts due by holding company and fellow subsidiaries	**63 205**	70 753
Property and equipment	**17 433**	16 333
Intangible assets	**787**	512
Investment properties	**281**	249
Deferred income tax asset	**7 397**	6 741
Total assets	**1 654 964**	1 507 347
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**12 473**	14 183
Derivative financial instruments	**66 533**	70 284
Creditors, accruals and provisions	**19 953**	18 899
Deposits	**1 381 773**	1 220 026
Employee liabilities	**14 282**	11 684
Other liabilities	**2 878**	5 258
Amounts due to holding company and fellow subsidiaries	**26 444**	32 900
Tier 2 liabilities	**16 337**	20 433
Total liabilities	**1 540 673**	1 393 667
Equity		
Ordinary shares	**4**	4
Share premium	**16 804**	16 804
Reserves	**87 553**	89 746
Capital and reserves attributable to ordinary equityholders	**104 361**	106 554
Other equity instruments	**9 930**	7 126
Total equity	**114 291**	113 680
Total equities and liabilities	**1 654 964**	1 507 347

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

* *Included in advances to customers are assets under agreements to resell of R79 065 million (2022: R70 540 million).*

Flow of funds analysis – normalised

R million	**June 2023 vs June 2022**	June 2022 vs June 2021
Sources of funds		
Capital account movement (including profit and reserves)	**611**	1 301
Working capital movement	**(1 816)**	3 258
Short trading positions and derivative financial instruments	**(7 094)**	4 185
Deposits and long-term liabilities	**157 651**	86 061
Total	**149 352**	94 805
Outflow/(inflow) in deployment of funds		
Advances	**(122 804)**	(86 132)
Investments	**(1 079)**	1 419
Cash and cash equivalents	**911**	(4 979)
Investment securities (e.g. liquid asset portfolio)	**(26 380)**	(5 113)
Total	**(149 352)**	(94 805)

The bank's results are a direct outcome of key decisions taken at the beginning of the current macroeconomic cycle. The credit performance stands out, with the credit loss ratio below the bank's through-the-cycle range. This is testament to the post-pandemic origination approach, and particularly pleasing given the higher-than-expected interest rate and inflationary cycles. The quality of the bank's franchises, FNB, WesBank and RMB is captured in their resilient operational performances, underpinned by healthy topline growth from solid new loan origination and impressive deposit gathering. Executing on the strategy to deliver more to customers has remained a cornerstone of the bank's success. Discipline in the deployment of financial resources supported the bank's strong normalised ROE of 23.5%.

ALAN PULLINGER
Chief Executive Officer

Group strategy

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

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

South Africa

FirstRand's earnings remain tilted towards South Africa, and are 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 customer numbers, do more business with customers, and do this more efficiently. The group is also investing in building capital-light revenues in adjacent activities such as insurance, and investment and asset management. This strategy to broaden the group's financial services offerings also benefits the bank as it further strengthens the bank's relationships with its core transactional customers.

Broader Africa

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

In addition to the group's hard currency platform (RMB Mauritius), the bank's balance sheet is also utilised in RMB's cross-border lending and trade finance activities in broader Africa. The group's subsidiaries in the broader Africa portfolio form part of FREMA (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.

UK

The UK operations continue to offer optionality in a large market with attractive risk-adjusted returns. The combined business of Aldermore and MotoNovo has healthy margins, a diversified asset portfolio, a scalable savings franchise and small shares of deep profit pools. The group remains confident it can build a more valuable business in the UK over time.

The Aldermore group and its subsidiaries are part of FRI and thus fall outside the bank. Loans originated by MotoNovo prior to integration with Aldermore (the back book) are still housed in FirstRand Bank London branch (but managed by MotoNovo), and will continue to be funded through existing funding mechanisms but will be run down over time. As a result, MotoNovo will ultimately cease to form part of the bank.

Operating environment

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

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

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

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

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

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

Financial performance

The bank's normalised earnings was driven by good topline growth, reflecting continued momentum in new business origination in all large lending portfolios, ongoing growth from the deposit franchise and the performance of the group's transactional franchise (measured by customer growth and volumes). This was offset by 12% growth in costs and a 43% increase in the impairment charge.

The relative size and quality of the transactional franchise allows the bank to achieve high levels of capital-light earnings growth. At the same time, the bank continues to employ a judicious and tactical approach to lending, supporting its customer franchises whilst protecting the balance sheet and return profile. This is a necessary balancing act given the operating environment, which is currently characterised by high inflation and interest rates, combined with sluggish system growth and competitive behaviour. The credit performance for the year was in line with expectations and is a direct outcome of the bank's origination strategy from mid-2020 to late 2021, as the country emerged from the Covid-19 pandemic. The decision to tilt origination to low- and medium-risk customers has resulted in a credit loss ratio below the bank's through-the-cycle (TTC) range of 90 bps – 120 bps, despite a higher interest rate and inflation cycle than initially anticipated. Over the past 18 months, the bank has gradually lifted origination back to pre-pandemic appetite.

FirstRand Bank delivered a normalised return on equity (ROE) of 23.5% (2022: 23.4%), and its Common Equity Tier 1 (CET1) ratio was 12.6% (2022: 14.2%).

The following tables provide an overview of the bank's performance.

FIRSTRAND BANK FINANCIAL HIGHLIGHTS

	Year ended		
R million	**30 June 2023**	30 June 2022	% change
NII	**56 002**	50 030	12
NIR	**40 290**	37 785	7
Operating expenses	**(53 455)**	(47 644)	12
Impairment charge	**(8 413)**	(5 891)	43
Normalised earnings	**24 809**	24 742	–
ROE (%)	**23.5**	23.4	
Deposit franchise	**990 217**	901 469	10
Core lending advances	**1 024 361**	908 896	13
Credit loss ratio (%) – core lending advances	**0.87**	0.68	
Stage 3/NPLs as % of core lending advances	**4.28**	4.26	

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

The strength of the customer-facing businesses in FNB and WesBank has allowed the bank to capitalise on profitable growth opportunities across all markets, sectors and segments – thus delivering resilient operating performances despite the challenging macroeconomic environment. RMB experienced a decline in earnings mainly due to higher credit provisions in the current year versus provision releases in the prior year, softer trading income and cost growth. The businesses' performance is as indicated below.

SOURCES OF NORMALISED EARNINGS

	Year ended June				
R million	**2023**	**% composition**	2022	% composition	% change
FNB	**18 160**	**73**	17 195	70	6
WesBank	**1 186**	**5**	849	3	40
RMB	**4 456**	**18**	5 286	21	(16)
Centre*	**1 964**	**8**	2 005	8	(2)
Other equity instrument holders	**(957)**	**(4)**	(593)	(2)	61
Normalised earnings	**24 809**	**100**	24 742	100	–

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

Several variables shaped the Centre performance, including:

- lower growth in capital endowment following the bank's contribution to group dividends for the year ended 30 June 2022;
- lower returns earned on liquid assets;
- the impact of accounting mismatches;
- the net endowment benefit; and
- the benefit of the reduction in the SA corporate tax rate.

Revenue and cost overview

Overall bank net interest income (NII) increased 12%, driven by core lending advances growth (+13%), continued deposit gathering (+10%) and the endowment benefit.

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

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

Growth in certain retail advances slowed in the second half of the year given customer affordability pressures, but on a year-on-year basis still delivered healthy increases with retail advances up 7% for FNB and 13% for WesBank.

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

RMB's core advances growth continued (+19%), with origination also leaning towards lower-volatility sectors and better-rated counterparties.

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

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

	Growth in advances %	**Growth in deposits %**
FNB	**7**	**13**
– Retail	**7**	**10**
– Commercial	**8**	**14**
WesBank	**15**	**n/a**
RMB*	**19**	**7**

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

Total transactional NII increased 19%, driven by volume growth in transactional credit products, increased retail and commercial customer deposits, and deposit endowment.

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

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

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

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

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

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

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

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

The bank's net interest margin (NIM) contracted 4 basis points to 4.70% (2022: 4.74%). Lending margins continue to come under pressure from the competitive environment, origination strategies and mix change (higher proportion of residential mortgages and corporate and investment banking (CIB) advances). This was, however, mitigated by the performance of the deposit franchise (and the net endowment benefit) given current rate cycles.

Total bank non-interest revenue (NIR) increased 7%, supported by 7% growth in net fee and commission income.

FNB delivered NIR growth of 9%, driven by customer acquisition, and growth in underlying customer activity and transactional volumes.

RMB's NIR decreased 2%. Knowledge based fee income grew strongly on the back of origination activities and advisory mandates. Trading income was lower compared to the previous year. The softer performance from equities and commodities in the first half continued in the second half and extended to fixed income, reflecting lower client volumes and spread compression.

Total operating expenses were 12% higher, including a 14% increase in direct staff costs, driven by targeted and general salary increases and a 4% increase in headcount, as well as the build-out of the domestic enterprise platform.

The cost-to-income ratio increased to 55.5% (2022: 54.3%).

Credit performance

The bank's credit performance was in line with expectations, with the credit loss ratio within the through-the-cycle (TTC) range despite the prevailing macroeconomic environment. The overall credit loss ratio increased to 87 bps (2022: 68 bps), driven largely by the retail and corporate portfolios.

This underlying performance reflects the bank's origination strategies, particularly post the pandemic, and was achieved despite the current pressures from high inflation and interest rates. However, given these pressures, balance sheet provision levels remained conservative against the in-force book as new origination adapts to macros dynamically. Overall performing coverage on core lending advances decreased to 1.68% (2022: 1.80%), reflecting book growth, mix change and the removal of the additional stress scenario provisions raised in the prior year in anticipation of the current year macro impacts.

Non-performing loans (NPLs) increased to R43.8 billion (2022: R38.7 billion), but increased marginally to 4.28% as a percentage of core lending advances (2022: 4.26%) due to book growth.

The overall impairment charge increased 43% to R8 413 million (2022: R5 891 million), driven by the:

- marginal decrease in overall stage 1 provisions, driven by a reduction in the coverage ratio since June 2022 across the portfolios as advances grew;
- increase in stage 2 provisions reflecting book growth and expected origination strain. Coverage ratios have increased, reflecting the impact of deteriorating macroeconomic conditions on customers;
- 14% reduction in gross write-offs and a 1% reduction in post write-off recoveries; and
- a c. R1 billion year-on-year swing in RMB's impairment charge (given prior year releases).

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended				June 2023 vs December 2022	December 2022 vs June 2022	June 2022 vs December 2021
	30 June	31 December	30 June	31 December			
R million	**2023**	2022	2022	2021	% change	% change	% change
Movement in balance sheet provisions							
Performing book provisions	**452**	295	(1 375)	267	53	(>100)	(>100)
NPL provision	**731**	(292)	(274)	(1 738)	(>100)	7	(84)
Credit provision increase/ (decrease)	**1 183**	3	(1 649)	(1 471)	>100	(>100)	12
Gross write-off and other	**5 352**	5 969	6 209	6 998	(10)	(4)	(11)
– Bad debts written off*	**5 772**	6 002	6 663	7 050	(4)	(10)	(5)
– Exchange rate and other	**(420)**	(33)	(454)	(52)	>100	(93)	>100
Amounts recognised directly in income statement							
Modification loss	**318**	353	266	411	(10)	33	(35)
Interest suspended on stage 3 advances	**(1 115)**	(1 441)	(1 237)	(1 395)	(23)	16	(11)
Post write-off recoveries	**(1 202)**	(1 007)	(1 134)	(1 107)	19	(11)	2
Total impairment charge	**4 536**	3 877	2 455	3 436	17	58	(29)
Credit loss ratio (%) – core lending advances	**0.91**	0.82	0.56	0.81			

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

The table above shows changes in impairments on a rolling six-month view, based on movements in the balance sheet. The R452 million performing provision increase since December 2022 resulted from book growth. The overall impairment charge increase of R2 522 million year-on-year is explained largely by the change in performing provisions (including the exchange rate impact), given the release in the prior year of the last of the Covid-19 provisions and, to a lesser extent, the stage 3 release. The current year reflects origination strain and the weakening macro environment. With reference to coverage, performing coverage decreased on the back of advances growth. The benefit of the origination tilt explained earlier is still reflected in coverage, however, this has been offset by an increase in forward-looking information (FLI) provisions given the worsening macro assumptions.

CHANGE IN NPLs

	30 June 2023 vs 30 June 2022		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational NPLs*	**3 926**	13	10
Other paying NPLs**	**1 260**	14	3
Change in total bank NPLs	**5 186**	**13**	**13**

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

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

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

Retail NPLs increased 10% to R32.6 billion (2022: R29.7 billion), or 7.09% of core lending advances (2022: 7.02%). The overall increase was driven by residential mortgage NPLs (+R2.3 billion).

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

NPLs in the CIB portfolio increased 62% year-on-year, primarily reflecting the migration of certain high-value, highly secured cross-border exposures.

NPL coverage decreased to 45.8% (2022: 50.8%), reflecting the change in mix. Whilst operational NPLs, which attract higher coverage, contributed a greater proportion than paying NPLs, this was offset by the lower coverage in corporate and commercial and the better-quality inflows into residential mortgages. These portfolios are highly secured and experiencing improved recovery rates. Corporate NPL coverage declined significantly to 29.6% (2022: 41.3%) due to the migration of the highly secured cross-border exposures. Residential mortgage NPL coverage decreased to 20.2% (2022: 21.5%).

Financial resource management

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

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

Capital position

Capital ratios for the bank are summarised below.

CAPITAL ADEQUACY*

%	Internal targets	As at 30 June 2023	As at 30 June 2022
CET1	11.0 – 12.0	**12.6**	14.2
Tier 1	>12.0	**13.5**	14.9
Total	>14.25	**15.4**	17.7

* *FRB including foreign branches and unappropriated profits.*

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

Key factors driving the CET1 outcome are outlined below:

- payment of additional dividends during the year (up 32% year-on-year) partly offset by positive earnings generation and an increase in the foreign currency translation reserve;
- successful capital optimisation strategies; and
- an increase in RWA mainly from credit risk, driven by higher volumes and rand depreciation. Higher revenue generation also resulted in an increase in operational risk RWA.

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

Liquidity position

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

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

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

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

PRUDENTIAL LIQUIDITY RATIOS*

%	As at 30 June 2023	As at 30 June 2022
LCR		
Regulatory minimum	**100**	100
Actual	**129**	124
Average available HQLA (R billion)	**364**	304
NSFR		
Regulatory minimum	**100**	100
Actual	**120**	120

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

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

Foreign currency balance sheet

The bank's framework for the management of external debt considers sources of sovereign risk and foreign currency funding capacity, as well as the macroeconomic vulnerabilities of South Africa. The bank continues to employ self-imposed structural borrowing and liquidity risk limits which are significantly more conservative than the regulatory macroprudential limits.

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

Prospects

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

The SARB is likely to follow suit and policy rates appear to have peaked, with cuts in rates expected late in 2024.

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

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

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

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

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

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

The bank credit loss ratio in the current year will trend into the through-the-cycle range, but is unlikely to reach the mid point. The expected upward trend is a result of origination strain from written advances over the past 18 months, and the weak macroeconomic outlook.

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

ROE is expected to remain at the upper end of the stated range of 18% to 22%.

Events after reporting period

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

WR JARDINE
Chairman

AP PULLINGER
CEO

C LOW
Company Secretary

HS KELLAN
CFO

13 September 2023

review
of operations

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

FNB's strategy is underpinned by:

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

FNB FINANCIAL HIGHLIGHTS

R million	Year ended 30 June 2023	2022	% change
Normalised earnings	**18 160**	17 195	6
Normalised profit before tax	**24 879**	23 880	4
– South Africa	**25 308**	24 212	5
– Broader Africa*	**(429)**	(332)	29
Total assets	**474 170**	439 489	8
Total liabilities	**451 635**	420 367	7
Performing advances	**439 336**	409 584	7
Stage 3/NPLs as a % of advances	**6.67**	6.47	
Credit loss ratio (%) of average advances	**1.40**	1.13	
Cost-to-income ratio (%)	**53.4**	52.5	
Advances margin (%)	**3.86**	4.10	

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

Overview of results

FNB delivered normalised profit before tax (PBT) growth of 4%, with a rebound in topline revenue resulting from ongoing customer acquisition and cross-sell.

The 13% growth in FNB's NII continued to benefit from strong increases in average deposits and solid advances growth of 7%. The recent interest rate hikes resulted in an endowment benefit. The advances margin reduced to 3.86% (2022: 4.10%), impacted by portfolio mix changes due to higher levels of origination in commercial and retail advances at lower margins compared to the back book. Competitive pricing also reduced margins, particularly in the lower-risk customer cohorts. The positive uplift in the deposit margin offset this impact.

FNB's NIR was supported by growth in customer numbers, increased activity and higher transactional volumes. Despite fee reductions in both retail and commercial, amounting to c. R300 million and c.R80 million, respectively, NIR increased 9% year-on-year.

Given the macroeconomic environment, with both inflationary and interest rate pressure on customers, FNB's impairment charge demonstrated some emerging strain, increasing 34%, with the credit loss ratio increasing to 140 bps (2022: 113 bps). This outcome is in line with expectations given the bank's origination strategies.

Inflation pressures, headcount growth to support business and platform strategies, and staff incentives in line with performance resulted in operating expenses increasing 13%. The cost of maintaining operations given higher levels of loadshedding in the year under review increased to R114 million (2022: R19 million). The weaker rand also led to higher dollar-denominated operating expenses, particularly with regard to IT infrastructure spend.

CHANNEL VOLUMES

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

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

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

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

Customer segment performance

FNB segments its customer base to identify appropriate and differentiated product offerings. Retail customers are split into personal and private segments based on relative income. Small and medium-sized enterprises (SMEs) and the public sector are serviced by the commercial segment.

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

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

ACTIVE CUSTOMERS AND PLATFORM USERS

	Year ended 30 June		
Millions	**2023**	2022	% change
Retail	**8.25**	7.86	5
– Personal (≤R450k)	**6.28**	6.13	2
– Private (>R450k)	**1.97**	1.73	14
Commercial*	**1.21**	1.20	1
Total SA customer base	**9.46**	9.06	4
eWallets**	**6.13**	5.95	3
Total platform users	**15.59**	15.01	4

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

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

SEGMENT RESULTS

	Year ended 30 June		
R million	**2023**	2022	% change
Normalised PBT			
Retail	**11 841**	12 074	(2)
Commercial	**13 467**	12 138	11
Broader Africa*	**(429)**	(332)	29
Total FNB	**24 879**	23 880	4

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

Retail's results were supported by NII, driven by the particularly strong performance of the deposit franchise and healthy advances growth. Earnings were, however, impacted by a 30% increase in impairments given the expected origination strain from advances growth and the effect of deteriorating macros on customers. Advances growth continues to reflect an origination approach anchored to quality risk opportunities within the customer base, leveraging disciplined credit risk management and affordability metrics. The 5% increase in the active customer base supported growth in NIR, with private segment growth driven by both migration from the personal segment and net new customer acquisition. This reflects FNB's strategy to provide enhanced and appropriate product propositions as customer needs change.

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

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

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

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

Head office costs related to broader Africa reflect platform and investment spend.

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

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Deposit growth		**Advances growth**	
Segments	**%**	**R million**	**%**	**R million**
Retail	**10**	**34 763**	**7**	**24 154**
– Personal (≤R450k)	**(3)**	**(2 288)**	**(5)**	**(2 496)**
– Private (>R450k)	**15**	**37 051**	**10**	**26 650**
Commercial	**14**	**53 269**	**8**	**8 625**
Total FNB	**13**	**88 032**	**7**	**32 779**

Credit performance

FNB's credit impairment charge increased 34% to R6 373 million (2022: R4 769 million), with the credit loss ratio increasing to 140 bps (2022: 113 bps), driven by:

- growth in performing advances leading to stage 1 provision growth;
- a gradual uptick in overall stage 2 arrears, as well as an increase in modelled significant increase in credit risk (SICR) in the retail personal loans, card and overdrafts portfolios, remaining in line with expectations and historical trends;

- a gradual increase in NPL formation, particularly in the second half of the financial year, with NPLs as a percentage of advances drifting up to 6.67% (2022: 6.47%); and
- a net increase in modelled FLI requirements as the macro outlook weakened.

This was partly offset by:

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

ANALYSIS OF IMPAIRMENT CHARGE

	Year ended 30 June		
R million	**2023**	2022	% change
Movement in balance sheet provisions			
Performing book provisions	**7**	(346)	(>100)
NPL provision	**382**	(2 290)	(>100)
Credit provision increase/(decrease)	**389**	(2 636)	(>100)
Gross write-off and other	**9 280**	11 046	(16)
– Bad debts written off*	**9 379**	11 046	(15)
– Exchange rate and other	**(99)**	–	–
Amounts recognised directly in income statement			
Modification	**616**	591	4
Interest suspended on stage 3 advances	**(2 328)**	(2 398)	(3)
Post write-off recoveries	**(1 584)**	(1 834)	(14)
Total impairment charge	**6 373**	4 769	34

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

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

Arrears have increased as expected, predominately in the second half of the financial year. In addition, the proportion of customers impacted by increased FLI requirements resulted in a modelled increase in SICR in stage 2 advances. The current debt relief portfolio continues to perform better than expected and specific debt-relief outstanding advances amounted to R1.1 billion (2022: R2.0 billion). These impacts resulted in overall performing coverage moderating downward to 2.29% (2022: 2.45%).

The NPL ratio increased to 6.67% (2022: 6.47%). NPL formation was more prominent in residential mortgages and personal loans, but not out of line with expectations. Pleasingly, there remains no evidence of commercial strain, which was better than expected. NPL coverage continues to be conservative at 46.6% (2022: 50.2%) and the reduction in coverage was due to a mix change and write-offs of higher-coverage loans.

Platform

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

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

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

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

WesBank's strategy is underpinned by:

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

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

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

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

The strong increase in origination in the current year led to growth in total advances of 15% year-on-year.

WESBANK FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2023**	2022	% change
Normalised earnings	**1 186**	849	40
Normalised profit before tax	**1 625**	1 180	38
Total assets	**157 198**	135 894	16
Performing advances	**152 579**	131 454	16
Stage 3/NPLs as a % of advances	**4.43**	4.98	
Credit loss ratio (%) of average advances	**1.20**	1.02	
Cost-to-income ratio (%)	**55.4**	64.4	
Net interest margin (%)	**2.81**	2.93	

WesBank delivered normalised earnings growth of 40%, despite the competitive pressures outlined above. Growth in NII of 7% year-on-year is mainly driven by new business volumes offset by margin compression, but also resulted in an increase in stage 1 expected loss provisions.

Operational NIR grew 6%, driven by:

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

WesBank normalised PBT increased 38%, mainly driven by an excellent performance by the corporate and commercial business (up 71% year-on-year). Corporate and commercial advances grew 20% and impairments were well contained.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY*

	Year ended 30 June		
R million	**2023**	2022	% change
Normalised PBT			
Retail VAF	**775**	684	13
Corporate and commercial	**850**	496	71
Total WesBank	**1 625**	1 180	38

* *Refer to additional segmental disclosure on page B38.*

Retail vehicle asset finance (VAF) PBT increased 13% on the back of record production levels achieved during the year, offset by a 27% increase in the retail VAF impairment charge, due to expected origination strain and worsening economic conditions.

Corporate and commercial PBT increased 71% on the back of strong advances growth in both asset-based finance and dealer funding solutions, as well as a turnaround in the FML business.

ANALYSIS OF IMPAIRMENT CHARGE

	Year ended 30 June		
R million	**2023**	2022	% change
Movement in balance sheet provisions			
Performing book provisions	**693**	278	>100
NPL provision	**(247)**	(871)	(72)
Credit provision increase/ (decrease)	**446**	(593)	(>100)
Gross write-off and other	**1 914**	2 534	(24)
– Bad debts written off*	**1 914**	2 537	(25)
– Exchange rate and other	**–**	(3)	(100)
Amounts recognised directly in income statement			
Modification	**55**	86	(36)
Interest suspended on stage 3 advances	**(226)**	(286)	(21)
Post write-off recoveries	**(394)**	(359)	10
Total impairment charge	**1 795**	1 382	30

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

WesBank's credit performance was in line with expectations. Although the credit loss ratio increased to 1.20% (2022: 1.02%), it benefited from the performance of the commercial asset-based finance business. Retail impairments increased year-on-year, although they are currently better than expected.

The drivers of the 30% increase in WesBank's credit impairment charge to R1 795 million (2022: R1 382 million) was mainly due to growth in advances and increased performing provisions. The overall composition of the charge is outlined below:

- Stage 1 provisions increased in line with book growth.
- Stage 2 advances increased 1%. Coverage increased to 12.80% (2022: 9.85%), which was driven by increased production volumes and model recalibrations in a weakening economy. Whilst there has been an increase in arrears, the key driver of growth in stage 2 advances was modelled SICR.
- Performing coverage increased to 2.09% (2022: 1.90%), reflecting the deteriorating macroeconomic environment as captured by the increased FLI offset by the removal of the temporary stress scenario.
- Stage 3 advances declined to 4.43% of total advances (2022: 4.98%) due to workouts of older, higher-provisioned accounts, hence NPL coverage reduced to 47.0% (2022: 51.8%).
- WesBank's write-off policy remains prudent and the proactive management of NPLs continued, with write-offs decreasing 25% year-on-year. This reflects better overall collections, reduced inflows compared to the prior year and higher curing, which resulted in modest growth in NPLs to R7.1 billion (2022: R6.9 billion).

Operating expenses remain well managed, decreasing 8% year-on-year. The decline in costs benefited from integration into FNB and was achieved despite inflationary increases in staff costs and continued investment in the business.

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

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

RMB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2023**	2022	% change
Normalised earnings	**4 456**	5 286	(16)
Normalised profit before tax	**6 104**	7 342	(17)
Total assets	**642 123**	560 327	14
Total liabilities	**637 580**	554 357	15
Credit loss ratio (%) – core lending advances	**0.21**	(0.12)	
Cost-to-income ratio (%)	**61.0**	56.6	

RMB's PBT declined 17%, mainly driven by:

- a swing of c. R1 billion in credit provisions year-on-year (the prior year reflected a significant release on the back of improved forward-looking macro indicators and positive migration of counters from watch and surveillance lists, with current year provision raises primarily relating to strong book growth);
- softer performances from the commodities, equities and fixed-income portfolios compared to the previous year; and
- elevated cost growth of 17%, reflecting above-inflation fixed staff costs and headcount increases in certain enablement and support areas, as well as building capacity in jurisdictions supporting the broader Africa strategy.

Overall cost growth was further negatively impacted by investment growth, driven by:

- continued modernisation of core platforms; and
- enhanced digital offerings to clients.

ANALYSIS OF IMPAIRMENT CHARGE

	Year ended 30 June		
R million	**2023**	2022	% change
Movement in balance sheet provisions			
Performing book provisions	**173**	(1 067)	(>100)
NPL provision	**183**	675	(73)
Credit provision increase/ (decrease)	**356**	(392)	(>100)
Gross write-off and other	**379**	57	>100
– Bad debts written off*	**446**	93	>100
– Exchange rate and other	**(67)**	(36)	86
Amounts recognised directly in income statement			
Interest suspended on stage 3 advances	**(2)**	(2)	–
Post write-off recoveries	**(42)**	(9)	>100
Total impairment charge	**691**	(346)	(>100)

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

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

RMB believes its consistent and prudent provisioning approach remains appropriate, with the performing book coverage ratio against core lending advances at 88 bps (2022: 99 bps).

BREAKDOWN OF PBT CONTRIBUTION BY ACTIVITY

	Year ended 30 June		
R million	**2023**	2022	% change
Banking	**5 090**	5 300	(4)
Markets	**1 149**	2 140	(46)
Other*	**(135)**	(98)	38
Total RMB	**6 104**	7 342	(17)

* *Other includes support, head office activities and private equity.*

The operational performance of the portfolio is unpacked below.

Investment banking's performance was characterised by new business origination which resulted in a 24% increase in average advances, driving NII growth. Structuring and commitment fee income was resilient with advisory and trade revenues benefiting from increased market activity. The business raised additional ECL in the current year (compared to a release in the prior year) to retain prudent provisioning levels given the constrained macro environment and to buffer against negative credit migrations and defaults, further impacting the performance.

Corporate transactional banking produced a resilient performance. The business achieved healthy average deposit growth of 10% due to higher operational balances from a greater number of main-banked clients, increasing levels of cross-sell and good momentum in the scaling of investment deposit offerings. NIR decreased, reflecting the competitive pricing landscape and higher merchant acquiring costs, despite cash and merchant services volume growth from the onboarding of strategic clients.

Markets PBT declined 46% year-on-year, mainly driven by elevated investment costs relating to geographical expansion and diversification strategies, and electronic client trading platforms. Topline declined, driven by reduced client volumes. Furthermore, the introduction of the MPIF reduced financing margins across most asset classes. Performance from commodities, equities and fixed income portfolios declined relative to the prior year. The FX business delivered double-digit growth.

SEGMENTAL ANALYSIS OF NORMALISED EARNINGS

	Year ended 30 June				
R million	**2023**	**% composition**	2022	% composition	% change
Retail	**8 895**	**36**	8 946	36	(1)
– FNB*	**8 329**		8 454		(1)
– WesBank	**566**		492		15
Commercial	**10 451**	**42**	9 098	37	15
– FNB	**9 831**		8 741		12
– WesBank	**620**		357		74
Corporate and investment banking	**4 456**	**18**	5 286	21	(16)
– RMB	**4 456**		5 286		(16)
Other	**1 007**	**4**	1 412	6	(29)
– Centre**	**1 964**		2 005		(2)
– Other equity instrument holders	**(957)**		(593)		61
Normalised earnings	**24 809**	**100**	24 742	100	–

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

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

Segment report

for the year ended 30 June 2023

	Retail and commercial					
	FNB					
	Retail					
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial
Net interest income before impairment of advances	4 696	3 771	7 539	7 731	**23 737**	15 084
Impairment charge	(452)	(1 516)	(3 688)	(102)	**(5 758)**	(615)
Net interest income after impairment of advances	4 244	2 255	3 851	7 629	**17 979**	14 469
Non-interest revenue	88	3 807	861	12 873	**17 629**	10 706
Income from operations	4 332	6 062	4 712	20 502	**35 608**	25 175
Operating expenses	(1 706)	(3 087)	(2 613)	(15 772)	**(23 178)**	(11 645)
Income before indirect tax	2 626	2 975	2 099	4 730	**12 430**	13 530
Indirect tax	(14)	(27)	(60)	(488)	**(589)**	(63)
Profit before tax	2 612	2 948	2 039	4 242	**11 841**	13 467
Income tax expense	(705)	(796)	(551)	(1 147)	**(3 199)**	(3 636)
Profit for the year	1 907	2 152	1 488	3 095	**8 642**	9 831
Attributable to:						
Ordinary equityholders	1 907	2 152	1 488	3 095	**8 642**	9 831
Other equity instrument holders	–	–	–	–	**–**	–
Profit for the year	1 907	2 152	1 488	3 095	**8 642**	9 831
Attributable earnings to ordinary equityholders	1 907	2 152	1 488	3 095	**8 642**	9 831
Headline earnings adjustments	–	–	–	–	**–**	–
Headline earnings	1 907	2 152	1 488	3 095	**8 642**	9 831
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	**–**	–
Normalised earnings	1 907	2 152	1 488	3 095	**8 642**	9 831

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 B38.*

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

Retail and commercial				Corporate and institutional				
FNB								
FNB broader Africa*	**Total FNB**	**WesBank****	**Retail and commercial**	**RMB**	Centre (including Group Treasury) and other#	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
(19)	**38 802**	**4 867**	**43 669**	**8 716**	3 617	**56 002**	(1 490)	**54 512**
–	**(6 373)**	**(1 795)**	**(8 168)**	**(691)**	446	**(8 413)**	–	**(8 413)**
(19)	**32 429**	**3 072**	**35 501**	**8 025**	4 063	**47 589**	(1 490)	**46 099**
1 297	**29 632**	**2 918**	**32 550**	**9 209**	(1 469)	**40 290**	1 348	**41 638**
1 278	**62 061**	**5 990**	**68 051**	**17 234**	2 594	**87 879**	(142)	**87 737**
(1 706)	**(36 529)**	**(4 312)**	**(40 841)**	**(10 940)**	(1 674)	**(53 455)**	255	**(53 200)**
(428)	**25 532**	**1 678**	**27 210**	**6 294**	920	**34 424**	113	**34 537**
(1)	**(653)**	**(53)**	**(706)**	**(190)**	86	**(810)**	–	**(810)**
(429)	**24 879**	**1 625**	**26 504**	**6 104**	1 006	**33 614**	113	**33 727**
116	**(6 719)**	**(439)**	**(7 158)**	**(1 648)**	958	**(7 848)**	(28)	**(7 876)**
(313)	**18 160**	**1 186**	**19 346**	**4 456**	1 964	**25 766**	85	**25 851**
(313)	**18 160**	**1 186**	**19 346**	**4 456**	1 007	**24 809**	85	**24 894**
–	**–**	**–**	**–**	**–**	957	**957**	–	**957**
(313)	**18 160**	**1 186**	**19 346**	**4 456**	1 964	**25 766**	85	**25 851**
(313)	**18 160**	**1 186**	**19 346**	**4 456**	1 007	**24 809**	85	**24 894**
–	**–**	**–**	**–**	**–**	–	**–**	13	**13**
(313)	**18 160**	**1 186**	**19 346**	**4 456**	1 007	**24 809**	98	**24 907**
–	**–**	**–**	**–**	**–**	–	**–**	–	**–**
–	**–**	**–**	**–**	**–**	–	**–**	(98)	**(98)**
(313)	**18 160**	**1 186**	**19 346**	**4 456**	1 007	**24 809**	–	**24 809**

Segment report continued
for the year ended 30 June 2023

	Retail and commercial					
	FNB					
	Retail					
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	35.7	40.7	31.1	76.5	**56.0**	45.2
Diversity ratio (%)	1.8	50.2	10.3	62.5	**42.6**	41.5
Credit loss ratio (%) – core lending advances	0.18	4.33	7.63	1.33	**1.68**	0.55
Stage 3/NPLs as % of core lending advances	5.42	10.92	15.07	12.48	**7.51**	4.10
Income statement includes						
Depreciation	(3)	(6)	(17)	(2 088)	**(2 114)**	(248)
Amortisation	–	–	–	(10)	**(10)**	–
Impairment charges	–	–	–	(63)	**(63)**	(111)
Statement of financial position includes						
Advances (before impairments)	259 635	37 149	50 072	7 406	**354 262**	116 448
Core lending advances	259 635	37 149	50 072	7 406	**354 262**	116 448
– Other core lending advances (AC and FV)	259 635	37 149	50 072	7 406	**354 262**	116 448
Assets under agreements to resell	–	–	–	–	**–**	–
Stage 3/NPLs	14 073	4 057	7 547	924	**26 601**	4 773
Total deposits	564	10 629	53	355 600	**366 846**	421 378
Total assets	255 335	32 592	40 895	28 391	**357 213**	116 700
Total liabilities†	255 001	31 344	41 333	14 055	**341 733**	109 217
Capital expenditure	–	114	14	2 858	**2 986**	321

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 B38.*

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

† *Total liabilities are net of interdivisional balances.*

Retail and commercial				Corporate and institutional				
FNB								
FNB broader Africa*	**Total FNB**	**WesBank****	**Retail and commercial**	**RMB**	Centre (including Group Treasury) and other#	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
133.5	**53.4**	**55.4**	**53.6**	**61.0**	77.9	**55.5**	–	**55.3**
101.5	**43.3**	**37.5**	**42.7**	**51.4**	(68.4)	**41.8**	–	**43.3**
–	**1.40**	**1.20**	**1.35**	**0.21**	(1.50)	**0.87**	–	**0.87**
–	**6.67**	**4.43**	**6.10**	**1.24**	2.99	**4.28**	–	**4.28**
(4)	**(2 366)**	**(794)**	**(3 160)**	**(144)**	(1)	**(3 305)**	–	**(3 305)**
–	**(10)**	**(8)**	**(18)**	**(75)**	–	**(93)**	–	**(93)**
–	**(174)**	**16**	**(158)**	**–**	–	**(158)**	(48)	**(206)**
–	**470 710**	**159 645**	**630 355**	**427 982**	45 089	**1 103 426**	–	**1 103 426**
–	**470 710**	**159 645**	**630 355**	**363 232**	30 774	**1 024 361**	–	**1 024 361**
–	**470 710**	**159 645**	**630 355**	**363 232**	30 774	**1 024 361**	-	**1 024 361**
–	**–**	**–**	**–**	**64 750**	14 315	**79 065**	–	**79 065**
–	**31 374**	**7 066**	**38 440**	**4 520**	920	**43 880**	–	**43 880**
–	**788 224**	**67**	**788 291**	**275 932**	317 550	**1 381 773**	–	**1 381 773**
257	**474 170**	**157 198**	**631 368**	**642 123**	381 473	**1 654 964**	–	**1 654 964**
685	**451 635**	**155 248**	**606 883**	**637 580**	296 210	**1 540 673**	–	**1 540 673**
2	**3 309**	**1 354**	**4 663.0**	**602.0**	22	**5 287**	–	**5 287**

Segment report continued
for the year ended 30 June 2022

	Retail and commercial					
	FNB					
	Retail					
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial
Net interest income before impairment of advances	4 846	3 246	7 078	6 272	**21 442**	12 924
Impairment charge	(46)	(1 070)	(2 597)	(703)	**(4 416)**	(353)
Net interest income after impairment of advances	4 800	2 176	4 481	5 569	**17 026**	12 571
Non-interest revenue	102	3 103	813	12 167	**16 185**	9 792
Income from operations	4 902	5 279	5 294	17 736	**33 211**	22 363
Operating expenses	(1 804)	(2 843)	(2 778)	(13 221)	**(20 646)**	(10 168)
Income before indirect tax	3 098	2 436	2 516	4 515	**12 565**	12 195
Indirect tax	(15)	59	(69)	(466)	**(491)**	(57)
Profit before tax	3 083	2 495	2 447	4 049	**12 074**	12 138
Income tax expense	(863)	(699)	(685)	(1 134)	**(3 381)**	(3 397)
Profit for the year	2 220	1 796	1 762	2 915	**8 693**	8 741
Attributable to:	–	–		–		–
Ordinary equityholders	2 220	1 796	1 762	2 915	**8 693**	8 741
Other equity instrument holders	–	–	–	–	**–**	–
Profit for the year	2 220	1 796	1 762	2 915	**8 693**	8 741
Attributable earnings to ordinary equityholders	2 220	1 796	1 762	2 915	**8 693**	8 741
Headline earnings adjustments	–	–	–	–	**–**	–
Headline earnings	2 220	1 796	1 762	2 915	**8 693**	8 741
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	**–**	–
Normalised earnings	2 220	1 796	1 762	2 915	**8 693**	8 741

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 B39.*

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

	Retail and commercial				Corporate and institutional				
	FNB								
	FNB broader Africa*	Total FNB	WesBank**	Retail and commercial	RMB	Centre (including Group Treasury) and other#	FRB – normalised	Normalised adjustments	FRB – IFRS
	(10)	**34 356**	**4 540**	**38 896**	**7 144**	3 990	**50 030**	(1 068)	**48 962**
	–	**(4 769)**	**(1 382)**	**(6 151)**	**346**	(86)	**(5 891)**	–	**(5 891)**
	(10)	**29 587**	**3 158**	**32 745**	**7 490**	3 904	**44 139**	(1 068)	**43 071**
	1 112	**27 089**	**2 762**	**29 851**	**9 393**	(1 459)	**37 785**	797	**38 582**
	1 102	**56 676**	**5 920**	**62 596**	**16 883**	2 445	**81 924**	(271)	**81 653**
	(1 434)	**(32 248)**	**(4 703)**	**(36 951)**	**(9 368)**	(1 325)	**(47 644)**	486	**(47 158)**
	(332)	**24 428**	**1 217**	**25 645**	**7 515**	1 120	**34 280**	215	**34 495**
	–	**(548)**	**(37)**	**(585)**	**(173)**	(47)	**(805)**	–	**(805)**
	(332)	**23 880**	**1 180**	**25 060**	**7 342**	1 073	**33 475**	215	**33 690**
	93	**(6 685)**	**(331)**	**(7 016)**	**(2 056)**	932	**(8 140)**	(73)	**(8 213)**
	(239)	**17 195**	**849**	**18 044**	**5 286**	2 005	**25 335**	142	**25 477**
	–								
	(239)	**17 195**	**849**	**18 044**	**5 286**	1 412	**24 742**	142	**24 884**
	–	**–**	**–**	**–**	**–**	593	**593**	–	**593**
	(239)	**17 195**	**849**	**18 044**	**5 286**	2 005	**25 335**	142	**25 477**
	(239)	**17 195**	**849**	**18 044**	**5 286**	1 412	**24 742**	142	**24 884**
	–	**–**	**–**	**–**	**–**	–	**–**	20	**20**
	(239)	**17 195**	**849**	**18 044**	**5 286**	1 412	**24 742**	162	**24 904**
	–	**–**	**–**	**–**	**–**	–	**–**	(58)	**(58)**
	–	**–**	**–**	**–**	**–**	–	**–**	(104)	**(104)**
	(239)	**17 195**	**849**	**18 044**	**5 286**	1 412	**24 742**	–	**24 742**

Segment report continued
for the year ended 30 June 2022

	Retail and commercial					
	FNB					
	Retail					
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	36.5	44.8	35.2	71.7	**54.9**	44.8
Diversity ratio (%)	2.1	48.9	10.3	66.0	**43.0**	43.1
Credit loss ratio (%) – core lending advances	0.02	3.34	5.55	8.56	**1.37**	0.34
Stage 3/NPLs as % of core lending advances	4.86	11.21	14.94	16.14	**7.19**	4.29
Income statement includes						
Depreciation	(4)	(9)	(16.00)	(2 099)	**(2 128)**	(212)
Amortisation	–	(3)	–	(14)	**(17)**	–
Impairment charges	(2)	–	–	(45)	**(47)**	1
Statement of financial position includes						
Advances (before impairments)	242 757	32 821	46 623	7 907	**330 108**	107 823
Core lending advances	242 757	32 821	46 623	7 907	**330 108**	107 823
– Other core lending advances (AC and FV)	242 757	32 821	46 623	7 907	**330 108**	107 823
Assets under agreements to resell	–	–	–	–	**–**	–
Stage 3/NPLs	11 802	3 678	6 964	1 276	**23 720**	4 627
Total deposits	651	9 179	39	322 214	**332 083**	368 109
Total assets	238 730	28 556	38 104	27 988	**333 378**	105 883
Total liabilities†	238 016	27 854	38 934	15 171	**319 975**	99 832
Capital expenditure	–	20	21	2 191	**2 232**	360

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 B39.*

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

† *Total liabilities are net of interdivisional balances.*

Retail and commercial				Corporate and institutional				
FNB								
FNB broader Africa*	Total FNB	WesBank**	Retail and commercial	RMB	Centre (including Group Treasury) and other#	FRB – normalised	Normalised adjustments	FRB – IFRS
>100	**52.5**	**64.4**	**53.7**	**56.6**	52.4	**54.3**	–	**53.9**
>100	**44.1**	**37.8**	**43.4**	**56.8**	(57.6)	**43.0**	–	**44.1**
–	**1.13**	**1.02**	**1.10**	**(0.12)**	0.28	**0.68**	–	**0.68**
–	**6.47**	**4.98**	**6.11**	**0.92**	2.32	**4.26**	–	**4.26**
(2)	**(2 342)**	**(820)**	**(3 162)**	**(117)**	(1)	**(3 280)**	–	**(3 280)**
–	**(17)**	**(15)**	**(32)**	**(149)**	–	**(181)**	–	**(181)**
–	**(46)**	**(28)**	**(74)**	**–**	–	**(74)**	(131)	**(205)**
–	**437 931**	**138 342**	**576 273**	**351 182**	51 981	**979 436**	–	**979 436**
–	**437 931**	**138 342**	**576 273**	**303 965**	28 658	**908 896**	–	**908 896**
–	**437 931**	**138 342**	**576 273**	**303 965**	28 658	**908 896**	–	**908 896**
–	**–**	**–**	**–**	**47 217**	23 323	**70 540**	–	**70 540**
–	**28 347**	**6 888**	**35 235**	**2 795**	664	**38 694**	–	**38 694**
–	**700 192**	**24**	**700 216**	**258 030**	261 780	**1 220 026**	–	**1 220 026**
228	**439 489**	**135 894**	**575 383**	**560 327**	371 637	**1 507 347**	–	**1 507 347**
560	**420 367**	**135 968**	**556 335**	**554 357**	282 975	**1 393 667**	–	**1 393 667**
2	**2 594**	**907**	**3 501**	**274**	57	**3 832**	–	**3 832**

Additional segmental disclosure – WesBank

	For the year ended 30 June 2023		
R million	Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	3 693	1 174	4 867
Impairment of advances	(1 737)	(58)	(1 795)
Normalised profit before tax	775	850	1 625
Normalised earnings	566	620	1 186
Core advances	105 433	54 212	159 645
Stage 3/NPLs	6 000	1 066	7 066
Advances margin (%)	3.06	2.32	2.81
Stage 3/NPLs as a % of advances	5.69	1.97	4.43
Credit loss ratio (%) of average advances	1.75	0.12	1.20

R million	Retail	Corporate and commercial	Total WesBank
	For the year ended 30 June 2022		
NII before impairment of advances	3 457	1 083	4 540
Impairment of advances	(1 370)	(12)	(1 382)
Normalised profit before tax	684	496	1 180
Normalised earnings	492	357	849
Core advances	93 214	45 128	138 342
Stage 3/NPLs	5 985	903	6 888
Advances margin (%)	3.18	2.40	2.93
Stage 3/NPLs as a % of advances	6.42	2.00	4.98
Credit loss ratio (%) of average advances	1.49	0.03	1.02

Additional information on internal restructures

for the year ended 30 June 2022

Internal restructures took place during the prior 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. The segment disclosure has been updated for the transfer of the revolving facilities from retail other to personal loans within FNB retail.

R million	**Total personal loans previously published**	Transfer of revolving facilities	**Total personal loans after reallocation**	**Retail other previously published**	Transfer of revolving facilities	**Retail other after reallocation**
Net interest income before impairment of advances	**6 374**	704	**7 078**	**6 976**	(704)	**6 272**
Impairment charge	**(2 354)**	(243)	**(2 597)**	**(946)**	243	**(703)**
Net interest income after impairment of advances	**4 020**	461	**4 481**	**6 030**	(461)	**5 569**
Non-interest revenue	**655**	158	**813**	**12 325**	(158)	**12 167**
Income from operations	**4 675**	619	**5 294**	**18 355**	(619)	**17 736**
Operating expenses	**(2 559)**	(219)	**(2 778)**	**(13 440)**	219	**(13 221)**
Income before indirect tax	**2 116**	400	**2 516**	**4 915**	(400)	**4 515**
Indirect tax	**(69)**	–	**(69)**	**(466)**	–	**(466)**
Profit before tax	**2 047**	400	**2 447**	**4 449**	(400)	**4 049**
Income tax expense	**(573)**	(112)	**(685)**	**(1 246)**	112	**(1 134)**
Profit for the year	**1 474**	288	**1 762**	**3 203**	(288)	**2 915**
Attributable to						
Ordinary equityholders	**1 474**	288	**1 762**	**3 203**	(288)	**2 915**
Other equity instrument holders	**–**	–	**–**	**–**	–	**–**
Profit for the year	**1 474**	288	**1 762**	**3 203**	(288)	**2 915**
Earnings attributable to ordinary equityholders	**1 474**	288	**1 762**	**3 203**	(288)	**2 915**
Headline earnings adjustments	**–**	–	**–**	**–**	–	**–**
Headline earnings	**1 474**	288	**1 762**	**3 203**	(288)	**2 915**
TRS and IFRS 2 liability remeasurement	**–**	–	**–**	**–**	–	**–**
IAS 19 adjustment	**–**	–	**–**	**–**	–	**–**
Normalised earnings	**1 474**	288	**1 762**	**3 203**	(288)	**2 915**

	Total FNB previously published	Transfer of revolving facilities	Total FNB after reallocation		Total restructures				
					FNB	WesBank	RMB	Centre	FirstRand Bank
	34 356	–	34 356		–	–	–	–	–
	(4 769)	–	(4 769)		–	–	–	–	–
	29 587	–	29 587		–	–	–	–	–
	27 089	–	27 089		–	–	–	–	–
	56 676	–	56 676		–	–	–	–	–
	(32 248)	–	(32 248)		–	–	–	–	–
	24 428	–	24 428		–	–	–	–	–
	(548)	–	(548)		–	–	–	–	–
	23 880	–	23 880		–	–	–	–	–
	(6 685)	–	(6 685)		–	–	–	–	–
	17 195	–	17 195		–	–	–	–	–
	17 195	–	17 195		–	–	–	–	–
	–	–	–		–	–	–	–	–
	17 195	–	17 195		–	–	–	–	–
	17 195	–	17 195		–	–	–	–	–
	–	–	–		–	–	–	–	–
	17 195	–	17 195		–	–	–	–	–
	–	–	–		–	–	–	–	–
	–	–	–		–	–	–	–	–
	17 195	–	17 195		–	–	–	–	–

Additional information on internal restructure continued

for the year ended 30 June 2022

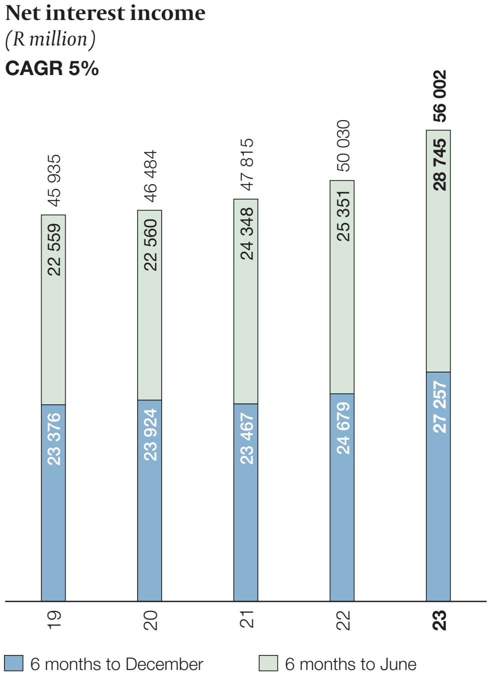
R million	**Total personal loans previously published**	Transfer of revolving facilities	**Total personal loans after reallocation**	**Retail other previously published**	Transfer of revolving facilities	**Retail other after reallocation**
Cost-to-income ratio (%)	**36.4**		**35.2**	**69.6**		**71.7**
Diversity ratio (%)	**9.3**		**10.3**	**63.9**		**66.0**
Credit loss ratio (%) – core lending advances	**5.90**		**5.55**	**6.29**		**8.56**
Stage 3/NPLs as a percentage of core lending advances	**15.62**		**14.94**	**13.69**		**16.14**
Income statement includes						
Depreciation	**(16)**	–	**(16)**	**(2 099)**	–	**(2 099)**
Amortisation	**–**	–	**–**	**(14)**	–	**(14)**
Impairment charges	**–**	–	**–**	**(45)**	–	**(45)**
Statement of financial position includes						
Advances (before impairments)	**40 173**	6 450	**46 623**	**14 357**	(6 450)	**7 907**
Core lending advances	**40 173**	6 450	**46 623**	**14 357**	(6 450)	**7 907**
– Other core lending advances (AC and FV)	**40 173**	6 450	**46 623**	**14 357**	(6 450)	**7 907**
Assets under agreements to resell	**–**	–	**–**	**–**	–	**–**
Stage 3 NPLs	**6 274**	690	**6 964**	**1 966**	(690)	**1 276**
Total deposits	**1**	38	**39**	**322 252**	(38)	**322 214**
Total assets	**32 527**	5 577	**38 104**	**33 565**	(5 577)	**27 988**
Total liabilities	**33 599**	5 335	**38 934**	**20 506**	(5 335)	**15 171**
Capital expenditure	**21**	–	**21**	**2 191**	–	**2 191**

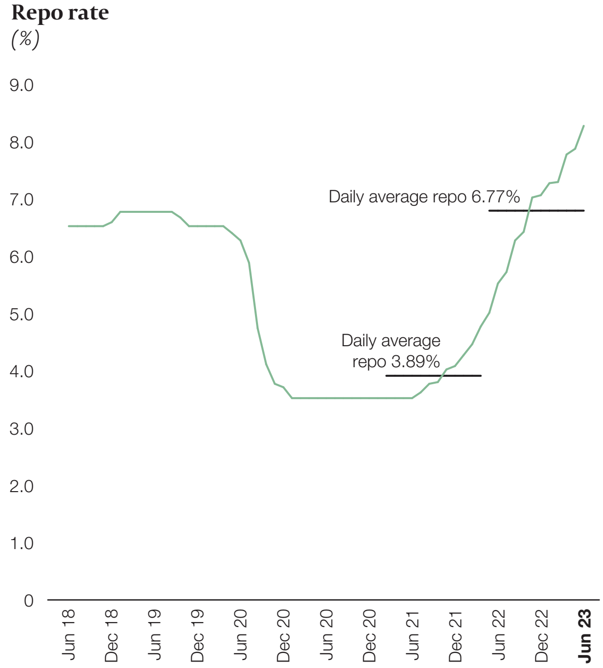
Total FNB previously published	Transfer of revolving facilities	Total FNB after reallocation	Total restructures FNB	Total restructures WesBank	Total restructures RMB	Total restructures Centre	Total restructures FirstRand Bank
52.5		52.5					
44.1		44.1					
1.13		1.13					
6.47		6.47					
(2 342)	–	(2 342)	–	–	–	–	–
(17)	–	(17)	–	–	–	–	–
(46)	–	(46)	–	–	–	–	–
437 931	–	437 931	–	–	–	–	–
437 931	–	437 931	–	–	–	–	–
437 931	–	437 931	–	–	–	–	–
–	–	–	–	–	–	–	–
28 347	–	28 347	–	–	–	–	–
700 192	–	700 192	–	–	–	–	–
439 489	–	439 489	–	–	–	–	–
420 367	–	420 367	–	–	–	–	–
2 564	–	2 564	–	–	–	–	–

income
statement analysis

Net interest income (before impairment of advances)

Net interest income (before impairment of advances) – up 12%





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

Net interest income (before impairment of advances) continued

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets	Year ended 30 June 2023			2022*
	Average interest-earning assets (R million)	**NII (R million)**	**NIM (%)**	NIM (%)
30 June 2022 normalised margin	**1 056 128**	**50 030**	**4.74**	4.72
Asset growth	**134 931**	**6 396**		
Balances with central banks	**2 762**			
Cash and cash equivalents	**(386)**			
Liquid assets	**28 448**			
Loans and advances	**104 107**			
Lending interest earning assets		**(2 209)**	**(0.18)**	0.02
Asset pricing		**(1 694)**	**(0.14)**	(0.08)
Change in advances mix and other		**(515)**	**(0.04)**	0.10
Liabilities		**2 237**	**0.18**	0.11
Deposit pricing and endowment		**1 822**	**0.15**	0.06
Change in deposit mix and volume		**415**	**0.03**	0.05
Capital endowment (including ALM strategies)		**504**	**0.04**	0.07
Group Treasury, Centre and other activities		**(956)**	**(0.08)**	(0.18)
30 June 2023 normalised margin	**1 191 059**	**56 002**	**4.70**	4.74

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

Net interest income (before impairment of advances) continued

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

R million	Year ended 30 June		
Net interest income	**2023**	2022*	% change
Lending	**24 292**	23 273	4
Transactional**	**19 352**	16 328	19
Investment deposits	**4 178**	3 524	19
Capital endowment	**8 533**	8 029	6
Group Treasury, Centre and other#	**(353)**	(1 124)	(69)
Total net interest income	**56 002**	50 030	12

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

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

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

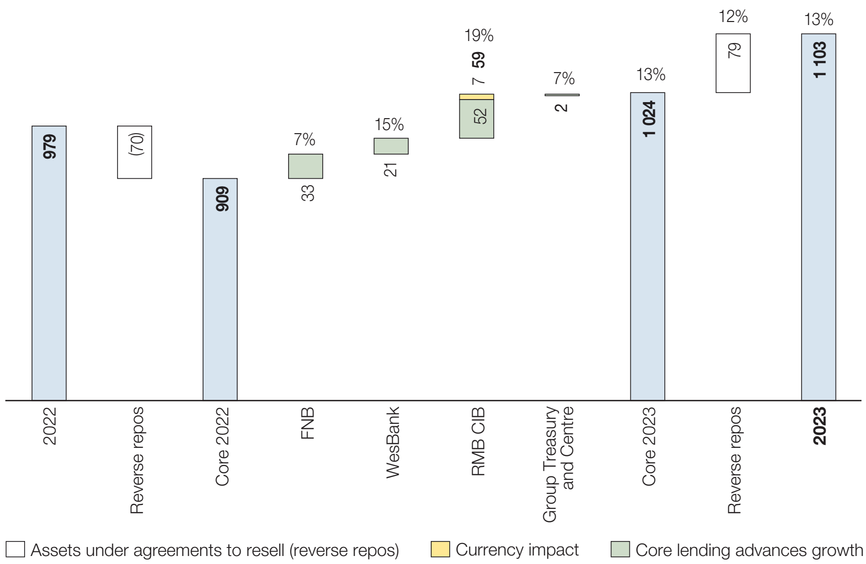
Key drivers

- During the year under review average interest rates moved up 288 bps to 6.77% (2022: 3.89%), which resulted in an uplift in capital endowment of 6%.
- *NII growth was also supported by continued strong growth in both transactional and investment deposits, and advances growth.*
- Lending NII increased 4%, driven by growth in average customer advances in RMB (32% year-on-year). Retail and commercial average advances grew 8%, driven by residential mortgages, with retail unsecured advances rebounding from previously muted growth and continues to reflect the origination tilt to better-quality lower-margin credit.
- *The increase in transactional NII was driven by customer growth, and deposit endowment in particular.*
- The increase in NII from investment deposits was generated from the retail and commercial deposit franchises, underpinned by product offerings and customers taking advantage of higher-yielding products.
- *Capital endowment NII benefited from rate increases offset by changes in the composition of capital balances and ALM investment activities.*
- Group Treasury, Centre and other NII increased due to:
  - lower accounting mismatches following better management of accrual versus mark-to-market (MTM) valuations;
  - improvement in rand funding costs driven by liability management; and
  - more efficient management of foreign currency liquidity.

Net interest income (before impairment of advances) continued

Core advances – up 13%

Gross advances growth by business
(R billion)



Note: Percentages are calculated in 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	**2023**	2022	% change
Total advances	**1 103 426**	979 436	13
Assets under agreements to resell	**(79 065)**	(70 540)	12
Total core lending advances (before currency impact)	**1 024 361**	908 896	13
Centre and dollar cross-border book currency impact*	**(7 574)**	–	–
Core lending advances after currency impact	**1 016 787**	908 896	12

* *If the exchange rate (£1 = R23.95 and $1 = R18.84) had remained unchanged from 30 June 2022 (£1 = R19.95 and $1 = R16.41).*

Net interest income (before impairment of advances) continued

Key drivers

- Advances increased 13%, with 1% of the growth largely due to the currency impact of the RMB cross-border book. Operationally advances grew 12% (2022: 9%).
- *The 8% growth in the unsecured lending portfolio was driven by the personal loans portfolio and card. Personal loans growth benefited from larger-sized loans advanced to lower-risk customers, but continued to be negatively impacted by declining volumes in the DirectAxis portfolio. Increased utilisation of credit facilities by existing customers and growth in new client acquisition supported the growth in the card portfolio.*
- Residential mortgages growth was marginally softer in the last six months of the financial year given the current environment of rising interest rates and sticky inflation.
- *WesBank VAF advances showed strong growth in the current year with good demand in both used and new vehicle sales, especially for light commercial vehicles.*
- The FNB commercial segment delivered good growth across the portfolios, in particular working capital, agric, property finance and specialised finance. This is aligned to FNB's strategy to focus on sectors showing above-cycle growth.
- *Asset-based finance into the banked customer base and dealer funding solutions supported growth in WesBank corporate.*
- RMB's advances growth was underpinned by the focus on strategic sectors such as sustainable finance and private power coupled with the normalisation of clients' working capital cycle. Origination continued to lean towards better-rated counter-parties, with a tilt towards low-to-medium-volatility sectors. Strong growth in the cross-border book reflected at 19% in US dollar terms, further supported by the 15% depreciation of the rand against the US dollar, resulting in an overall growth of 37%.
- *Assets under agreements to resell (reverse repos) increased in RMB due to higher demand for high-quality liquid assets in the market. This growth was partially offset by a decrease in the Centre's reverse repos due to the maturity of high-value assets.*

Net interest income (before impairment of advances) continued

AVERAGE BALANCE SHEET

		June 2023			June 2022		
R million	Notes	**Average balance**	**Interest income/ (expense)**	**Average rate %**	Average balance	Interest income/ (expense)	Average %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				**10.27**			7.39
Balances with central banks		**31 381**	**–**		28 619	–	–
Cash and cash equivalents		**43 611**	**2 234**	**5.12**	43 997	1 346	3.06
Liquid assets portfolio*		**264 372**	**15 995**	**6.05**	235 924	10 395	4.41
Loans and advances to customers	1	**851 695**	**88 585**	**10.40**	747 588	61 773	8.26
Interest-earning assets		**1 191 059**	**106 814**	**8.97**	1 056 128	73 514	6.96
INTEREST-BEARING LIABILITIES							
Average repo rate (RSA)				**6.77**			3.89
Deposits due to customers	2	**(935 400)**	**(49 368)**	**5.28**	(825 764)	(24 491)	2.97
Group Treasury funding		**(273 681)**	**(17 242)**	**6.30**	(257 590)	(12 809)	4.97
Interest-bearing liabilities		**(1 209 081)**	**(66 610)**	**5.51**	(1 083 354)	(37 300)	3.44
ENDOWMENT AND TRADING BOOK							
Other assets**		**273 505**	**–**	**–**	288 166	–	–
Other liabilities#		**(143 668)**	**–**	**–**	(146 787)		–
AT1 instruments and NCNR preference shareholders		**(8 762)**	**–**	**–**	(7 126)	–	–
Equity		**(103 053)**	**–**	**–**	(107 027)	–	–
Endowment and trading book		**18 022**	**15 798**	**87.66**	27 226	13 816	50.75
Total interest-bearing liabilities, endowment and trading book		**(1 191 059)**	**(50 812)**	**4.27**	(1 056 128)	(23 484)	2.22
Net interest margin on average interest-earning assets		**1 191 059**	**56 002**	**4.70**	1 056 128	50 030	4.74

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

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

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

Include trading liabilities.

Net interest income (before impairment of advances) continued

NOTE 1 – MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

	June 2023		June 2022*	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average prime rate (RSA)		**10.27**		7.39
Advances				
Retail – secured	**355 530**	**1.93**	330 888	2.09
Residential mortgages	**253 692**	**1.53**	234 972	1.80
VAF	**101 838**	**2.93**	95 916	2.81
Retail – unsecured	**90 190**	**10.93**	86 544	11.05
Card	**35 804**	**7.33**	32 597	7.90
Personal loans	**47 869**	**14.00**	46 281	13.63
Retail other	**6 517**	**8.12**	7 666	8.88
Corporate and commercial	**405 975**	**2.34**	330 156	2.54
FNB commercial	**108 080**	**3.41**	99 346	3.51
– Mortgages	**31 276**	**2.17**	29 941	2.23
– Overdrafts	**44 290**	**4.66**	39 692	4.97
– Term loans	**32 514**	**2.89**	29 713	2.84
WesBank corporate	**50 183**	**2.32**	42 504	2.40
RMB CIB	**247 712**	**1.87**	188 306	2.06
Total advances	**851 695**	**3.08**	747 588	3.32

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

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

The bank operates a transfer pricing framework that incorporates 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.

Net interest income (before impairment of advances) continued

Key drivers

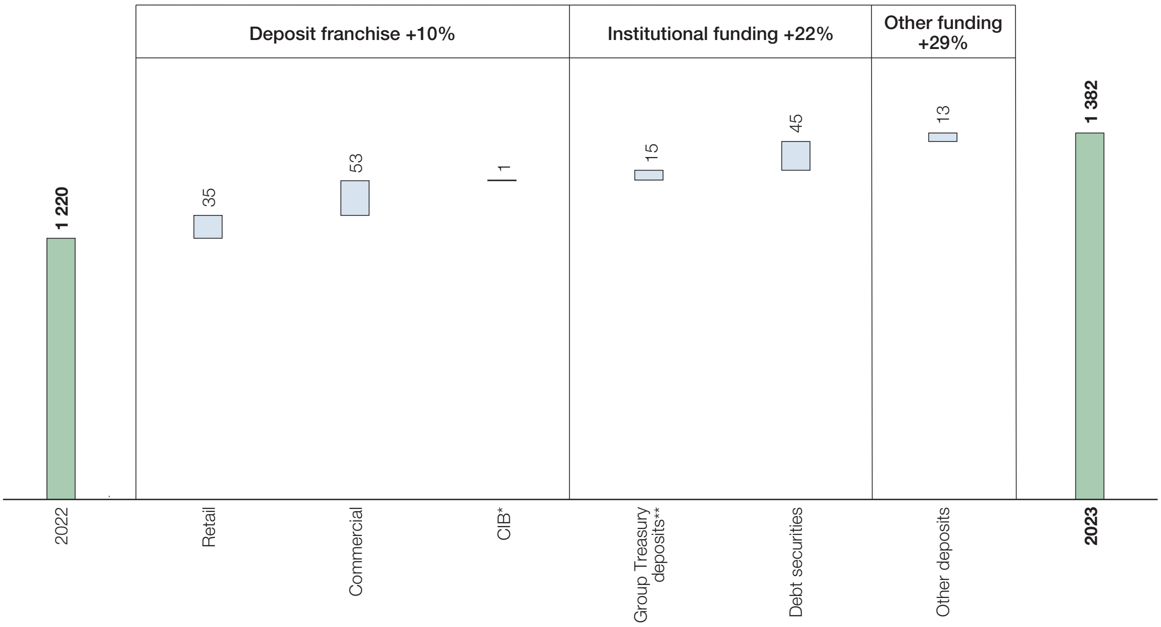
Advances margins

- Overall advances margins continue to reflect the origination strategy and portfolio mix changes weighted towards lower-margin secured advances. The market remained highly competitive for good-quality, lower-to medium-risk customers.
- *As a result of origination tilt and increased competition, retail margins decreased, largely due to a shift in asset mix, with higher levels of new business volumes written at lower margins gradually replacing the higher-margin book as it runs off. Therefore, margins on the new book have decreased. The increase in NPLs contributed further to margin compression as interest on these exposures is only recognised to the extent that it is recoverable, while interest on the performing book is recognised in full.*
- FNB commercial and WesBank corporate margins also decreased as a result of a change in mix of new business and the origination strategy.
- *RMB margins decreased, due to competitive pressure in the large corporate client sector coupled with origination towards better-rated corporates.*

Net interest income (before impairment of advances) continued

Deposits – up 13%

Funding growth by segment
(R billion)



* *Includes South Africa and the London branch.*
** *Group Treasury deposits include the funding facility related to the South African Covid-19 government-guaranteed loan scheme and the government's bounce-back facility.*

Deposits and funding key drivers

Deposit franchise

- FNB retail deposit growth benefited from targeted client offerings. Investment deposits increased 13%, supported by a comprehensive product offering, client money management initiatives and improved investment rates. Despite client acquisition, transactional deposit growth (+3%) was subdued as macro pressures weighed on available disposal income and migration to higher-yielding products.
- *Commercial deposit growth was driven by customer growth across product offerings (investment +17% and transactional +10%).*
- RMB continues to focus on growing operational balances by pursuing a primary banked client strategy. However, good growth in operational balances was offset by investment deposit maturities.

Institutional funding

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

Other funding

- The increase in other funding was primarily due to increases in collateral received and secured funding transactions.

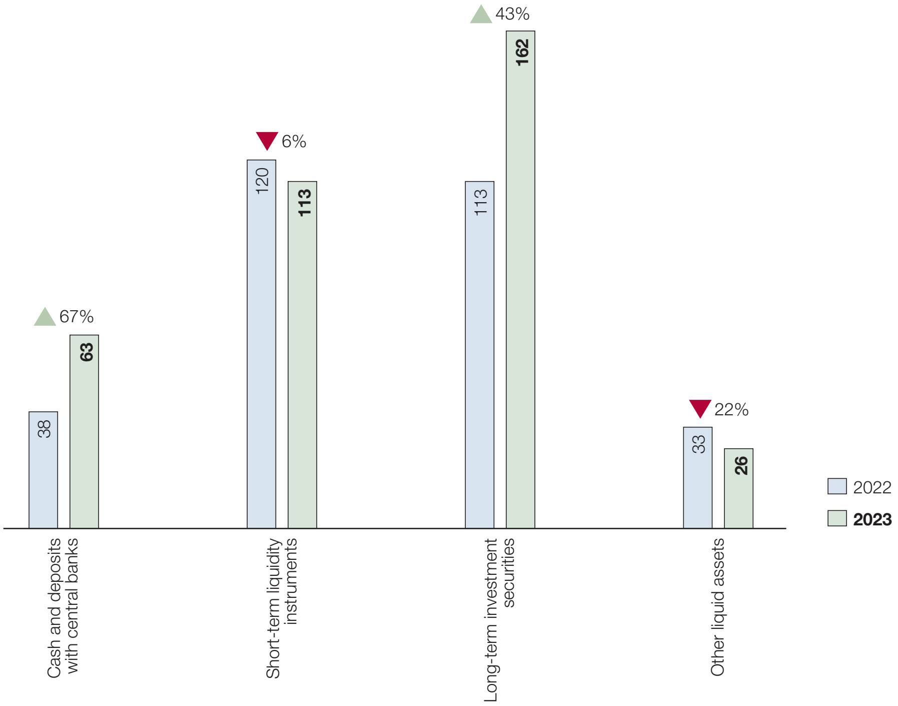
Net interest income (before impairment of advances) continued

Liquidity management

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

Liquidity management by investment type*

(R billion)



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

Net interest income (before impairment of advances) continued

MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

	June 2023		June 2022*	
	Average balance	**Average margin %**	Average balance	Average margin %
Average repo rate (RSA)		**6.77**		3.89
Deposits				
Retail	**315 135**	**1.96**	289 266	1.49
Current and savings	**89 122**	**5.25**	85 160	3.60
Call	**118 941**	**0.85**	109 971	0.85
Term	**107 072**	**0.47**	94 135	0.33
Commercial	**390 151**	**2.52**	337 636	2.00
Current and savings	**141 003**	**5.46**	126 122	3.94
Call	**120 201**	**1.34**	105 276	1.34
Term	**128 947**	**0.40**	106 238	0.37
Corporate and investment banking	**230 114**	**0.83**	198 862	0.72
Current and savings	**100 731**	**1.53**	92 823	1.26
Call	**73 762**	**0.45**	56 179	0.38
Term	**55 621**	**0.08**	49 860	0.12
Total deposits	**935 400**	**1.92**	825 764	1.52

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

Margin key drivers

Deposit margins

- FNB retail and commercial deposit margins benefited from endowment (net of ALM strategies) and higher deposit balances. Migration to higher-yielding products softened the overall increase.
- *RMB deposit margins benefited from interest rate hikes, leading to higher endowment across the portfolio. In addition, operational margins increased due to market trends offset by an increase in lower-margin investment products.*

Credit

CREDIT HIGHLIGHTS AT A GLANCE

R million	Notes	Year ended 30 June 2023	2022	% change
Total gross advances	1 on p.B72	**1 103 426**	979 436	13
Total core lending advances		**1 024 361**	908 896	13
Performing core lending advances		**980 481**	870 202	13
– Stage 1		**901 786**	795 126	13
– Stage 2		**78 695**	75 076	5
Stage 3/NPLs	3 on p.B78	**43 880**	38 694	13
Assets under agreements to resell		**79 065**	70 540	12
Stage 3/NPLs as a % of core lending advances	3 on p.B78	**4.28**	4.26	
Core lending advances (net of impairment)		**987 826**	873 547	13
Total impairments		**36 535**	35 349	3
Portfolio impairments	2 on p.B76	**16 427**	15 680	5
– Stage 1		**7 379**	7 584	(3)
– Stage 2		**9 048**	8 096	12
Stage 3 impairments	3 on p.B78	**20 108**	19 669	2
Coverage ratios				
Performing book coverage ratio (%) – core lending advances*	2 on p.B76	**1.68**	1.80	
Specific coverage ratio (%)**	3 on p.B78	**45.8**	50.8	
Income statement analysis				
Impairment charge	4 on p.B82	**8 413**	5 891	43
Credit loss ratio (%) – core lending advances	4 on p.B82	**0.87**	0.68	

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

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

Changes in the presentation of credit information

Revolving facilities

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

Temporary stress scenario

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

Credit continued

Impairment charge

Despite a higher impairment charge across all portfolios, the credit loss ratio (CLR) at 87 bps remains below the bank's TTC range of 90 bps – 120 bps. This is in line with expectations given the strategy to originate in the low-to-medium-risk categories.

The increase of R2.52 billion in absolute impairment charge is largely attributable to the following, with a further analysis contained on pages B62 and B63 and note 4, page B82:

- Despite the advances growth overall stage 1 provisions decreased as coverage declined across portfolios, reflecting the impact of the bank's origination strategy.
- *Prior year stage 2 provisions had a net release of R1.19 billion, representing the last of the Covid-19-related provision releases. With origination strain impacting arrears and SICR, this resulted in a net increase of R952 million, a R2.15 billion swing in the impairment charge.*
- The overall stage 2 coverage increase results from residential mortgages and unsecured loans portfolios. This was partially offset by the decline in stage 2 cover in the commercial and corporate portfolios. Corporate was impacted by the migration of certain large secured exposures to NPLs.
- *An increase in stage 3 provisions is expected as NPLs tick up, driven largely by residential mortgages.*
- Stage 3 coverage decreased, reflecting the improved ageing of the NPL book (i.e. new inflows with lower coverages) and the nature of the corporate stage 3 exposures (guaranteed with lower loss given default (LGD)).
- *A decrease in net write-offs and post write-off recoveries as the average age of the NPL population decreased due to new inflows.*

The higher CLR is driven by the following:

- Retail increased as economic strain plays out in the portfolio yet remains within the TTC range. The impact of the deteriorating economic environment resulted in a marginal increase in FLI provisions, offset by the temporary stress scenario release of R315 million.
- *The WesBank VAF CLR reflects strong advances growth, offset to some extent by lower stage 3 provisions (asset recovery rates) and good post write-off recoveries.*
- FNB commercial increased off a low base and is still markedly lower than the TTC mid point. Balance sheet provisions were retained as uncertainty remains in the operating environment with regard to loadshedding, adverse weather, inflation and logistical challenges.
- *The core lending CLR of 22 bps for RMB was driven by strong advances growth, risk emergence in specific pockets of the portfolio, a normalisation of the credit charge and the generally distressed macroeconomic environment. In the prior year, RMB had a net provision release of 13 bps.*

Credit continued

Impairment charge

ANALYSIS OF IMPAIRMENT CHARGE

R million	Year ended 30 June 2023	Year ended 30 June 2022	% change
Movement in balance sheet provisions			
Performing book provisions	**747**	(1 108)	(>100)
NPL provision	**439**	(2 012)	(>100)
Credit provision increase/(decrease)	**1 186**	(3 120)	(>100)
Gross write-off and other	**11 321**	13 207	(14)
– Bad debts written off*	**11 774**	13 712	(14)
– Exchange rate and other	**(453)**	(505)	(10)
Amounts recognised directly in income statement			
Modification	**671**	677	(1)
Interest suspended on stage 3 advances	**(2 556)**	(2 632)	(3)
Post write-off recoveries	**(2 209)**	(2 241)	(1)
Total impairment charge	**8 413**	5 891	43
Credit loss ratio (%) – core lending advances	**0.87**	0.68	

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

Income statement components

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

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

Credit continued

INCOME STATEMENT ANALYSIS

	Year ended 30 June 2023								
	Movement in the balance sheet provisions								
R million	**Volume change in stage 1**	**Change in stage 1 coverage**	**Volume change in stage 2**	**Change in stage 2 coverage**	**Performing book provisions**	**Change in stage 3 provisions**	**Credit provision increase**	**Gross write-off and other***	**Current year ECL provided**
Retail	**268**	**(429)**	**496**	**380**	**715**	**470**	**1 185**	**9 454**	**10 639**
– Secured	**143**	**(114)**	**317**	**392**	**738**	**86**	**824**	**2 104**	**2 928**
– Unsecured	**278**	**(315)**	**341**	**(12)**	**292**	**384**	**676**	**7 350**	**8 026**
– Temporary stress scenario	**(153)**	**–**	**(162)**	**–**	**(315)**	**–**	**(315)**	**–**	**(315)**
Commercial	**95**	**(151)**	**89**	**(48)**	**(15)**	**(335)**	**(350)**	**1 740**	**1 390**
Corporate	**279**	**(164)**	**42**	**16**	**173**	**183**	**356**	**379**	**735**
Centre	**4**	**(107)**	**(25)**	**2**	**(126)**	**121**	**(5)**	**(252)**	**(257)**
Total	**646**	**(851)**	**602**	**350**	**747**	**439**	**1 186**	**11 321**	**12 507**

	Year ended 30 June 2022								
	Movement in the balance sheet provisions								
R million	Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage	Performing book provisions	Change in stage 3 provisions	Credit provision increase	Gross write-off and other*	Current year ECL provided
Retail**	483	(35)	(128)	22	342	(2 792)	(2 450)	11 835	9 385
– Secured	126	(92)	77	271	382	(1 010)	(628)	2 797	2 169
– Unsecured**	225	165	(342)	(115)	(67)	(1 738)	(1 805)	9 038	7 233
– Temporary stress scenario	132	(108)	137	(134)	27	(44)	(17)	–	(17)
Commercial	180	(203)	(67)	(320)	(410)	(369)	(779)	1 745	966
Corporate	335	(683)	(552)	(167)	(1 067)	675	(392)	57	(335)
Centre	(34)	48	22	(9)	27	474	501	(430)	71
Total	964	(873)	(725)	(474)	(1 108)	(2 012)	(3 120)	13 207	10 087

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

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

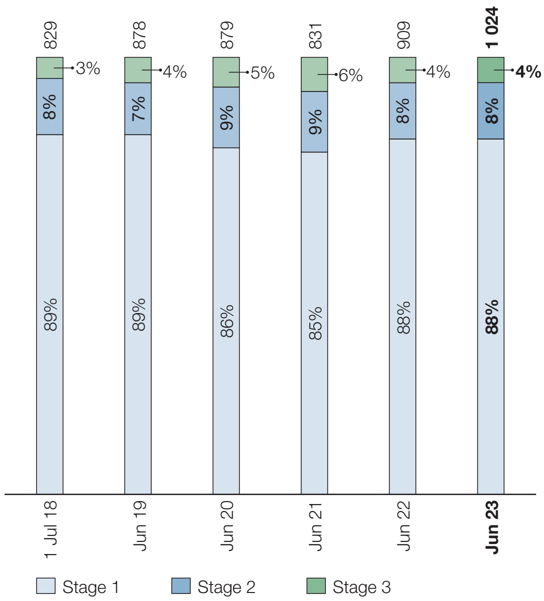
	Year ended 30 June 2023				
	Recognised directly in the income statement				
	Modifi-cation loss	**Interest suspended on stage 3 advances**	**Post write-off recoveries**	**Total**	**CLR%**
	676	**(2 067)**	**(1 753)**	**7 495**	**1.70**
	180	**(449)**	**(426)**	**2 233**	**0.64**
	496	**(1 618)**	**(1 327)**	**5 577**	**6.13**
	–	**–**	**–**	**(315)**	**–**
	(5)	**(487)**	**(225)**	**673**	**0.42**
	–	**(2)**	**(42)**	**691**	**0.21**
	–	**–**	**(189)**	**(446)**	**(1.50)**
	671	**(2 556)**	**(2 209)**	**8 413**	**0.87**

	Year ended 30 June 2022				
	Recognised directly in the income statement				
	Modifi-cation loss	Interest suspended on stage 3 advances	Post write-off recoveries	Total	CLR%
	681	(2 224)	(2 056)	5 786	1.40
	134	(461)	(402)	1 440	0.44
	547	(1 763)	(1 654)	4 363	5.02
	–	–	–	(17)	–
	(4)	(460)	(137)	365	0.25
	–	(2)	(9)	(346)	(0.12)
	–	54	(39)	86	0.28
	677	(2 632)	(2 241)	5 891	0.68

Credit continued

Stage distribution

Core lending advances by stage
(R billion)



Stage distribution of advances

Stage 1 advances

Stage 1 core lending advances increased year-on-year as a result of the bank's origination strategy. A further analysis is contained in note 1 on pages B72 and B73.

Stage 2 advances

Stage 2 advances, both arrears and current status, increased, driven by origination strain coupled with the impact of rate hikes and inflation on customers, albeit off a lower base. Despite the increase in arrears levels in certain portfolios, stage 2 advances continue to consist predominantly of current exposures that are triggered by SICR indicators.

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

A further analysis is contained in note 1, pages B72 and B73.

- The unwinding of the temporary stress scenario benefited stage 2 as the impact of the stress scenario SICR triggers were removed, given that these have been captured across the products.
- *Underlying repayment pressure was noted across the SA retail portfolios as more customers entered debt counselling.*
- Residential mortgage stage 2 grew 14%, combining the impact of origination strain and higher interest rates and inflation with build up in arrears.
- *Retail unsecured grew 12%, with the increase similarly driven by book growth, with debt counselling being most pronounced in these product sets. Since June 2022, stage 2 advances increased in card with the migration of accounts in current status, with arrears levels increasing only marginally. This increase is off a very low base, as a significant number of accounts cured in the comparative year. In the personal loans portfolio, the increase reflects payment strain emerging.*
- WesBank VAF increased due to origination strain. However, the main contributor was modelled SICR.
- *FNB commercial stage 2 growth is also due to paying accounts in current status. Given the faster than expected interest rate hikes, interest rate outlook and geopolitical events resulting in increased uncertainty, more exposures triggered the SICR indicators (mainly in the agricultural and property portfolio). Hence the composition mainly reflects the weakening macroeconomic outlook, as opposed to underlying repayment performance.*
- RMB stage 2 advances increased, partially offset by the curing of a significant exposure, repayments and certain large, secured counters migrating to stage 3. Stage 2 advances as a percentage of overall advances have however decreased, given the strong book growth.

Credit continued

Stage distribution of advances

Stage 3/NPL advances

Stage 3 advances have, as expected, started trending upwards across most portfolios since bottoming in December 2022. This is a consequence of advances growth over the past two years as well as the weakening economic environment. NPLs as a percentage of core lending advances have increased only marginally as a result of growing advances, curing and strong collection efforts. A further analysis is contained in note 3 on pages B78 to B79.

- Retail NPLs increased since June 2022. Apart from origination strain, the inflationary and interest rate pressures on customers also had an impact, most notably in the residential mortgage and unsecured portfolios, with personal loans NPL growth marginally outstripping advances growth. Paying stage 3 advances also increased, driven by paying debt-review exposures that have not yet met the curing criteria. The increasing trend in paying stage 3 advances accelerated post December 2022, reflecting the impact of the strong collections process.
- *WesBank VAF NPLs remained flat thanks to improved collections, slower inflows and write-offs of long-outstanding accounts. Collections improved as a result of the clearing of post-Covid-19 court backlogs, bringing about an improvement in recovery values.*
- FNB commercial increased due to paying NPLs.
- *RMB stage 3 increased as a result of the migration of a limited number of larger collateralised counters in both South Africa and in West Africa, due to the deterioration of economic and sovereign conditions.*

Credit continued

STAGE 2 ADVANCES

R million	**As at 30 June 2023** Stage 2 arrears	**As at 30 June 2023** Stage 2 current	**As at 30 June 2023** Total stage 2	As at 30 June 2022 Stage 2 arrears	As at 30 June 2022 Stage 2 current*	As at 30 June 2022 Total stage 2
Residential mortgages	**5 571**	**16 895**	**22 466**	3 689	15 960	19 649
WesBank VAF	**3 729**	**8 215**	**11 944**	3 014	7 461	10 475
FNB card	**462**	**2 557**	**3 019**	393	1 836	2 229
Personal loans**	**2 571**	**4 930**	**7 501**	2 099	5 050	7 149
Retail other**	**174**	**465**	**639**	193	3 068	3 261
Total retail	**12 507**	**33 062**	**45 569**	9 388	33 375	42 763
Temporary stress scenario	**–**	**–**	**–**	–	(2 687)	(2 687)
Total retail (excluding temporary stress scenario)	**12 507**	**33 062**	**45 569**	9 388	30 688	40 076
FNB commercial	**1 168**	**7 487**	**8 655**	725	6 833	7 558
WesBank corporate	**730**	**2 734**	**3 464**	574	4 234	4 808
Total commercial	**1 898**	**10 221**	**12 119**	1 299	11 067	12 366
Temporary stress scenario	**–**	**–**	**–**	–	(130)	(130)
Total commercial (excluding temporary stress scenario)	**1 898**	**10 221**	**12 119**	1 299	10 937	12 236
Total retail and commercial	**14 405**	**43 283**	**57 688**	10 687	44 442	55 129
Total retail and commercial (excluding temporary stress)	**14 405**	**43 283**	**57 688**	10 687	41 625	52 312

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

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

Credit continued

Stage 3 non-performing loans

CHANGE IN NPLs

	30 June 2023 vs 30 June 2022		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational NPLs*	**3 926**	**13**	**10**
Other paying NPLs**	**1 260**	**14**	**3**
Change in total bank NPLs	**5 186**	**13**	**13**

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

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

The table below provides an overview of operational and paying NPLs.

	As at 30 June 2023			As at 30 June 2022*		
R million	**Operational NPLs****	**Other paying NPLs#**	**Total NPLs**	Operational NPLs**	Other paying NPLs#	Total NPLs
Residential mortgages	**9 485**	**4 588**	**14 073**	7 654	4 148	11 802
WesBank VAF	**4 021**	**1 979**	**6 000**	3 878	2 107	5 985
FNB card	**3 152**	**905**	**4 057**	3 036	642	3 678
Personal loans†	**5 735**	**1 812**	**7 547**	5 370	1 594	6 964
Retail other†	**805**	**119**	**924**	1 107	169	1 276
Total retail NPLs	**23 198**	**9 403**	**32 601**	21 045	8 660	29 705
FNB commercial	**4 294**	**479**	**4 773**	4 440	187	4 627
WesBank corporate	**621**	**445**	**1 066**	683	220	903
Total commercial NPLs	**4 915**	**924**	**5 839**	5 123	407	5 530
Total retail and commercial NPLs	**28 113**	**10 327**	**38 440**	26 168	9 067	35 235

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

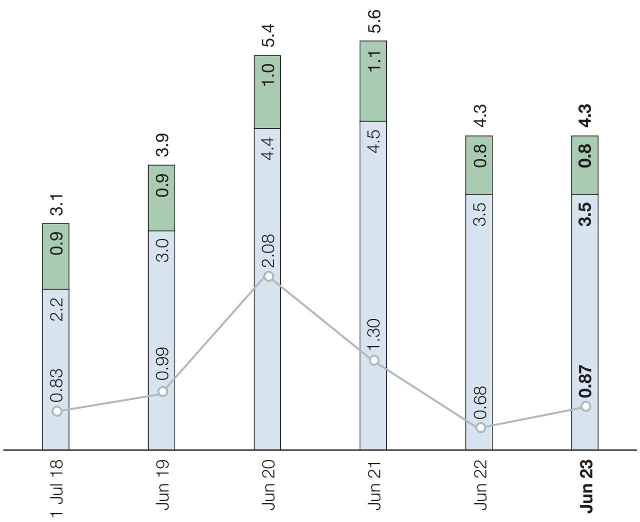
** *Include core lending advances and debt-review advances ≥90 days in arrears.*

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

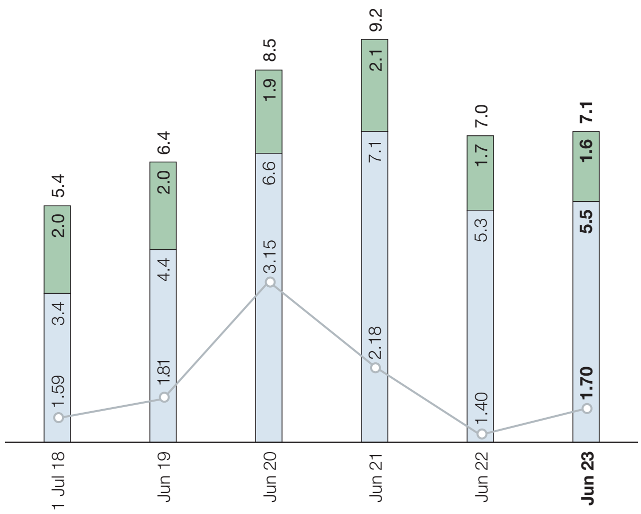
† *June 2022 has been restated due to the reallocation of revolving facilities from the retail other segment to personal loans.*

Credit continued

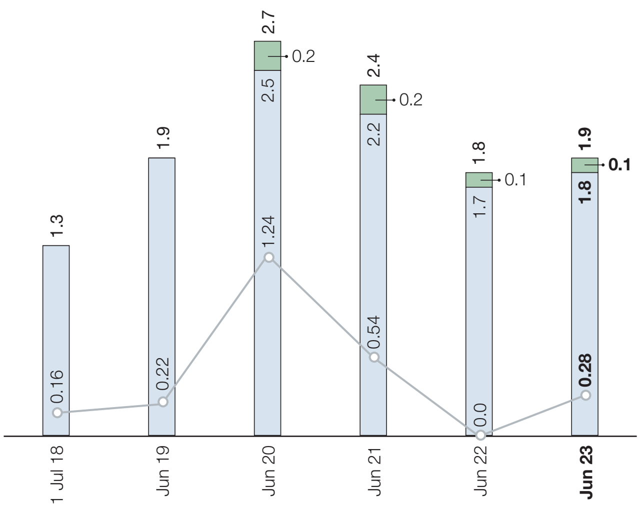
NPL and impairment history
(%)



Retail NPLs and impairments
(%)



Corporate and commercial NPLs and impairments
(%)



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

Credit continued

Coverage

Overall stage 1 provisions have decreased marginally, driven by a decline in the coverage ratio across the portfolios, reflecting the tilt towards lower-risk origination and migrations to stage 2. The uncertainty in the macroeconomic environment, most notably the outlook for GDP, inflation and interest rates, FLI resulted in additional provision requirements for stage 2. Balance sheet provision levels have, as a consequence, remained conservative.

Performing coverage declined this year, largely due to the change in mix to higher secured advances with lower LGDs. Net coverage across the portfolio has benefited from the tilt to low- and medium-risk origination. Net coverage decreased across the portfolios as a result.

The change in mix also had an impact on NPL coverage, most notably the migration of lower-covered, higher-collateralised exposures in RMB. NPL coverage declined across the portfolios.

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

Performing coverage

A further analysis is contained in note 2 on pages B76 and B77.

- Retail in the prior year included certain event-based provisions in stage 1, including the impact of the temporary stress scenario. As the data matures, these event-based provisions migrate to stage 2 as advances flow across default levels.
- *WesBank VAF coverage increased as a result of higher probabilities of default.*
- FNB commercial coverage reduced, mainly due to the release of industry-specific and event risk provisions in the current year.
- *RMB core performing coverage declined, weighted towards strong book growth to better-rated counterparties.*

Stage 3 coverage

A further analysis is contained in note 3 on pages B78 and B79.

- The retail coverage declined as the average time in NPL decreased due to lower-covered new inflows, particularly with paying customers entering debt counselling coupled with the work-out of older accounts.
- *WesBank VAF coverage decreased as older higher-covered accounts are written off, and recovery rates improve.*
- Lower FNB commercial coverage reflects write-offs and the migration of certain large highly collateralised clients in the agric and property finance portfolios.
- *The RMB coverage decline resulted from the migration of highly collateralised counters in South Africa and West Africa migrating, thus increasing the absolute NPL balance considerably.*

Credit continued

Movement in balance sheet provisions

BALANCE SHEET IMPAIRMENTS

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

	30 June 2023				30 June 2022			
R million	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	Total	Stage 1	Stage 2	Stage 3
Opening balance	**35 349**	**7 584**	**8 096**	**19 669**	38 469	7 493	9 295	21 681
Total credit provision increase/(release)	**1 186**	**(205)**	**952**	**439**	(3 120)	91	(1 199)	(2 012)
Transfers between stages	**–**	**380**	**(1 891)**	**1 511**	–	1 022	(1 891)	869
Current year impairment provided	**12 507**	**(605)**	**2 790**	**10 322**	10 087	(909)	647	10 349
ECL provided on new business*	**6 231**	**2 466**	**2 189**	**1 576**	5 533	2 129	1 703	1 701
ECL provided/(released) on back book*	**6 646**	**(2 895)**	**795**	**8 746**	4 664	(2 961)	(1 067)	8 692
Temporary stress scenario	**(370)**	**(176)**	**(194)**	**–**	(110)	(77)	11	(44)
Gross write-off and other**	**(11 321)**	**20**	**53**	**(11 394)**	(13 207)	(22)	45	(13 230)
Closing balance	**36 535**	**7 379**	**9 048**	**20 108**	35 349	7 584	8 096	19 669

* *Interest suspended on stage 3 core lending advances of R2 556 million (June 2022: R2 632 million) is included in the expected credit losses provided/(released) amounts.*

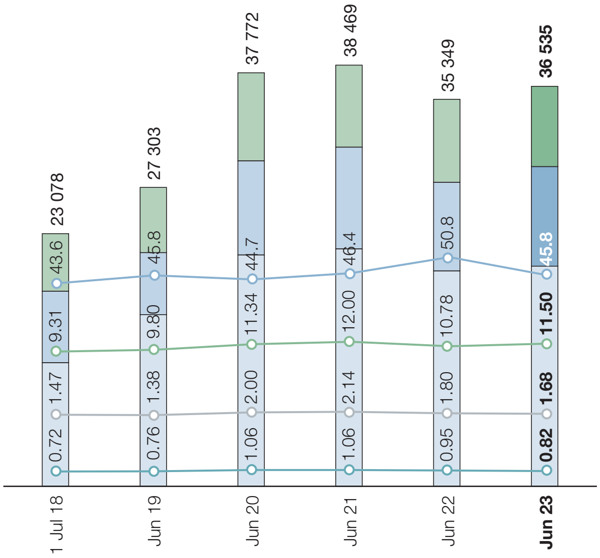
** *Write-off of gross balances, excluding prior period provisions held, which have been recognised in the income statement over various reporting periods.*

Note: The basis of preparation of this reconciliation can be found in Note 10 – Advances in the annual financial statements on the group's website at www.firstrand.co.za/investors/integrated-reporting-hub/financial-reporting/.

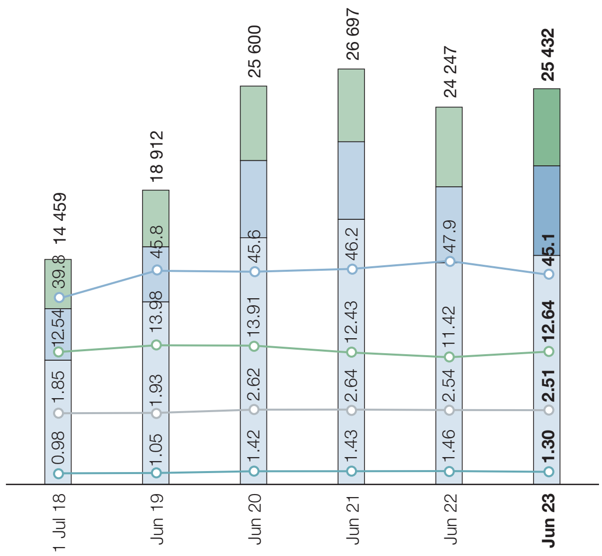
Credit continued

Balance sheet impairments and coverage ratios

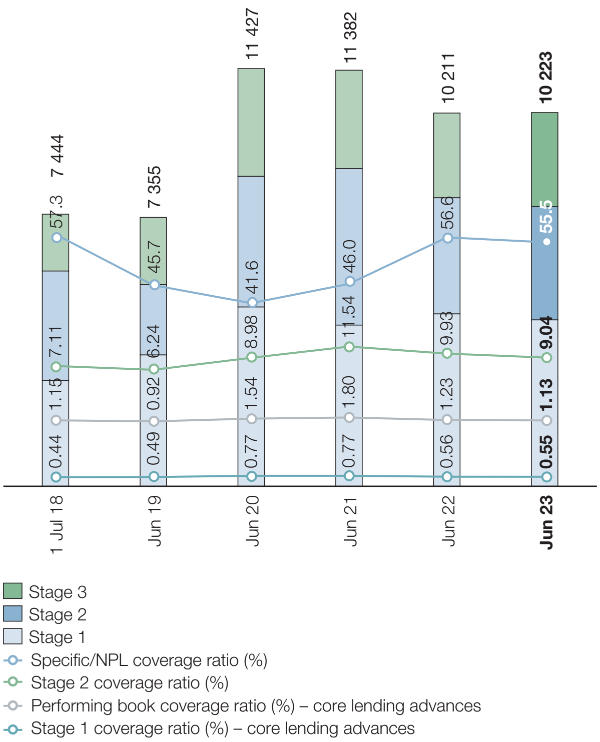
Balance sheet impairments and coverage ratios
(R million and %)



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



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



Credit continued

Note 1: Analysis of advances

SEGMENTAL ANALYSIS OF ADVANCES

	Advances					
	As at 30 June			As at 30 June 2023		
	2023	2022	% change	**Stage 1**	**Stage 2**	**Stage 3**
RETAIL	**459 695**	423 322	9	**381 525**	**45 569**	**32 601**
Retail – secured	**365 068**	335 971	9	**310 585**	**34 410**	**20 073**
Residential mortgages	**259 635**	242 757	7	**223 096**	**22 466**	**14 073**
WesBank VAF	**105 433**	93 214	13	**87 489**	**11 944**	**6 000**
Retail – unsecured	**94 627**	87 351	8	**70 940**	**11 159**	**12 528**
FNB card	**37 149**	32 821	13	**30 073**	**3 019**	**4 057**
Personal loans*	**50 072**	46 623	7	**35 024**	**7 501**	**7 547**
– FNB and DirectAxis*	**48 926**	44 660	10	**34 276**	**7 290**	**7 360**
– Covid-19 relief	**1 146**	1 963	(42)	**748**	**211**	**187**
Retail other*	**7 406**	7 907	(6)	**5 843**	**639**	**924**
Temporary stress scenario	**–**	–	–	**–**	**–**	**–**
CORPORATE AND COMMERCIAL	**533 892**	456 916	17	**490 496**	**33 037**	**10 359**
FNB commercial	**116 448**	107 823	8	**103 020**	**8 655**	**4 773**
– FNB commercial	**115 533**	106 532	8	**102 188**	**8 655**	**4 690**
– SME government-guaranteed loan scheme	**915**	1 291	(29)	**832**	**–**	**83**
– Temporary stress scenario	**–**	–	–	**–**	**–**	**–**
WesBank corporate	**54 212**	45 128	20	**49 682**	**3 464**	**1 066**
RMB corporate and investment banking**	**349 111**	288 959	21	**323 673**	**20 918**	**4 520**
– Lending	**348 765**	288 592	21	**323 327**	**20 918**	**4 520**
– Loans to private equity investee companies	**346**	367	(6)	**346**	**–**	**–**
HQLA corporate advances,#**	**14 121**	15 006	(6)	**14 121**	**–**	**–**
Centre (INCLUDING GROUP TREASURY)	**30 774**	28 658	7	**29 765**	**89**	**920**
Securitisation notes	**25 359**	23 358	9	**25 359**	**–**	**–**
Other	**5 415**	5 300	2	**4 406**	**89**	**920**
Total core lending advances	**1 024 361**	908 896	13	**901 786**	**78 695**	**43 880**
Assets under agreements to resell	**79 065**	70 540	12	**79 065**	**–**	**–**
Total advances	**1 103 426**	979 436	13	**980 851**	**78 695**	**43 880**
Total advances excluding currency impact of the Centre and RMB cross-border†	**1 095 852**	979 436	12	**973 820**	**78 306**	**43 726**
Of which:						
Amortised cost book	**979 237**	886 992	10	**862 300**	**73 805**	**43 132**
Fair value book	**124 189**	92 444	34	**118 551**	**4 890**	**748**

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

** *Corporate and investment banking including HQLA core lending advances total R363.2 billion (June 2022: R304.0 billion).*

\# *Managed by the Group Treasurer.*

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

Advances			
As at 30 June			% composition 2023
2022			
Stage 1	Stage 2	Stage 3	
350 854	42 763	29 705	**42**
288 072	30 112	17 787	**33**
211 306	19 649	11 802	**23**
76 766	10 463	5 985	**10**
65 469	9 964	11 918	**9**
26 914	2 229	3 678	**3**
32 510	7 149	6 964	**5**
31 184	6 801	6 675	**5**
1 326	348	289	**–**
6 045	586	1 276	**1**
(2 687)	2 687	–	**–**
416 590	32 001	8 325	**48**
95 638	7 558	4 627	**11**
94 550	7 428	4 554	**11**
1 218	–	73	**–**
(130)	130	–	**–**
39 417	4 808	903	**5**
266 529	19 635	2 795	**31**
266 162	19 635	2 795	**31**
367	–	–	**–**
15 006	–	–	**1**
27 682	312	664	**3**
23 358	–	–	**2**
4 324	312	664	**1**
795 126	75 076	38 694	**93**
70 540	–	–	**7**
865 666	75 076	38 694	**100**
865 666	75 076	38 694	
776 098	73 052	37 842	**89**
89 568	2 024	852	**11**

Credit continued

CIB ADVANCES BREAKDOWN

	Advances			
	As at 30 June			
R million	**2023**	2022	% change	**% composition 2023**
RMB corporate and investment banking core lending advances	**349 111**	288 959	21	**82**
– South Africa	**292 686**	247 674	18	**69**
– Cross-border (broader Africa) – $ million	**2 995**	2 516	19	
– Cross-border (broader Africa)	**56 425**	41 285	37	**13**
HQLA corporate advances*	**14 121**	15 006	(6)	**3**
CIB total core lending advances	**363 232**	303 965	19	**85**
CIB total lending advances	**362 886**	303 598	20	**85**
CIB shareholder loans to private equity investing companies	**346**	367	(6)	**–**
CIB total core lending advances	**363 232**	303 965	19	**85**
CIB core lending advances – South Africa**	**306 807**	262 680	17	**72**
CIB core lending advances – broader Africa[#]	**56 425**	41 285	37	**13**
CIB total core lending advances	**363 232**	303 965	19	**85**
Assets under agreements to resell	**64 750**	47 217	37	**15**
CIB total advances	**427 982**	351 182	22	**100**
RMB cross-border total advances excluding currency impact[†]	**49 142**	41 285	19	

* *Managed by the Group Treasurer.*

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

[#] *CIB core lending advances – broader Africa is the RMB CIB cross-border core lending advances.*

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

Credit continued

CENTRE (INCLUDING GROUP TREASURY) ADVANCES BREAKDOWN

	Advances			
	As at 30 June			
R million	**2023**	2022	% change	**% composition 2023**
Core lending advances	**30 774**	28 658	7	**68**
Assets under agreements to resell	**14 315**	23 323	(39)	**32**
Total advances	**45 089**	51 981	(13)	**100**

Credit continued

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

	Total portfolio impairments						
	As at 30 June			As at 30 June			
				2023		2022	
R million	**2023**	2022	% change	**Stage 1**	**Stage 2**	Stage 1	Stage 2
RETAIL	**10 720**	10 005	7	**4 960**	**5 760**	5 121	4 884
Retail – secured	**4 354**	3 616	20	**1 417**	**2 937**	1 388	2 228
Residential mortgages	**1 508**	1 548	(3)	**432**	**1 076**	609	939
WesBank VAF	**2 846**	2 068	38	**985**	**1 861**	779	1 289
Retail – unsecured	**6 366**	6 074	5	**3 543**	**2 823**	3 580	2 494
FNB card	**1 919**	1 750	10	**1 165**	**754**	1 130	620
Personal loans*	**3 970**	3 792	5	**2 069**	**1 901**	2 065	1 727
– FNB and DirectAxis*	**3 885**	3 639	7	**2 026**	**1 859**	1 999	1 640
– Covid-19 relief	**85**	153	(44)	**43**	**42**	66	87
Retail other*	**477**	532	(10)	**309**	**168**	385	147
Temporary stress scenario	**–**	315	(100)	**–**	**–**	153	162
CORPORATE AND COMMERCIAL	**5 654**	5 496	3	**2 378**	**3 276**	2 319	3 177
FNB commercial	**2 171**	2 146	1	**958**	**1 213**	1 056	1 090
– FNB commercial	**2 144**	2 057	4	**931**	**1 213**	999	1 058
– SME government-guaranteed loan scheme	**27**	34	(21)	**27**	**–**	34	–
– Temporary stress scenario	**–**	55	(100)	**–**	**–**	23	32
WesBank corporate	**339**	379	(11)	**228**	**111**	186	193
RMB corporate and investment banking	**3 144**	2 971	6	**1 192**	**1 952**	1 077	1 894
– Lending	**3 136**	2 966	6	**1 184**	**1 952**	1 072	1 894
– Loans to private equity investee companies	**8**	5	60	**8**	**–**	5	–
Centre (INCLUDING GROUP TREASURY)	**53**	179	(70)	**41**	**12**	144	35
Securitisation notes	**32**	21	52	**32**	**–**	21	–
Other	**21**	158	(87)	**9**	**12**	123	35
Total portfolio impairments	**16 427**	15 680	5	**7 379**	**9 048**	7 584	8 096

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

Total portfolio impairments					
Performing book coverage ratio (% of performing core lending advances)					
As at 30 June					
2023	**Stage 1**	**Stage 2**	2022	Stage 1	Stage 2
2.51	**1.30**	**12.64**	2.54	1.46	11.42
1.26	**0.46**	**8.54**	1.14	0.48	7.40
0.61	**0.19**	**4.79**	0.67	0.29	4.78
2.86	**1.13**	**15.58**	2.37	1.01	12.32
7.75	**4.99**	**25.30**	8.05	5.47	25.03
5.80	**3.87**	**24.98**	6.00	4.20	27.82
9.34	**5.91**	**25.34**	9.56	6.35	24.16
9.35	**5.91**	**25.50**	9.58	6.41	24.11
8.86	**5.75**	**19.91**	9.14	4.98	25.00
7.36	**5.29**	**26.29**	8.02	6.37	25.09
–	**–**	**–**	–	–	–
1.08	**0.48**	**9.92**	1.23	0.56	9.93
1.94	**0.93**	**14.02**	2.08	1.10	14.42
1.93	**0.91**	**14.02**	2.02	1.06	14.24
3.25	**3.25**	**–**	2.79	2.79	–
–	**–**	**–**	–	–	–
0.64	**0.46**	**3.20**	0.86	0.47	4.01
0.91	**0.37**	**9.33**	1.04	0.40	9.65
0.91	**0.37**	**9.33**	1.04	0.40	9.65
2.31	**2.31**	**–**	1.36	1.36	–
0.18	**0.14**	**13.48**	0.64	0.52	11.22
0.13	**0.13**	**–**	0.09	0.09	–
0.47	**0.20**	**13.48**	3.41	2.84	11.22
1.68	**0.82**	**11.50**	1.80	0.95	10.78

Credit continued

Note 3: Analysis of stage 3/NPLs and impairments

SEGMENTAL ANALYSIS OF STAGE 3/NPLs AND IMPAIRMENTS

	Stage 3/NPLs				Stage 3/NPLs as a % of core lending advances	
	As at 30 June				As at 30 June	
R million	**2023**	2022	% change	**% composition 2023**	**2023**	2022
RETAIL	**32 601**	29 705	10	**74**	**7.09**	7.02
Retail – secured	**20 073**	17 787	13	**46**	**5.50**	5.29
Residential mortgages	**14 073**	11 802	19	**32**	**5.42**	4.86
WesBank VAF	**6 000**	5 985	–	**14**	**5.69**	6.42
Retail – unsecured	**12 528**	11 918	5	**28**	**13.24**	13.64
FNB card	**4 057**	3 678	10	**9**	**10.92**	11.21
Personal loans*	**7 547**	6 964	8	**17**	**15.07**	14.94
– FNB and DirectAxis*	**7 360**	6 675	10	**17**	**15.04**	14.95
– Covid-19 relief	**187**	289	(35)	**–**	**16.32**	14.72
Retail other*	**924**	1 276	(28)	**2**	**12.48**	16.14
CORPORATE AND COMMERCIAL	**10 359**	8 325	24	**24**	**1.94**	1.82
FNB commercial	**4 773**	4 627	3	**11**	**4.10**	4.29
– FNB commercial	**4 690**	4 554	3	**11**	**4.06**	4.27
– SME government-guaranteed loan scheme	**83**	73	14	**–**	**9.07**	5.65
WesBank corporate	**1 066**	903	18	**2**	**1.97**	2.00
RMB corporate and investment banking	**4 520**	2 795	62	**11**	**1.29**	0.97
– Lending	**4 520**	2 795	62	**11**	**1.30**	0.97
– Loans to private equity investee companies	**–**	–	–	**–**	**–**	–
Centre (INCLUDING GROUP TREASURY)	**920**	664	39	**2**	**2.99**	2.32
Securitisation notes	**–**	–	–	**–**	**–**	–
Other	**920**	664	39	**2**	**16.99**	12.53
Total stage 3/NPLs	**43 880**	38 694	13	**100**	**4.28**	4.26
Of which:						
Amortised cost book	**43 132**	37 842	14	**98**	**4.40**	4.27
Fair value book	**748**	852	(12)	**2**	**0.60**	0.92

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

Stage 3/specific impairment provisions			Coverage ratios (% of stage 3/NPLs)	
As at 30 June			As at 30 June	
2023	2022	% change	**2023**	2022
14 712	14 242	3	**45.1**	47.9
5 775	5 689	2	**28.8**	32.0
2 848	2 536	12	**20.2**	21.5
2 927	3 153	(7)	**48.8**	52.7
8 937	8 553	4	**71.3**	71.8
2 848	2 611	9	**70.2**	71.0
5 319	4 889	9	**70.5**	70.2
5 168	4 639	11	**70.2**	69.5
151	250	(40)	**80.7**	86.5
770	1 053	(27)	**83.3**	82.5
4 563	4 715	(3)	**44.0**	56.6
2 832	3 145	(10)	**59.3**	68.0
2 749	3 072	(11)	**58.6**	67.5
83	73	14	**100.0**	100.0
394	416	(5)	**37.0**	46.1
1 337	1 154	16	**29.6**	41.3
1 337	1 154	16	**29.6**	41.3
–	–	–	**–**	–
833	712	17	**90.5**	107.2
–	–	–	**–**	–
833	712	17	**90.5**	107.2
20 108	19 669	2	**45.8**	50.8

Credit continued

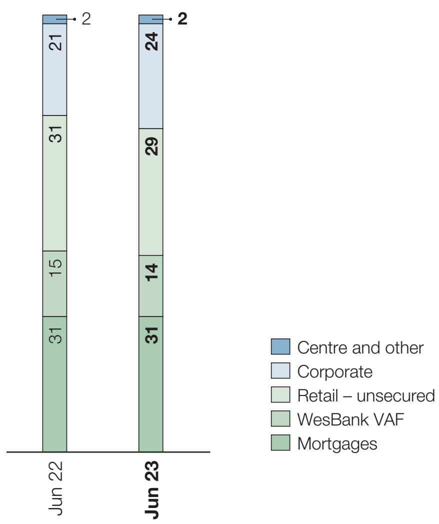
SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES AND NPLs

	Advances			
	As at 30 June			
	2023	2022	% change	**% composition 2023**
Sector analysis				
Agriculture	**54 566**	48 017	14	**5**
Banks	**45 253**	47 679	(5)	**4**
Financial Institutions*	**175 921**	143 757	22	**16**
Building and property development	**67 860**	58 934	15	**6**
Government, Land Bank and public authorities	**27 928**	28 119	(1)	**3**
Individuals	**439 087**	408 991	7	**40**
Manufacturing and commerce	**159 769**	131 705	21	**14**
Mining	**11 956**	6 490	84	**1**
Transport and communication	**40 817**	31 749	29	**4**
Other services	**80 269**	73 995	8	**7**
Total	**1 103 426**	979 436	13	**100**
Geographic analysis				
South Africa	**1 001 446**	901 313	11	**91**
Broader Africa	**45 147**	29 026	56	**4**
UK	**21 944**	20 771	6	**2**
Other Europe	**11 874**	17 182	(31)	**1**
Asia, Americas and Australia**	**23 015**	11 144	>100	**2**
Total	**1 103 426**	979 436	13	**100**

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

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

NPL distribution
(%)



Stage 3/NPLs			
As at 30 June			
2023	2022	% change	**% composition 2023**
2 425	2 239	8	**6**
–	–	–	**–**
155	215	(28)	**–**
866	934	(7)	**2**
2 148	190	>100	**5**
32 226	29 164	10	**74**
3 190	2 361	35	**7**
147	95	55	**–**
791	769	3	**2**
1 932	2 727	(29)	**4**
43 880	38 694	13	**100**
40 761	37 888	8	**93**
2 168	129	>100	**5**
927	666	39	**2**
10	5	100	**–**
14	6	>100	**–**
43 880	38 694	13	**100**

Credit continued

Note 4: Analysis of income statement credit impairments

	Total impairment charge			As a % of average core lending advances	
	Year ended 30 June			Year ended 30 June	
R million	**2023**	2022	% change	**2023**	2022
RETAIL	**7 495**	5 786	30	**1.70**	1.40
Retail – secured	**2 233**	1 440	55	**0.64**	0.44
Residential mortgages	**452**	46	>100	**0.18**	0.02
WesBank VAF	**1 781**	1 394	28	**1.79**	1.52
Retail – unsecured	**5 577**	4 363	28	**6.13**	5.02
FNB card	**1 516**	1 070	42	**4.33**	3.34
Personal loans*	**3 688**	2 597	42	**7.63**	5.55
– FNB and DirectAxis*	**3 731**	2 436	53	**7.97**	5.51
– Covid-19 relief	**(43)**	161	(>100)	**(2.77)**	6.32
Retail other*	**373**	696	(46)	**4.87**	8.48
Temporary stress scenario	**(315)**	(17)	>100	**–**	–
CORPORATE AND COMMERCIAL	**1 364**	19	>100	**0.28**	–
FNB commercial	**615**	353	74	**0.55**	0.34
– FNB commercial	**676**	445	52	**0.61**	0.44
– SME government-guaranteed loan scheme	**(6)**	1	(>100)	**(0.54)**	0.07
– Temporary stress scenario	**(55)**	(93)	(41)	**–**	–
WesBank corporate	**58**	12	>100	**0.12**	0.03
RMB corporate and investment banking	**691**	(346)	(>100)	**0.22**	(0.13)
– Lending	**688**	(347)	(>100)	**0.22**	(0.13)
– Loans to private equity investee companies	**3**	1	>100	**0.84**	0.31
Centre (INCLUDING GROUP TREASURY)	**(446)**	86	(>100)	**(1.50)**	0.28
Securitisation notes	**11**	(3)	(>100)	**0.05**	(0.01)
Other	**(457)**	89	(>100)	**(8.53)**	1.49
Total impairment charge	**8 413**	5 891	43	**0.87**	0.68
Of which:					
Portfolio impairments charge	**2 284**	(145)	(>100)	**0.24**	(0.01)
Specific impairments charge	**6 129**	6 036	2	**0.63**	0.69

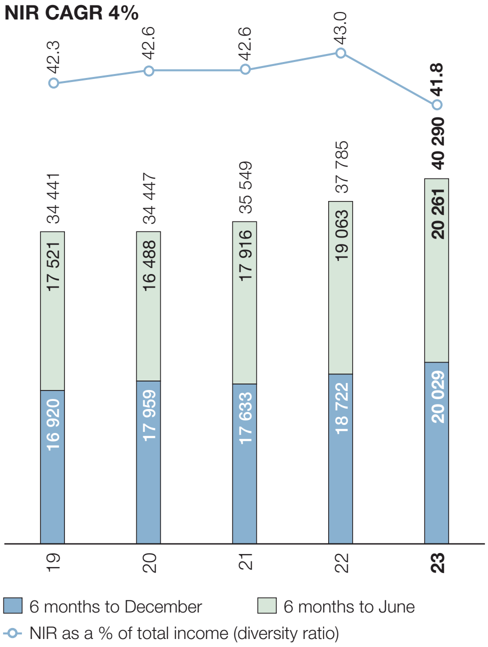
* *June 2022 has been restated due to the reallocation of revolving facilities from the retail other segment to personal loans.*

Non-interest revenue

Non-interest revenue – up 7%

Non-interest revenue and diversity ratio
(R million)

NIR CAGR 4%



ANALYSIS OF NON-INTEREST REVENUE

R million	Notes	2023	2022	% change
Net fee, commission and insurance income		**30 279**	28 322	7
– Fee and commission income	1	**29 842**	27 883	7
– Insurance income	2	**437**	439	–
Trading and other fair value income	3	**3 620**	3 966	(9)
Investment income		**55**	199	(73)
Other non-interest revenue	4	**6 336**	5 298	20
Non-interest revenue		**40 290**	37 785	7

Non-interest revenue continued

NOTE 1 – FEE AND COMMISSION INCOME – UP 7%

R million	**2023**	2022	% change
Banking fee and commission income	**32 500**	30 068	8
– Card commissions	**5 993**	5 147	16
– Cash deposit fees	**1 595**	1 582	1
– Exchange and other commissions	**3 046**	3 039	–
– Bank charges	**21 866**	20 300	8
– Commitment fees	**1 691**	1 449	17
– Other bank charges*	**20 175**	18 851	7
Knowledge-based fees	**1 198**	1 068	12
Management and fiduciary fees	**1 336**	1 364	(2)
– Investment management fees	**539**	595	(9)
– Management fees from associates and joint ventures	**783**	756	4
– Other management and brokerage fee income	**14**	13	8
Other non-bank commissions	**768**	734	5
Gross fee and commission income	**35 802**	33 234	8
Fee and commission expenditure	**(5 960)**	(5 351)	11
– Transaction-related fees	**(1 622)**	(1 271)	28
– Commission paid	**(257)**	(244)	5
– Customer loyalty programmes	**(2 180)**	(2 019)	8
– Cash-sorting handling and transportation charges	**(1 145)**	(1 069)	7
– Card-related	**(386)**	(366)	5
– Other	**(370)**	(382)	(3)
Net fee and commission income	**29 842**	27 883	7

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

Key drivers

- FNB NIR grew 9%, reflecting a 12% increase in transaction volumes and 4% growth in the active customer base, in spite of sub-inflation annual account fee increases and fee givebacks of c. R380 million.
- *Electronic platform volumes grew 9% in total across all interfaces, whilst manual volumes increased 2%. Branch and cash centre transaction volumes decreased 13% and 8%, respectively.*
- Card swipe volumes increased 14%, reflecting strong customer activity levels, which contributed to the 18% overall growth in card commissions.
- *RMB's knowledge-based fee income was supported by increased deal flow, providing an uplift to both structuring and commitment fee income, coupled with strong advisory income.*
- Overall bank fee and commission income growth was marginally impacted by costs linked to transactional activity, mainly higher commissionable turnover in card-related fees, currency impacts and the cost of customer rewards.

Non-interest revenue continued

NOTE 2 – INSURANCE INCOME – DOWN 0%

R million	**2023**	2022	% change
Insurance commission	**121**	130	(7)
Insurance brokerage	**316**	309	2
Total insurance income	**437**	439	–

Key drivers

- The insurance commission decline largely relates to the group writing new business on its own licence, which is outside the bank.

Non-interest revenue continued

NOTE 3 – TRADING AND OTHER FAIR VALUE INCOME – DOWN 9%

R million	**2023**	2022	% change
Trading income	**3 501**	4 080	(14)
– Equities	**(337)**	(1)	>100
– Commodities	**313**	663	(53)
– Fixed income	**1 998**	2 206	(9)
– Currencies	**1 527**	1 212	26
Other fair value income	**119**	(114)	(>100)
– RMB banking activities and other	**9**	286	(97)
– Group Treasury economic hedges and other	**110**	(400)	(>100)
Total trading and other fair value income	**3 620**	3 966	(9)

Key drivers

- Trading income reflects the following:
  - *Equities revenue was constrained in the current year due to lower client volumes and macroeconomic headwinds, further impacted by elevated funding costs given the interest rate hiking cycle and fair value costs of other equity-linked non-trading products.*
  - The commodities performance experienced margin compression with reduced client flows.
  - *The fixed income business reflected an increase in client activity in cash and derivatives. This was offset by reduced activity in inflation and credit portfolios.*
  - Currencies' performance benefited from increased client flow driven by elevated market volatility.
- *Group Treasury fair value income benefited from the derivative structure used to hedge the bank share scheme liability.*

Non-interest revenue continued

NOTE 4 – OTHER NON-INTEREST REVENUE – UP 20%

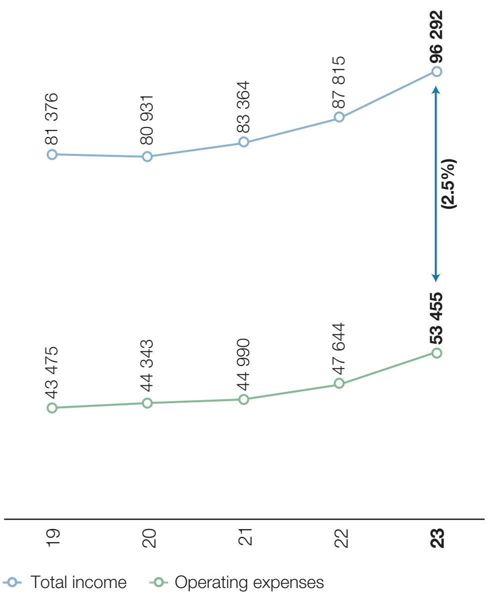
Key drivers

- A significant component of other NIR relates to various intergroup charges to other FirstRand group companies for the provision of services. These are relevant to bank but eliminate at a group level.
- *Rental income represents 32% (2022: 31%) of total other NIR.*
- Rental income increased 3% as a result of increased FML rentals.

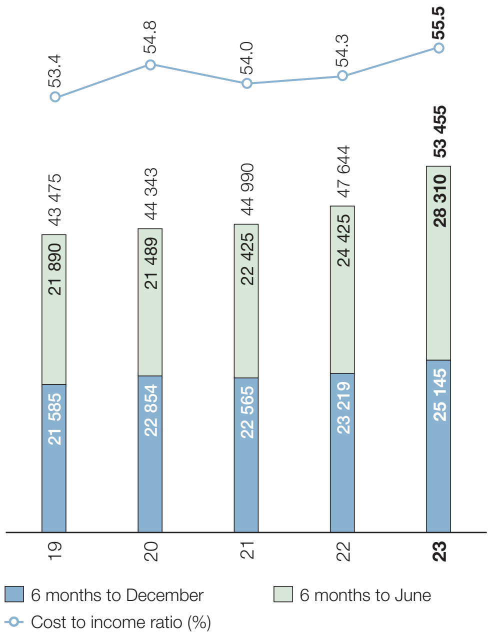
Operating expenses

Operating expenses – up 12%

Operating jaws
(R million)



Operating efficiency
(R million)



Operating expenses continued

OPERATING EXPENSES – UP 12%

R million	**2023**	2022	% change
Staff expenditure	**32 999**	28 580	15
– Direct staff expenditure	**24 393**	21 392	14
– Variable staff expenditure	**6 757**	5 672	19
– Short-term incentive payments	**4 567**	4 114	11
– Share-based incentive payments	**2 190**	1 558	41
– Other staff-related expenditure	**1 849**	1 516	22
Depreciation of property and equipment	**3 305**	3 280	1
Amortisation of intangible assets	**93**	181	(49)
Advertising and marketing	**1 551**	1 568	(1)
Insurance	**253**	248	2
Lease charges	**423**	458	(8)
Professional fees	**2 583**	1 978	31
Audit fees	**416**	384	8
Computer expenses	**3 564**	3 164	13
Repairs and maintenance	**1 357**	1 226	11
Telecommunications	**385**	377	2
Property	**1 081**	941	15
Business travel	**312**	167	87
Assets costing less than R7 000	**215**	206	4
Stationery and printing	**97**	86	13
Donations	**321**	320	–
Legal fees	**475**	767	(38)
Other expenditure	**4 025**	3 713	8
Total operating expenses	**53 455**	47 644	12

Key drivers – operational

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

Key drivers – staff

- Staff costs represent 62% (2022: 60%) of the bank's operating expenses and increased 15% in the current year.

	% change	Reasons
Direct staff costs	**14%**	• Annual salary increases averaged above 6% (unionised staff at 6.5%). • Headcount increased 2%, excluding FirstJob employees. • Continued repricing of certain high-in-demand technical skills.
Variable staff expenditures		
Short-term incentive payments (STI)	**11%**	The growth in the short-term incentive payments is largely aligned to the group's performance of normalised earnings (+12%) and net income after cost of capital (NIACC) (+19%).
Share-price related incentive payments (LTI)	**41%**	The 2019 long-term incentive (LTI) did not vest and liabilities were released in the prior year, decreasing the cost base. The 2020 LTI issuance will vest, widening the increase. Various revaluations, and the bonus deferral which is linked to the FirstRand share price, also impacted the overall increase.
Other staff-related costs	**22%**	Due to an increase in temporary and contract staff to provide additional capacity for projects and strategic initiatives.

financial

resource management

Economic view of the balance sheet

One of the bank's key financial resource management objectives is to protect and enhance FirstRand's financial performance through the holistic management of the balance sheet and its income streams within the context of the macro environment. This includes the relative positioning of the balance sheet through strategic tilts related to long-term trends, whilst tactical tilts are associated with the current point in the cycle.

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

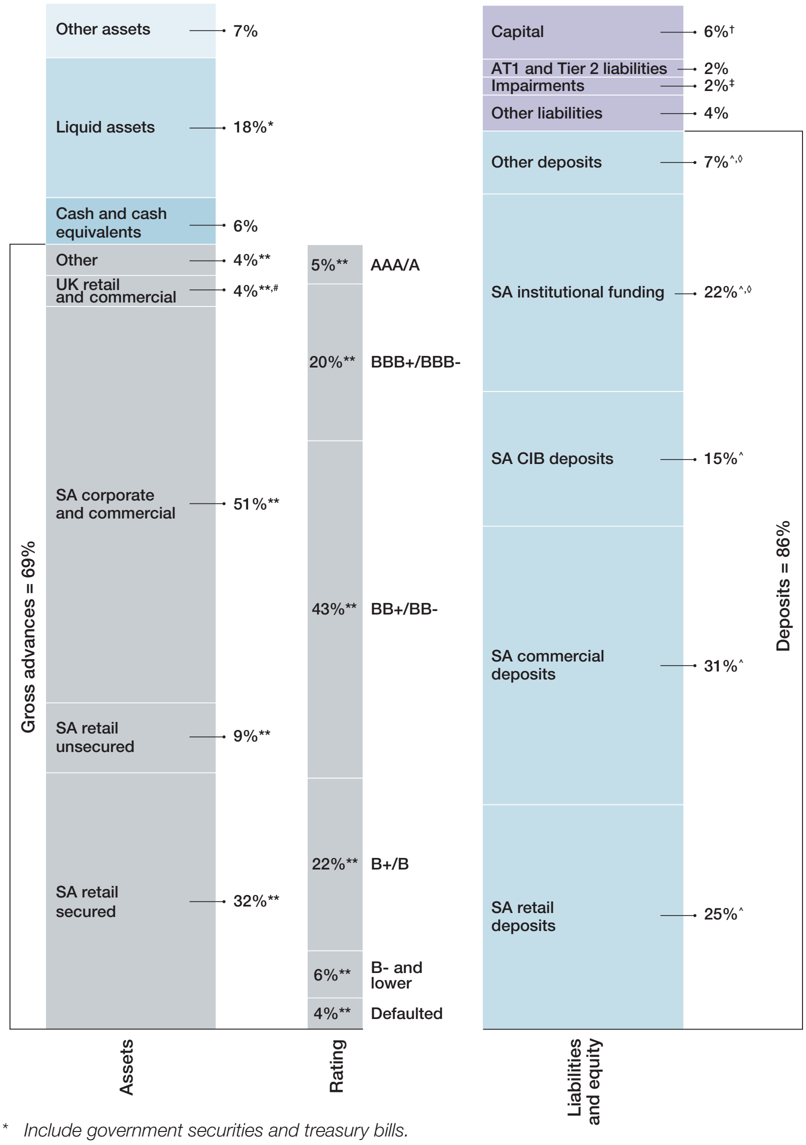
When assessing the underlying risk in the balance sheet, the bank's asset profile reflects a diversified advances portfolio, which constitutes 69% of total assets. The composition of the gross advances portfolio consists of SA corporate and commercial (51%), SA retail secured (32%), SA retail unsecured (9%), other (4%) and UK retail and commercial (4%). At June 2023, the bank reported total NPLs of R43 880 million (4.28% of core lending advances) and a credit loss ratio as a percentage of core lending advances of 87 bps.

Cash and cash equivalents, and liquid assets represent 6% and 18%, respectively, of total assets.

FirstRand continues to enhance its risk-adjusted funding profile through further growth in its deposit franchise which enables optimised use of institutional funding where required. The weighted average remaining term of domestic institutional funding reduced to 29 months at June 2023 (2022: 39 months). The reduction reflects an increase in money market issuances relative to longer-dated senior debt, Tier 2 and AT1 issuance.

The bank remained strongly capitalised with a CET1 ratio of 12.6%, a Tier 1 ratio of 13.5% and a total capital adequacy ratio of 15.4%. Gearing increased to 15.0 times (2022: 13.8 times) driven by 8% growth in average assets, while average equity remained flat.

Economic view of the balance sheet



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

Funding and liquidity

Funding and liquidity management approach

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

Funding conditions

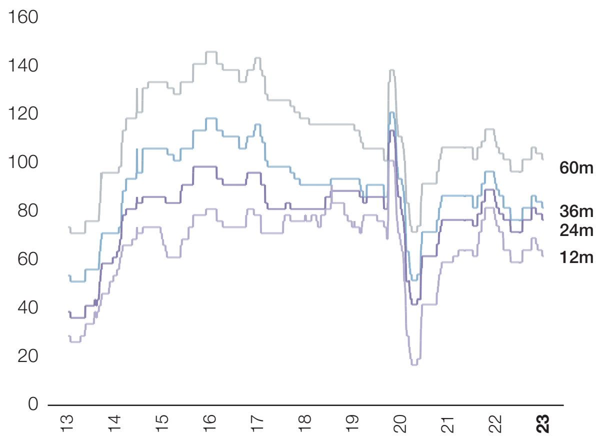
During the period under review, global and local macroeconomic pressures persisted as central banks continued to tighten monetary policy and global growth trended lower. The tighter policy stance globally and domestically has had a limited impact on funding access and liquidity availability for the bank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

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

12-month mid-market funding spread
(bps)

Sources: Bloomberg (RMBP screen) and Reuters.

Long-term funding spreads
(bps)



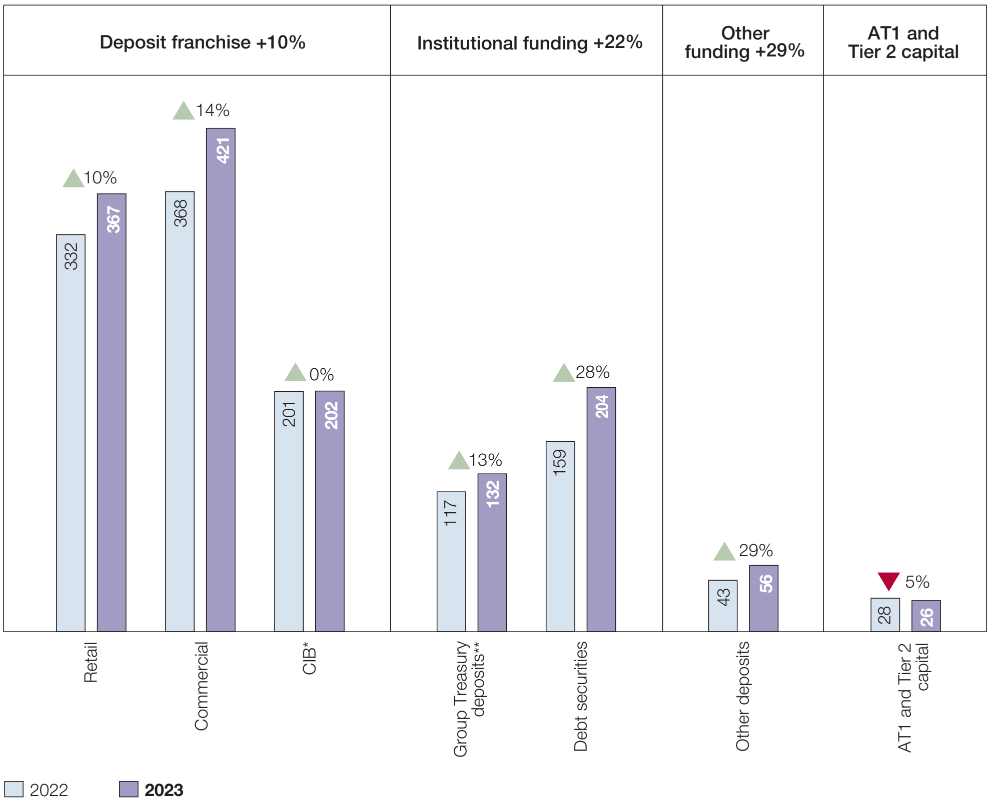
Sources: Bloomberg (RMBP screen) and Reuters.

Funding and liquidity continued

Funding measurement and activity

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

Funding portfolio growth
(R billion)



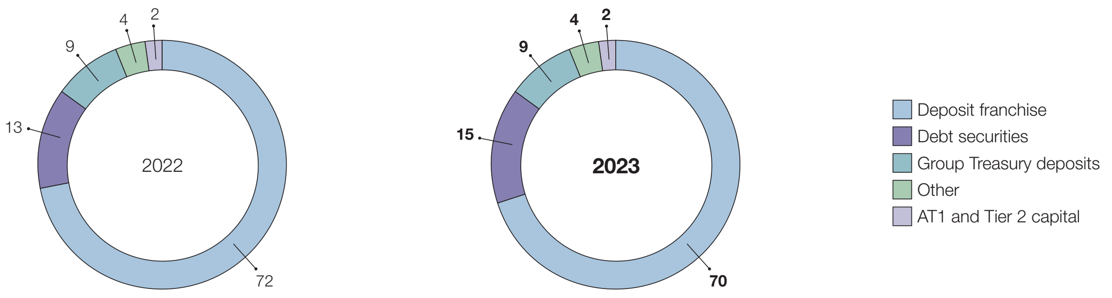
Note 1: Percentage change is based on actual underlying numbers rather than the rounded figures shown in the bar graphs above.

* *Includes South Africa and the London branch.*

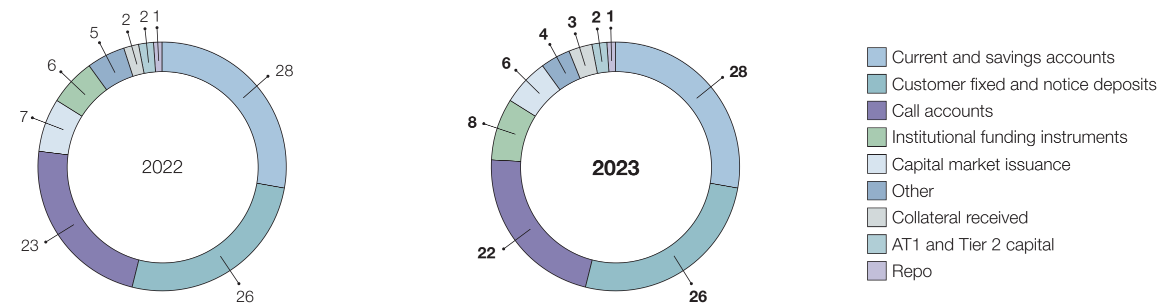
** *Group Treasury deposits include the funding facility related to the South African Covid-19 government-guaranteed loan scheme and the bounce-back facility.*

The bank's funding mix remains anchored in its deposit franchise. Marginal growth in institutional funding reflects liquidity availability and improved market pricing dynamics.

Funding mix
(%)



Funding by instrument type
(%)



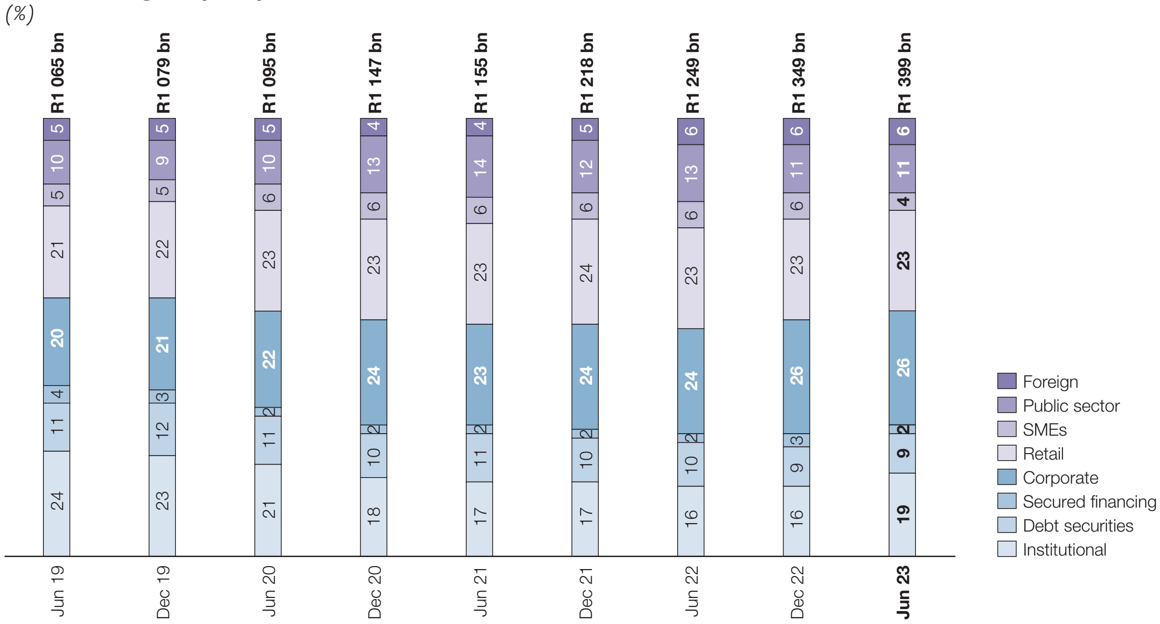
Funding and liquidity continued

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

BANK* COUNTERPARTY FUNDING ANALYSIS

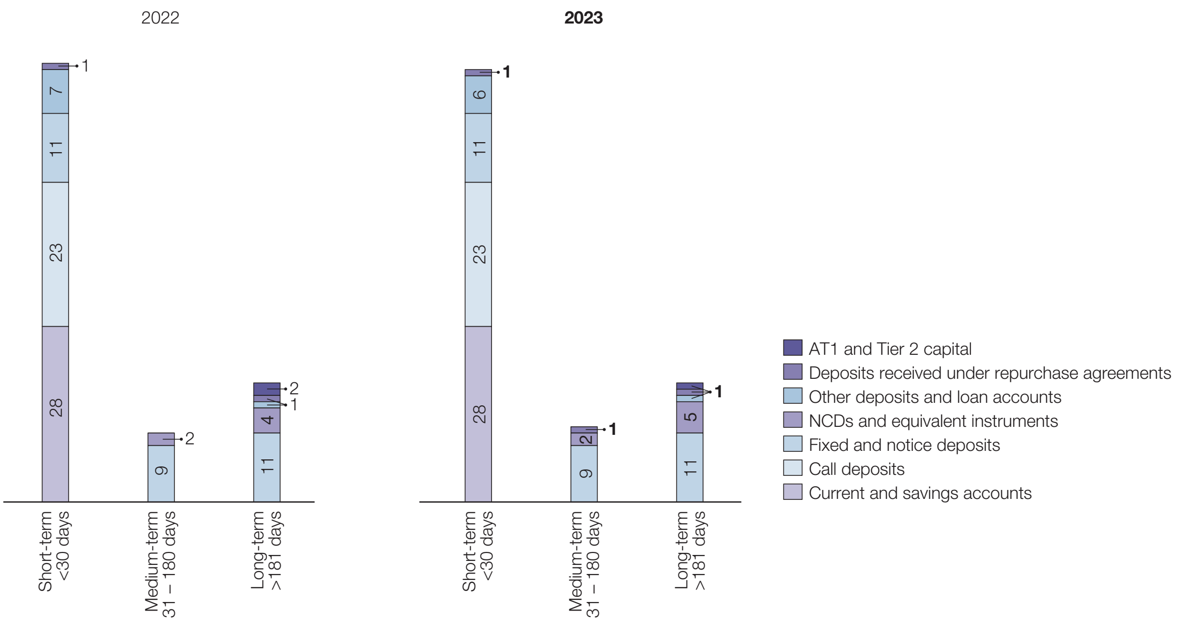
	As at 30 June				
	2023				2022
% of funding liabilities	**Total**	**Short term**	**Medium term**	**Long term**	Total
Institutional	**18.5**	**9.2**	**3.3**	**6.0**	15.5
ZAR	**18.1**	**8.9**	**3.2**	**5.9**	15.2
FX	**0.5**	**0.3**	**0.1**	**0.1**	0.3
Debt securities	**9.0**	**–**	**1.1**	**7.9**	9.9
Secured financing	**2.0**	**0.6**	**0.6**	**0.8**	1.8
Corporate	**26.4**	**23.9**	**2.1**	**0.4**	24.3
ZAR	**24.8**	**22.3**	**2.1**	**0.4**	22.6
FX	**1.6**	**1.6**	**–**	**–**	1.7
Retail	**23.3**	**17.9**	**3.3**	**2.1**	23.5
ZAR	**22.7**	**17.3**	**3.3**	**2.1**	22.9
FX	**0.6**	**0.6**	**–**	**–**	0.6
SMEs	**4.4**	**3.8**	**0.5**	**0.1**	6.1
Public sector	**10.9**	**9.1**	**1.3**	**0.5**	12.7
Foreign	**5.5**	**3.9**	**0.4**	**1.2**	6.2
Total	**100.0**	**68.4**	**12.6**	**19.0**	100.0

Bank* funding analysis by source
(%)



* *Excluding foreign branches.*

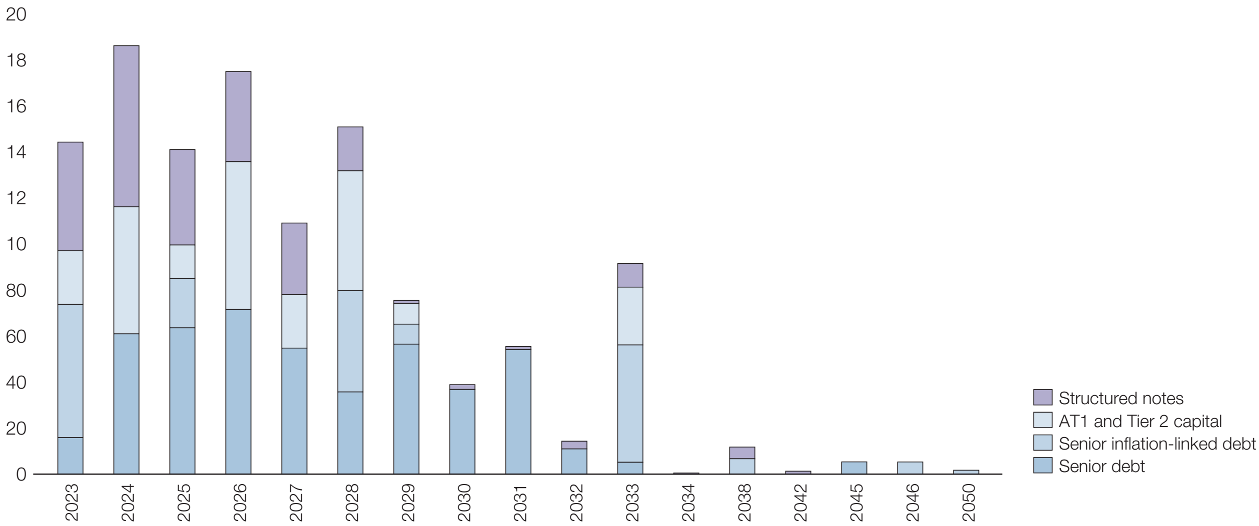
Funding liabilities by instrument type and term
(%)



* *Excluding foreign branches.*

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

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



* *Including foreign branches.*

Funding and liquidity continued

Liquidity risk position

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

COMPOSITION OF LIQUID ASSETS

	As at 30 June	
R billion	**2023**	2022
Cash and deposits with central banks	**63**	38
Short-term liquidity instruments	**113**	119
Long-term investment securities	**162**	113
Other liquid assets	**26**	34
Total liquid assets	**364**	304

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

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

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

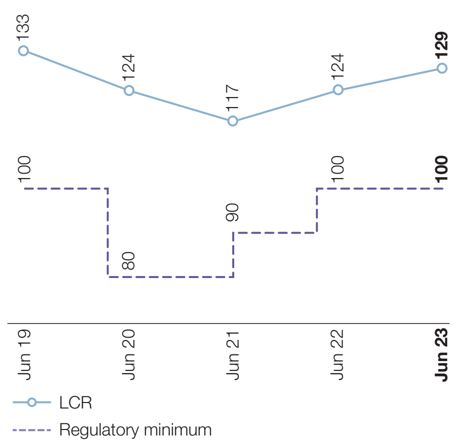
LIQUIDITY RATIOS

%	LCR*	NSFR*
Regulatory minimum	**100**	**100**
Actual	**129**	**120**

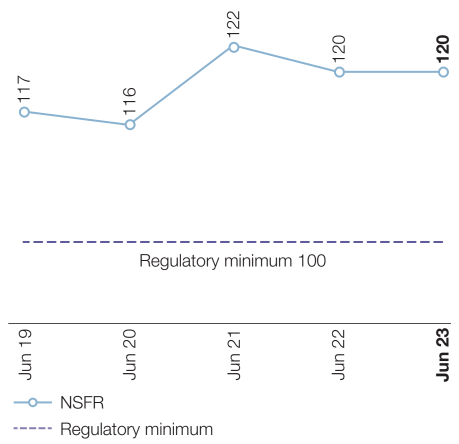
* *The bank's LCR and NSFR reflect South African operations only. LCR is calculated as a simple average of 91 days of daily observations over the period ended 30 June 2023 for FirstRand Bank South Africa.*

The graphs below provide an 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 2023, which is available at https://www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures.

Year under review

During the year under review the bank (including foreign branches) reported strong capital and leverage ratios in excess of regulatory minima and internal targets.

CAPITAL ADEQUACY AND LEVERAGE RATIOS

	Capital			Leverage
%	CET1	Tier 1	Total	Total
Regulatory minimum*	8.5	10.8	13.0	4.0
Internal target	11.0 – 12.0	>12.0	>14.25	>5.5
Actual (including unappropriated profits)**				
2023	**12.6**	**13.5**	**15.4**	**6.6**
2022	14.2	14.9	17.7	7.2

* *Including the bank's domestic systemically important bank (D-SIB) requirement of 1.5% and countercyclical buffer requirement of nil. The individual capital requirement (Pillar 2B) is confidential and therefore excluded.*

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

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

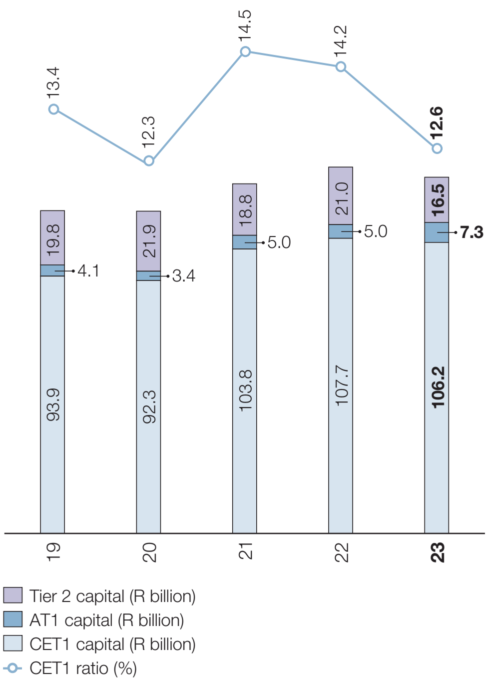
The bank continues to enhance the use of economic capital in risk-based decision-making, including capital allocation. The assessment of economic risk aligns with FirstRand's economic capital framework to ensure the bank remains solvent at a confidence interval of 99.93%, and that it can deliver on its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

Capital continued

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

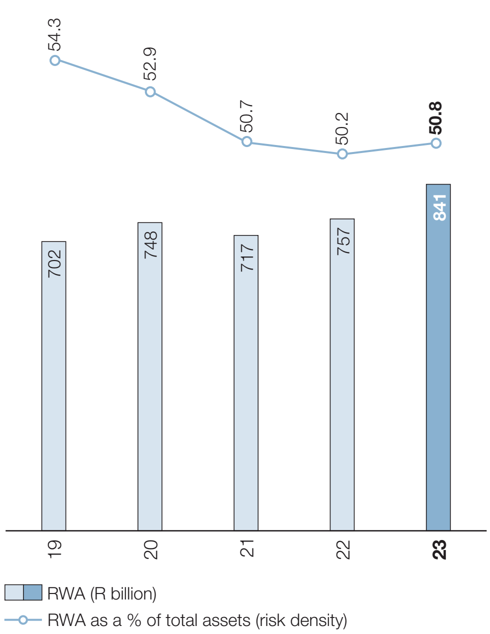
The increase in the bank's risk density reflects changes in the balance sheet mix.

Capital adequacy*

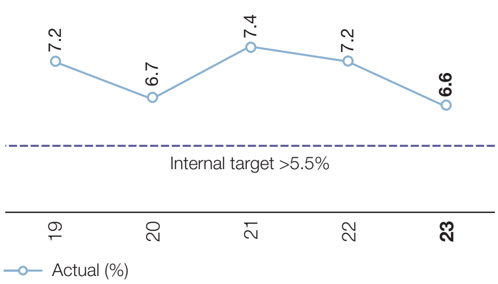


* *Including unappropriated profits.*

RWA history



Leverage*



* *Including unappropriated profits.*

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

Supply of capital

COMPOSITION OF CAPITAL*

	As at 30 June	
R million	**2023**	2022
CET1 capital	**106 168**	107 711
Additional Tier 1 capital	**7 343**	4 971
Tier 1 capital	**113 511**	112 682
Tier 2 capital	**16 496**	20 997
Total qualifying capital	**130 007**	133 679

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

Key drivers

June 2023 vs June 2022

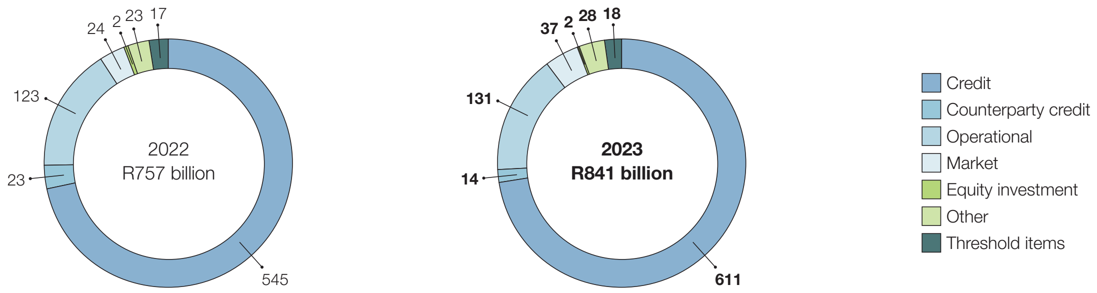
CET 1 capital	▼	• Payment of dividends during the year partly offset by positive earnings generation and an increase in the foreign currency translation reserve.
AT1 capital	▲	• AT1 issuance (R3 billion) in line with the bank's focus on rebalancing the overall capital stack.
Tier 2 capital	▼	• Tier 2 issuance (R8 billion) to replace existing instruments (US$500 million and R4 billion) redeemed during the year, reflecting a tilt towards a higher proportion of AT1 instruments in the capital stack.

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

Capital continued

Demand for capital

RWA analysis
(R billion)



Key drivers

June 2023 vs June 2022

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

Capital adequacy position for the bank and its regulated entities

CAPITAL ADEQUACY POSITIONS OF FRB AND ITS REGULATED ENTITIES

	As at 30 June		
	2023		2022
	Total minimum requirement*	**Total capital adequacy**	Total capital adequacy
Banking (%)			
Basel III (PA regulations)			
FirstRand Bank**,#	**13.0**	**15.4**	17.7
FirstRand Bank South Africa**	**13.0**	**15.1**	17.4
FirstRand Bank London	**13.3**	**19.6**	21.6
FirstRand Bank India†	**13.0**	**>100**	>100
FirstRand Bank Guernsey	**13.0**	**68.5**	43.0

* *Excluding any confidential bank-specific requirements.*

** *Including unappropriated profits.*

Including foreign branches.

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

Regulatory update

Resolution framework

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

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

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

Capital

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

Liquidity

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

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

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

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

Financial conglomerates

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

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

presentation

and reconciliations

Presentation

Normalised results

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

All normalised entries, as included and described below for the year ended 30 June 2023, remain unchanged in nature.

This *pro forma* financial information, which is the responsibility of the bank's directors, has been prepared for illustrative purposes to more accurately reflect operational performance. Due to its nature it may not fairly present, in terms of IFRS, the bank's financial position, changes in equity, and results of operations or cash flows. Details of the nature of these adjustments and reasons therefore have been set out below. The *pro forma* financial information should be read in conjunction with the unmodified Deloitte & Touche and PricewaterhouseCoopers Inc. independent reporting accountants' report, in terms of International Standard on Assurance Engagements (ISAE) 3420, on page B108 and B109.

Margin-related items included in fair value income

In terms of IFRS 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 policies, the gains or losses on these assets and liabilities are included in fair value income within NIR. This results in NIR including gains or losses that are related to lending, borrowing and economic interest rate hedges. In order to reflect the economic substance of these amounts, the amount of fair value income that relates to margin is presented in NII in the normalised results.

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

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

IAS 19 remeasurement of plan assets

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

Presentation continued

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.

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

When calculating normalised results, the bank defers the recognition of the fair value gain or loss on the hedging instrument for the specific reporting period to the period in which the IFRS 2 impact will manifest in the bank's results. This reflects the economic substance of the hedge and associated IFRS 2 impact 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 B110 and B111.

Deloitte. pwc

Independent Reporting Accountants' Assurance Report on the Compilation of Pro Forma Financial Information Included in the Analysis of Financial Results for the year ended 30 June 2023

To the Directors of FirstRand Bank Limited
4 Merchant Place
Cnr Fredman Drive & Rivonia Road
Sandton
2196

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

We have completed our assurance engagement to report on the compilation of the Pro Forma Financial Information of FirstRand Bank Limited (the "Bank") by the directors of the Bank. The Pro Forma Financial Information, as set out on pages B106 to B113 of the Analysis of Financial Results, consist of:

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

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

The Pro Forma Financial Information has been compiled by the directors to illustrate the impact of non-operational items and accounting anomalies, on the Bank's financial performance for the year ended 30 June 2023. 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 2023, on which an unmodified audit report was issued on 13 September 2023.

Directors' responsibility for the Pro Forma Financial Information

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

Our independence and quality control

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

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

Deloitte & Touche, Registered Auditors, Financial Services Team – FIST, 5 Magwa Crescent, Waterfall City, Waterfall, 2090
Private Bag X6, Gallo Manor 2052, South Africa
Tel: +27 (0)11 806 5200, www.deloitte.com

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

Reporting accountant's responsibility

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

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

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

The purpose of Pro Forma Financial Information is solely to provide users with relevant information and measures used by the Bank to assess performance and to illustrate the impact of the normalisation adjustments on the Bank's financial performance. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2023 would have been as presented.

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

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

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

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

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

Opinion

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

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Deloitte & Touche
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DocuSigned by:
PricewaterhouseCoopers Inc.
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Deloitte & Touche
Registered Auditor
Partner: Kevin Black
Johannesburg, South Africa
13 September 2023

PricewaterhouseCoopers Inc.
Registered Auditor
Director: Keith Ackerman
Johannesburg, South Africa
13 September 2023

Statement of headline earnings – IFRS (audited)

for year ended 30 June

R million	2023	2022	% change
Profit for the year (refer to page C67)	**25 851**	25 477	1
Other equity instrument holders	**(957)**	(593)	61
Earnings attributable to ordinary equityholders	**24 894**	24 884	–
Adjusted for	**13**	20	(35)
Compensation from third parties for impaired/lost property and equipment	**–**	(109)	(100)
Gain/(loss) on the disposal of property and equipment	**6**	(10)	(>100)
Cost Recovery – property and equipment	**–**	(3)	(100)
Profit on revaluation of investment properties	**(31)**	–	n/a
Impairment of assets in terms of IAS 36	**48**	131	(63)
Tax effects of adjustments	**(8)**	11	(>100)
Other	**(2)**	–	n/a
Headline earnings	**24 907**	24 904	–

Reconciliation from headline to normalised earnings

for year ended 30 June

R million	**2023**	2022	% change
Headline earnings	**24 907**	24 904	–
Adjusted for	**(98)**	(162)	(40)
TRS and IFRS 2 liability remeasurement*	**–**	(58)	(100)
IAS 19 adjustment	**(98)**	(104)	(6)
Normalised earnings	**24 809**	24 742	–

* *The bank uses various 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 incentive schemes. The TRS is accounted for as a derivative in terms of IFRS, with the fair value change recognised in NIR unless it qualifies for hedge accounting. In the current year, FirstRand's share price increased R6.13 in the current year and R8.78 during the prior year. This resulted in a mark-to-market fair value volatility year-on-year being included in the bank's IFRS attributable earnings. The normalised results reflect the adjustment to normalise this year-on-year IFRS fair value volatility from the TRS, as described in more detail on page B107.*

Reconciliation of normalised to IFRS summary income statement

for year ended 30 June 2023

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

Reconciliation of normalised to IFRS summary income statement

for year ended 30 June 2022

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings	TRS adjustment	IFRS
Net interest income before impairment of advances	50 030	(1 303)	–	–	235	48 962
Impairment charge	(5 891)	–	–	–	–	(5 891)
Net interest income after impairment of advances	44 139	(1 303)	–	–	235	43 071
Non-interest revenue	37 785	1 303	–	122	(628)	38 582
Income from operations	81 924	–	–	122	(393)	81 653
Operating expenses	(47 644)	–	144	(131)	473	(47 158)
Income before indirect tax	34 280	–	144	(9)	80	34 495
Indirect tax	(805)	–	–	–	–	(805)
Profit before tax	33 475	–	144	(9)	80	33 690
Income tax expense	(8 140)	–	(40)	(11)	(22)	(8 213)
Profit for the year	25 335	–	104	(20)	58	25 477
Attributable to						
Other equity instrument holders	(593)	–	–	–	–	(593)
Ordinary equityholders	24 742	–	104	(20)	58	24 884
Headline and normalised earnings adjustments	–	–	(104)	20	(58)	(142)
Normalised earnings attributable to ordinary equityholders of the bank	24 742	–	–	–	–	24 742

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Annual financial statements

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

TO THE SHAREHOLDER OF FIRSTRAND BANK LIMITED

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 2023.

These annual financial statements have been prepared in accordance with International Financial Reporting Standards, including interpretations issued by the IFRS Interpretations Committee; the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee; the JSE Listings Requirements; 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 group'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.

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS continued

Approval of the annual financial statements

The annual financial statements of the bank, which appear on pages C21 to C249, were approved by the board of directors on 13 September 2023.

It is the responsibility of the bank's independent external auditors, Deloitte & Touche and PricewaterhouseCoopers Inc., to report on the fair presentation of the financial statements. These 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 C9.

WR Jardine
Chairman
Sandton

AP Pullinger
Chief Executive Officer

H Kellan
Chief Financial Officer

13 September 2023

AUDIT COMMITTEE REPORT

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

The committee is constituted as a statutory committee in respect of its duties in terms of section 94(7) of the Companies Act, 71 of 2008 and section 64 of the Banks Act of 1990, and as a committee of the FirstRand board concerning all other duties assigned to it by the board. The committee met five times during the 2023 financial year, including the trilateral meeting with external auditors and the Prudential Authority. It is chaired by an independent non-executive chairman. Furthermore, the committee is satisfied that individual members of the committee possess appropriate financial competence, qualifications and the balance of skills and experience required to discharge their obligations.

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

The audit committee is satisfied that Deloitte & Touche and PricewaterhouseCoopers Inc. (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.

The intention is to appoint Ernst & Young (EY) as the joint auditor for the 30 June 2024 financial year end (replacing Deloitte) and KPMG Incorporated as the other joint auditor replacing PricewaterhouseCoopers Inc. for 30 June 2026.

The committee nominated EY for appointment as external auditor for the 2024 financial year end. The committee reappointed PwC as the external audit firm responsible for performing the function of joint auditors for the 2024 financial year, together with EY. It also ensured that the appointment of the auditors complied with all required legislation. The committee 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.

AUDIT COMMITTEE REPORT continued

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

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

Signed on behalf of the group audit committee:

GG Gelink
Chairman, audit committee
Sandton

13 September 2023

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 are 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

13 September 2023

DIRECTORS' REPORT

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 R25 851 million (2022: R25 477 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 R27 290 million were paid during the 2023 financial year (2022: R20 640 million).

Distributions of R957 million were made on AT1 instruments (2022: R593 million). Current tax of R258 million (2022: R166 million) relating to the AT1 instruments was recognised in the income statement.

SHARE CAPITAL

Ordinary share capital

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

SHAREHOLDER ANALYSIS

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

DIRECTORATE AND PRESCRIBED OFFICER

Changes to the directorate are listed in section A.

EVENTS AFTER REPORTING PERIOD

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

WR Jardine
Chairman
Sandton

AP Pullinger
Chief Executive Officer

H Kellan
Chief Financial Officer

13 September 2023

INDEPENDENT AUDITORS' REPORT

To the Shareholder of FirstRand Bank Limited

Report on the audit of the financial statements

Our Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of FirstRand Bank Limited standing alone (the Company) as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

FirstRand Bank Limited's financial statements of the company standing alone set out on pages C21 to C249 comprise:

- the statement of financial position as at 30 June 2023;
- 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, which include a summary of significant accounting policies.

Basis for opinion

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

Deloitte & Touche, Registered Auditors, Financial Services Team – FIST, 5 Magwa Crescent, Waterfall City
Private Bag X6, Gallo Manor 2052, South Africa
Tel: +27 (0)11 806 5200, www.deloitte.com

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

INDEPENDENT AUDITORS' REPORT continued

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)*.

Our audit approach

Overview

Overall materiality

- Overall materiality*: R1 686 million,* which represents *5*% of *profit before income tax*.

Key audit matters

- *Impairment of advances*
- *Fair value measurement*

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

Materiality

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

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

Overall materiality	*R1 686 million*
How we determined it	*5% of profit before income tax*
Rationale for the materiality benchmark applied	*We chose profit before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

INDEPENDENT AUDITORS' REPORT continued

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Impairment of advances	
Significant macroeconomic uncertainty persists in the environment in which the Company operates. Consequently, we expect management will continue to exercise judgement to ensure that the final Expected Credit Loss (ECL) is aligned to the requirements of International Financial Reporting Standard 9 – Financial Instruments (IFRS 9) and industry developments. This judgement includes the setting of macroeconomic scenarios and associated probabilities, as well as the forecasting of macroeconomic variables under the set scenarios. Impairment of advances is a matter of most significance to our current year audit due to the following: • Advances are material to the financial statements. • The level of subjective judgement applied in determining the ECL on advances. • Macroeconomic and event-driven uncertainty and its impact on the assessment of ECL.	Our audit of impairment of advances included, inter alia, the following procedures to address the key areas of significant judgement and estimation in determining the ECL. We performed these procedures with the assistance of our economic, credit and actuarial experts: • Across all significant portfolios, we assessed the impairment practices applied by management against the requirements of IFRS 9. • We 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. We considered whether the forecasts are sound in terms of macroeconomic forecasting principles. We reviewed the approval of these macroeconomic variables through the appropriate governance structures. This was performed through discussions with management and comparison to our own and benchmarked economic forecasts and independent market data, as well as attendance of the governance forums. • We confirmed that the latest approved macroeconomic outlook has been appropriately incorporated into the forward-looking estimate of ECL. We evaluated the impact of events and risks not included in the macroeconomic forecasts with reference to the industry environment.

INDEPENDENT AUDITORS' REPORT continued

Key audit matter	*How our audit addressed the key audit matter*
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, tested 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 and PDs. • Evaluated the reasonability of how counterparties are grouped together with reference to similar risks (PD) or credit risk grades 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. • For a sample of facilities, assessed the quality of the data used in credit management, reporting and modelling for completeness and accuracy through data analytics and agreed model input data to underlying supporting documentation. • On a sample basis, assessed the appropriateness of assumptions made by management in determining the applicable macroeconomic inputs, credit ratings, EADs, PDs and LGDs in the current economic climate.

INDEPENDENT AUDITORS' REPORT continued

Key audit matter	*How our audit addressed the key audit matter*
Evaluation of SICR	
• Assessing whether there has been a Significant Increase in Credit Risk (SICR) event since the origination date of the exposure to the reporting date (i.e. a trigger event that has caused a significant deterioration in credit risk and results in migration of the loan from Stage 1 to Stage 2).	• Selected a sample of performing advances and determined if the application of the SICR trigger was reasonable by forming an independent view based on publicly available information and management's periodic credit reviews.
Incorporation of macro-economic inputs and forward-looking information into the ECL measurement	
• Assessing the impact of macroeconomic uncertainty on the forward-looking econometric information incorporated into the respective models. • Ensuring consistency between forward-looking information (FLI) and the SICR assessment and ECL calculations.	• Independently reperformed the ECL models based on management's methodologies and assessed the areas of judgement within the methodology. • Determined an independent FLI assessment at an industry level to ensure the recent experience and economic outlook per industry were appropriately incorporated.
Assessment of post model adjustments	
• Constraints in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates, specific events and changes in risk profile necessitate the raising of additional provisions as post-model adjustments.	• To supplement our model reperformance and independent view, performed industry analyses for a sample of industries, and assessed a sample of individual counterparties based on publicly available information to confirm appropriateness of the assumptions applied in the post-model adjustments raised.
Assessment of ECL raised for Stage 3 exposures	
• Assumptions used to estimate the recoverable amounts and timing of future cash flows of individual exposures, which have been classified as non-performing. * *This applies to wholesale advances in C&I, as well as Centre (including Group Treasury).*	• 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.

INDEPENDENT AUDITORS' REPORT continued

Key audit matter	*How our audit addressed the key audit matter*
Retail and commercial advances** Retail and commercial advances are higher in volume and lower in value and, therefore, a significant portion of credit impairments are calculated on a portfolio basis. This requires the use of statistical models incorporating data and assumptions which are not always observable. 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. 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 and the time it will take to realise.	• Through discussions with management and inspection of policy documents, obtained an understanding of the methodologies and assumptions used by management in the various ECL model components (PD, LGD, EAD) and how these were calibrated to use historical information to estimate future cash flows and also to estimate forward-looking ECL. • Through reperformance, we tested the accurate implementation of the documented methodologies and assessed the alignment between modelled outcomes and recent actual experience. • Independently recalculated the ECL by applying our own independent assessment of the component inputs used by management. The independent results were compared to management's results. • Assessed the appropriateness of the ECL methodology, including any refinements against actual experience and industry practice through benchmarking and evaluating alignment with the principles of IFRS 9. • Through independent reperformance, assessed the appropriateness of assumptions made by management in applying the macroeconomic inputs, credit risk grades, EADs, PDs, LGDs and valuation of collateral in the current economic climate. • Assessed the potential impact of reduced collateral values, a delayed recovery process and reduced cure from default for secured exposures by separately considering individually significant collateral, historically stressed collateral values and by quantifying the impact of potentially extended collateral realisations.

INDEPENDENT AUDITORS' REPORT continued

Key audit matter	*How our audit addressed the key audit matter*
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 includes 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 drives 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, we 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 factors, 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 and associated credit index.

INDEPENDENT AUDITORS' REPORT continued

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. ** *This applies to retail and commercial advances in total retail secured and unsecured, FNB Commercial and WesBank corporate.* The credit impairment models are subject to formal model governance and approval. The related disclosures in the financial statements are included in: • Sections 4 and 8.4 – Accounting policies; • Note 10 – Advances; • Note 11 – Impairment of advances; and • Note 31 – Financial risks.	• 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.
Fair value measurement Valuation of complex financial instruments was considered to be a matter of most significance for the current year audit as management is required to exercise significant judgement in respect of complex valuation methodologies, as well as the determination of key inputs and assumptions. Factors such as unobservable inputs, funding costs, low levels of market liquidity, counterparty credit risk, market volatility, and economic and regulatory developments exacerbate the level of judgement required.	With the assistance of our valuation experts, we performed the following audit procedures on the valuation of complex financial instruments: • Tested the design, implementation and operating effectiveness, as appropriate, of the relevant financial reporting controls, the existence of key governance structures and the general and information technology controls in the relevant technology systems supporting valuations. • Performed a risk assessment on the key components of fair value, based on complexity, sensitivity and exposure. The risk assessment was performed on curves, volatility surfaces, fair value models and valuation adjustments.

INDEPENDENT AUDITORS' REPORT continued

Key audit matter	*How our audit addressed the key audit matter*
Fair value measurement continued The financial instruments impacted by management judgements, and which represent areas of most audit focus include: • Advances carried at fair value (level 3); • Derivative financial instruments (level 2 and 3); and • Investment securities valued with reference to unobservable inputs (level 3), in particular unlisted equities in C&I. The related disclosures in the financial statements are included in: • Section 4 – Accounting policies; and • Note 27 – Fair value measurements.	• Evaluated the technical appropriateness and accuracy of valuation methodologies (including key assumptions made and modelling approaches adopted) applied by management with reference to financial instrument valuation theory, market practice and the requirements of IFRS, and for consistency with prior periods. • Assessed the appropriateness of the significant judgemental and/or unobservable inputs used in valuations, relating to funding costs, low levels of market liquidity, counterparty credit risk, and market volatility, against reasonable factors which impact the reported exit values, with reference to the best available independent information. • Considered 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. • For a sample of complex financial instruments, independently recalculated the fair values. • Understood 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 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.

INDEPENDENT AUDITORS' REPORT continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "FirstRand Bank Annual Financial Statements 2023", which includes the Directors' Report, the Audit Committee Report and the Company Secretary's Certification as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of 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.

INDEPENDENT AUDITORS' REPORT continued

Auditors' responsibilities for the audit of the financial statements continued

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

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

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

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

INDEPENDENT AUDITORS' REPORT continued

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche and PricewaterhouseCoopers Inc. have been the joint auditors of FirstRand Bank Limited in its current form for 25 years. In addition, prior to the formation of FirstRand Bank Limited, Deloitte & Touche were one of the joint auditors of First National Bank of Southern Africa Limited for 10 years.

DocuSigned by:
Deloitte & Touche
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Deloitte & Touche
Registered Auditor
Per Partner: Kevin Black
Johannesburg, South Africa
13 September 2023

DocuSigned by:
PricewaterhouseCoopers Inc.
96390C9562EE4BC...

PricewaterhouseCoopers Inc.
Registered Auditor
Director: Keith Ackerman
Johannesburg, South Africa
13 September 2023

ACCOUNTING POLICIES

1 INTRODUCTION AND BASIS OF PREPARATION

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

These financial statements comprise the statement of financial position (also referred to as the balance sheet) as at 30 June 2023; the income statement; and statements of other comprehensive income, changes in equity and cash flows for the year ended; as well as the notes which comprise a summary of significant accounting policies and other explanatory notes.

Presentation of financial statements, functional and foreign currency

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

Presentation	The bank presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, 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 is only applicable to material items. Management applies judgement and considers both qualitative and quantitative factors in determining materiality.
Functional and presentation currency of the bank	South African Rand (R)
Level of rounding	All amounts are presented in millions of rands. The bank has a policy of rounding up in increments of R500 000. Amounts less than R500 000 will therefore round down to Rnil and are presented as a dash.
Foreign operations with a different functional currency from the 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 on disposal or partial disposal of the foreign operation. The net investment in a foreign operation includes any monetary items for which settlement is neither planned nor likely in the foreseeable future.
Foreign currency transactions of the bank	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.

1 INTRODUCTION AND BASIS OF PREPARATION continued

Translation and treatment of foreign denominated balances	Translated at the relevant exchange rates, depending on whether it is a monetary item (in which case the closing spot rate is applied) or non-monetary items. For non-monetary items measured at cost the rate applied is the rate on transaction date. For non-monetary items measured at fair value the rate at the date the fair value is determined (reporting date) is applied. Foreign exchange (FX) gains or losses are recognised in profit or loss in fair value gains or losses. To the extent that FX 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 fair value).

Application of the going concern principle

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

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

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

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

Segmental analysis

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

1 INTRODUCTION AND BASIS OF PREPARATION continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES				
2	**Investments in other entities**	Subsidiaries and associates (section 2.1)	Related party transactions (section 2.2)	
3	**Income, expenses and taxation**	Income and expenses (section 3.1)	Taxation (section 3.2)	
4	**Financial instruments**	Classification and measurement (section 4.1)	Impairment (section 4.2)	Transfers, modifications and de-recognition (section 4.3)
		Offset and collateral (section 4.4)	Derivatives and hedge accounting (section 4.5)	
5	**Other assets and liabilities**	Property and equipment (section 5.1)	Investment properties (section 5.1)	Intangible assets (section 5.1)
		Commodities (section 5.1)	Provisions (section 5.1)	
		Non-current assets held for sale (section 5.2)	Leases (section 5.3)	
6	**Capital and reserves**	Share capital and treasury shares	Dividends and non-cash distributions	Other reserves
7	**Transactions with employees**	Employee liabilities (section 7.1)	Share-based payment transactions (section 7.2)	
8	**Critical accounting estimates, assumptions and judgements**	Introduction (section 8.1)	Subsidiaries, associates and joint arrangements (section 8.2)	Taxation (section 8.3)
		Impairment of financial assets (section 8.4)	Provisions (section 8.5)	Transactions with employees (section 8.6)

The accounting policies and other methods of computation applied in the preparation of the consolidated financial statements are in terms of IFRS and are consistent with those applied for the year ended 30 June 2022.

1 INTRODUCTION AND BASIS OF PREPARATION continued

The financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by fair value accounting or certain assets and liabilities where required or permitted by IFRS.

New standards adopted in the current year

Improvements to the Conceptual Framework, as well as amendments to IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRS 9 Financial Instruments become effective in the current year. None of these amendments to IFRS impacted the bank's reported earnings, financial position or reserves, or the accounting policies.

2 INVESTMENTS IN OTHER ENTITIES

2.1 Subsidiaries, structured entities and associates

<table>
<tr><th></th><th>Subsidiaries and other structured entities</th><th>Associates</th></tr>
<tr><td>Typical shareholding in the assessment of entities that are not structured entities</td><td>Greater than 50%</td><td>Between 20% and 50%</td></tr>
<tr><td colspan="3">When an entity is a structured entity and control of an entity 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.</td></tr>
<tr><td>Nature of the relationship between the bank and the investee</td><td>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 and selling credit protection.</td><td>Entities over which the bank has significant influence as defined in IAS 28.</td></tr>
<tr><th colspan="3">Investments in subsidiaries, other structured entities and associates</th></tr>
<tr><td colspan="3">The bank measures investments in these entities at cost less impairment (in terms of IAS 36), with the exception of investments acquired and held exclusively with the view of disposing of them in the near future (within 12 months), and which are measured at fair value less cost to sell in terms of IFRS 5.</td></tr>
<tr><th colspan="3">Interests in unconsolidated structured entities</th></tr>
<tr><td colspan="3">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/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, 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.</td></tr>
</table>

2 INVESTMENTS IN OTHER ENTITIES continued

2.1 Subsidiaries, structured entities and associates continued

Common control transactions
There is currently no guidance under IFRS for the accounting treatment of business combinations under common control. In terms of IAS 8, the bank developed an accounting policy that requires that purchases of businesses acquired under common control use the predecessor values of the acquiree without the restatement of comparatives. Therefore, any difference between the NAV recorded at the highest level of aggregation and the amount paid (i.e. the purchase consideration) is recorded directly in equity.

2.2 Related party transactions

Related parties of the bank, as defined, include:

Parent company	Fellow subsidiaries	Associates and joint ventures as well as associates and joint ventures 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	Key management personnel (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 FSR 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.

3 INCOME, EXPENSES AND TAXATION

3.1 Income and expenses

Net interest income recognised in profit or loss

Interest income includes:

- interest on financial instruments measured at amortised cost and debt instruments measured at FVOCI, including the effect of qualifying hedges for interest rate risk;
- interest on financial asset debt instruments measured at fair value through profit or loss (FVTPL) that are held by and managed as part of the bank's funding operations;
- fees and transaction costs that form an integral part of generating an involvement with the resulting financial instrument;
- interest income is calculated using the effective interest rate (EIR), which includes origination fees. The original EIR is applied to:
  - the gross carrying amount (GCA) of financial assets which are not credit impaired; and
  - the amortised cost of financial assets which represents the net carrying amount from the month after the assets become credit impaired (refer to section 4.2 of the accounting policies);
- modified advances (derecognition not achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. The interest income on the modified financial asset (refer to policy 4.3) is calculated by applying the original EIR to the asset's modified GCA; and
- modified advances (derecognition is achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. New fees or costs charged on the new advance which are integral to the new asset recognised are capitalised to the new loan.

Interest expense includes:

- interest on financial liabilities measured at amortised cost;
- interest on financial liabilities measured at FVTPL that are held by and managed as part of the bank's funding 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 financial liabilities used to fund the bank's fair value activities. This amount is reported in fair value income within non-interest revenue (NIR).

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 and 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.

3 INCOME, EXPENSES AND TAXATION continued

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

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

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

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, 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 and services to be acquired by customers can either be the bank</td></tr>
</table>

3 INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Non-interest and financial instrument revenue recognised in profit or loss	
Non-interest revenue from contracts with customers	
	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 be either the bank itself or independent third parties. The deferred revenue in respect of which the eBucks liability is raised is recognised as revenue in the period in which the customer utilises their reward credits. When the bank is acting as an agent, amounts collected and incurred on behalf of the principal are not recognised on a gross basis. Only the net commission retained by the bank is recognised in fee and commission income.
Fee and commission expenses	Fee and commission expenses are those that are incremental and directly attributable to the generation of fee and commission income and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received. Expenses relating to the provision of the customer loyalty reward credits are recognised as fee and commission expenses as incurred.
Other non-interest revenue	The bank, through its various operating businesses, sells value-added products, services and goods to customers. Revenue is recognised from products sold by the eBucks online store at a point in time when control of the goods transfers to the customer. For telecommunication products and services which consist of smart devices, as well as data, airtime contracts and bundled products (SIM services), revenue is recognised at a point in time when the smart device has been delivered to the customer, whereas revenue from SIM services are recognised over time, as and when the service is consumed by the customer (i.e. over the contract term).

Non-interest and financial instrument revenue recognised in profit or loss
Fair value gains or losses
Fair value gains or losses of the bank recognised in NIR include the following: ➢ fair value adjustments and interest on financial instruments at FVTPL, including derivative instruments that do not qualify for hedge accounting; ➢ fair value adjustments that are not related to credit risk on advances designated at FVTPL; ➢ a component of interest expense that relates to interest paid on liabilities which fund the bank’s fair value operations. Interest expense is reduced by the amount that is included in fair value income;

3 INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Non-interest and financial instrument revenue recognised in profit or loss	
➢ 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 non-recourse liabilities (including movements due to changes in credit risk) is included in profit or loss, since the fair value movement on liabilities is 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; and ➢ fair value gains or losses on commodities acquired for short-term trading purposes, including commodities acquired with the intention to resell in the short term or if they form part of the trading operations of the bank and certain commodities subject to option agreements whereby the counterparty may acquire the commodity at a future date where the risk and rewards of ownership are deemed to have transferred to the bank in terms of IFRS 15.	
Gains less losses from investing activities	
The following items are included in gains less losses from investing activities: ➢ any gains or losses on disposals of investments in subsidiaries, associates and joint ventures; ➢ any gains or losses on the sale of financial assets measured at amortised cost; ➢ impairments and reversal of impairments of investment securities measured at amortised cost and debt instruments measured at FVOCI; ➢ any amounts recycled from OCI in respect of debt instruments measured at FVOCI; ➢ dividend income on any equity instruments that are considered long-term investments of the bank, including non-trading equity instruments measured at FVOCI; and ➢ fair value gains or losses on investment property held at FVTPL	
Dividend income	
The bank recognises dividend income when the bank's right to receive payment is established. This is the last day to trade for listed shares and on the date of declaration for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares, except to the extent that the scrip dividend is viewed as a bonus issue with no cash alternative and the transaction lacks economic significance.	
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 include value-added tax and securities transfer tax. Indirect tax is disclosed separately from income tax and operating expenses in the income statement.

3 INCOME, EXPENSES AND TAXATION continued

3.2 Income tax expenses

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

Current income tax
The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted, or substantively enacted, at the reporting date in each particular jurisdiction within which the 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. ➢ Share-based payment liabilities. ➢ Cash flow hedges. ➢ Provisions for pensions and other post-retirement benefits.
Measurement	The liability method under IAS 12 is used, which means applying tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. For temporary differences arising from the fair value adjustments on investment properties and investment securities, deferred income tax is provided at the rate that would apply to the sale of the assets, i.e. the capital gains tax rate.
Presentation	Deferred income tax is presented in profit or loss unless it relates to items recognised directly in equity or OCI. Items recognised directly in equity or OCI relate to: ➢ the issue 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 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.

3 INCOME, EXPENSES AND TAXATION continued

3.2 Income tax expenses continued

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

4 FINANCIAL INSTRUMENTS

The bank recognises purchases and sale of financial instruments that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) at settlement date, which is the date the asset is delivered or received.

4.1 Classification and measurement

4.1.1 Initial measurement

All financial instruments are initially measured at fair value including transaction costs, except for those classified as 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 3.1, 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.

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets

Classification and subsequent measurement of financial assets

Management determines the classification of its financial assets at initial recognition, based on:

- the bank's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

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 an operating business level, although operating businesses will perform the assessment on a portfolio or subportfolio level, depending on the manner in which groups of financial assets are managed in each operating business.

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.

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

Classification and subsequent measurement of financial assets
Where the bank participates in a National Treasury switch, where the participation is voluntary, this transaction will be executed at fair value. When there is a business rationale documented as to why the group has elected to participate in the National Treasury switch, this will not be considered a sale transaction for the purposes of the business model assessment. If sales of financial assets are infrequent, the significance of these sales is considered by comparing the carrying amount of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these sales will not impact the conclusion that the business model for holding financial assets is to collect contractual cash flows. In addition, where the issuer initiates a repurchase of the financial assets which was not anticipated in the terms of the financial asset, the repurchase is not seen as a sale for the purposes of assessing the business model of that group of financial assets. Determining whether sales are significant or frequent requires management to use its judgement. The significance and frequency of sales are assessed on a case-by-case basis at the business model level. The frequency is assessed on an annual basis and sales of assets that take place once or less per annum 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 amount of sales relative to the total assets in the business model to determine whether they are significant. A change in business model only occurs on the rare occasion when the bank changes the way in which it manages financial assets. Any change in business models would result in a reclassification of the relevant financial assets from the start of the next reporting period.
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.

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

<table>
<tr><th colspan="3">Amortised cost</th></tr>
<tr><td colspan="3">Financial assets are measured at amortised cost using the effective interest 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 EIR. This interest rate is determined based on the amortised cost and not the GCA of the financial asset, and incorporates the impact of ECLs in the estimated future cash flows of the financial asset.</td></tr>
<tr><th colspan="3">Cash and cash equivalents</th></tr>
<tr><td colspan="3">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.</td></tr>
<tr><th colspan="3">Retail advances</th></tr>
<tr><th></th><th>Business model</th><th>Cash flow characteristics</th></tr>
<tr><td>Retail advances</td><td>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.</td><td>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.</td></tr>
<tr><th colspan="3">Corporate and commercial advances</th></tr>
<tr><td>Corporate and commercial advances</td><td>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 this business model include:
➢ trade and working capital finance;
➢ specialised finance;
➢ commercial property finance; and
➢ asset-backed finance.</td><td>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.</td></tr>
</table>

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

Corporate and commercial advances		
	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 under securitisation transactions. These sales are 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.	
	Within RMB's corporate and Investment Banking Division (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 high-quality liquid assets that are under the control of the group treasurer, held by RMB. These assets are primarily held to collect the contractual cash flows over the life of the asset.	The cash flows on these advances are SPPI.

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

Investment securities		
Investment securities	Group treasury holds investment securities with lower credit risk (typically government bonds and treasury bills). These investment securities are held in a business model with the objective of collecting contractual cash flows.	The cash flows on these investment securities are 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 financial 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 time frame. The reason for originating these advances is not to collect the contractual cash flows, but rather to realise the cash flows through the sale of the assets.	Any advances which are originated to be distributed or managed on a fair value basis, or are held to collect contractual cash flows but include cash flows related to equity upside features, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract, will be included in this category.
Marketable advances	RMB occasionally invests in notes issued by special purpose vehicles (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 are 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.	

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

Mandatory at FVTPL		
	All equity investments of the bank are managed on a fair value basis, either through profit or loss (FVTPL) or designated at FVOCI.	
Derivative assets	Derivatives are either held for trading or to hedge economic risk. These instruments are managed on a fair value basis.	
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	The treasury division of the bank holds certain investment securities for liquidity management purposes. 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.	

4.1.3 Classification and subsequent measurement of financial liabilities and compound instruments

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 EIR method, unless they have been designated as measured at FVTPL: ➢ deposits; ➢ creditors; ➢ Tier 2 liabilities; and ➢ other funding liabilities.

4 FINANCIAL INSTRUMENTS continued

4.1.3 Classification and subsequent measurement of financial liabilities and compound 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/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 as 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.

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

This policy applies to:
- financial assets measured at amortised cost, including other financial assets and cash;
- debt instruments measured at FVOCI;
- loan commitments;
- financial guarantees; and
- finance lease debtors where the bank is the lessor.

Refer to accounting policy note 8.4 where all risk parameters, scenarios and sources of estimation are detailed more extensively.

4 FINANCIAL INSTRUMENTS continued

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

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 ECLs	Lifetime expected credit losses (LECL)	LECL	Movement in LECL since initial recognition

Advances	
SICR since initial recognition	In order to determine whether an advance has experienced a significant increase in credit risk (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 small and medium-sized enterprise (SME) facilities on a credit watch list. Any up-to-date facility that has undergone a distressed restructure (i.e. a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a SICR and will be disclosed within stage 2 at a minimum. The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a SICR are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a SICR has occurred. No standard minimum period for transition from stage 2 back to stage 1 is applied across all advances, with the exception of cured distressed restructured exposures that are required to remain in stage 2 for a minimum period of six months before re-entering stage 1, as per the requirements of *SARB Directive 7 of 2015*.

4 FINANCIAL INSTRUMENTS continued

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

<table>
<tr><th colspan="2">Advances</th></tr>
<tr><td>Credit-impaired financial assets</td><td>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 unpaid instalments.

In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay the 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 business is determined judgementally through a committee process.</td></tr>
<tr><td>Purchased or originated credit-impaired</td><td>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.</td></tr>
<tr><td>Write-offs</td><td>Write-off must occur when it is not economical to pursue further recoveries, i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised):
➢ By implication, in both retail and wholesale, for secured as well as unsecured exposures, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account.
➢ Within retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries. The result of this is that retail secured loans are written off on perfection of collateral and retail unsecured loans are written off when observation of post-default payment behaviour indicates that further material recoveries are unlikely. Write-off points within retail unsecured portfolios are defined on a per-portfolio basis with reference to cumulative delinquency and/or payment recency, 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.
➢ Partial write-offs are not performed within credit portfolios except in limited circumstances within the wholesale portfolio where it is assessed on a case-by-case basis. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.</td></tr>
</table>

4 FINANCIAL INSTRUMENTS continued

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

Advances	
Collection and enforcement activities post write-off	For unsecured advances, post write-off collection strategies include outsourcing of the account to external debt collections (EDCs). In addition, settlement campaigns are run to encourage clients to settle their outstanding debt. For secured advances, any residual balance post the realisation of collateral and post write-off is outsourced to EDCs.

Other financial assets	
Cash and cash equivalents	All physical cash is classified as stage 1. Other exposures are classified as stage 1 unless specific evidence of impairment exists, in which case, due to the nature of these assets, they are classified immediately as stage 3. ECL for physical cash is zero. ECL for cash equivalents is calculated using the loss rate approach.
Other assets	ECL for other assets i.e. financial accounts receivable and where applicable, contract assets, are calculated using the simplified approach. This results in a LECL being recognised.
Investment securities	Impairment parameters for investment securities (PD, LGD and exposure 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 assumption 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.

4 FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition

Financial instruments are derecognised when:

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

Financial assets are derecognised when the 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 EIR, is at least 10% different 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:

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.

4 FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition continued

<table>
<tr><th>Transaction type</th><th>Description</th><th>Accounting treatment</th></tr>
<tr><td>Securities lending</td><td>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.</td><td></td></tr>
<tr><td>Other transfers</td><td>The bank enters into transactions in terms of which it sells advances to conduits of the FirstRand group or a structured entity, but retains substantially all the risks and rewards of ownership related to the transferred advances.</td><td>Similar to repurchase agreements above.</td></tr>
<tr><th colspan="3">Transfers with derecognition</th></tr>
<tr><td>Where the bank purchases its own debt</td><td colspan="2">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.</td></tr>
<tr><td>Traditional securitisations and other structured transactions</td><td>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.</td><td>The securitisation results in full derecognition of the securitised financial assets by the bank:
➢ if the bank does not have the power to control the structured entity, and the bank does not substantially retain all the risks and rewards; or
➢ in situations where the bank neither substantially transfers nor retains all the risks and rewards, but the bank has relinquished control of the assets.

Where the bank has continuing involvement in the derecognised assets, it makes disclosures around the risks it is exposed to as well as the other financial assets and liabilities it has recognised.</td></tr>
</table>

4 FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition continued

Modification without derecognition		
Modification of contractual cash flows	Debt restructuring is a process that is applied to accounts whereby the new terms of the contract (such as a lower interest rate) are mandated by law and do not have the same commercial terms as a new product that the 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 EIR. Distressed modifications are included in ECL.
Modifications with derecognition (i.e. substantial modifications)		
Retail advances	The process for modifying an advance (which is not part of a debt restructuring) is substantially the same as the process for raising a new advance, including reassessing the customer's credit risk, repricing the asset and entering into a new legal agreement.	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.

4 FINANCIAL INSTRUMENTS continued

4.4 Offsetting of financial instruments and collateral

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

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

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

4 FINANCIAL INSTRUMENTS continued

4.5 Derivative financial instruments and hedge accounting

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at FVTPL with movements in fair value recognised in fair value gains or losses within NIR in the 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. IAS 39 will continue to be applied to portfolio hedges, which the bank refers to as macro hedges, to which fair value hedge accounting has been applied.

Hedge accounting

Derivatives held for risk management purposes are classified either as fair value hedges or cash flow hedges depending on the nature of the risk being hedged, where the hedges meet the required documentation criteria under IFRS 9/IAS39 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 existing global and local interbank offered rates (IBORs) with alternative reference rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The bank is monitoring and evaluating developments in the market and their impact on accounting.

Fair value hedge accounting

Fair value hedge accounting does not change the recording of gains or losses on derivatives but 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 NIR 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 EIR, 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 and is released as the hedged item affects the income statement.

5 OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement

Classification	Measurement
Property and equipment (owned and right of use)	
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 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 on a 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 5.3. Freehold property and property held under 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.

5 OTHER ASSETS AND LIABILITIES continued

5.1 Classification and measurement continued

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

5 OTHER ASSETS AND LIABILITIES continued

5.1 Classification and measurement continued

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 continuing 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.

5.2 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 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. Any excess impairment on the disposal group that remains after impairing the assets within the measurement scope of IFRS 5 the group has elected to recognise within operating expenses.

Any subsequent increases in fair value less costs to sell are recognised in NIR when realised.

5.3 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 a contract.

Qualifying leases are recognised as a right of use asset (ROUA) and a corresponding liability at the date at which the leased asset is made available for use by the 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 finance lease receivables included in advances and impairs the advances, as required, in line with policy 4.2. No practical expedients are applied, and the general model under IFRS 9 is used for impairment calculation on lease receivables.

5 OTHER ASSETS AND LIABILITIES continued

5.3 Leases

<table>
<tr><th></th><th>Bank is the lessee</th><th>Bank is the lessor</th></tr>
<tr><td>Over the life of the lease</td><td>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.</td><td>Unearned finance income is recognised as interest income over the term of the lease using the effective interest method.

Finance lease receivables are assessed for impairment in terms of IFRS 9, as set out in the impairment of financial assets policy section 4.2. Interest on finance lease receivables that are credit-impaired (stage 3), is recognised and calculated by applying the original EIR to the net carrying amount.</td></tr>
<tr><td>Presentation</td><td>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.</td><td>Finance lease receivables are presented as part of advances in the statement of financial position.</td></tr>
<tr><td>Operating leases</td><td>For short-term or low-value leases, which the bank 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.</td><td>Assets held under operating leases are included in property and equipment and depreciated – refer to policy 5.1. Rental income is recognised as other NIR on a straight-line basis over the lease term.</td></tr>
<tr><td>Finance lease agreements (including hire purchases) where the bank is the lessor</td><td colspan="2">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 EIR, as detailed in the contracts and credits finance charges to interest revenue in proportion to capital balances outstanding.</td></tr>
</table>

6 CAPITAL AND RESERVES

Transaction	Liability	Equity
Shares issued and issue costs	Preference shares, where the bank does not have the unilateral ability to avoid repayments, are classified as other liabilities. Preference shares which qualify as Tier 2 capital have been included in Tier 2 liabilities. Other preference share liabilities have been included in other liabilities as appropriate.	The bank's equity includes ordinary shares and Additional Tier 1 (AT1) notes. AT1 notes are classified as other equity instruments in the financial statements. These instruments do not obligate the bank to make payments to investors. 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 bank's shareholders and distribution is no longer at the discretion of the entity.
Distribution of non-cash assets to owners	The liability to distribute non-cash assets is recognised as a dividend to owners at the fair value of the asset to be distributed. The difference between the carrying amount of the assets distributed and the fair value of the assets on the date of distribution is recognised as non-interest revenue in profit or loss for the period.	The carrying amount of the dividend payable is remeasured at the end of each reporting period and on settlement date. The initial carrying amount and any subsequent changes are recognised in equity.
Other reserves	Not applicable.	Other reserves recognised by the bank include the capital redemption reserve funds and cash flow hedge accounting reserve.

7 TRANSACTIONS WITH EMPLOYEES

7.1 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 contributions 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 the 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 a new retiree would be slightly larger than the liability determined on the accounting valuation, as the purchase price allows for a more conservative mortality assumption based on the solvency reserves of the fund.

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.

7 TRANSACTIONS WITH EMPLOYEES continued

7.1 Employee benefits continued

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.

7.2 Share-based payment transactions

The bank operates a cash-settled share-based incentive plan for employees.

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

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

8.1 Introduction

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

8.2 Subsidiaries, structured entities and associates

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 FSR, which prepares consolidated financial statements as set out in section 2 of the basis of preparation.

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.2 Subsidiaries, structured entities and associates continued

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 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.

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.

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. The bank only operates in South Africa, London, Guernsey and India, with representative offices in Kenya, Angola, United States of America and Shanghai. The office in Angola has no lending or deposit taking activities at this point.

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.3 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.

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

The Finance Minister’s budget speech which indicated the lowering of the corporate tax rate to 27% for years of assessment commencing on or after 1 April 2022, has been substantially enacted as the change in the tax rate is not inextricably linked to other changes in the tax laws. As such, in the prior year deferred tax assets and liabilities have been calculated at the current corporate tax rate of 27%.

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 bank in order to utilise the deferred tax assets.

8.4 Impairment of financial assets

Impairment of advances
In determining whether an impairment loss should be recognised, the bank makes judgements as to whether there is a measurable decrease in the estimated future cash flows from a portfolio of loans. The objective of the measurement of an impairment loss is to produce a quantitative measure of the bank’s credit risk exposure. The bank adopts the (PD)/(LGD) approach to calculate ECL for advances. ECL is based on a weighted average of the macroeconomic scenarios selected, weighted by the probability of occurrence. Regression modelling techniques are used to predict borrower’s behaviour and transaction characteristics in accordance 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.

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Forward-looking information
Forward-looking macroeconomic information has been incorporated into ECL 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 the micro- and macroeconomic developments to formulate the macroeconomic forecasts. Various internal and external economists are then requested to assign a probability to each scenario. The rationale for probabilities assigned by each respondent is noted and explained at the FirstRand macroeconomic forum. ECL results are calculated as probability-weighted average results across multiple macroeconomic scenarios. The creation of macroeconomic scenarios and the determination of associated probabilities are subjective, with final ECL results dependent on the assumptions applied during the process. Quantitative techniques are applied to estimate the impact of macroeconomic factors on ECL using various techniques. Within the RMB corporate and investment banking portfolios, macroeconomic stress testing models are applied to estimate the impact of FLI on ECL. These stress testing models are industry-specific and make use of regression techniques, observed macroeconomic correlations and expert judgement, depending on the extent of data available in each industry. The outputs from these models are used to determine the level of stress that a particular industry is expected to experience, and through-the-cycle (TTC) impairment parameters are scaled accordingly, with scalars based on historical S&P default data. Within retail and commercial portfolios, forward-looking ECL is modelled using regression-based techniques that determine the relationship between key macroeconomic factors and credit risk parameters (with industry considerations further applied in the case of commercial portfolios) based on historically observed correlations. Modelled correlations and macroeconomic variable weightings are adjusted on the basis of expert judgement to ensure that the relationships between macroeconomic forecasts and risk parameters are intuitive and that ECL is reflective of forward-looking expectations of credit performance. Where the impact of forward-looking macroeconomic information on ECL is determined based on historical relationships between macroeconomic movements and default rates, and it is not expected for these relationships to hold under current macroeconomic conditions, judgemental post-model adjustments have been applied to ensure that relationships between macroeconomic forecasts and ECL estimates are intuitive, with ECL increasing where macroeconomic conditions are expected to worsen, and reflecting additional relevant information not catered for in models. This approach is followed across all portfolios.

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Forward-looking information continued
For the bank, three macroeconomic scenarios are utilised, namely a base scenario, an upside scenario, and a downside scenario. An additional stress scenario was added to the macroeconomic scenarios applied to the retail and commercial portfolios at 30 June 2022. The reason for limiting the temporary stress scenario to only these portfolios is that the RMB corporate and investment portfolio already incorporated stressed scenarios for high-risk. The scenario was initially introduced to capture the uncertainty around the impact of the Covid-19 pandemic and subsequently to address risks brought about by the impact of Russia's invasion of Ukraine and inflation and interest rate forecasting risks. Since June 2022, the forecasting risk associated with inflation and interest rates have manifested in actual inflation and interest rate outcomes. This is incorporated in the group's impairment models, therefore application of this scenario is no longer required as at 30 June 2023. The following table sets out the most significant macroeconomic factors used to estimate the FLI relating to ECL provisions in South Africa. The information is forecast over a period of three years, per major economic region that the bank operates in.

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Forward-looking information continued

Scenario	Probability	Description
Baseline	56% (2022: 54%)	➢ Global economic growth slows below trend level and developed market (DM) inflation falls from current elevated levels but remains high compared to pre-pandemic levels. ➢ South Africa struggles to lift the potential growth rate meaningfully over the forecast horizon. ➢ Confidence remains low resulting in a relative abundance of savings compared to credit demand. ➢ Social unrest remains a feature of the socioeconomic environment but does not significantly impair confidence or operating conditions. ➢ The climate transition progresses slowly and negotiations on the detail of the climate change deal at the United Nations Climate Change conference (COP26 deal) take a long time. There is a lack of meaningful implementation progress. ➢ Sticky inflation limits the potential upside to real disposable income growth.
Upside	15% (2022: 14%)	➢ Global growth remains slow towards trend but soon recovers keeping commodity prices elevated through the forecast horizon. ➢ The South African government manages the carbon transition effectively and negotiations on the detail of the COP26 deal make meaningful progress. ➢ Social unrest abates. ➢ Broader fiscal and economic reforms lift the potential growth rate meaningfully over the forecast horizon. ➢ Private sector confidence and related investment lift, resulting in higher credit extension and a reduction in precautionary savings rates. ➢ A combination of global and domestic factors causes inflation to moderate significantly.
Downside	29% (2022: 32%)	➢ Global inflation remains above central banks' comfort levels, resulting in further policy tightening with negative knock-on consequences for global financial conditions and risk appetite. ➢ The South African government experiences significant setbacks in its efforts to manage the energy transition and decarbonisation process. ➢ The country fails to implement growth-enhancing economic reforms. ➢ Real credit extension falls and savings lift. ➢ A combination of global and domestic factors drive inflation significantly higher and real disposable income growth significantly lower.
Temporary stress scenario (applied for 30 June 2022)		The ECL impact of the temporary stress scenario as well as its impact on staging of the GCA has been tracked separately for classes of advances within the retail and commercial portfolios, where the temporary stress scenario had a material impact. Therefore, for the retail and commercial portfolios a weighting of 8% was attributed to the temporary scenario, 13% to the upside scenario, 29% attributed to the downside and 50% to the baseline scenario for the year ended 30 June 2022. This scenario is no longer applicable for 30 June 2023.

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Forward-looking information continued

Overview of FLI included in the 30 June 2023 impairment of advances

During the year global economic growth continued to moderate. With the invasion of Ukraine having exacerbated the already elevated cost-of-living pressures in both developed and emerging economies, central banks persisted with aggressive interest rate hikes to stem inflation, resulting in further downward revisions to growth expectations and increased risk aversion. These hikes were coupled with plans to reduce fiscal stimulus, but this had to be balanced with shielding consumers from the impacts of slowing growth and higher inflation. The complexity of these policy actions, combined with a significant increase in geopolitical risk, resulted in ongoing market volatility.

South Africa

South Africa's inflation remained above the central bank's target range, resulting in an interest rate hiking cycle to lower longer-term inflation expectations. Real economic activity continued to slow, with domestic household consumption in particular being impacted by the higher headline inflation. Despite the slowdown in overall activity, household data showed that income levels among the employed remained somewhat resilient, with corporates pay rises more or less offsetting inflation pressures.

Severe rolling blackouts and lower commodity prices in the second half of the financial year weighed on economic activity, while the opportunity to invest in their own energy generation capacity provided the basis for further increases in corporate credit demand.

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Significant macroeconomic factors

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

30 June 2023

South Africa	Upside scenario			Baseline scenario			Downside scenario		
%	2024	2025	2026	2024	2025	2026	2024	2025	2026
Applicable across all portfolios									
Real GDP growth	3.50	3.40	3.50	0.30	1.60	1.80	(0.50)	(0.50)	1.50
CPI inflation	5.50	4.10	4.00	6.00	4.90	5.00	7.90	6.80	6.00
Repo rate	8.00	6.00	5.75	8.50	7.25	7.00	9.50	8.75	7.75
Retail-specific									
Retail real income growth	12.00	1.50	1.70	0.90	0.70	0.80	(1.70)	-	0.70
House price index growth*	4.70	5.70	8.30	1.50	2.20	3.30	(2.70)	(0.70)	2.80
Household debt to income	63.50	64.40	64.80	62.20	62.20	62.20	60.40	59.20	58.60
Employment growth	2.00	1.90	1.50	1.00	0.50	0.40	(0.40)	(0.10)	0.30
Wholesale-specific									
Fixed capital formation	9.00	7.70	8.70	3.10	3.70	4.40	(5.60)	(1.10)	3.70
Foreign exchange rate (USD/ZAR)	15.90	14.80	15.20	18.80	17.40	17.90	26.30	20.90	21.50

* *Applicable to the secured portfolio.*

30 June 2022

	Upside scenario			Baseline scenario			Downside scenario		
	2023	**2024**	**2025**	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**
	Applicable across all portfolios								
	3.50	3.20	3.10	2.00	1.60	1.60	(2.70)	(0.90)	(0.90)
	5.60	4.40	4.40	6.40	4.60	4.60	9.90	9.30	5.80
	5.75	5.25	5.25	5.75	5.75	5.75	10.00	10.00	7.50
	Retail-specific								
	2.30	2.40	2.80	1.30	1.20	1.50	(1.70)	(0.70)	(0.90)
	5.90	6.40	7.00	3.40	3.20	3.60	(4.50)	(1.70)	(2.10)
	67.40	68.20	68.60	66.40	66.60	66.70	65.40	64.90	64.60
	0.80	0.60	0.90	0.50	0.30	0.50	(0.60)	(0.20)	(0.30)
	Wholesale-specific								
	2.10	7.20	6.80	1.20	3.60	3.50	(1.60)	(1.90)	(2.00)
	13.30	13.90	14.50	15.70	16.40	17.10	23.60	23.00	20.50

(%)	**South Africa – significant macroeconomic factors relevant to the temporary stress scenario**						
	Real GDP growth	**CPI inflation**	**Repo rate**	**Retail real growth**	**House price index growth***	**House-hold debt to income**	**Employ ment growth**
2023	(4.10)	13.10	12.50	(2.60)	(6.80)	64.80	(1.00)
2024	(2.10)	13.80	14.00	(1.60)	(4.10)	63.90	(0.40)
2025	(2.10)	11.00	12.00	(2.00)	(4.90)	63.20	(0.60)

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

The following table reflects the impact on the performing (stage 1 and stage 2) impairment provisions on advances, if the probability weighting assigned to each of the scenarios were increased to 100%. In the prior year, the table below presented only Total. In the current year, as IFRS 9 is embedded in the group's reporting process, the table has been expanded to provide additional disclosure.

	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 2023	**15 652**	**15 114**	**(3)**	**13 579**	**(13)**	**16 881**	**8**
Retail	**10 720**	**10 246**	**(4)**	**9 074**	**(15)**	**11 646**	**9**
Commercial	**2 459**	**2 438**	**(1)**	**2 199**	**(11)**	**2 618**	**6**
RMB CIB	**2 429**	**2 397**	**(1)**	**2 279**	**(6)**	**2 578**	**6**
Centre (including Group Treasury)	**44**	**33**	**(25)**	**27**	**(39)**	**39**	**(11)**
Total at 30 June 2022	14 963	14 338	(4)	13 376	(11)	16 992	14
Retail	10 004	9 464	(5)	8 691	(13)	11 693	17
Commercial	2 522	2 459	(2)	2 313	(8)	2 797	11
RMB CIB	2 363	2 342	(1)	2 300	(3)	2 427	3
Centre (including Group Treasury)	74	73	(1)	72	(3)	75	1

* *Due to the non-linearity of the temporary stress scenario, the scenario increased to R24 230 million (2022) when a probability weighting of 100% to the temporary stress scenario is added to the downside scenario. The stress scenario was not applied for the year ended 30 June 2023.*

Please note: The analysis only reflects the impact of changing the probability assigned to each scenario to 100% and does not include any changes to model adjustments.

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets 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 and 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 draw-down and payment behaviour. LGDs are determined by estimating expected future cash flows, adjusted for FLI such as the house price index, prime lending rate and GDP. These cash flows include direct costs and proceeds from the sale of collateral. Collateral recovery rates are based on historically observed outcomes. The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within historical data will continue to be relevant in the future.</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 ECLs, and are required to be signed off by a committee of wholesale and commercial credit experts who can motivate adjustments to modelled parameters</td></tr>
<tr><td colspan="2">Parameters are calibrated for the calculation of 12-month and lifetime ECL using term structures that consider borrower risk, account age, historical behaviour, transaction characteristics and correlations between parameters.

Term structures have been developed over the 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 are discounted from the expected date of default to the reporting date using the asset's original EIR or a reasonable approximation thereof.</td></tr>
</table>

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Judgement	Retail and retail SME	Wholesale and commercial SME
Determination of whether the credit risk of financial instruments have increased significantly since initial recognition (SICR)	SICR triggers continue to be based on client behaviour, client-based behavioural scores and judgemental factors.	SICR triggers continue to be determined based on client behaviour, client internal FirstRand 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.
Sensitivity staging	The move from 12-month ECL to LECL 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 group would recognise if 5% of the stage 1 GCA of advances suffered a SICR and were moved from stage 1 to stage 2 as at 30 June 2023. A 5% increase in advances categorised as stage 2 can be viewed as a reasonably possible alternative based on the current economic conditions.	

	30 June 2023	
R million	**5% increase in gross carrying amount of exposure**	**Increase in the loss allowance**
Retail	19 115	1 870
Wholesale, commercial and other (including Group Treasury)	29 928	3 353
Total increase in stage 2 advances and ECL	**49 043**	**5 223**
	30 June 2022	
Retail	17 671	1 493
Wholesale, commercial and other (including Group Treasury)	25 612	3 128
Total increase in stage 2 advances and ECL	**43 283**	**4 621**

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.5 Provisions

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

8.6 Transactions with employees

Employee benefits – defined benefit plans	
Determination of required funding levels	Funding levels are monitored on an annual basis and the current agreed contribution rate in respect of the defined benefit pension fund is 21% (2022: 21%) of pensionable salaries (in excess of the minimum recommended contribution rate set by the fund actuary). The bank considers the recommended contribution rate as advised by the fund actuary with each actuarial valuation. In addition, the trustees of the fund target a funding position on pensioner liabilities that exceeds the value of the best estimate actuarial liability. The funding position is also considered in relation to a solvency reserve basis, which makes allowance for the discontinuance cost of outsourcing the pensions. As at the last statutory actuarial valuation of the pension fund (during June 2020), all categories of liabilities were at least 100% funded. If the member chooses to buy into the fund, the fair value of plan assets and the value of the plan liabilities on the defined benefit plan are increased by the amount of the initial contribution on the date of the purchase.
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, the discount rate and expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.6 Transactions with employees continued

Cash-settled share-based payment plans	
Determination of fair value of the award	The award is determined using a Black Scholes option pricing model with a zero strike price. The following estimates are included in the model to determine the value: ➢ management's estimate of future dividends; ➢ the risk-free interest rate (RFR) is used; and ➢ staff turnover and historical forfeiture rates are used as indicators of future conditions.

INCOME STATEMENT

for the year ended 30 June

R million	Notes	2023	2022
Interest income calculated using effective interest rate		**115 108**	85 174
Interest on other financial instruments and similar income		**2 371**	1 283
Interest and similar income	1.1	**117 479**	86 457
Interest expense and similar charges	1.2	**(62 967)**	(37 495)
Net interest income before impairment of advances		**54 512**	48 962
Impairment and fair value of credit on advances		**(8 413)**	(5 891)
– Impairment on amortised cost advances	11	**(8 354)**	(5 380)
– Fair value of credit on advances	11	**(59)**	(511)
Net interest income after impairment of advances		**46 099**	43 071
Non-interest revenue	2	**41 638**	38 582
– Net fee and commission income	2.1	**29 842**	27 883
– Fee and commission income		**35 802**	33 234
– Fee and commission expense		**(5 960)**	(5 351)
– Insurance commission income	2.2	**437**	439
– Fair value gains or losses	2.3	**3 381**	2 432
– Fair value gains or losses		**12 712**	8 387
– Interest expense on fair value activities		**(9 331)**	(5 955)
– Gains less losses from investing activities	2.4	**88**	199
– Other non-interest revenue	2.5	**7 890**	7 629
Income from operations		**87 737**	81 653
Operating expenses	3	**(53 200)**	(47 158)
Income before indirect tax		**34 537**	34 495
Indirect tax	4.1	**(810)**	(805)
Profit before income tax		**33 727**	33 690
Income tax expense	4.2	**(7 876)**	(8 213)
Profit for the year		**25 851**	25 477
Attributable to			
Ordinary equityholders		**24 894**	24 884
Other equity instrument holders		**957**	593
Profit for the year		**25 851**	25 477

STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June

R million	2023	2022
Profit for the year	**25 851**	25 477
Items that may subsequently be reclassified to profit or loss		
Cash flow hedges	**(846)**	(3 712)
Gains/(losses) arising during the year	**42**	(2 137)
Reclassification adjustments for amounts included in profit or loss	**(1 201)**	(2 973)
Deferred income tax	**313**	1 398
FVOCI debt reserve	**92**	(18)
Gains/(losses) arising during the year	**70**	(17)
Reclassification adjustments for amounts included in profit or loss	**56**	(10)
Deferred income tax	**(34)**	9
Exchange differences on translating foreign operations	**922**	762
Gains arising during the year	**815**	753
Deferred income tax	**107**	9
Items that may not subsequently be reclassified to profit or loss		
Equity investments designated at FVOCI	**16**	3
Gains arising during the year	**21**	8
Deferred income tax	**(5)**	(5)
Remeasurements on defined benefit post-employment plans	**21**	22
Gains arising during the year	**28**	41
Deferred income tax	**(7)**	(19)
Other comprehensive income/(loss) for the year	**205**	(2 943)
Total comprehensive income for the year	**26 056**	22 534
Attributable to		
Ordinary equityholders	**25 099**	21 941
Other equity instrument holders	**957**	593
Total comprehensive income for the year	**26 056**	22 534

STATEMENT OF FINANCIAL POSITION
as at 30 June

R million	Notes	2023	2022
ASSETS			
Cash and cash equivalents	6	**103 714**	104 625
Derivative financial instruments	7	**63 307**	61 674
Commodities	8	**17 252**	17 580
Investment securities	9	**305 259**	278 879
Advances	10	**1 066 891**	944 087
– Advances to customers*		**981 244**	871 338
– Marketable advances		**85 647**	72 749
Other assets	12	**8 908**	5 789
Current tax asset		**530**	125
Amounts due by holding company and fellow subsidiaries	13	**63 205**	70 753
Property and equipment	14	**17 433**	16 333
Intangible assets	15	**787**	512
Investment properties	16	**281**	249
Deferred income tax asset	17	**7 397**	6 741
Total assets		**1 654 964**	1 507 347
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	18	**12 473**	14 183
Derivative financial instruments	7	**66 533**	70 284
Creditors, accruals and provisions	19	**19 953**	18 899
Deposits	20	**1 381 773**	1 220 026
Employee liabilities	21	**14 282**	11 684
Other liabilities	22	**2 878**	5 258
Amounts due to holding company and fellow subsidiaries	13	**26 444**	32 900
Tier 2 liabilities	23	**16 337**	20 433
Total liabilities		**1 540 673**	1 393 667
Equity			
Ordinary shares	24.1	**4**	4
Share premium	24.1	**16 804**	16 804
Reserves		**87 553**	89 746
Capital and reserves attributable to ordinary equityholders		**104 361**	106 554
Other equity instruments	24.2	**9 930**	7 126
Total equity		**114 291**	113 680
Total equity and liabilities		**1 654 964**	1 507 347

* *Included in advances to customers are advances under agreements to resell of R79 065 million (2022: R70 540 million).*

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	Ordinary share capital and ordinary equityholders' funds				
R million	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2021	4	16 804	**16 808**	(576)	1 333
Ordinary dividends	-	-	**-**	-	-
Distributions on other equity instruments	-	-	**-**	-	-
Total comprehensive income for the year	-	-	**-**	22	(3 712)
– Profit for the year	-	-	**-**	-	-
– Other comprehensive income for the year	-	-	**-**	22	(3 712)
Balance as at 30 June 2022	4	16 804	**16 808**	(554)	(2 379)
AT1 instruments issued	-	-	**-**	-	-
Ordinary dividends	-	-	**-**	-	-
Distributions on other equity instruments	-	-	**-**	-	-
Movement in reserves	-	-	**-**	-	-
Total comprehensive income for the year	-	-	**-**	21	(846)
– Profit for the year	-	-	**-**	-	-
– Other comprehensive income for the year	-	-	**-**	21	(846)
Balance as at 30 June 2023	4	16 804	**16 808**	(533)	(3 225)

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

** *Other equity instruments at 30 June 2023 include R9 930 million (2022: R7 126 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****	**Total equity**
892	1 212	85 584	**88 445**	**7 126**	**112 379**
-	-	(20 640)	**(20 640)**	**-**	**(20 640)**
-	-	-	**-**	**(593)**	**(593)**
762	(15)	24 884	**21 941**	**593**	**22 534**
-	-	24 884	**24 884**	**593**	**25 477**
762	(15)	-	**(2 943)**	**-**	**(2 943)**
1 654	1 197	89 828	**89 746**	**7 126**	**113 680**
-	-	-	**-**	**2 804**	**2 804**
-	-	(27 290)	**(27 290)**	**-**	**(27 290)**
-	-	-	**-**	**(957)**	**(957)**
-	-	(2)	**(2)**	**-**	**(2)**
922	108	24 894	**25 099**	**957**	**26 056**
-	-	24 894	**24 894**	**957**	**25 851**
922	108	-	**205**	**-**	**205**
2 576	1 305	87 430	**87 553**	**9 930**	**114 291**

STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Notes	2023	2022
Cash flows from operating activities			
Interest and fee commission receipts		**146 909**	108 322
– Interest received		**116 630**	80 000
– Fee and commission received		**35 802**	33 234
– Insurance income received		**437**	439
– Fee and commission paid		**(5 960)**	(5 351)
Trading and other income		**5 969**	7 474
Interest payments		**(63 033)**	(32 531)
Other operating expenses		**(42 964)**	(37 313)
Dividends received		**1 245**	694
Dividends paid		**(28 247)**	(21 233)
Taxation paid		**(9 422)**	(10 614)
Cash generated from operating activities		**10 457**	14 799
Movements in operating assets and liabilities		**(1 558)**	(7 797)
– Liquid assets and trading securities		**(26 737)**	(7 632)
– Advances		**(127 036)**	(85 853)
– Deposits		**166 688**	86 882
– Other assets		**(2 803)**	(729)
– Creditors		**392**	1 904
– Employee liabilities		**(5 353)**	(4 552)
– Other liabilities*		**(6 709)**	2 183
Net cash generated from operating activities		**8 899**	7 002
Cash flows from investing activities			
Acquisition of property and equipment		**(3 971)**	(2 811)
Proceeds on disposal of property and equipment		**449**	600
Acquisition of intangible assets and investment properties		**(368)**	(355)
Net cash outflow from investing activities		**(3 890)**	(2 566)
Cash flows from financing activities			
Proceeds from the issue of other financing liabilities	22.1	**1 230**	247
Redemption of other financing liabilities	22.1	**(3 964)**	(135)
Principal payments towards lease liabilities	22.1	**(662)**	(673)
Proceeds from issue of Tier 2 liabilities	23.1	**10 486**	2 500
Capital repaid on Tier 2 liabilities	23.1	**(15 579)**	(1 619)
Proceeds from issue of AT1 equity instruments	24.2	**2 804**	-
Net cash inflow/(outflow) from financing activities		**(5 685)**	320
Net increase in cash and cash equivalents		**(676)**	4 756
Cash and cash equivalents at the beginning of the year		**104 625**	99 646
Effect of exchange rate changes on cash and cash equivalents		**(235)**	223
Cash and cash equivalents at the end of the year	6	**103 714**	104 625

* *Other liabilities consist of various operating liabilities. The most significant balances are short trading positions and derivative financial instruments.*

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	2023	2022
Analysis of interest and similar income		
Instruments at fair value through profit or loss	**2 371**	1 283
Instruments at amortised cost	**113 761**	84 279
Debt instruments at fair value through other comprehensive income	**1 347**	893
Non-financial instruments	**-**	2
Interest and similar income	**117 479**	86 457
Advances	**93 200**	64 487
– Overdrafts and cash management accounts	**8 190**	5 834
– Term loans	**5 404**	2 797
– Card loans	**5 566**	4 207
– Instalment sales and hire purchase agreements	**13 076**	9 777
– Lease payments receivable	**197**	192
– Property finance	**27 067**	18 088
– Personal loans	**10 419**	9 349
– Preference share agreements	**27**	13
– Assets under agreements to resell	**1 060**	767
– Investment bank term loans	**12 078**	7 714
– Other advances	**4 367**	2 175
– Marketable advances	**5 749**	3 574
Cash and cash equivalents	**3 112**	1 326
Investment securities	**15 303**	10 396
Amounts due by holding company and fellow subsidiaries	**3 197**	1 673
Preference dividends received	**2 286**	2 038
Interest on derivatives qualifying as hedging instruments	**381**	6 537
Interest and similar income	**117 479**	86 457

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE continued

1.2 Interest expense and similar charges

R million	2023	2022
Analysis of interest expense and similar charges		
Instruments at fair value through profit or loss	**(166)**	(23)
Instruments at amortised cost	**(62 711)**	(37 397)
Non-financial instruments	**(90)**	(75)
Interest expense and similar charges	**(62 967)**	(37 495)
Deposits from customers	**(52 852)**	(25 536)
– Current accounts	**(8 075)**	(3 288)
– Savings deposits	**(2 144)**	(846)
– Call deposits	**(19 674)**	(9 596)
– Fixed and notice deposits	**(22 959)**	(11 806)
Debt securities	**(12 973)**	(9 337)
– Negotiable certificates of deposit	**(4 051)**	(1 787)
– Fixed and floating-rate notes	**(8 922)**	(7 550)
Repurchase agreements	**(440)**	(377)
Securities lending	**(150)**	(86)
Cash collateral and credit-linked notes	**(1 015)**	(442)
SARB funding facility due to Covid-19 SME government guarantee	**(125)**	(65)
Lease liabilities	**(90)**	(84)
Tier 2 liabilities	**(1 591)**	(1 311)
Amounts due to holding company and fellow subsidiaries	**(1 269)**	(465)
Interest on derivatives qualifying as hedging instruments	**75**	(4 538)
Other funding interest	**(1 868)**	(1 209)
Gross interest expense and similar charges	**(72 298)**	(43 450)
Less: interest expense on fair value activities reallocated*	**9 331**	5 955
Interest expense and similar charges	**(62 967)**	(37 495)

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

2 NON-INTEREST REVENUE

R million	Notes	2023	2022
Fee and commission income		**35 802**	33 234
Instruments at amortised cost		**29 972**	27 867
Instruments at fair value through profit or loss		**20**	8
Non-financial instruments		**5 810**	5 359
Fee and commission expenses		**(5 960)**	(5 351)
Net fee and commission income	2.1	**29 842**	27 883
Insurance commission income	2.2	**437**	439
Instruments at fair value through profit or loss		**1 183**	1 929
– Mandatory at fair value through profit or loss		**265**	2 342
– Designated at fair value through profit or loss		**918**	(413)
Translation gains or losses on instruments not held at fair value through profit or loss		**2 198**	503
Fair value gains or losses	2.3	**3 381**	2 432
Instruments at fair value through profit or loss		**29**	-
– Mandatory fair value through profit or loss		**27**	-
– Designated fair value through profit or loss		**2**	-
Instruments at amortised cost		**(5)**	130
Instruments at fair value through other comprehensive income		**(43)**	22
Non-financial instruments		**107**	47
Gains less losses from investing activities*	2.4	**88**	199
Other non-interest revenue	2.5	**7 890**	7 629
Total non-interest revenue		**41 638**	38 582

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

2 NON-INTEREST REVENUE continued

2.1 Net fee and commission income

R million	2023	2022
Banking fee and commission income	**32 500**	30 068
– Card commissions	**5 993**	5 147
– Cash deposit fees	**1 595**	1 582
– Commitment fees	**1 691**	1 449
– Electronic transaction fees	**754**	933
– Exchange commissions	**2 292**	2 106
– Brokerage income	**126**	123
– Bank charges	**20 049**	18 728
– Transaction and service fees	**6 905**	6 183
– Documentation and administration fees	**9 792**	9 354
– Cash handling fees	**2 474**	2 412
– Other	**878**	779
Knowledge-based fee and commission income	**1 198**	1 068
Management, trust and fiduciary fees	**1 336**	1 364
Fee and commission from service providers	**505**	500
Other non-banking fee and commission income	**263**	234
Fee and commission income*	**35 802**	33 234
Transaction processing fees	**(1 444)**	(1 105)
Commission paid	**(192)**	(179)
Customer loyalty programmes	**(2 180)**	(2 019)
Cash sorting, handling and transportation charges	**(1 145)**	(1 069)
Card and cheque book related	**(386)**	(366)
ATM commissions paid	**(65)**	(65)
Other	**(548)**	(548)
Fee and commission expenses	**(5 960)**	(5 351)
Net fee and commission income	**29 842**	27 883

* *Revenue from contracts with customers.*

2.2 Insurance commission income

R million	2023	2022
Insurance commissions	**121**	130
Insurance brokerage	**316**	309
Total insurance commission income*	**437**	439

* *Revenue from contracts with customers.*

2 NON-INTEREST REVENUE continued

2.3 Fair value gains or losses

R million	2023	2022
Dividend income on preference shares held	**1 229**	683
Fair value gains or losses	**2 152**	1 749
Total fair value gains or losses	**3 381**	2 432

2.4 Gains less losses from investing activities

R million	Notes	2023	2022
Gains on disposal of investment securities		**1**	134
– Gains on disposal of debt instruments at amortised cost		**1**	134
Impairment losses of debt investment securities at amortised cost		**(4)**	(4)
Reclassification from other comprehensive income on the derecognition/sale of debt instruments at FVOCI		**(56)**	10
Dividends on equity instruments at FVOCI		**12**	11
Other dividends received		**4**	-
Preference dividends from insurance profit share		**27**	1
Fair value remeasurements on investment properties	16	**32**	-
Rental income from investment properties	16	**72**	47
Total gains less losses from investing activities		**88**	199

2.5 Other non-interest revenue

R million	Notes	2023	2022
Revenue from contracts with customers*		**1 536**	1 142
– Sales		**2 177**	1 785
– Cost of sales		**(1 603)**	(1 299)
– Other income		**962**	656
Gains/(losses) on disposal of property and equipment		**(6)**	10
Gains/(losses) on sale of properties in possession		**(2)**	10
Recoveries from holding company and fellow subsidiaries**	29	**4 426**	4 672
Rental income#		**1 701**	1 643
Other operating lease transactions		**235**	162
Total other non-interest revenue		**7 890**	7 629

* *Revenue from contracts with customers.*

** *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 financing arrangements and speed point rentals.*

3 OPERATING EXPENSES

R million	Notes	2023	2022
Auditors' remuneration		**(416)**	(384)
– Audit fees		**(405)**	(354)
– Fees for other services		**(11)**	(24)
– Prior year under accrual		**-**	(6)
Non-capitalised lease charges		**(423)**	(458)
– Short-term lease charges		**(300)**	(253)
– Low-value lease charges		**(207)**	(185)
– Variable lease charges		**84**	(20)
Staff costs		**(32 697)**	(27 963)
– Salaries, wages and allowances		**(24 393)**	(21 392)
– Contributions to employee benefit funds		**(345)**	(286)
– Defined contribution schemes		**(213)**	(201)
– Defined benefit schemes	21.1	**(132)**	(85)
– Social security levies		**(402)**	(355)
– Share-based payments	25	**(2 021)**	(1 087)
– Movement in short-term employee benefit liability		**(4 834)**	(4 261)
– Other staff costs		**(702)**	(582)
Other operating costs		**(19 664)**	(18 353)
– Amortisation of intangible assets	15	**(93)**	(181)
– Depreciation of property and equipment	14	**(3 305)**	(3 280)
– Impairments incurred		**(206)**	(205)
– Insurance		**(253)**	(248)
– Advertising and marketing		**(1 551)**	(1 568)
– Maintenance		**(1 357)**	(1 226)
– Property		**(1 081)**	(941)
– Computer equipment		**(3 564)**	(3 164)
– Stationery, storage and delivery		**(210)**	(201)
– Telecommunications		**(385)**	(377)
– Professional fees		**(2 583)**	(1 978)
– Expenses paid to holding company and fellow subsidiaries*	29	**(1 445)**	(896)
– Donations		**(321)**	(320)
– Assets costing less than R7 000		**(215)**	(206)
– Business travel		**(312)**	(167)
– Profit share expenses		**(79)**	(116)
– Bank charges		**(16)**	(45)
– Legal fee expenses		**(475)**	(767)
– Entertainment		**(214)**	(139)
– Subscriptions and memberships		**(344)**	(214)
– Training expenses		**(232)**	(237)
– Other operating expenditure		**(1 423)**	(1 877)
Total operating expenses		**(53 200)**	(47 158)

* *Costs the holding company and fellow subsidiaries incur on behalf of the bank as principal, are invoiced to the bank as part of the respective company's cost recovery process.*

3 OPERATING EXPENSES continued

Notable impairments incurred during 2023

ECL of R182 million was raised on non-advances. This impairment is included in the FNB segment.

Notable impairments incurred during 2022

Impairments incurred include R111 million impairment losses recognised on properties and equipment held by the bank that have been reduced to their respective recoverable amount. This impairment is included in the FNB segment. Furthermore, ECL of R67 million was raised on non-advances.

3 OPERATING EXPENSES continued

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

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

Non-executive directors' remuneration

	2023			2022		
	Services as directors			Services as directors		
R thousand	**FirstRand**	**Group**	**Total**	FirstRand	Group	Total
Independent non-executive directors						
WR Jardine	**7 355**	**396**	**7 751**	7 056	293	7 349
G Gelink	**2 871**	**1 501**	**4 372**	2 621	1 394	4 015
RM Loubser	**3 176**	**2 204**	**5 380**	2 907	1 907	4 814
TS Mashego (Resigned 1 December 2022)	**668**	**421**	**1 089**	1 502	304	1 806
PD Naidoo (appointed 1 April 2022)	**1 081**	**74**	**1 155**	239	-	239
L von Zeuner	**2 686**	**720**	**3 406**	2 647	723	3 370
T Winterboer	**1 820**	**1 235**	**3 055**	1 726	929	2 655
Z Roscherr	**2 334**	**865**	**3 199**	1 738	952	2 690
SP Sibisi	**2 141**	**572**	**2 713**	1 668	86	1 754
Non-executive directors						
JP Burger	**2 281**	**937**	**3 218**	2 341	877	3 218
F Knoetze (resigned at 2021 AGM)	**-**	**-**	**-**	761	502	1 263
Total non-executive directors	**26 413**	**8 925**	**35 338**	25 206	7 967	33 173

Directors' and prescribed officers' emoluments

Single-figure reporting

Cash package, retirement contributions and other allowances reflect what was paid to the prescribed officers during the year ended 30 June 2023. The FirstRand annual remuneration cycle runs from 1 August to 31 July.

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

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

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

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

3 OPERATING EXPENSES continued

R thousand	2023	2022
AP Pullinger (group CEO)[1]		
Cash package paid during the year	9 639	9 137
Retirement contributions paid during the year	211	191
Other allowances	320	294
Guaranteed package	10 170	9 622
Performance-related STI:		
Cash	8 476	7 912
– Within 6 months[2]	5 984	5 491
– Within 1 year	2 492	2 421
Share price linked – deferred 2 years (BDIP)[3]	6 476	5 912
Variable pay	14 952	13 824
Total guaranteed and variable pay	25 122	23 446
Value of LTI awards allocated under the CIP during the financial year[4]	26 330	24 840
Total reward including LTIs	51 452	48 286
Value of LTI awards allocated under the Covid-19 scheme during the financial year[5]	-	-
Single-figure reporting		
Total guaranteed and variable pay	25 122	23 446
Value of LTI awards settled under the CIP during the financial year[6]	-	-
Value of LTI awards settled under the Covid-19 scheme during the financial year[7]	6 424	6 424
Total reward including settled LTIs (single figure)	31 546	29 870
M Vilakazi (group COO)[1]		
Cash package paid during the year	8 069	7 596
Retirement contributions paid during the year	162	141
Other allowances	209	193
Guaranteed package	8 440	7 930
Performance-related STI:		
Cash	6 913	6 407
– Within 6 months[2]	4 942	4 488
– Within 1 year	1 971	1 919
Share price linked – deferred 2 years (BDIP)[3]	4 912	4 406
Variable pay	11 825	10 813
Total guaranteed and variable pay	20 265	18 743
Value of LTI awards allocated under the CIP during the financial year[4]	15 120	14 000
Total reward including LTIs	35 385	32 743
Value of LTI awards allocated the Covid-19 scheme during the financial year[5]	-	-
Single-figure reporting		
Total guaranteed and variable pay	20 265	18 743
Value of LTI awards settled under the CIP during the financial year[6]	-	-
Value of LTI awards settled under the Covid-19 scheme during the financial year[7]	5 546	5 546
Total reward including settled LTIs (single figure)	25 811	24 289

3 OPERATING EXPENSES continued

R thousand	2023	2022
HS Kellan (group financial director)[1]		
Cash package paid during the year	**8 661**	8 182
Retirement contributions paid during the year	**71**	67
Other allowances	**236**	193
Guaranteed package	**8 968**	8 442
Performance-related STI:		
Cash	**7 363**	6 837
– Within 6 months[2]	**5 242**	4 775
– Within 1 year	**2 121**	2 062
Share price linked – deferred 2 years (BDIP)[3]	**5 363**	4 838
Variable pay	**12 726**	11 675
Total guaranteed and variable pay	**21 694**	20 117
Value of LTI awards allocated under the CIP during the financial year[4]	**16 960**	16 000
Total reward including LTIs	**38 654**	36 117
Value of LTI awards allocated under the Covid-19 scheme during the financial year[5]	**-**	-
Single-figure reporting		
Total guaranteed and variable pay	**21 694**	20 117
Value of LTI awards settled under the CIP during the financial year[6]	**-**	-
Value of LTI awards settled under the Covid-19 scheme during the financial year[7]	**4 240**	4 240
Total reward including settled LTIs (single figure)	**25 934**	24 357
J Celliers (CEO FNB)[1]		
Cash package paid during the year	**8 249**	7 838
Retirement contributions paid during the year	**165**	149
Other allowances	**287**	246
Guaranteed package	**8 701**	8 233
Performance-related STI:		
Cash	**10 109**	9 357
– Within 6 months[2]	**7 073**	6 455
– Within 1 year	**3 036**	2 902
Share price linked – deferred 2 years (BDIP)[3]	**8 109**	7 357
Variable pay	**18 218**	16 714
Total guaranteed and variable pay	**26 919**	24 947
Value of LTI awards allocated under the CIP during the financial year[4]	**17 664**	16 664
Total reward including LTIs	**44 583**	41 611
Value of LTI awards allocated under the Covid-19 scheme during the financial year[5]	**-**	-
Single-figure reporting		
Total guaranteed and variable pay	**26 919**	24 947
Value of LTI awards settled under the CIP during the financial year[6]	**-**	-
Value of LTI awards settled under the Covid-19 scheme during the financial year[7]	**5 003**	5 003
Total reward including settled LTIs (single figure)	**31 922**	29 950

3 OPERATING EXPENSES continued

R thousand	2023	2022
E Brown (CEO RMB)[1, 8]		
Cash package paid during the year	**7 025**	-
Retirement contributions paid during the year	**116**	-
Other allowances	**61**	-
Guaranteed package	**7 202**	-
Performance-related STI:		
Cash	**10 550**	-
– Within 6 months[2]	**7 367**	-
– Within 1 year	**3 183**	-
Share price linked – deferred 2 years (BDIP)[3]	**8 550**	-
Variable pay	**19 100**	-
Total guaranteed and variable pay	**26 302**	-
Value of LTI awards allocated under the CIP during the financial year[4]	**12 500**	-
Total reward including LTIs	**38 802**	-
Value of LTI awards allocated under the Covid-19 scheme during the financial year[5]	**-**	-
Single-figure reporting		
Total guaranteed and variable pay	**26 302**	-
Value of LTI awards settled under the CIP during the financial year[6]	**-**	-
Value of LTI awards settled under the Covid-19 scheme during the financial year[7]	**1 175**	-
Total reward including settled LTIs (single figure)	**27 477**	-
J Formby (CEO RMB)[9]		
Cash package paid during the year	**1 775**	6 793
Retirement contributions paid during the year	**24**	88
Other allowances	**44**	177
Guaranteed package	**1 843**	7 058
Performance-related STI:		
Cash	**-**	11 258
– Within 6 months[2]	**-**	7 722
– Within 1 year	**-**	3 536
Share price linked – deferred 2 years (BDIP)[3]	**-**	9 258
Variable pay	**-**	20 516
Total guaranteed and variable pay	**1 843**	27 574
Value of LTI awards allocated under the CIP during the financial year[4]	**13 780**	13 000
Total reward including LTIs	**15 623**	40 574
Value of LTI awards allocated under the Covid-19 scheme during the financial year[5]	**-**	-
Single-figure reporting		
Total guaranteed and variable pay	**1 843**	27 574
Value of LTI awards settled under the CIP during the financial year[6]	**-**	-
Value of LTI awards settled under the Covid-19 scheme during the financial year[7]	**2 900**	2 900
Total reward including settled LTIs (single figure)	**4 743**	30 474

3 OPERATING EXPENSES continued

£ thousand	2023	2022
S Cooper (Aldermore CEO)[1]		
Cash package paid during the year	**757**	730
Retirement contributions paid during the year	**52**	50
Other allowances	**277**	268
Guaranteed package	**1 086**	1 048
Performance-related STI:		
Cash	**335**	276
– Within 6 months[10]	**335**	276
– Within 1 year	**-**	-
Share price linked – deferred[11]	**827**	591
Variable pay	**1 162**	867
Total guaranteed and variable pay	**2 248**	1 915
Value of LTI awards allocated under the CIP during the financial year[4, 12]	**282**	542
Total reward including LTIs	**2 530**	2 457
Single-figure reporting		
Total guaranteed and variable pay	**2 248**	1 915
Value of LTI awards settled under the CIP during the financial year[6]	**-**	-
Total reward including settled LTIs (single figure)	**2 248**	1 915

3 OPERATING EXPENSES continued

1 *FirstRand defines its prescribed officers as the group's executive directors, and the CEOs of the group's Retail and Commercial, and Corporate and Institutional segments, as well as the CEO of the Aldermore Group. These officers are members of the group strategic executive committee and attend board meetings.*

2 *Variable compensation (STI), paid in cash in respect of the year ended June, is paid in three tranches during the following year ending on 30 June, i.e. August, December and June (with interest on the deferred payments).*

3 *A portion of variable compensation is deferred as share price linked awards and vests after two years. Previously vesting was split equally over two and three years for the executive directors and prescribed officers (2019 and 2020).*

4 *Long-term incentive awards are made annually under the CIP. Vesting is subject to performance conditions and targets on a cumulative basis over three years. The value presented in the table is the LTI allocated in the financial year and is reflected at award value at grant date. Refer to note 25.*

5 *The Covid-19 retention instrument was awarded in September 2020. The award is linked to the FirstRand share price and vests in three equal proportions (tranches) over three years (September 2021, 2022 and 2023), if performance conditions are met.*

6 *For King IV single-figure reporting, the value presented in the table is the LTI vested and settled in the financial year at original award value. It is zero if conditions are not met and awards are forfeited.*

7 *For King IV single-figure reporting, the value presented in the table under the Covid-19 scheme is the LTI vested and settled at original award value in the financial year. It is zero if conditions are not met and awards are forfeited.*

8 *Emrie Brown was RMB CEO effective 1 October 2022.*

9 *James Formby was no longer a prescribed officer effective 1 October 2022, therefore his guaranteed package disclosed is for three months only.*

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

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

12 *The Aldermore LTI allocated amount is the on-target value assumed at 55% of maximum. The LTI is a 50% share price linked award and 50% deferred cash award.*

3 OPERATING EXPENSES continued

All executive directors and prescribed officers in South Africa have a notice period of one month. Steven Cooper has a notice period of 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.

Ownership of FirstRand Bank Limited

FRB is a wholly owned subsidiary of FSR.

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 2023, the outstanding portion of the Covid-19 award is the last tranche, which will vest in September 2023. Refer to the prescribed officers' outstanding incentives table on page C88 for details.

3 OPERATING EXPENSES continued

Long-term executive management retention scheme

LTEMRS[1] participation award made in December 2016	
Designation	**Awards (thousand)**
Executive directors	
AP Pullinger	188
HS Kellan	563
Prescribed officers	
J Celliers	469

[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.

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.

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date
AP Pullinger			
Deferred share price linked STI awards			
2019 (3-year deferral)	September 2019	5 100	September 2022
2020 (2-year deferral)	September 2020	1 912	September 2022
2020 (3-year deferral)	September 2020	1 913	September 2023
2021 (2-year deferral)	September 2021	5 032	September 2023
2022 (2-year deferral)	September 2022	5 912	September 2024
2023 (2-year deferral)	September 2023	6 475	September 2025
Balance deferred share price linked STIs		**26 344**	
LTI awards under the CIP[5]			
2019	September 2019	20 046	September 2022
2020	September 2020	24 000	September 2023
2021	September 2021	24 840	September 2024
2022	September 2022	26 330	September 2025
Balance LTIs		**95 216**	
LTI awards under the Covid-19 scheme[6]			
2020	September 2020	6 424	September 2022
2020	September 2020	6 425	September 2023
Balance Covid-19 award		**12 849**	
M Vilakazi			
Deferred share price linked STI awards			
2019 (3-year deferral)	September 2019	1 938	September 2022
2020 (2-year deferral)	September 2020	1 012	September 2022
2020 (3-year deferral)	September 2020	1 013	September 2023
2021 (2-year deferral)	September 2021	3 325	September 2023
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		**16 606**	
LTI awards under the CIP[5]			
2019	September 2019	10 775	September 2022
2020	September 2020	11 184	September 2023
2021	September 2021	14 000	September 2024
2022	September 2022	15 120	September 2025
Balance LTIs		**51 079**	
LTI awards under the Covid-19 scheme[6]			
2020	September 2020	5 546	September 2022
2020	September 2020	5 546	September 2023
Balance Covid-19 award		**11 092**	

	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 2023	Value on settlement in 2023[4] R thousand
	78 221	-	(78 221)	-	-	5 573
	48 738	-	(48 738)	-	-	3 182
	48 738	-	-	-	48 738	-
	81 658	-	-	-	81 658	-
	95 234	-	-	-	95 234	-
	-	-	-	-	-	-
	352 589	-	(126 959)	-	225 630	8 755
	307 455	-	-	(307 455)	-	-
	611 621	-	-	-	611 621	-
	403 156	-	-	-	403 156	-
	-	424 137	-	-	424 137	-
	1 322 232	424 137	-	(307 455)	1 438 914	-
	163 719	-	(163 719)	-	-	10 164
	163 719	-	-	-	163 719	-
	327 438	-	(163 719)	-	163 719	10 164
	29 716	-	(29 716)	-	-	2 117
	25 802	-	(25 802)	-	-	1 685
	25 802	-	-	-	25 802	-
	53 965	-	-	-	53 965	-
	70 977	-	-	-	70 977	-
	-	-	-	-	-	-
	206 262	-	(55 518)	-	150 744	3 802
	165 261	-	-	(165 261)	-	-
	285 015	-	-	-	285 015	-
	227 221	-	-	-	227 221	-
	-	243 557	-	-	243 557	-
	677 497	243 557	-	(165 261)	755 793	-
	141 331	-	(141 331)	-	-	8 774
	141 331	-	-	-	141 331	-
	282 662	-	(141 331)	-	141 331	8 774

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
HS Kellan				
Deferred share price linked STI awards				
2019 (3-year deferral)	September 2019	2 084	September 2022	
2020 (2-year deferral)	September 2020	1 150	September 2022	
2020 (3-year deferral)	September 2020	1 150	September 2023	
2021 (2-year deferral)	September 2021	3 750	September 2023	
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		**18 334**		
LTI awards under the CIP[5]				
2019	September 2019	13 440	September 2022	
2020	September 2020	13 950	September 2023	
2021	September 2021	16 000	September 2024	
2022	September 2022	16 960	September 2025	
Balance LTIs		**60 350**		
LTI awards under the Covid-19 scheme[6]				
2020	September 2021	4 240	September 2022	
2020	September 2021	4 240	September 2023	
Balance Covid-19 award		**8 480**		
J Celliers				
Deferred share price linked STI awards				
2019 (3-year deferral)	September 2019	3 144	September 2022	
2020 (2-year deferral)	September 2020	2 075	September 2022	
2020 (3-year deferral)	September 2020	2 075	September 2023	
2021 (2-year deferral)	September 2021	5 850	September 2023	
2022 (2-year deferral)	September 2022	7 357	September 2024	
2023 (2-year deferral)	September 2023	8 109	September 2025	
Balance deferred share price linked STIs		**28 610**		
LTI awards under the CIP[5]				
2019	September 2019	15 515	September 2022	
2020	September 2020	16 100	September 2023	
2021	September 2021	16 664	September 2024	
2022	September 2022	17 663	September 2025	
Balance LTIs		**65 942**		
LTI awards under the Covid-19 scheme[6]				
2020	September 2021	5 003	September 2022	
2020	September 2021	5 003	September 2023	
Balance Covid-19 award		**10 006**		

	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 2023	Value on settlement in 2023[4] R thousand
	31 959	-	(31 959)	-	-	2 277
	29 306	-	(29 306)	-	-	1 914
	29 306	-	-	-	29 306	-
	60 863	-	-	-	60 863	-
	77 924	-	-	-	77 924	-
	-	-	-	-	-	-
	229 358	-	(61 265)	-	168 093	4 191
	206 136	-	-	(206 136)	-	-
	355 530	-	-	-	355 530	-
	259 682	-	-	-	259 682	-
	-	273 196	-	-	273 196	-
	821 348	273 196	-	(206 136)	888 408	-
	108 053	-	(108 053)	-	-	6 708
	108 053	-	-	-	108 053	-
	216 106	-	(108 053)	-	108 053	6 708
	48 217	-	(48 217)	-	-	3 435
	52 880	-	(52 880)	-	-	3 453
	52 880	-	-	-	52 880	-
	94 946	-	-	-	94 946	-
	118 508	-	-	-	118 508	-
	-	-	-	-	-	-
	367 431	-	(101 097)	-	266 334	6 888
	237 961	-	-	(237 961)	-	-
	410 296	-	-	-	410 296	-
	270 458	-	-	-	270 458	-
	-	284 534	-	-	284 534	-
	918 715	284 534	-	(237 961)	965 288	-
	127 485	-	(127 485)	-	-	7 914
	127 484	-	-	-	127 484	-
	254 969	-	(127 485)	-	127 484	7 914

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
E Brown				
Deferred share price linked STI awards				
2020 (2-year deferral)	September 2020	4 650	September 2022	
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	
Balance deferred share price linked STIs		**27 925**		
LTI awards under the CIP[6]				
2019	September 2019	3 600	September 2022	
2020	September 2020	8 000	September 2023	
2021	September 2021	8 400	September 2024	
2022	September 2022	12 500	September 2025	
Balance LTIs		**32 500**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	1 175	September 2022	
2020	September 2020	1 175	September 2023	
Balance Covid-19 award		**2 350**		
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	591	September 2023-2025	
2023 (7-year deferral)	September 2023	827	September 2024-2026	
Balance deferred share price linked STIs		**1 450**		
LTI awards under the CIP[8]				
2020	September 2020	-	September 2023	
2021	September 2021	542	September 2024	
2022	September 2022	282	September 2025	
Balance LTIs		**824**		

	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 2023	Value on settlement in 2023[4] R thousand
	118 502	-	(118 502)	-	-	7 738
	103 061	-	-	-	103 061	-
	134 907	-	-	-	134 907	-
	-	-	-	-	-	-
	356 470	-	(118 502)	-	237 968	7 738
	55 215	-	-	(55 215)	-	-
	203 874	-	-	-	203 874	-
	136 333	-	-	-	136 333	-
	-	201 353	-	-	201 353	-
	395 422	201 353	-	(55 215)	541 560	-
	29 944	-	(29 944)	-	-	1 859
	29 944	-	-	-	29 944	-
	59 888	-	(29 944)	-	29 944	1 859
	-	-	-	-	-	11
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	11
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	11

3 OPERATING EXPENSES continued

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 2023 is only calculated after the annual financial statements are issued.*

2 *Deferred share price linked STI awards vesting depends on continued employment 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. 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 2023 is the market value of the total number of shares at R68.50 per share on the last trading day of the financial year (30 June 2023).*

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

5 *The 2019 LTIs failed based on the performance conditions not being met on a cumulative three-year basis, up to 30 June 2022. As such the second tranche of the Covid-19 instrument vested and was settled in September 2022, with the performance conditions being tested as at June 2023 (clawback was not applied, as the Covid-19 award performance conditions were met).*

6 *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.*

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.*

4 INDIRECT TAX AND INCOME TAX EXPENSE

	R million	2023	2022
4.1	**Indirect tax**		
	Value-added tax (net)	**(803)**	(804)
	Other	**(7)**	(1)
	Total indirect tax	**(810)**	(805)
4.2	**Income tax expense**		
	South African income tax		
	Current	**(8 157)**	(8 832)
	– Current year	**(8 208)**	(8 856)
	– Prior year adjustment	**51**	24
	Deferred income tax	**260**	875
	– Current year	**649**	535
	– Prior year adjustment	**(389)**	340
	Total South African income tax	**(7 897)**	(7 957)
	Foreign company and withholding tax	**(1)**	(1)
	– Current year	**(1)**	(1)
	Total foreign company and withholding tax	**(1)**	(1)
	South African capital gains tax	**22**	(8)
	– Deferred capital gains tax	**22**	(8)
	Total capital gains tax	**22**	(8)
	Change in tax rate adjustment	**-**	(247)
	Total income tax expense	**(7 876)**	(8 213)

In the prior year, the corporate income tax rate was lowered to 27% for companies with years of assessment commencing on or after 1 April 2022. The bank views this change in tax rate as substantively enacted from the time that it was announced by the Minister of Finance. The bank has calculated the year-end deferred tax balances at 27% for the current and prior year.

Tax rate reconciliation

%	2023	2022
Standard rate of income tax	**27.0**	28.0
Total tax has been affected by:		
Dividend income	**(3.9)**	(2.9)
Non-taxable income*	**(0.6)**	(0.6)
Prior year adjustments	**1.0**	(1.1)
Rate difference	**0.0**	0.8
Effect of capital gains tax rate	**(0.1)**	(0.0)
Disallowed expenditure**	**0.6**	0.5
Other items	**(0.6)**	(0.3)
Effective rate of tax	**23.4**	24.4

* *The majority of non-taxable income relates to non-taxable translation (gains)/losses on preference shares.*

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

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 measurement basis and in order of when the assets are expected to be realised.

	2023		
		At fair value through profit or loss	
R million	**Amortised cost**	**Mandatory**	**Designated**
ASSETS			
Cash and cash equivalents	**103 714**	**-**	**-**
Derivative financial instruments	**-**	**59 011**	**-**
Investment securities	**177 609**	**112 399**	**1**
Advances	**943 955**	**110 741**	**12 195**
Other assets	**4 994**	**-**	**-**
Amounts due by holding company and fellow subsidiaries	**59 991**	**3 214**	**-**
Non-financial assets	**-**	**-**	**-**
Total assets	**1 290 263**	**285 365**	**12 196**
	2022		
ASSETS			
Cash and cash equivalents	104 625	-	-
Derivative financial instruments	-	56 197	-
Investment securities	123 494	143 811	31
Advances	852 912	81 993	9 182
Other assets	3 760	-	-
Amounts due by holding company and fellow subsidiaries	56 726	14 027	-
Non-financial assets	-	-	-
Total assets	**1 141 517**	**296 028**	**9 213**

	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					
2023							
	-	**-**	**-**	**-**	**103 714**	**103 714**	**-**
	-	**-**	**4 296**	**-**	**63 307**	**60 820**	**2 487**
	14 903	**347**	**-**	**-**	**305 259**	**177 353**	**127 906**
	-	**-**	**-**	**-**	**1 066 891**	**371 299**	**695 592**
	-	**-**	**-**	**3 914**	**8 908**	**3 464**	**5 444**
	-	**-**	**-**	**-**	**63 205**	**40 054**	**23 151**
	-	**-**	**-**	**43 680**	**43 680**	**17 781**	**25 899**
	14 903	**347**	**4 296**	**47 594**	**1 654 964**	**774 485**	**880 479**
2022							
	-	-	-	-	104 625	104 625	-
	-	-	5 477	-	61 674	56 133	5 541
	11 216	327	-	-	278 879	187 022	91 857
	-	-	-	-	944 087	349 835	594 252
	-	-	-	2 029	5 789	3 196	2 593
	-	-	-	-	70 753	46 938	23 815
	-	-	-	41 540	41 540	17 704	23 836
	11 216	327	5 477	43 569	1 507 347	765 453	741 894

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.

R million	Amortised cost	At fair value through profit or loss: Mandatory	At fair value through profit or loss: Designated	
	2023			
LIABILITIES				
Short trading positions	**-**	**12 473**	**-**	
Derivative financial instruments	**-**	**65 783**	**-**	
Creditors, accruals and provisions	**11 100**	**-**	**-**	
Deposits	**1 326 423**	**48 726**	**6 624**	
Other liabilities	**-**	**-**	**1 122**	
Amounts due to holding company and fellow subsidiaries	**26 241**	**203**	**-**	
Tier 2 liabilities	**16 337**	**-**	**-**	
Non-financial liabilities	**-**	**-**	**-**	
Total liabilities	**1 380 101**	**127 185**	**7 746**	
	2022			
LIABILITIES				
Short trading positions	-	14 183	-	
Derivative financial instruments	-	62 932	-	
Creditors, accruals and provisions	10 608	-	-	
Deposits	1 173 712	37 586	8 728	
Other liabilities	2 868	-	873	
Amounts due to holding company and fellow subsidiaries	21 782	11 118	-	
Tier 2 liabilities	20 433	-	-	
Non-financial liabilities	-	-	-	
Total liabilities	1 229 403	125 819	9 601	

2023					
	Derivatives designated as hedging instruments	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current and non-contractual**
	-	**-**	**12 473**	**12 473**	**-**
	750	**-**	**66 533**	**65 700**	**833**
	-	**8 853**	**19 953**	**14 167**	**5 786**
	-	**-**	**1 381 773**	**1 222 355**	**159 418**
	-	**1 756**	**2 878**	**1 274**	**1 604**
	-	**-**	**26 444**	**19 147**	**7 297**
	-	**-**	**16 337**	**1 925**	**14 412**
	-	**14 282**	**14 282**	**8 328**	**5 954**
	750	**24 891**	**1 540 673**	**1 345 369**	**195 304**
2022					
	-	-	14 183	14 183	-
	7 352	-	70 284	63 317	6 967
	-	8 291	18 899	13 874	5 025
	-	-	1 220 026	1 055 344	164 682
	-	1 517	5 258	3 695	1 563
	-	-	32 900	26 786	6 114
	-	-	20 433	12 159	8 274
	-	11 684	11 684	5 901	5 783
	7 352	21 492	1 393 667	1 195 259	198 408

6 CASH AND CASH EQUIVALENTS

R million	2023	2022
Coins and bank notes	**8 680**	9 422
Money at call and short notice	**49 666**	65 720
Balances with central banks	**45 368**	29 483
Mandatory reserve balance with central banks	**32 789**	29 361
Other balances with central banks not included in mandatory reserve balance	**12 579**	122
Total cash and cash equivalents*	**103 714**	104 625

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

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

7 DERIVATIVE FINANCIAL INSTRUMENTS

Use of derivatives

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

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

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

Qualifying for hedge accounting

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

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

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 of which the future cash outflows are directly impacted by changes in FSR'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 the FirstRand 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 quantitively assess hedge effectiveness for all the cash flow and fair value hedges and 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.

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.

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

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

Derivative financial instruments – assets

	2023		2022	
R million	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting				
Cash flow hedges	180 603	2 993	178 795	4 074
– Interest rate derivatives*	174 322	1 215	176 632	2 803
– Equity derivatives	6 281	1 778	2 163	1 271
Fair value hedges	47 877	1 303	36 655	1 403
– Interest rate derivatives	47 877	1 303	36 655	1 403
Held for trading	11 330 623	59 011	5 442 698	56 197
Currency derivatives	315 333	9 765	279 987	12 397
Interest rate derivatives*	10 914 334	43 713	5 057 297	37 013
Equity derivatives	69 382	3 828	55 694	2 355
Commodity derivatives	25 806	1 514	26 219	1 185
Energy derivatives	480	59	10 551	3 154
Credit derivatives	5 288	132	12 950	93
Total derivative assets	11 559 103	63 307	5 658 148	61 674
Exchange traded	15 815	290	36 806	475
Over the counter	11 543 288	63 017	5 621 342	61 199
Total derivative assets	11 559 103	63 307	5 658 148	61 674

Derivative financial instruments – liabilities

	2023		2022	
R million	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting				
Cash flow hedges	329 694	694	318 631	7 222
– Interest rate derivatives*	329 694	694	316 181	7 162
– Equity derivatives	-	-	2 450	60
Fair value hedges	23 714	56	7 779	130
– Interest rate derivatives	23 714	56	7 779	130
Held for trading	11 674 513	65 783	5 263 734	62 932
Currency derivatives	294 839	15 265	270 452	17 748
Interest rate derivatives*	11 298 226	47 100	4 913 550	39 592
Equity derivatives	66 666	2 789	63 358	3 324
Commodity derivatives	10 616	508	2 945	586
Energy derivatives	503	53	7 413	1 525
Credit derivatives	3 663	68	6 016	157
Total derivative liabilities	12 027 921	66 533	5 590 144	70 284
Exchange traded	37 784	149	12 003	205
Over the counter	11 990 137	66 384	5 578 141	70 079
Total derivative liabilities	12 027 921	66 533	5 590 144	70 284

* *Interest rate derivatives included in cash flow hedges and in net amounts due by holding company and fellow subsidiaries note 13, achieved offset in the current year and as such the fair value is reflected on a net basis, although the notional continues to be reflected on a gross basis.*

Refer to note 13 and 29 for information on related party derivatives.

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

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 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, 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 is managed but not hedged by the bank. This benchmark interest rate risk comprises the majority of the hedged items' fair value risk. For all other hedged items, the complete cash flow of the underlying financial asset or financial liability is designated as the hedged item, where the credit risk is proven not to dominate the fair value movements as a result of this risk.

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

- 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.

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

The designated hedged items attract fixed-interest cash flows, which expose the bank to the risk of changes in the hedged item's fair value attributable to changes in the benchmark interest rate embedded in the hedged 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 accounting relationship is designated based on matching the PV01 of the hedging instrument to the hedged item. In both instances, the bank uses regression analysis 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 hedge relationship. Some hedge accounting relationships do not have 1:1 hedge ratios as the designations are not based on matching notional amounts, but rather 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 the money element contained within the fair value of the hedging instrument on designation date;
- differences in maturities of the interest rate swap and the hedged item;
- day 1 gains or losses on the hedging instrument at the inception of the hedge;
- 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 USD LIBOR ceased to exist on 30 June 2023 and all the bank's USD LIBOR hedge accounted trades were transitioned to Secured Overnight Financing Rate (SOFR) by year-end. The trades were transitioned on an economically equivalent basis and the bank applied the IFRS 9, IAS 39 and IFRS 7 amendments relating to Interest Rate Benchmark Reform to update the impacted hedge relationships and hedge documentation. These amendments provide temporary relief from applying specific hedge accounting requirements to hedge accounting relationships directly affected by an IBOR reform. The impacted hedge relationships were not discontinued and hedge ineffectiveness continued to be measured and recognised as normal. However, any hedge ineffectiveness would continue to be recognised in the income statement.

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

R million	**2023** **Notional amount**	2022 Notional amount
Fair value hedge – interest rate risk		
Interest rate derivatives – derivative assets		
USD LIBOR	**-**	566
Interest rate derivatives – derivative liabilities		
USD LIBOR	**-**	164

These derivatives were transitioned via ISDA protocols. *Refer to Note 31.4.1 – Interest rate risk in the banking book* for a detailed explanation on how FirstRand is managing the transition to ARRs.

The following table discloses the maturity of the hedging instruments included in fair value hedging relationships.

R million	**2023** **Interest rate risk** **Notional amount**	2022* Interest rate risk Notional amount
4 — 12 months	**41 936**	23 932
> 12 months	**29 655**	20 502
Total	**71 591**	44 434

* *This table has been restated to correctly reflect the notional as well as the total notional of derivatives held as hedging instruments.*

The following table discloses the average interest rate of the hedging instrument included in the fair value hedging relationships, according to their respective maturity buckets.

R million	**2023** **Average rate** **Interest rate risk** **(%)**	2022* Average rate Interest rate risk (%)
4 — 12 months	**2**	6
> 12 months*	**9**	4

* *In the prior year, 6% for derivative assets > 12 months and 2% for derivative liabilities > 12 months was presented. 'The amounts have been restated to correctly reflect the average rate interest rate risk.*

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

R million	2023 Advances	2023 Investment securities	2023 Funding liabilities*
Interest rate risk-hedged items			
Carrying amount excluding fair value hedge adjustments	**951**	**32 016**	**-**
Accumulated fair value hedge adjustments for instruments that are actively hedged	**(9)**	**(2 313)**	**-**
Total carrying amount of hedged items	**942**	**29 703**	**-**
Accumulated fair value hedge adjustments for items that have ceased to be adjusted for fair value hedge gains and losses	**-**	**(29)**	**-**
	2022		
Interest rate risk-hedged items			
Carrying amount excluding fair value hedge adjustments	-	24 234	8 287
Accumulated fair value hedge adjustments for instruments that are actively hedged	-	(1 481)	(141)
Total carrying amount of hedged items	-	22 753	8 146
Accumulated fair value hedge adjustments for items that have ceased to be adjusted for fair value hedge gains and losses	-	57	-

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

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

R million	2023	2022
Interest rate risk		
Changes in fair value for the year arising on hedging instruments		
– Interest rate derivatives	**(237)**	1 444
On hedged items attributable to the hedged risk	**409**	(1 437)
– Advances	**(9)**	-
– Investment securities – amortised cost	**528**	(1 020)
– Investment securities – FVOCI	**(133)**	(797)
– Funding liabilities*	**23**	380
Ineffectiveness recognised in NIR	**172**	7

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

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

Cash flow hedges

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

- variable Johannesburg Interbank Average Rate (JIBAR) linked advances (cash flow interest rate risk);
- prime-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.

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

Equity price risk

Equity price risk exists within the bank's employee share incentive schemes that enable 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 SBP in terms of IFRS 2, expose the bank to cash flow equity price risk due to the volatility in the share price of FirstRand.

The fair value of the IFRS 2 liability, which is predominantly driven by movements in the FirstRand share price, is economically hedged with various 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 was 120 million (2022: 80 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.

Due to the IFRS 2 award partially vesting in the prior period, the hedging relationship for the schemes no longer qualified for hedge accounting from the date the vesting terms were confirmed.

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

	2023		2022*	
	Notional amount		Notional amount	
R million	**Interest rate risk**	**Equity price risk**	Interest rate risk	Equity price risk
1 — 3 months	**26 387**	**-**	16 512	-
4 — 12 months	**136 740**	**4 497**	147 456	-
>12 months	**340 889**	**1 784**	328 845	4 613
Total	**504 016**	**6 281**	492 813	4 613

**The format of the table has been restated to reflect only the total notional of derivatives held as hedging instruments*

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

	2023		2022	
	Average rate/share price		Average rate/price	
R million	**Interest rate risk (%)**	**Equity price risk ZAR**	Interest rate risk (%)	Equity price risk ZAR
Derivative assets				
1 — 3 months	**5**	**-**	6	-
4 — 12 months	**7**	**50**	6	-
>12 months	**8**	**62**	7	42
Derivative liabilities				
1 — 3 months	**7**	**-**	6	-
4 — 12 months	**7**	**-**	5	-
>12 months	**8**	**-**	7	61

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

	2023			2022*		
R million	**Interest rate risk**	**Equity price risk**	**Total**	Interest rate risk	Equity price risk	Total
Changes in fair value for the year						
On hedging instrument	**(685)**	**683**	**(2)**	(2 841)	544	(2 297)
– Interest rate derivative	**(685)**	**-**	**(685)**	(2 841)	-	(2 841)
– Equity derivatives	**-**	**683**	**683**	-	544	544
On the hedged item subject to the hedged risk	**643**	**(960)**	**(317)**	2 682	(452)	2 230
– Advances	**614**	**-**	**614**	7 298	-	7 298
– Other funding liabilities	**29**	**-**	**29**	(4 616)	-	(4 616)
– Share-based payment liability	**-**	**(960)**	**(960)**	-	(452)	(452)
Ineffectiveness recognised in NII and operating expense*	**(42)**	**-**	**(42)**	(159)	92	(67)

* *In the prior year, the ineffectiveness recognised in NII, NIR and operating expenses for interest rate risk and equity risk was incorrectly reflected as nil. The comparative information has been updated to correctly reflect the ineffectiveness recognised.*

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

R million	Interest rate risk	Equity price risk*	Total
As at 30 June 2023			
Cash flow hedge reserve – opening balance	**(3 002)**	**623**	**(2 379)**
(Losses)/gains recognised in reserves in the current year	**(745)**	**787**	**42**
Deferred tax on reserve movement	**266**	**47**	**313**
Transfers to NII, and operating expenses (staff costs)	**(240)**	**(961)**	**(1 201)**
Hedged item affects profit or loss	**(144)**	**(961)**	**(1 105)**
Hedged future cash flows no longer expected to occur	**(96)**	**-**	**(96)**
Cash flow hedge reserve – closing balance	**(3 721)**	**496**	**(3 225)**
Cash flow hedge reserve relating to continuing hedges	**(3 485)**	**496**	**(2 989)**
Cash flow hedge reserve relating to discontinued hedges	**(236)**	**-**	**(236)**
Cash flow hedge reserve – closing balance	**(3 721)**	**496**	**(3 225)**
As at 30 June 2022			
Cash flow hedge reserve – opening balance	1 195	138	1 333
(Losses)/gains recognised in reserves in the current year	(3 816)	1 679	(2 137)
Deferred tax on reserve movement	1 575	(177)	1 398
Transfers to NII, and operating staff costs	(1 956)	(1 017)	(2 973)
Hedged item affects profit or loss	(1 377)	(708)	(2 085)
Hedged future cash flows no longer expected to occur	(579)	(309)	(888)
Cash flow hedge reserve – closing balance	(3 002)	623	(2 379)
Cash flow hedge reserve relating to continuing hedges	(3 331)	579	(2 752)
Cash flow hedge reserve relating to discontinued hedges	329	44	373
Cash flow hedge reserve – closing balance	(3 002)	623	(2 379)

* *In the prior financial year IFRS 2 award partially vested and the hedging relationship for the non-vested schemes no longer existed. The TRS derivative designated as part of this hedging relationship was therefore classified as held for trading, with fair value movements being recognised in NIR, and the portion of the cash flow hedge reserve which related to this hedge relationship was released to profit or loss.*

8 COMMODITIES

R million	2023	2022
Agricultural commodities	**2 164**	2 518
Gold	**14 931**	14 887
Platinum group metals	**157**	175
Total commodities	**17 252**	17 580

9 INVESTMENT SECURITIES

R million	2023	2022
Treasury bills	**96 686**	106 429
Other government and government guaranteed stock	**195 168**	156 470
Other dated securities	**7 819**	11 727
Other undated securities	**292**	-
Equities	**5 441**	4 396
Total gross carrying amount of investment securities	**305 406**	279 022
Loss allowance on investment securities	**(147)**	(143)
Total investment securities	**305 259**	278 879

Analysis of the impairment stages of investment securities

	2023			
	Amortised cost		FVOCI (debt)	
R million	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance
Stage 1	**177 756**	**147**	**14 903**	**-**
Total investment securities	**177 756**	**147**	**14 903**	**-**
	2022			
Stage 1	123 637	143	11 216	-
Total investment securities	123 637	143	11 216	-

In the prior year, a transfer in investment securities at amortised cost from stage 2 to stage 1 was affected due to the improved credit quality of a single counterparty. ECL for FVOCI debt instruments is calculated using the loss rate approach and is immaterial.

Repurchase agreements

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

	Investment securities (carrying amount)		Associated liabilities recognised in deposits (carrying amount)	
R million	2023	2022	2023	2022
Repurchase agreements	**4 015**	4 259	**3 848**	3 518

Both the transferred investments and related deposits under repurchase agreements are either measured at amortised cost or designated at fair value through profit or loss. The fair value of the investment securities transferred under repurchase agreements is R4 006 million (2022: R4 251 million) and that of the associated liabilities is R3 837 million (2022: R4 103 million).

9 INVESTMENT SECURITIES continued

Equity investments designated at fair value through other comprehensive income

The fair value of strategic equity investments of the bank which have been classified as non-trading equity instruments designated on initial recognition as measured at FVOCI is R348 million (2022: R327 million). These strategic investments mainly relate to the bank's investments in African Bank and CLS Group Holdings.

The FVOCI measurement was deemed more appropriate because these are strategic investments that the bank does not plan on selling.

10 ADVANCES

10.1 Category analysis of advances

R million	Notes	2023	2022
Overdrafts and cash management accounts		**79 431**	72 014
Term loans		**69 038**	53 665
Card loans		**40 882**	36 593
Instalment sales, hire purchase agreements and lease payments receivable	10.2	**141 306**	123 696
Property finance		**290 577**	270 422
Personal loans		**52 449**	48 922
Preference share agreements		**30 859**	31 466
Investment bank term loans		**179 676**	148 493
Long-term loans to group associates and joint ventures		**452**	500
Other		**54 044**	50 376
Total customer advances		**938 714**	836 147
Marketable advances		**85 647**	72 749
Assets under agreements to resell		**79 065**	70 540
Gross value of advances		**1 103 426**	979 436
Impairment and credit of fair value advances	11	**(36 535)**	(35 349)
Net advances		**1 066 891**	944 087
Gross advances – amortised cost		**979 237**	886 992
Impairment of advances – amortised cost		**(35 282)**	(34 080)
Net advances – amortised cost		**943 955**	852 912
Gross advances – fair value		**124 189**	92 444
Impairment of advances – fair value		**(1 253)**	(1 269)
Net advances – fair value		**122 936**	91 175
Net advances		**1 066 891**	944 087

10 ADVANCES continued

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

R million	2023	2022*
Within 1 year	**2 443**	3 353
Between 1 and 2 years	**1 172**	1 702
Between 2 and 3 years	**771**	724
Between 3 and 4 years	**313**	318
Between 4 and 5 years	**187**	148
More than 5 years	**75**	62
Total gross amount**	**4 961**	6 307
Unearned finance charges	**(592)**	(616)
Net amount of hire purchase and lease payments receivable	**4 369**	5 691
Instalment sales	**136 937**	118 005
Total instalment sales, hire purchase agreements and lease payments receivable	**141 306**	123 696

* *Restated. Refer to note 32.1 – Restatement of previously presented information.*

** *Hire purchase agreements and lease payment receivables relate to leases for motor vehicles and equipment. The agreements do not include contingent rentals.*

10 ADVANCES continued

Transfers and derecognition of advances in structured transactions

Transfers without derecognition

Advances with the carrying amount of R21 483 million (2022: R18 931 million) have been transferred in terms of a structured transaction. The associated liability is an intercompany liability between the bank and a subsidiary of FirstRand Investment Holdings Limited.

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 (Nitro 6, Nitro Programme and FAST) and for MotoNovo retail hire purchase advances (MotoFirst and MotoWay). During the financial year, MotoWay and Nitro 6 were closed out (notes redeemed and assets repurchased by the relevant servicer). These structured entities are consolidated by the FirstRand group. The table below discloses the carrying amount of advances and related assets held by the structured entities at 30 June, as well as the financial liabilities incurred to fund the initial acquisitions and other related liabilities. Some structured entities' financial assets have early settled and the cash held by the structured entities will be utilised to purchase additional advances post year end.

Name of securitisation	Established	Initial transaction value	Carrying value of assets R million		Carrying value of liabilities R million	
			2023	2022	**2023**	2022
FAST	July 2016	R6.8 billion	**3 846**	7 129	**2 772**	6 261
MotoFirst	October 2017	£400 million	**-**	2	**-**	2
Nitro 6	April 2018	R2 billion	**-**	23	**-**	-
Nitro Programme	May 2019	R2 billion	**215**	477	**170**	413
MotoWay	September 2019	£583 million	**-**	2 003	**-**	2 209

10 ADVANCES continued

10.4 Type of continuing involvement

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

	Carrying amount of continuing involvement recognised in the statement of financial position		Fair value of continuing involvement		Maximum exposure to loss
R million	Assets	Liabilities	Assets	Liabilities	
As at 30 June 2023					
Traditional securitisation transactions					
Derivative financial instruments	**-**	**140**	**-**	**140**	**877**
Investment securities and other investments	**2 243**	**687**	**2 250**	**687**	**2 243**
Other structured transactions					
Marketable advances	**-**	**-**	**-**	**-**	**-**
Total	**2 243**	**827**	**2 250**	**827**	**3 120**
As at 30 June 2022					
Traditional securitisation transactions					
Derivative financial instruments	11	612	11	612	2 056
Investment securities and other investments	3 851	1 318	3 849	1 318	3 851
Other structured transactions					
Marketable advances	1 018	-	1 018	-	1 018
Total	4 880	1 930	4 878	1 930	6 925

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 or contingencies related to the derecognised financial asset.

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

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

10 ADVANCES continued

10.4 Type of continuing involvement continued

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

	2023			2022		
R million	**Traditional securitisation transactions**	**Other structured transactions**	**Total**	Traditional securitisation transactions	Other structured transactions	Total
Gain at date of transfer	**565**	**-**	**565**	565	-	565
Income recognised from continuing involvement	**3 724**	**-**	**3 724**	3 639	135	3 774
– for the current period	**284**	**-**	**284**	484	10	494
– cumulative	**3 440**	**-**	**3 440**	3 155	125	3 280

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.

	2023			2022		
R million	**Traditional securitisation transactions**	**Other structured transactions**	**Total**	Traditional securitisation transactions	Other structured transactions	Total
Total undiscounted cash outflows	**3 316**	**-**	**3 316**	7 933	-	7 933
– Call	**-**	**-**	**-**	-	-	-
– 1 to 3 months	**396**	**-**	**396**	696	-	696
– 4 to 12 months	**972**	**-**	**972**	2 366	-	2 366
– 1 to 5 years	**1 948**	**-**	**1 948**	4 871	-	4 871
– Over 5 years	**-**	**-**	**-**	-	-	-

10 ADVANCES continued

10.5 Analysis of advances per class

Basis of preparation of the analysis of advances per class

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

Voluntary changes in presentation

Changes in classes – Revolving facilities

Revolving facilities have been moved from the retail other segment to personal loans. These revolving facilities are used by customers in meeting longer-term, high-value lending needs. This move will enable a single view of medium-term unsecured lending products and will align the external reporting with how these products are managed internally. The group has voluntarily updated the comparative information. Details of the comparative information that has been restated are included in Note 32.2 – Impact due to movements in the classes of advances.

Temporary stress scenario

An additional stress scenario was introduced during the financial year ended 30 June 2021 given the event-driven uncertainty in the global and South African economy. The scenario was initially introduced to capture the uncertainty around the impact of the Covid-19 pandemic and subsequently to address risks brought about by the impact of Russia's invasion of Ukraine and inflation and interest rate forecasting risks. Since June 2022, the forecasting risk associated with inflation and interest rates, have manifested in actual inflation and interest rate outcomes. This has been incorporated in the group's impairment models, therefore the application of this scenario is no longer required as at 30 June 2023.

10.6 Reconciliation of the gross advances and loss allowance on 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 on 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 LECL and other changes.

10 ADVANCES continued

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

Basis of preparation of the reconciliation continued

The movement on GCA is made up of:

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

Current year ECL provided/(released) relates to:

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

New business is broadly defined as any new product issued to a new or existing customer during the current financial year, including any increase or decrease during the current financial year. All new business is included in the new business - change in exposure line, 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 RMB corporate and investment banking portfolio.

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

Additional information relating to advances

The total contractual amount outstanding on amortised cost advances that were written off during the period and are still subject to enforcement activity is R11 164 million (2022: R13 513 million).

Included in the core lending advances is advances of R1 814 million (2022: R1 961 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 agreement to resell are also fully collateralised.

10 ADVANCES continued

10.6.1 Reconciliation of the gross carrying amount of total advances per class continued
Amortised cost – 30 June 2023

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
GCA reported as at 1 July 2022	**242 757**	**93 214**	**32 821**	**46 623**	**7 907**
– Stage 1	211 306	76 766	26 914	32 510	6 045
– Stage 2	19 649	10 463	2 229	7 149	586
– Stage 3	11 802	5 985	3 678	6 964	1 276
– Purchased or originated credit impaired	-	-	-	-	-
Transfers between stages	-	-	-	-	-
– Transfers to/(from) stage 1	(6 016)	(2 991)	(1 802)	(3 242)	(321)
Transfers into stage 1	5 873	2 296	641	1 085	156
Transfers out of stage 1	(11 889)	(5 287)	(2 443)	(4 327)	(477)
– Transfers to/(from) stage 2	2 130	728	96	(195)	69
Transfers into stage 2	11 272	4 611	1 292	2 628	369
Transfers out of stage 2	(9 142)	(3 883)	(1 196)	(2 823)	(300)
– Transfers to/(from) stage 3	3 886	2 263	1 706	3 437	252
Transfers into stage 3	5 585	3 133	1 822	4 086	375
Transfers out of stage 3	(1 699)	(870)	(116)	(649)	(123)
Current year movement	17 452	14 010	6 082	8 647	311
New business – changes in exposure	45 431	43 676	3 467	21 297	1 024
Back book – current year movement	(27 979)	(29 666)	2 615	(12 650)	(713)
– Exposures with a change in measurement basis from 12 months to LECL	(1 505)	(1 844)	185	(1 108)	1
– Other current year change in exposure/net movement on GCA	(26 474)	(27 822)	2 430	(11 542)	(714)
Purchased or originated credit impaired	-	-	-	-	-
Acquisition/(disposal) of advances	-	-	-	-	-
Transfers from/(to) other divisions	(11)	-	-	-	11
Exchange rate differences	-	-	-	-	-
Bad debts written off	(438)	(1 736)	(1 639)	(4 895)	(745)
Modifications that did not give rise to derecognition	(125)	(55)	(115)	(303)	(78)
GCA as at 30 June 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	-	-	-	-	-
Core lending advances	259 635	105 433	37 149	50 072	7 406
Assets under agreements to resell	-	-	-	-	-
Total GCA of advances at 30 June 2023	**259 635**	**105 433**	**37 149**	**50 072**	**7 406**

Retail secured and unsecured	Corporate and commercial					
Temporary stress scenario	FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Centre (including Group Treasury)	Total
-	107 711	-	45 128	260 431	50 400	886 992
(2 687)	95 656	(130)	39 417	240 834	49 467	776 098
2 687	7 428	130	4 808	17 654	269	73 052
-	4 627	-	903	1 211	664	37 110
-	-	-	-	732	-	732
-	-	-	-	-	-	-
-	(3 130)	-	708	(5 412)	127	(22 079)
-	2 388	-	3 070	1 625	165	17 299
-	(5 518)	-	(2 362)	(7 037)	(38)	(39 378)
-	1 303	-	(1 120)	3 176	(131)	6 056
-	4 591	-	2 025	6 568	36	33 392
-	(3 288)	-	(3 145)	(3 392)	(167)	(27 336)
-	1 827	-	412	2 236	4	16 023
-	1 894	-	500	2 236	54	19 685
-	(67)	-	(88)	-	(50)	(3 662)
-	9 914	-	9 262	47 292	(9 350)	103 620
-	18 585	-	22 321	100 073	1 030	256 904
-	(8 671)	-	(13 059)	(52 861)	(10 380)	(153 364)
-	(496)	-	(2 344)	(1 850)	(93)	(9 054)
-	(8 175)	-	(10 715)	(51 011)	(10 287)	(144 310)
-	-	-	-	80	-	80
-	(90)	-	-	(3 238)	1 069	(2 259)
-	-	-	-	-	-	-
-	-	-	-	2 771	436	3 207
-	(1 612)	-	(178)	(364)	(45)	(11 652)
-	5	-	-	-	-	(671)
-	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
-	115 928	-	54 212	306 254	28 195	964 284
-	-	-	-	638	14 315	14 953
-	115 928	-	54 212	306 892	42 510	979 237

10 ADVANCES continued

10.6.2 Reconciliation of the loss allowance on total advances per class continued
Amortised cost – 30 June 2023

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
ECL reported as at 1 July 2022	4 084	5 221	4 361	8 681	1 585
– Stage 1	609	779	1 130	2 065	385
– Stage 2	939	1 289	620	1 727	147
– Stage 3	2 536	3 153	2 611	4 889	1 053
– Purchased or originated credit impaired	-	-	-	-	-
Transfers between stages	-	-	-	-	-
– Transfers to/(from) stage 1	123	90	46	(145)	17
Transfers into stage 1	189	143	171	244	39
Transfers out of stage 1	(66)	(53)	(125)	(389)	(22)
– Transfers to/(from) stage 2	(92)	(289)	(281)	(727)	(23)
Transfers into stage 2	238	113	79	360	61
Transfers out of stage 2	(330)	(402)	(360)	(1 087)	(84)
– Transfers to/(from) stage 3	(31)	199	235	872	6
Transfers into stage 3	171	292	295	1 109	68
Transfers out of stage 3	(202)	(93)	(60)	(237)	(62)
Current year provision created/(released)	640	2 288	2 045	5 468	512
New business – impairment charge/(release)	388	1 501	275	2 831	91
Back book – impairment charge/(release)	252	787	1 770	2 637	421
– Exposures with a change in measurement basis from 12 months to LECL	43	(60)	190	(119)	14
– Other current year impairment charge/(release)	209	847	1 580	2 756	407
Purchased or originated credit impaired	-	-	-	-	-
Acquisition/(disposal) of advances	-	-	-	-	-
Transfers from/(to) other divisions	70	-	-	35	(105)
Exchange rate differences	-	-	-	-	-
Bad debts written off	(438)	(1 736)	(1 639)	(4 895)	(745)
ECL as at 30 June 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	-	-	-	-	-
Current year provision created/(released) per impairment stage	640	2 288	2 045	5 468	512
– Stage 1	(370)	116	(10)	112	14
– Stage 2	229	861	415	902	44
– Stage 3	781	1 311	1 640	4 454	454
– Purchased or originated credit impaired	-	-	-	-	-

Retail secured and unsecured	Corporate and commercial					
Temporary stress scenario	FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Centre (including Group Treasury)	Total
315	5 233	55	795	2 965	785	34 080
153	1 029	23	186	882	42	7 283
162	1 059	32	193	1 482	31	7 681
-	3 145	-	416	518	712	19 033
-	-	-	-	83	-	83
-	-	-	-	-	-	-
-	98	-	127	10	16	382
-	192	-	143	46	18	1 185
-	(94)	-	(16)	(36)	(2)	(803)
-	(270)	-	(113)	(100)	2	(1 893)
-	91	-	19	31	7	999
-	(361)	-	(132)	(131)	(5)	(2 892)
-	172	-	(14)	90	(18)	1 511
-	215	-	10	90	5	2 255
-	(43)	-	(24)	-	(23)	(744)
(315)	1 331	(55)	116	683	(265)	12 448
-	259	-	237	477	2	6 061
(315)	1 072	(55)	(121)	10	(267)	6 191
-	299	-	(28)	(42)	(18)	279
(315)	773	(55)	(93)	52	(249)	5 912
-	-	-	-	196	-	196
-	-	-	-	(6)	237	231
-	-	-	-	-	-	-
-	-	-	-	17	148	165
-	(1 612)	-	(178)	(364)	(35)	(11 642)
-	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
(315)	1 331	(55)	116	683	(265)	12 448
(153)	(219)	(23)	(85)	59	(27)	(586)
(162)	424	(32)	31	86	(28)	2 770
-	1 126	-	170	342	(210)	10 068
-	-	-	-	196	-	196

10 ADVANCES continued

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

Fair value – 30 June 2023

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

10 ADVANCES continued

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

Fair value – 30 June 2023

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

10 ADVANCES continued

10.6.5 Reconciliation of the gross carrying amount of total advances per class continued
Amortised cost – 30 June 2022

R million	Retail secured		Retail unsecured		
	Residential mortgages	WesBank VAF	FNB card	Personal loans*	Retail other*
GCA reported as at 1 July 2021	225 666	90 516	31 249	46 885	8 513
– Stage 1	196 375	69 224	24 553	30 658	6 175
– Stage 2	15 935	11 821	2 662	7 681	846
– Stage 3	13 356	9 471	4 034	8 546	1 492
– Purchased or originated credit impaired	-	-	-	-	-
Transfers between stages	-	-	-	-	-
– Transfers to/(from) stage 1	(2 445)	(1 051)	(628)	(1 970)	(90)
Transfers into stage 1	7 678	4 135	1 171	2 116	385
Transfers out of stage 1	(10 123)	(5 186)	(1 799)	(4 086)	(475)
– Transfers to/(from) stage 2	1 711	475	(853)	(1 058)	(46)
Transfers into stage 2	10 563	5 502	860	2 870	346
Transfers out of stage 2	(8 852)	(5 027)	(1 713)	(3 928)	(392)
– Transfers to/(from) stage 3	734	576	1 481	3 028	136
Transfers into stage 3	3 904	2 596	1 713	3 632	732
Transfers out of stage 3	(3 170)	(2 020)	(232)	(604)	(596)
Current year movement	17 617	5 985	3 618	5 903	759
New business – changes in exposure	44 607	35 585	3 239	23 066	642
Back book – current year movement	(26 990)	(29 600)	379	(17 163)	117
– Exposures with a change in measurement basis from 12 months to LECL	(1 486)	(2 833)	74	(1 648)	243
– Other current year change in exposure/net movement on GCA	(25 504)	(26 767)	305	(15 515)	(126)
Purchased or originated credit impaired	-	-	-	-	-
Acquisition/(disposal) of advances	-	(870)	-	-	-
Transfers from/(to) other divisions	(9)	-	-	-	9
Exchange rate differences	-	-	-	-	-
Bad debts written off	(469)	(2 331)	(1 970)	(5 738)	(1 329)
Modifications that did not give rise to derecognition	(48)	(86)	(76)	(427)	(45)
GCA as at 30 June 2022	242 757	93 214	32 821	46 623	7 907
– Stage 1	211 306	76 766	26 914	32 510	6 045
– Stage 2	19 649	10 463	2 229	7 149	586
– Stage 3	11 802	5 985	3 678	6 964	1 276
– Purchased or originated credit impaired	-	-	-	-	-
Core lending advances	242 757	93 214	32 821	46 623	7 907
Assets under agreements to resell	-	-	-	-	-
Total GCA of advances at 30 June 2022	242 757	93 214	32 821	46 623	7 907

* *Restated. Refer to Note 32.2 – Impact due to movements in the classes of advances.*

Retail secured and unsecured	Corporate and commercial					
Temporary stress scenario	FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Centre (including Group Treasury)	Total
-	97 001	-	41 015	225 884	36 721	803 450
(1 210)	83 139	(99)	35 561	201 210	36 325	681 911
1 210	8 064	99	4 060	22 435	107	74 920
-	5 798	-	1 394	1 423	289	45 803
-	-	-	-	816	-	816
-	-	-	-	-	-	-
-	(1 222)	-	88	211	(9)	(7 116)
-	5 103	-	2 727	2 481	19	25 815
-	(6 325)	-	(2 639)	(2 270)	(28)	(32 931)
-	(564)	-	(198)	(939)	(17)	(1 489)
-	5 515	-	2 505	2 734	24	30 919
-	(6 079)	-	(2 703)	(3 673)	(41)	(32 408)
-	1 786	-	110	728	26	8 605
-	1 900	-	419	1 266	37	16 199
-	(114)	-	(309)	(538)	(11)	(7 594)
-	12 245	-	4 319	33 696	9 709	93 851
-	18 177	-	25 287	80 997	2 038	233 638
-	(5 932)	-	(20 968)	(47 217)	7 671	(139 703)
-	(544)	-	(1 291)	(4 406)	(140)	(12 031)
-	(5 388)	-	(19 677)	(42 811)	7 811	(127 672)
-	-	-	-	(84)	-	(84)
-	-	-	-	(892)	4 007	2 245
-	-	-	-	-	-	-
-	-	-	-	1 835	-	1 835
-	(1 540)	-	(206)	(92)	(37)	(13 712)
-	5	-	-	-	-	(677)
-	107 711	-	45 128	260 431	50 400	886 992
(2 687)	95 656	(130)	39 417	240 834	49 467	776 098
2 687	7 428	130	4 808	17 654	269	73 052
-	4 627	-	903	1 211	664	37 110
-	-	-	-	732	-	732
-	107 711	-	45 128	259 762	27 077	863 000
-	-	-	-	669	23 323	23 992
-	107 711	-	45 128	260 431	50 400	886 992

10 ADVANCES continued

10.6.6 Reconciliation of the loss allowance on total advances per class continued
Amortised cost – 30 June 2022

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans*	Retail other*
ECL reported as at 1 July 2021	4 304	5 629	4 683	10 036	1 713
– Stage 1	646	708	861	2 043	286
– Stage 2	841	1 039	654	2 001	296
– Stage 3	2 817	3 882	3 168	5 992	1 131
– Purchased or originated credit impaired	-	-	-	-	-
Transfers between stages	-	-	-	-	-
– Transfers to/(from) stage 1	192	227	130	(1)	13
Transfers into stage 1	235	279	209	301	47
Transfers out of stage 1	(43)	(52)	(79)	(302)	(34)
– Transfers to/(from) stage 2	(67)	(182)	(292)	(729)	35
Transfers into stage 2	228	206	64	363	73
Transfers out of stage 2	(295)	(388)	(356)	(1 092)	(38)
– Transfers to/(from) stage 3	(125)	(45)	162	730	(48)
Transfers into stage 3	160	197	283	937	143
Transfers out of stage 3	(285)	(242)	(121)	(207)	(191)
Current year provision created/(released)	249	1 920	1 648	4 383	1 201
New business – impairment charge/(release)	347	739	194	2 577	60
Back book – impairment charge/(release)	(98)	1 181	1 454	1 806	1 141
– Exposures with a change in measurement basis from 12 months to LECL	21	(246)	231	(98)	54
– Other current year impairment charge/(release)	(119)	1 427	1 223	1 904	1 087
Purchased or originated credit impaired	-	-	-	-	-
Acquisition/(disposal) of advances	-	3	-	-	-
Transfers from/(to) other divisions	-	-	-	-	-
Exchange rate differences	-	-	-	-	-
Bad debts written off	(469)	(2 331)	(1 970)	(5 738)	(1 329)
ECL as at 30 June 2022	4 084	5 221	4 361	8 681	1 585
– Stage 1	609	779	1 130	2 065	385
– Stage 2	939	1 289	620	1 727	147
– Stage 3	2 536	3 153	2 611	4 889	1 053
– Purchased or originated credit impaired	-	-	-	-	-
Current year provision created/(released) per impairment stage	249	1 920	1 648	4 383	1 201
– Stage 1	(230)	(150)	140	25	83
– Stage 2	166	432	257	454	(184)
– Stage 3	313	1 638	1 251	3 904	1 302
– Purchased or originated credit impaired	-	-	-	-	-

* *Restated. Refer to Note 32.2 – Impact due to movements in the classes of advances.*

Retail secured and unsecured	Corporate and commercial					
Temporary stress scenario	FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Centre (including Group Treasury)	Total
332	5 761	148	956	3 915	279	37 756
129	944	124	197	1 292	27	7 257
159	1 438	24	208	2 236	14	8 910
44	3 379	-	551	297	238	21 499
-	-	-	-	90	-	90
-	-	-	-	-	-	-
-	192	-	149	114	3	1 019
-	332	-	169	128	3	1 703
-	(140)	-	(20)	(14)	-	(684)
-	(359)	-	(97)	(191)	(3)	(1 885)
-	127	-	38	11	2	1 112
-	(486)	-	(135)	(202)	(5)	(2 997)
-	167	-	(52)	77	-	866
-	255	-	21	119	3	2 118
-	(88)	-	(73)	(42)	(3)	(1 252)
(17)	1 012	(93)	45	(847)	76	9 577
-	187	-	234	677	(3)	5 012
(17)	825	(93)	(189)	(1 517)	79	4 572
-	230	-	(105)	(158)	24	(47)
(17)	595	(93)	(84)	(1 359)	55	4 619
-	-	-	-	(7)	-	(7)
-	-	-	-	(36)	471	438
-	-	-	-	-	-	-
-	-	-	-	25	(4)	21
-	(1 540)	-	(206)	(92)	(37)	(13 712)
315	5 233	55	795	2 965	785	34 080
153	1 029	23	186	882	42	7 283
162	1 059	32	193	1 482	31	7 681
-	3 145	-	416	518	712	19 033
-	-	-	-	83	-	83
(17)	1 012	(93)	45	(847)	76	9 577
24	(103)	(101)	(161)	(504)	13	(964)
3	(20)	8	82	(566)	20	652
(44)	1 135	-	124	230	43	9 896
-	-	-	-	(7)	-	(7)

10 ADVANCES continued

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

Fair value – 30 June 2022

R million	FNB commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
GCA reported as at 1 July 2021	91	91 247	1 636	92 974
– Stage 1	91	88 627	1 586	90 304
– Stage 2	-	2 465	50	2 515
– Stage 3	-	73	-	73
– Purchased or originated credit impaired	-	82	-	82
Transfers between stages	-	-	-	-
– Transfers to/(from) stage 1	-	-	8	8
Transfers into stage 1	-	-	8	8
Transfers out of stage 1	-	-	-	-
– Transfers to/(from) stage 2	-	-	(8)	(8)
Transfers into stage 2	-	-	-	-
Transfers out of stage 2	-	-	(8)	(8)
– Transfers to/(from) stage 3	-	-	-	-
Transfers into stage 3	-	-	-	-
Transfers out of stage 3	-	-	-	-
Current year movement	21	(1 250)	(255)	(1 484)
New business – changes in exposure	-	14 645	-	14 645
Back book – current year movement	21	(15 896)	(255)	(16 130)
– Exposures with a change in measurement basis from 12 months to LECL	-	(361)	-	(361)
– Other current year change in exposure/ net movement on GCA	21	(15 535)	(255)	(15 769)
Purchased or originated credit impaired	-	1	-	1
Acquisition/(disposal) of advances	-	-	200	200
Transfers from/(to) other divisions	-	-	-	-
Exchange rate differences	-	754	-	754
Bad debts written off	-	-	-	-
GCA as at 30 June 2022	112	90 751	1 581	92 444
– Stage 1	112	87 918	1 538	89 568
– Stage 2	-	1 981	43	2 024
– Stage 3	-	769	-	769
– Purchased or originated credit impaired	-	83	-	83
Core lending advances	112	44 203	1 581	45 896
Assets under agreements to resell	-	46 548	-	46 548
Total GCA of advances at 30 June 2022	112	90 751	1 581	92 444

10 ADVANCES continued

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

Fair value – 30 June 2022

R million	FNB commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
ECL reported as at 1 July 2021	-	602	111	713
– Stage 1	-	133	103	236
– Stage 2	-	377	8	385
– Stage 3	-	10	-	10
– Purchased or originated credit impaired	-	82	-	82
Transfers between stages	-	-	-	-
– Transfers to/(from) stage 1	-	-	3	3
Transfers into stage 1	-	-	3	3
Transfers out of stage 1	-	-	-	-
– Transfers to/(from) stage 2	-	-	(6)	(6)
Transfers into stage 2	-	-	-	-
Transfers out of stage 2	-	-	(6)	(6)
– Transfers to/(from) stage 3	-	-	3	3
Transfers into stage 3	-	-	3	3
Transfers out of stage 3	-	-	-	-
Current year provision created/(released)	3	512	(5)	510
New business – impairment charge/(release)	-	521	-	521
Back book v impairment charge/(release)	3	(9)	(5)	(11)
– Exposures with a change in measurement basis – from 12 months to LECL	-	(31)	-	(31)
Other current year impairment charge/(release)	3	22	(5)	20
Purchased or originated credit impaired	-	-	-	-
Acquisition/(disposal) of advances	-	-	-	-
Transfers from/(to) other divisions	-	-	-	-
Exchange rate differences	-	46	-	46
Bad debts written off	-	-	-	-
ECL as at 30 June 2022	3	1 160	106	1 269
– Stage 1	3	195	103	301
– Stage 2	-	412	3	415
– Stage 3	-	471	-	471
– Purchased or originated credit impaired	-	82	-	82
Current year provision created/(released) per impairment stage	3	513	(5)	511
– Stage 1	3	58	(4)	57
– Stage 2	-	(6)	2	(4)
– Stage 3	-	461	(3)	458
– Purchased or originated credit impaired	-	-	-	-

10 ADVANCES continued

10.7 Breakdown of temporary stress scenario

The group no longer applied the temporary stress scenario for the year ended 30 June 2023.

	2022				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Residential mortgages	-	(2 354)	2 354	-	-
WesBank VAF	-	(12)	12	-	-
Total retail secured	-	(2 366)	2 366	-	-
FNB card	-	(193)	193	-	-
Personal loans	-	(99)	99	-	-
– FNB and DirectAxis	-	(99)	99	-	-
– Covid-19 relief	-	-	-	-	-
Retail other	-	(29)	29	-	-
Total retail unsecured	-	(321)	321	-	-
Total retail secured and unsecured	-	(2 687)	2 687	-	-
FNB commercial	-	(130)	130	-	-
Total temporary stress scenario impact	-	(2 817)	2 817	-	-

2022				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
142	64	78	-	-
44	21	24	(1)	-
186	85	102	(1)	-
58	29	29	-	-
52	31	21	-	-
51	31	20	-	-
1	-	1	-	-
19	8	10	1	-
129	68	60	1	-
315	153	162	-	-
55	23	32	-	-
370	176	194	-	-

10 ADVANCES continued

10.8 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.

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

	2023			
	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	11 612	(137)	11 475	(101)
WesBank VAF	1 227	(274)	953	(55)
Total retail secured	12 839	(411)	12 428	(156)
FNB card	582	(284)	298	(115)
Personal loans*	2 619	(921)	1 698	(303)
Retail other*	124	(55)	69	(78)
Total retail unsecured	3 325	(1 260)	2 065	(496)
FNB commercial	208	(9)	199	5
Total	16 372	(1 680)	14 692	(647)

* *Restated. Refer to Note 32.2 – Impact due to movements in the classes of advances.*

The GCA in stage 2 or stage 3 of advances that previously had been modified but not derecognised, and whose improvement in credit risk has moved into stage 1, amounted to R56 million (2022: Rnil million).

	2022			
	Stage 2 and stage 3			
	Gross carrying amount before modification	Loss allowance before modification	Amortised cost before modification	Modification gain/(loss)
	709	(74)	635	(48)
	1 089	(181)	908	(85)
	1 798	(255)	1 543	(133)
	516	(263)	253	(76)
	2 442	(911)	1 531	(462)
	192	(92)	100	(10)
	3 150	(1 266)	1 884	(548)
	257	(32)	225	4
	5 205	(1 553)	3 652	(677)

11 IMPAIRMENT OF ADVANCES

11.1 Analysis of the loss allowance closing balance

R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
	2023				
	Loss allowance				
Amount as at 30 June 2023	**36 535**	**7 379**	**9 048**	**19 863**	**245**
Amortised cost	**35 282**	**7 092**	**8 561**	**19 384**	**245**
Fair value	**1 253**	**287**	**487**	**479**	**-**
Included in the total loss allowance					
On- and off-balance sheet exposure*	**36 364**	**7 315**	**8 950**	**19 854**	**245**
Letters of credit and guarantees	**171**	**64**	**98**	**9**	**-**
Components of total loss allowance as at 30 June 2023					
— Forward-looking information**	**2 974**	**1 082**	**1 540**	**352**	**-**
— Model updates#	**(90)**	**75**	**244**	**(409)**	**-**
	2022				
Amount as at 30 June 2022	35 349	7 584	8 096	19 504	165
Amortised cost	34 080	7 283	7 681	19 033	83
Fair value	1 269	301	415	471	82
Included in the total loss allowance					
On- and off-balance sheet exposure*	35 194	7 542	7 994	19 493	165
Letters of credit and guarantees	155	41	102	12	-
Components of total loss allowance as at 30 June 2022					
— Forward-looking information**	1 793	590	1 028	175	-
— Model updates#	150	(182)	305	27	-

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

** *This represents the total ECL closing balance as at 30 June that is attributable to incorporating FLI macroeconomic information into the ECL calculations. For more detail on the process of incorporating FLI into the ECL calculation, refer to accounting policy note 8.4.*

\# *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 have been approved by a governance body. The amount reflected is the additional ECL recognised at the point/date that the model update was implemented.*

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 stage

	2023				
R million	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit-impaired**
Current year ECL provided	**12 507**	**(605)**	**2 790**	**10 126**	**196**
Interest suspended on stage 3 advances	**(2 556)**	**-**	**-**	**(2 553)**	**(3)**
Current year change in ECL provided after interest suspended on stage 3 advances	**9 951**	**(605)**	**2 790**	**7 573**	**193**
Post write-off recoveries	**(2 209)**	**-**	**-**	**(2 209)**	**-**
Modification losses	**671**	**24**	**75**	**572**	**-**
Impairment recognised in the income statement – 30 June 2023	**8 413**	**(581)**	**2 865**	**5 936**	**193**
Amortised cost	**8 354**	**(562)**	**2 845**	**5 878**	**193**
Fair value*	**59**	**(19)**	**20**	**58**	**-**
	2022				
Current year ECL provided	10 088	(908)	647	10 356	(7)
Interest suspended on stage 3 advances	(2 633)	-	-	(2 633)	-
Current year change in ECL provided after interest suspended on stage 3 advances	7 455	(908)	647	7 723	(7)
Post write-off recoveries	(2 241)	-	-	(2 241)	-
Modification losses	677	-	116	561	-
Impairment recognised in the income statement – 30 June 2022	5 891	(908)	763	6 043	(7)
Amortised cost	5 380	(964)	767	5 584	(7)
Fair value*	511	56	(4)	459	-

* *No 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	Definitions 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 period. 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 or 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 period. 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 GCA 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.

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

Income statement component	Definitions and key drivers
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) less interest suspended on stage 3 advances.

11 IMPAIRMENT OF ADVANCES continued

11.2 Breakdown of ECL created in the reporting period continued

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

R million	Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage	Performing book provisions*
	2023				
	Movement in the balance sheet provisions				
Total retail secured	**143**	**(114)**	**317**	**392**	**738**
Total retail unsecured	**278**	**(315)**	**341**	**(12)**	**292**
Temporary stress scenario	**(153)**	**-**	**(162)**	**-**	**(315)**
Total retail secured and unsecured	**268**	**(429)**	**496**	**380**	**715**
Total FNB commercial	**47**	**(145)**	**143**	**(20)**	**25**
– FNB commercial	**70**	**(145)**	**175**	**(20)**	**80**
– Temporary stress scenario	**(23)**	**-**	**(32)**	**-**	**(55)**
WesBank corporate	**48**	**(6)**	**(54)**	**(28)**	**(40)**
RMB corporate and investment banking	**279**	**(164)**	**42**	**16**	**173**
Total corporate and commercial	**374**	**(315)**	**131**	**(32)**	**158**
Centre (including Group Treasury)	**4**	**(107)**	**(25)**	**2**	**(126)**
Total	**646**	**(851)**	**602**	**350**	**747**
	2022				
Total retail secured	126	(92)	77	271	382
Total retail unsecured#	225	165	(342)	(115)	(67)
Temporary stress scenario	132	(108)	137	(134)	27
Total retail secured and unsecured	483	(35)	(128)	22	342
Total FNB commercial	159	(171)	(105)	(267)	(384)
– FNB commercial	120	(31)	(113)	(267)	(291)
– Temporary stress scenario	39	(140)	8	-	(93)
WesBank corporate	21	(32)	38	(53)	(26)
RMB corporate and investment banking	335	(683)	(552)	(167)	(1 067)
Total corporate and commercial	515	(886)	(619)	(487)	(1 477)
Centre (including Group Treasury)	(34)	48	22	(9)	27
Total	964	(873)	(725)	(474)	(1 108)

* *New sub-total not previously presented.*

** *Previously presented in gross write-off and other.*

\# *Refer to note 32.2 – Impact due to movements in the classes of advances.*

	2023							
	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
	86	**824**	**2 104**	**2 928**	**180**	**(449)**	**(426)**	**2 233**
	384	**676**	**7 350**	**8 026**	**496**	**(1 618)**	**(1 327)**	**5 577**
	-	**(315)**	**-**	**(315)**	**-**	**-**	**-**	**(315)**
	470	**1 185**	**9 454**	**10 639**	**676**	**(2 067)**	**(1 753)**	**7 495**
	(313)	**(288)**	**1 562**	**1 274**	**(5)**	**(464)**	**(190)**	**615**
	(313)	**(233)**	**1 562**	**1 329**	**(5)**	**(464)**	**(190)**	**670**
	-	**(55)**	**-**	**(55)**	**-**	**-**	**-**	**(55)**
	(22)	**(62)**	**178**	**116**	**-**	**(23)**	**(35)**	**58**
	183	**356**	**379**	**735**	**-**	**(2)**	**(42)**	**691**
	(152)	**6**	**2 119**	**2 125**	**(5)**	**(489)**	**(267)**	**1 364**
	121	**(5)**	**(252)**	**(257)**	**-**	**-**	**(189)**	**(446)**
	439	**1 186**	**11 321**	**12 507**	**671**	**(2 556)**	**(2 209)**	**8 413**
	2022							
	(1 010)	(628)	2 797	2 169	134	(461)	(402)	1 440
	(1 738)	(1 805)	9 038	7 233	547	(1 763)	(1 654)	4 363
	(44)	(17)	-	(17)	-	-	-	(17)
	(2 792)	(2 450)	11 835	9 385	681	(2 224)	(2 056)	5 786
	(234)	(618)	1 539	921	(4)	(450)	(114)	353
	(234)	(525)	1 539	1 014	(4)	(450)	(114)	446
	-	(93)	-	(93)	-	-	-	(93)
	(135)	(161)	206	45	-	(10)	(23)	12
	675	(392)	57	(335)	-	(2)	(9)	(346)
	306	(1 171)	1 802	631	(4)	(462)	(146)	19
	474	501	(429)	72	-	53	(39)	86
	(2 012)	(3 120)	13 208	10 088	677	(2 633)	(2 241)	5 891

12 OTHER ASSETS

R million	2023	2022
Items in transit	**2 969**	1 657
Interest and commission accrued	**11**	11
Prepayments	**2 016**	1 645
Sundry debtors	**534**	442
Contract assets	**8**	4
Accounts receivable	**3 786**	2 326
Total gross carrying amount of other assets	**9 324**	6 085
– Financial	**5 410**	4 056
– Non-financial	**3 914**	2 029
Loss allowance on other financial assets*	**(416)**	(296)
Total other assets	**8 908**	5 789

** 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	2023	2022
Amounts due by holding company	**26**	8
Amounts due by fellow subsidiaries	**63 329**	70 884
Impairment provision on amounts due by fellow subsidiaries	**(150)**	(139)
Total amounts due by holding company and fellow subsidiaries	**63 205**	70 753
Amounts due to holding company	**(807)**	(198)
Amounts due to fellow subsidiaries	**(25 637)**	(32 702)
Total amounts due to holding company and fellow subsidiaries	**(26 444)**	(32 900)
Net amounts due by holding company and fellow subsidiaries	**36 761**	37 853

As at 30 June 2023 all amounts due from fellow subsidiaries are classified as stage 1 and there have been no transfers between the impairment stages during the year.

These loans have no fixed terms of repayment and carry varying rates of interest. Loans to fellow subsidiaries amounting to R302 million (2022: R281 million) are subject to subordination agreements until such time as their assets, fairly valued, exceed their liabilities.

Included in the above amounts are the following:

	Amounts due by fellow subsidiaries		Amounts due to fellow subsidiaries	
R million	Notional	Fair value	Notional**	Fair value**
2023				
Derivative financial instruments*	**37 351**	**3 214**	**42 728**	**203**
2022				
Derivative financial instruments	1 748 924	14 027	1 519 051	11 118

* *Interest rate derivatives included in cash flow hedges in note 7 and in this table achieved offset in the current year and as such the fair value is reflected on a net basis, although the notional continues to be reflected on a gross basis.*

** *In the prior year the notional and fair value balances were incorrectly presented as negative numbers.*

14 PROPERTY AND EQUIPMENT

	Property					
R million	Freehold property	Right of use property	Right of use equip-ment	Computer equipment	Other equip-ment	Total
Net book value at 1 July 2021	7 874	1 811	273	2 366	4 541	16 865
Cost	10 340	4 885	514	8 316	8 553	32 608
Accumulated depreciation	(2 466)	(3 074)	(241)	(5 950)	(4 012)	(15 743)
Movement for the year	(329)	(13)	46	182	(418)	(532)
Acquisitions	121	798	194	1 261	1 103	3 477
Disposals	(42)	(7)	-	(108)	(433)	(590)
Exchange rate difference	-	1	-	-	-	1
Depreciation charge for the year	(297)	(800)	(144)	(971)	(1 068)	(3 280)
Impairments recognised	(111)	-	-	-	(20)	(131)
Early terminations/modification of leases	-	(5)	(4)	-	-	(9)
Net book value at 30 June 2022	**7 545**	**1 798**	**319**	**2 548**	**4 123**	**16 333**
Cost	**10 321**	**4 661**	**704**	**8 567**	**8 122**	**32 375**
Accumulated depreciation	**(2 776)**	**(2 863)**	**(385)**	**(6 019)**	**(3 999)**	**(16 042)**
Movement for the year	**18**	**445**	**(44)**	**486**	**195**	**1 100**
Acquisitions*	**390**	**1 283**	**139**	**1 518**	**1 590**	**4 920**
Disposals	**(74)**	**(29)**	**-**	**-**	**(352)**	**(455)**
Exchange rate difference	**-**	**20**	**-**	**2**	**-**	**22**
Depreciation charge for the year	**(298)**	**(818)**	**(159)**	**(1 034)**	**(996)**	**(3 305)**
Impairments recognised	**-**	**-**	**-**	**-**	**(48)**	**(48)**
Early terminations/modification of leases	**-**	**(12)**	**(24)**	**-**	**-**	**(36)**
Net book value at 30 June 2023	**7 563**	**2 243**	**275**	**3 034**	**4 318**	**17 433**
Cost	**10 551**	**5 272**	**623**	**6 875**	**7 777**	**31 098**
Accumulated depreciation	**(2 988)**	**(3 029)**	**(348)**	**(3 841)**	**(3 459)**	**(13 665)**

* *Includes capitalised improvements to property leases of R473 million (2022: R327 million).*

15 INTANGIBLE ASSETS

R million	Goodwill	Software and development costs	Total
Net book value as at 1 July 2021	-	338	338
Cost	104	1 654	1 758
Accumulated amortisation and impairment	(104)	(1 316)	(1 420)
Movements for the year	-	174	174
Acquisitions/capitalisations	-	355	355
Amortisation for the year	-	(181)	(181)
Net book value as at 30 June 2022	**-**	**512**	**512**
Cost	**104**	**1 737**	**1 841**
Accumulated amortisation and impairment	**(104)**	**(1 225)**	**(1 329)**
Movements for the year	**-**	**275**	**275**
Acquisitions/capitalisations	**-**	**368**	**368**
Amortisation for the year	**-**	**(93)**	**(93)**
Net book value as at 30 June 2023	**-**	**787**	**787**
Cost	**-**	**2 079**	**2 079**
Accumulated amortisation and impairment	**-**	**(1 292)**	**(1 292)**

16 INVESTMENT PROPERTIES

R million	Notes	2023	2022
Opening balance		**249**	249
Fair value measurements	2.4	**32**	-
Closing balance		**281**	249

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

R million		2023	2022
Rental income from investment property	2.4	**72**	47

As at 30 June 2023 and in the prior year, the bank has no contractual obligations to purchase, construct or develop investment property nor were there costs incurred for repairs, maintenance and enhancements of investment property.

The latest valuation was performed during the 2023 financial year. Valuations are performed every two years. The next valuation is scheduled to be performed during the 2025 financial year or in the event that there is an expectation of a significant change in the fair value of investment properties.

Refer to note 27 for the significant inputs used to determine the fair value of investment properties.

17 DEFERRED INCOME TAX

R million	2023	2022
Deferred income tax asset		
Opening balance	**6 741**	4 727
Recognised in profit or loss	**282**	620
Deferred income tax on amounts charged directly to other comprehensive income	**374**	1 394
Total deferred income tax asset	**7 397**	6 741

The deferred income tax asset and deferred income tax charged/released to profit or loss are attributable to the items below.

	As at 30 June		**Recognised in income statement**	
R million	**2023**	**2022**	**2023**	**2022**
Deferred income tax asset				
Tax losses	**-**	7	**(7)**	(2)
Provision for loan impairment	**3 664**	3 493	**171**	(399)
Provision for post-employment benefits	**348**	326	**29**	19
Other provisions	**1 204**	1 347	**(143)**	596
Cash flow hedges	**1 193**	880	**-**	-
Equity instruments designated at FVOCI	**81**	85	**-**	-
Instalment credit assets	**(200)**	(186)	**(15)**	(9)
Debt instruments held at FVOCI	**(93)**	(59)	**12**	5
Financial instruments	**14**	2	**-**	-
Capital gains tax	**290**	255	**35**	100
Share-based payments	**1 456**	899	**557**	368
Deferred revenue liability	**(412)**	(288)	**(125)**	33
Other	**(148)**	(20)	**(232)**	(91)
Total deferred income tax asset	**7 397**	6 741	**282**	620

The UK has substantially enacted the global minimum Pillar 2 tax regulation, which would impact the UK branch operated by the bank. The bank is assessing the impact of applying Pillar 2 tax rules and has applied the mandatory deferred tax exemption in IAS 12.

18 SHORT TRADING POSITIONS

R million	2023	2022
Government and government guaranteed	**12 326**	13 662
Other dated securities	**147**	521
Total short trading positions	**12 473**	14 183

19 CREDITORS, ACCRUALS AND PROVISIONS

R million	2023	2022
Net unclaimed balances	**403**	637
Accounts payable**	**11 311**	10 892
Withholding tax for employees	**717**	601
Customer loyalty programme liability*	**2 069**	1 981
Payments received in advance	**582**	413
Accrued expenses	**2 604**	2 423
Audit fees accrued	**245**	207
Contract liabilities**	**100**	96
Provisions (including litigation and claims)	**1 922**	1 649
Total creditors, accruals and provisions	**19 953**	18 899

* *These balances meet the definition of contract liabilities and a reconciliation of the balance is provided below. The customer loyalty programme liability relates to eBucks and is determined by the value of unredeemed eBucks in issue that have not been converted to cash or redeemed by the customer. The timing of the customer's use of these eBucks as reward credits redeemable against future purchases with the bank or a loyalty programme strategic partner is purely at the customer's discretion.*

** *Contract liabilities was incorrectly included in accounts payable in the prior year and has been separately disclosed in the current year.*

19.1 Reconciliation of contract liabilities

R million	2023	2022
Opening balance	**2 077**	1 912
Increases due to cash received and other increases in contract liabilities	**2 377**	1 996
Revenue recognised that was included in the contract liability balance at the beginning of the period	**(2 285)**	(1 831)
Closing balance	**2 169**	2 077

19.2 Reconciliation of provisions

R million	2023	2022
Opening balance	**1 649**	833
Exchange rate differences	**154**	-
Charge to profit or loss	**187**	860
– Additional provisions created	**533**	1 251
– Unused provisions reversed	**(346)**	(391)
Utilised	**(68)**	(44)
Closing balance	**1 922**	1 649

20 DEPOSITS

R million	2023	2022
Category analysis		
Deposits from customers	**1 120 417**	1 016 956
– Current accounts	**349 520**	319 956
– Call deposits	**306 824**	284 423
– Savings accounts	**42 165**	32 609
– Fixed and notice deposits	**371 110**	317 405
– Other deposits from customers	**50 798**	62 563
Debt securities	**203 344**	158 574
– Negotiable certificates of deposit	**68 800**	35 046
– Fixed-rate and floating-rate notes*	**132 627**	122 113
– Exchange-traded notes	**1 917**	1 415
Other	**58 012**	44 496
– Repurchase agreements	**18 959**	14 630
– Securities lending	**4 331**	1 526
– Cash collateral and credit-linked notes	**32 645**	26 837
– SARB funding facility	**2 077**	1 503
Total deposits	**1 381 773**	1 220 026

* *Included in this balance are two tranches of environmental, social and governance (ESG) bonds of R958 million and R1 017 million which mature on 20 April 2027 and 2029, respectively, and bear interest linked to JIBAR. Under the terms of the ESG bonds, the bank is required to allocate the funding received to ESG projects. If the bank fails to meet these criteria, the interest rate on the ESG bonds are adjusted upwards by 15bps.*

21 EMPLOYEE LIABILITIES AND RELATED ASSETS

R million	Notes	2023	2022
Liability for short-term employee benefits		**7 612**	7 140
Share-based payment liability (detailed in note 25)		**5 392**	3 329
Defined benefit post-employment liability	21.1	**1 287**	1 207
Other long-term employee (asset)/liabilities		**(9)**	8
Defined contribution post-employment liability	21.2	**-**	-
Total employee liabilities		**14 282**	11 684

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

21.1 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-retirement medical benefits to retired employees, and a defined benefit pension plan. In terms of these plans, the bank is liable to the employees for specific payments on retirement and for any deficit in the provision of these benefits from the plan assets. The liabilities and assets of these plans are reflected as an asset or liability on the statement of financial position.

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

A separate account (the fund) has been established. The account holds assets that are used solely to pay pension benefits. For current pensioners, the fund pays a pension to the members and a 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 in the rules of the fund.

For the small number of defined benefit contributing members in the pension plan (14 members), the group is liable for any deficit in the value of accrued benefits exceeding the assets in the fund earmarked for these liabilities.

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

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

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

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

Governance	
Pension	**Medical**
The pension plan is regulated by the Financial Sector Conduct Authority in South Africa. Responsibility for governance of the plan, 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 bank and plan participants in accordance with the plan's regulations. The board consists of four representatives of the group and four representatives of the plan participants in accordance with the plan's 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 current year's valuation will be submitted for review. Annual interim actuarial valuations are performed for the trustees and for IAS 19 purposes. At the last valuation date, the fund was financially sound.	The medical plan is regulated by the Registrar of Council for Medical Schemes in South Africa. Governance of the post-employment medical aid subsidy policy lies with the 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.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Asset-liability matching strategies

The bank ensures that the investment positions are managed within an asset and liability matching (ALM) framework that has been developed to achieve long-term investment returns that are in line with the obligations under the schemes. Within this framework, the bank's ALM objective is to match assets to the pension obligations by investing in long-term fixed-interest securities with maturities that match benefit payments as they fall due. The bank actively monitors how the duration and expected yield of the investments match the expected cash outflows arising from the pension obligations. Investments are well diversified so that the failure of any single investment would not have a material impact on the overall level of assets.

The trustees of the fund have adopted an investment strategy in respect of the pensioner liabilities that largely aims to achieve 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 asset managers. The trustees receive monthly reports on the funding level of the pensioner liabilities and an in-depth attribution analysis in respect of changes in the pensioner funding level. The trustees of the fund aim to apportion an appropriate level of balanced portfolio, conservative portfolio, inflation-linked and money market assets to match the maturing defined benefit active member liabilities. It should be noted that this is an approximate matching strategy, as elements such as salary inflation and decrement rates cannot be matched. This is, however, an insignificant liability compared to the total liability of the pension fund.

Risks associated with the plans

Through its defined benefit pension plans and post-employment medical plans, the bank is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility — Assets are held in order to provide a return to back the plans' obligations, therefore any volatility in the value of these assets relative to the value of the liabilities would create a deficit.

Inflation risk — The plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. Consumer price inflation and health care cost inflation form part of the financial assumptions used in the valuation.

Life expectancy — The plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Demographic movements — The plans' liabilities are determined based on a number of best estimate assumptions on demographic movements of participants, including withdrawal and early retirement rates. This is especially relevant to the post-employment medical aid subsidy liabilities. Should fewer eligible employees withdraw and/or should more eligible employees retire earlier than assumed, the post-employment medical aid liabilities could be understated.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

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

		2023			2022		
R million	Notes	**Pension**	**Medical***	**Total**	Pension	Medical*	Total
Post-employment benefit fund liability							
Present value of funded obligation		**7 307**	**3 105**	**10 412**	8 029	3 122	11 151
Fair value of plan assets		**(7 990)**	**(1 818)**	**(9 808)**	(8 373)	(1 915)	(10 288)
– Listed equity instruments		**(1 967)**	**-**	**(1 967)**	(2 381)	-	(2 381)
– Cash and cash equivalents		**(197)**	**-**	**(197)**	(201)	-	(201)
– Debt instruments		**(2 225)**	**-**	**(2 225)**	(2 406)	-	(2 406)
– Derivatives		**(13)**	**-**	**(13)**	(9)	-	(9)
– Qualifying insurance policy		**-**	**(1 818)**	**(1 818)**	-	(1 915)	(1 915)
– Other		**(3 588)**	**-**	**(3 588)**	(3 376)	-	(3 376)
Total employee (asset)/liability		**(683)**	**1 287**	**604**	(344)	1 207	863
Limitation imposed by IAS 19 asset ceiling		**683**	**-**	**683**	344	-	344
Total net post-employment (asset)/liability		**-**	**1 287**	**1 287**	-	1 207	1 207
Total amount recognised in the income statement (included in staff costs)	**3**	**(34)**	**166**	**132**	(41)	126	85
Movement in post-employment benefit fund liability							
Present value opening balance		**-**	**1 207**	**1 207**	-	1 165	1 165
Current service cost		**3**	**32**	**35**	3	32	35
Net interest		**(37)**	**134**	**97**	(44)	94	50
Remeasurements recognised in OCI		**36**	**(64)**	**(28)**	43	(84)	(41)
– Actuarial gains/losses from financial assumptions		**(780)**	**(116)**	**(896)**	(40)	46	6
– Other remeasurements		**816**	**52**	**868**	83	(130)	(47)
Benefits paid		**-**	**(1)**	**(1)**	-	-	-
Employer contributions		**(1)**	**(21)**	**(22)**	(1)	-	(1)
Employee contributions		**(1)**	**-**	**(1)**	(1)	-	(1)
Closing balance		**-**	**1 287**	**1 287**	-	1 207	1 207

* *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.*

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

	2023			2022		
R million	Pension	Medical	Total	Pension	Medical	Total
Movement in the fair value of plan assets						
Opening balance	**8 373**	**1 915**	**10 288**	8 371	1 940	10 311
Interest income	**859**	**231**	**1 090**	832	235	1 067
Remeasurements recognised in OCI	**(527)**	**(117)**	**(644)**	(132)	(51)	(183)
Employer contributions	**1**	**21**	**22**	1	-	1
Employee contributions	**1**	**-**	**1**	1	-	1
Benefits paid and settlements	**(717)**	**(232)**	**(949)**	(700)	(209)	(909)
Closing balance	**7 990**	**1 818**	**9 808**	8 373	1 915	10 288
Reconciliation of limitation imposed by IAS 19 asset ceiling						
Opening balance	**344**	**-**	**344**	425	-	425
Interest income	**37**	**-**	**37**	44	-	44
Change in the asset ceiling, excluding amounts included in interest	**302**	**-**	**302**	(125)	-	(125)
Closing balance	**683**	**-**	**683**	344	-	344
Actual return on plan assets	**12%**	**-**		11%	-	
Included in plan assets were the following						
FirstRand Limited ordinary shares with a fair value of	**31**	**-**	**31**	39	-	39
Total exposure to FirstRand	**31**	**-**	**31**	39	-	39

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

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

	2023		2022	
%	**Pension**	**Medical**	Pension	Medical
The principal actuarial assumptions used for accounting purposes were:				
Expected rates of salary increases %	**8.7**	**-**	8.2	-
Discount rate %	**12.4**	**12.1**	10.7	12.1
Long-term increase in health costs %	**-**	**8.7**	-	9.1
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 aggregate of the current service cost and interest cost (R million)	**0.5**	**44.3**	0.6	49.6
– Effect on the defined benefit obligation (R million)	**2.6**	**325.4**	3.6	361.0
Decrease of 1%				
– Effect on the aggregate of the current service cost and interest cost (R million)	**(0.6)**	**(37.8)**	(0.6)	(41.8)
– Effect on the defined benefit obligation (R million)	**(2.5)**	**(279.0)**	(3.4)	(305.7)
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)	**237.5**	**96.9**	280.5	104.1
– Effect on the aggregate of the current service cost and interest cost (R million)	**49.1**	**12.4**	51.3	13.4
Decrease in life expectancy by 1 year				
– Effect on the defined benefit obligation (R million)	**(236.5)**	**(96.8)**	(277.9)	(103.5)
– Effect on the aggregate of the current service cost and interest cost (R million)	**(49.0)**	**(12.4)**	(50.8)	(13.3)
Estimated contributions expected to be paid to the plan in the next annual period (R million)	**2**	**-**	2	-
Net increase in rate used to value pensions, allowing for pension increases (%)	**4.9**	**3.1**	3.6	2.8
The weighted average duration of the defined benefit obligation (years)	**8.2**	**10.6**	8.9	12.0

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

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

R million	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Pension benefits	**812**	**3 415**	**52 972**	**57 199**
Post-employment medical benefits	**217**	**1 050**	**22 696**	**23 963**
Total as at 30 June 2023	**1 029**	**4 465**	**75 668**	**81 162**
Pension benefits	779	3 328	40 607	44 714
Post-employment medical benefits	207	999	24 527	25 733
Total as at 30 June 2022	986	4 327	65 134	70 447

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

Mortality rates

The normal retirement age for active members of the pension fund and post-employment medical benefit scheme is between 60 and 65.

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

The mortality rate table used for the active members of the post-employment medical benefits scheme is SA85-90. It refers to standard actuarial mortality tables for active members on a defined benefit plan, where the chance of dying before normal retirement is expressed at each age for each gender.

The average life expectancy of an employee retiring after the reporting date for pension and medical is 18 years for male and 22 years for females.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

	2023	2022
Pension		
The number of employees covered by the scheme		
Active members	**14**	14
Pensioners	**5 168**	5 353
Deferred plan participants	**245**	247
Total	**5 427**	5 614
Defined benefit obligation amounts due to		
Benefits vested at the end of the reporting period (R million)	**7 306**	8 028
– Amounts attributable to future salary increases (R million)	**64**	69
– Other benefits (R million)	**7 242**	7 959
Medical		
The number of employees covered by the scheme		
Active members	**2 300**	2 525
Pensioners	**5 052**	5 119
Total employees	**7 352**	7 644
Benefits vested at the end of the reporting period (R million)	**2 244**	2 229
Benefits accrued but not vested at the end of the reporting period (R million)	**861**	893
Conditional benefits (R million)	**861**	893
Other benefits (R million)	**2 244**	2 229

21.2 Defined contribution post-employment liability

R million	2023	2022
Post-employment defined contribution plan		
Present value of obligation	**33 270**	30 236
Present value of assets	**(33 270)**	(30 236)
Net defined contribution liability	**-**	-

The defined contribution scheme allows active qualifying 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 the 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 liability and the plan assets will increase for the purchase amount and thereafter the accounting treatment applicable to defined contribution plans will be applied to the purchased pension. It should be noted that the purchase price for a new retiree would be slightly larger than the liability determined on the accounting valuation, as the purchase price allows for a more conservative mortality assumption based on the solvency reserves of the fund.

22 OTHER LIABILITIES

R million	2023	2022
Lease liabilities	**1 756**	1 517
Funding liabilities	**1 122**	3 741
– Preference shares*	**-**	2 868
– Other	**1 122**	873
Total other liabilities	**2 878**	5 258

* *The preference shares were cumulative, redeemable and non-participating. These preference shares were issued in October 2019 and were redeemed in the current year.*

22.1 Other liabilities reconciliation

	2023			2022		
R million	**Funding liabilities**	**Lease**	**Total**	Funding liabilities	Lease	Total
Opening balance	**3 741**	**1 517**	**5 258**	3 533	1 554	5 087
Cash flow movements	**(2 874)**	**(748)**	**(3 622)**	(34)	(756)	(790)
– Proceeds from the issue of other liabilities	**1 230**	**-**	**1 230**	247	-	247
– Transfer to/from other divisions	**-**	**(1)**	**(1)**	-	-	-
– Redemption of other liabilities	**(3 964)**	**-**	**(3 964)**	(135)	-	(135)
– Principal payments towards lease liabilities	**-**	**(662)**	**(662)**	-	(673)	(673)
– Interest paid	**(140)**	**(85)**	**(225)**	(146)	(83)	(229)
Non-cash flow movements	**255**	**987**	**1 242**	242	719	961
– Fair value movement	**176**	**-**	**176**	103	-	103
– Foreign exchange	**-**	**24**	**24**	4	-	4
– New leases recognised during the year	**-**	**994**	**994**	-	648	648
– Early termination/modification of lease	**-**	**(121)**	**(121)**	-	(13)	(13)
– Interest accrued	**79**	**90**	**169**	135	84	219
Total other liabilities	**1 122**	**1 756**	**2 878**	3 741	1 517	5 258

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

The leases are usually for a period of one to five years. The leases are non-cancellable and some of the leases have the 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	Maturity dates	Interest rate	2023	2022
Fixed rate bonds			**1 430**	12 093
– ZAR denominated	19 April 2026 to 3 June 2026	8.155% — 10.19%	**1 430**	3 947
– USD denominated	23 April 2023	6.25%	**-**	8 146
Floating rate bonds			**14 907**	8 340
– ZAR denominated	3 June 2024 to 28 September 2029	Three-month JIBAR+ 188 bps to 234 bps	**14 907**	8 340
Total Tier 2 liabilities			**16 337**	20 433

23.1 Tier 2 liabilities reconciliation

R million	2023	2022
Opening balance	**20 433**	18 813
Cash flow movements	**(6 620)**	881
– Proceeds from the issue of Tier 2 liabilities	**10 486**	2 500
– Capital and interest repaid on Tier 2 liabilities*	**(17 106)**	(1 619)
Non-cash flow movements	**2 524**	739
– Foreign exchange	**787**	761
– Fair value hedging adjustment	**145**	(467)
– Interest accrued	**1 592**	445
Tier 2 liabilities	**16 337**	20 433

** Capital on Tier 2 liability was R15 579 million, and interest repaid was R1 527 million in the current year.*

24 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

24.1 Share capital and share premium classified as equity

R million	2023	2022
Ordinary shares		
Authorised		
2 000 000 shares with a par value of R2 per share	**4**	4
Issued		
1 866 836 (2022: 1 866 836) ordinary shares with a par value of R2 per share	**4**	4
All issued share capital is fully paid up		
Ordinary share premium	**16 804**	16 804
Total issued ordinary share capital and share premium	**16 808**	16 808

The dividend paid is R27 290 million (2022: R20 640 million) which resulted in a dividend per share of R14 618 (2022: R11 056).

24.2 Additional Tier 1 capital

R million	Rate	2023	2022
FRB24	3-month JIBAR plus 445 basis points	**2 265**	2 265
FRB25	3-month JIBAR plus 440 basis points	**3 461**	3 461
FRB28	3-month JIBAR plus 440 basis points	**1 400**	1 400
FRB34	3-month JIBAR plus 340 basis points	**2 804**	-
Total Additional Tier 1 capital		**9 930**	7 126

24 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES continued

24.2 Additional Tier 1 capital continued

FRB24, FRB25, FRB28 and FRB34

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), the bank may write off the notes, in whole or in part, with no obligation to pay compensation to the noteholders upon the earlier of:

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

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

The total coupon paid during the financial year was R957 million (2022: R593 million). Current tax of R258 million (2022: R166 million) was recognised in the income statement.

24.3 Other reserves

Other reserves are made up of the following:

R million	2023	2022
FVOCI reserve – debt instruments	**252**	160
FVOCI reserve – equity instruments	**(292)**	(309)
Capital redemption reserve fund	**1 345**	1 345
Other reserves	**-**	1
Total other reserves	**1 305**	1 197

25 REMUNERATION SCHEMES

R million	Note	2023	2022
The charge to profit or loss for share-based payments is as follows:			
Conditional and deferred incentive plan		**2 021**	1 087
Amount included in profit or loss	**3**	**2 021**	1 087

The purpose of these schemes is to appropriately attract, incentivise and retain managers and employees within the bank. In the prior year, the performance vesting conditions attached to the 2019 scheme were not met and part of the obligation relating to awards with market vesting conditions was reversed.

Description of the scheme and vesting conditions:

Conditional and deferred incentive plans (awards)	
IFRS 2 treatment	Cash settled
Description	The award is a notional share based on the FSR share price.
Vesting conditions	These awards vest up to three years after initial award. The awards vest if the employment and, where applicable, performance conditions are met. Awards which include performance conditions have vesting conditions 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 therefore repriced at each reporting 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 expected remaining life of the plan.
Employee related	The weighted average forfeiture rate used is based on historical forfeiture data observed over all schemes.

25 REMUNERATION SCHEMES continued

Corporate performance targets

The FSR group remuneration committee (Remco) sets the CPTs for each award based on expected macroeconomic conditions and group earnings 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 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 Remco. The Remco is permitted to adjust the final outcome of the graded vesting level downwards for predetermined issues. In terms of the scheme rules, participants are not entitled to dividends on their conditional share awards during the vesting period. For the 2019 and 2020 awards, 50% of the awards granted to non-senior employees are subject only to continued employment for the award to vest, with the remaining 50% subject to performance conditions. From 2021, awards with only time-based vesting conditions were introduced as a short-term incentive category for staff not eligible for the CIP. This is referred to as the deferred incentive plan (DIP). Awards that include both performance and time-based vesting conditions are referred to as CIP.

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

Expired schemes

2019 (Scheme did not vest at the September 2022 vesting date) – The vesting conditions of the 2019 award are set out below, with the apportionment to vesting without conditions described below.

The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment with the group and the remaining 50% of the award remains subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a super stretch target, with linear grading correlated to normalised earnings per share growth between targets. If the minimum ROE and normalised earnings per share growth conditions are met, vesting will commence at 70% and if these are not met the award will lapse.

25 REMUNERATION SCHEMES continued

	Performance conditions		
	Vesting level should both conditions be met	**ROE target (average over the 3-year performance period)***	**Normalised earnings per share growth requirement (3-year compound annual growth rate (CAGR))** FSR must achieve growth in normalised earnings per share relative to the South African consumer price index (CPI) plus real GDP growth** on a cumulative basis over the performance period from the base year end, being 30 June 2019, as set out for each vesting level indicated below:
Minimum vesting, below which the award lapses	70%	≥ 20%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI
On target performance	100%	≥ 20.5%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 1.5% to <3%
Stretch target	120%	≥ 21%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >5% to <7%
Super stretch target	120.1% to 150% (maximum vesting)	≥ 22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 7% to 10%

* *The ROE calculation is based on NAV taking into consideration adjustments (if required) resulting from, for example, material dividend policy changes, regulatory changes, IFRS changes or changes in volatile reserves.*

** *In the event that the three-year CAGR of real GDP is negative, CPI will be referenced.*

Linear vesting applies between each vesting level based on the achieved normalised earnings per share growth rate. The lower of the outcome based on the ROE or the outcome based on earnings growth will apply. During the prior year, it was determined that the group failed to achieve the minimum ROE requirement over the performance period, and Remco notified qualifying employees that the awards with market vesting conditions would consequently not vest. For employees with 50% of the award subject only to continued employment, that portion of the award vested if the employee was still in the employment of the group.

Currently open

2020 (Vesting date of September 2023) – The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment of the group. The remaining 50% of the award is subject to performance conditions.

25 REMUNERATION SCHEMES continued

For the awards subject to performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a maximum target, with linear grading correlated to normalised earnings per share growth between targets. If the minimum conditions are met, vesting will commence at 70% and if these are not met, the award will lapse.

Remco has the right to adjust the vesting level down as much as 20% if material negative outcomes for the business occur that are within management control. Examples would include:
– issues that materially damaged the group's businesses, including its reputation;
– material enterprise-wide risk and control issues, as recommended to it by the risk, capital management and compliance committee (RCCC); and
– concerns regarding adherence to the liquidity and capital management strategies in place.

The performance conditions for the 2020 award include prudential targets relating to liquidity and capital ratios, a normalised earnings per share growth target and an ROE target. The table below further stipulates the performance conditions to be fulfilled by the company and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. To achieve minimum vesting of 70%, the group must exceed the liquidity and capital targets set by the board and measured at 31 March 2023. If the conditions set for 70% vesting are not met, the award lapses and none of the other conditions described below are assessed. For any vesting above 70%, both the ROE and normalised earnings growth targets below must be met.

Vesting level*	**Performance conditions**	
	Minimum ROE requirement at 30 June 2023**	**Normalised earnings per share growth requirement (3-year CAGR)**
70.1% to 99.9%	For grading above 95%, ROE must be more than cost of equity as at issue date of award, i.e. net income after capital charge (NIACC) positive	Grading based on minimum CAGR of 4.3% up to <13.4%
100%	ROE must be more than cost of equity as at issue date of award, i.e. NIACC positive	Minimum CAGR of 13.4% up to <17.5% (100% vesting only for all growth outcomes in the range above)
100.1% to 119.9%	ROE of at least 18%	Minimum CAGR of 17.5% up to <22%
120%	ROE of at least 20%	Minimum CAGR of 22%
120.1% to 150% (maximum vesting of 150%)	ROE of at least 22%	Minimum CAGR above 22% and up to 28.2% to calculate linear grading up to 150% vesting

* *Linear grading between these vesting levels based on the growth achieved.*

** *In the event that the ROE target is not met for the higher vesting level, the vesting outcome will be constrained to the outcome relative to the ROE target, even if the earnings growth outcome could result in higher vesting outcomes.*

25 REMUNERATION SCHEMES continued

2021 (Vesting date in September 2024) – From 2021, all CIP awards have performance conditions applied to 100% of the award. The group implemented a DIP without 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 up to 20% if material negative outcomes for the business occur that are within management control. Examples would include:

- issues that materially damaged the group's businesses, including its reputation;
- material enterprise-wide risk and control issues, as recommended to it by the RCCC;
- concerns regarding the 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.

25 REMUNERATION SCHEMES continued

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*	**Minimum ROE requirement at 30 June 2024****	**Normalised earnings per share growth requirement (3-year CAGR)** FSR 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 target 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 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.*

2022 (Vesting date in September 2025) – All CIP awards are subject to performance conditions. Graded vesting applies to all the 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 super stretch target, with linear grading correlated to normalised earnings per share growth between targets.

25 REMUNERATION SCHEMES continued

Remco has the right to adjust the vesting level down as much as 20% if material negative outcomes for the business occur that are within management control. Examples would include:

– issues that materially damaged the group's businesses, including its reputation;
– material enterprise-wide risk and control issues, as recommended to it by the RCCC;
– concerns regarding adherence to the liquidity and capital management strategies in place; and
– lack of compliance with the group's climate roadmap over the three-year period.

The table below stipulates the performance conditions to be fulfilled by the group and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. If the conditions set for 50% vesting are not met, the award lapses and none of the other conditions described below are assessed. Both performance conditions must be met for vesting to occur.

	Vesting level*	Performance conditions (both conditions must be met)	
		Minimum ROE requirement**	**Normalised earnings per share growth requirement (3-year CAGR rate)#** FSR must achieve growth in normalised earnings per share relative to the South African CPI, plus real GDP growth on a cumulative basis, over the three-year performance period from the base year end, being 30 June 2022, as set out for each vesting level indicated below:
Threshold (minimum vesting, below which the award lapses)	50%	≥ 19%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 1.5%
On-target performance	100%	≥ 20.5%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 2.5%
Stretch†	120%	≥ 22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 5%
Super stretch	150%		Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 9%

* *Linear grading between these vesting levels based on the earnings growth achieved. The lower of the vesting outcome based on the ROE or the vesting outcome based on earnings growth will apply.*

** *The ROE target 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 changes or volatile reserves.*

In the event that the three-year CAGR of real GDP is negative, CPI will be referenced.

† *For vesting at 120% or above, ROE of ≥ 22% is required. The vesting level between 120% and 150% will be determined through linear grading linked to the earnings growth CAGR, with the maximum vesting at 150%, at a level of real GDP growth plus CPI plus 9% over the three-year period.*

25 REMUNERATION SCHEMES continued

The significant weighted average assumptions used to estimate the fair value of the conditional share awards granted are detailed below.

	Conditional and deferred incentive plan (FirstRand shares)	
	2023	2022
Award life (years)	**1 – 3**	2 – 4
Risk-free rate (%)	**8.58 – 9.45**	5.03 – 8.44

	Conditional and deferred incentive plan (FirstRand shares)	
Share awards outstanding	**2023**	2022
Number of awards in force at the beginning of the year (millions)	**106.2**	90.9
Number of awards granted during the year (millions)	**43.7**	47.4
Number of awards transferred (within the group) during the year (millions)	**(0.1)**	(0.9)
Number of awards exercised/released during the year (millions)	**(14.6)**	(9.9)
– Market value range at date of exercise/release (cents)*	**6 017 – 6 726**	5 328 – 6 537
– Weighted average (cents)	**6 210**	6 135
Number of awards forfeited during the year (millions)**	**(6.8)**	(21.3)
Number of awards in force at the end of the year (millions)	**128.4**	106.2

	Conditional and deferred incentive plan (FirstRand shares)			
	2023		2022	
Share awards outstanding#	**Weighted average remaining life (years)**	**Outstanding awards (millions)**	Weighted average remaining life (years)	Outstanding awards (millions)
Vesting during 2022	**-**	**0.1**	0.29	14.7
Vesting during 2023	**0.27**	**57.4**	1.33	60.7
Vesting during 2024	**1.35**	**38.7**	2.29	30.8
Vesting during 2025	**2.31**	**32.2**	-	-
Total conditional awards		**128.4**		106.2
Number of participants		**4 881**		4 718

* *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.*

** *Scheme vesting during 2022 (i.e. the 2019 award) failed to vest due to the performance conditions attached to the scheme not being achieved. Awards with only service conditions attached to the scheme vested during 2022.*

\# *Years referenced in the rows relate to calendar years and not financial years.*

26 CONTINGENCIES AND COMMITMENTS

R million	2023	2022
Contingencies and commitments		
Guarantees (endorsements and performance guarantees)	**50 630**	46 141
Letters of credit	**13 547**	13 246
Total contingencies	**64 177**	59 387
Irrevocable commitments	**177 859**	155 143
Committed capital expenditure*	**4 844**	4 857
Legal proceedings**	**188**	178
Other	**-**	39
Total contingencies and commitments	**247 068**	219 604
Guarantees		
Guarantees consisting predominantly of endorsements and performance guarantees granted to other FirstRand group companies amount to:	**15 259**	10 169

* *Commitments in respect of capital expenditure and long-term investments approved by the directors.*

** *There is a small number of potential legal claims against the bank, the outcome of which is uncertain at present. These claims are not regarded as material, either on an individual or a total basis, and arise during the normal course of business. On-balance sheet provisions are only raised for claims that are expected to materialise.*

26.1 Future minimum lease payments receivable under operating leases where the bank is the lessor

The bank owns various assets that are leased to third parties under non-cancellable operating leases as part of the bank's revenue-generating operations. The minimum future lease payments under non-cancellable operating leases on assets where the bank is the lessor are detailed below.

	2023			
R million	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Property	**73**	**265**	**136**	**474**
Motor vehicles	**1 151**	**1 927**	**230**	**3 308**
Total receivable under non-cancellable operating leases	**1 224**	**2 192**	**366**	**3 782**
	2022			
Property	51	191	9	251
Motor vehicles	1 002	1 658	250	2 910
Total receivable under non-cancellable operating leases	1 053	1 849	259	3 161

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

27 FAIR VALUE MEASUREMENTS continued

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.

Measurement of assets and liabilities at level 2 and level 3

The table below sets out the valuation techniques applied by the bank for recurring fair value measurements of assets and liabilities categorised as level 2 and level 3.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs – level 2	Unobservable inputs – level 3
Derivative financial instruments				
Forward rate agreements, forwards and swaps	Discounted cash flow	Future cash flows are projected using a related forecasting curve or referencing a traded future contract price and then discounted using a market-related discounting curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, future contract prices, credit and currency basis curves and spot prices	Unobservable market interest rates, credit and currency basis curves
Options and equity derivatives	Option pricing and industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and by applying extrapolation techniques to match the appropriate risk profile.	Strike price of the option, market-related discount rate spot or forward rate, the volatility of the underlying, dividends and listed share prices	Volatilities, dividends and unlisted share prices
Advances to customers				
Advances under repurchase agreements, and other advances	Discounted cash flow	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. For advances under repurchase agreements, credit inputs are an insignificant input as the advance is fully collateralised.	Market interest rates, credit inputs and listed prices of an underlying	Credit inputs and market risk correlation factors

27 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs – level 2	Unobservable inputs – level 3
Advances to customers continued				
		For some advances under repurchase agreements, the amount repayable is referenced to a listed price of an underlying. In the case where the fair value of the credit is not significant year-on-year but may become significant in future, and where the South African counterparties do not have actively traded or observable credit spreads, the bank classifies other loans and advances to customers as level 3 in the fair value hierarchy.		
Corporate and investment banking book	Discounted cash flow	Future cash flows are discounted using a market-related interest rates, adjusted for credit inputs. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances. Where credit risk has a significant impact on the fair value measurement, these advances are classified as level 3 on the fair value hierarchy.	Market interest rates	Credit inputs
Investment securities				
Equities listed in an inactive market	Discounted cash flow	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using a market-related interest rate.	Market interest rates	Price earnings (P/E) ratios
Unlisted equities	P/E model and discounted cash flows	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.	Market transactions and market interest rates	Growth rates and P/E ratios

27 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs – level 2	Unobservable inputs – level 3
Investment securities continued				
		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.		
Unlisted bonds, bonds listed in an inactive market or negotiable certificates of deposit (NCD)	Discounted cash flow	Future cash flows are discounted using a market-related interest rate adjusted for credit inputs over the contractual period. Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate. Where the valuation technique incorporates significant inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Market interest rates, credit inputs and market quotes for NCD instruments	Credit inputs
Treasury bills and other government and government-guaranteed stock	Exchange prices; Exchange yields converted into a price using specific debt market bond pricing models; Discounted cash flow	Instrument fair values are determined by either marking to exchange traded prices, converting exchange yields into prices by applying the specific debt market trading models, for example JSE/BESA or by discounting the cashflows 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

27 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs – level 2	Unobservable inputs – level 3
Investment securities continued				
		Third-party valuations are reviewed by the relevant operating business's investment committee on a regular basis. Where these underlying investments are listed, third-party valuations can be corroborated with reference to listed share prices and other market data and are thus classified as level 2 of the fair value hierarchy.		
Investment properties				
Investment properties	Discounted cash flow	The fair value of investment properties is determined by obtaining a valuation from an independent professional valuer not related to the bank. This fair value is based on a discounted cash flow model which is the sum of the present values of a stream of cash flows into the future with an appropriate exit or terminal value. Considerations related to above-and below-market rentals, fluctuating expenses and general property risk are factored into the model. Variables are obtained through surveys and comparable recent market transactions not publicly quoted. Professional valuations are performed every two years and are reviewed internally by management. The fair value was based on unobservable income capitalisation rate inputs.	N/A	Expected rentals, capitalisation and exit/terminal rates
Deposits				
Call and non-term deposits	Discounted cash flow or the undiscounted amount is used	Cash flows are discounted with the interest rates derived from the appropriate curve to arrive at the present value. Where the deposit has a demand feature, the undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. The fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	Market interest rates	N/A

27 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs – level 2	Unobservable inputs – level 3
Deposits				
Deposits referencing credit-linked instruments and other deposits	Discounted cash flow	The related forecasting curve adjusted is for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates	Credit inputs, market risk and correlation factors
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

27 FAIR VALUE MEASUREMENTS continued

27.2.1 Fair value hierarchy and measurements continued

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.

	2023			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	**290**	**62 065**	**952**	**63 307**
Advances	**-**	**62 941**	**59 995**	**122 936**
Investment securities	**81 140**	**44 487**	**2 023**	**127 650**
Commodities	**17 252**	**-**	**-**	**17 252**
Investment properties	**-**	**-**	**281**	**281**
Amounts due by holding company and fellow subsidiaries	**-**	**3 214**	**-**	**3 214**
Total assets measured at fair value	**98 682**	**172 707**	**63 251**	**334 640**
Liabilities				
Recurring fair value measurements				
Short trading positions	**11 993**	**480**	**-**	**12 473**
Derivative financial instruments	**149**	**63 907**	**2 477**	**66 533**
Deposits	**1 325**	**47 370**	**6 655**	**55 350**
Other liabilities	**-**	**1 122**	**-**	**1 122**
Amounts due to holding company and fellow subsidiaries	**-**	**(203)**	**-**	**(203)**
Total liabilities measured at fair value	**13 467**	**112 676**	**9 132**	**135 275**

	2022			
	Level 1	Level 2	Level 3	Total fair value
	475	60 553	646	61 674
	-	48 573	42 602	91 175
	68 774	85 425	1 186	155 385
	17 580	-	-	17 580
	-	-	249	249
	-	14 027	-	14 027
	86 829	208 578	44 683	340 090
	14 183	-	-	14 183
	205	67 872	2 207	70 284
	1 103	39 821	5 390	46 314
	-	873	-	873
	-	11 118	-	11 118
	15 491	119 684	7 597	142 772

27 FAIR VALUE MEASUREMENTS continued

27.2.2 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.

	2023		
R million	**Transfers in**	**Transfers out**	**Reasons for significant transfers in**
Level 1	**-**	**(679)**	-
Level 2	**507**	**-**	Increased liquidity for derivative financial instruments (options) that are approaching maturity, resulted in transfers from level 3 to level 2 due to the significant inputs becoming more observable during the current period.
Level 3	**679**	**(507)**	Investment securities whose fair value had been observable in a traded market no longer met the criteria for level 1 as the market has become illiquid and the fair value was determined using significant unobservable inputs.
Total transfers	**1 186**	**(1 186)**	

	2022		
	Transfers in	Transfers out	Reasons for significant transfers in
	688	(41)	The market for certain investment securities has become liquid in the current year which resulted in transfers from level 3 into level 1.
	608	(1 405)	Increased liquidity in the market for certain investment securities as well as equity-linked deposits that are approaching maturity, resulted in transfers from level 3 to level 2 due to the significant inputs becoming more observable during the current period.
	1 446	(1 296)	Investment securities and equity-linked deposits, whose fair value had been observable in a traded market no longer met the criteria for level 1 and level 2, as the market has become illiquid and the fair value was determined using significant unobservable inputs.
	2 742	(2 742)	

27 FAIR VALUE MEASUREMENTS continued

27.3 Additional disclosures for level 3 financial instruments

27.3.1 Changes in level 3 instruments with recurring fair value measurements

The following table shows a reconciliation of the opening and closing balances for assets and liabilities measured at fair value on a recurring basis classified as level 3 in terms of the fair value hierarchy.

R million	Derivative financial assets	Advances	Investment securities	Investment properties
Balance as at 30 June 2021	1 205	31 487	1 721	249
Gains/(losses) recognised in profit or loss	(30)	1 634	153	-
Gains/(losses) recognised in other comprehensive income	-	-	8	-
Purchases, sales, issue and settlements	(515)	8 887	6	-
Net transfer to level 3	(14)	-	(702)	-
Exchange rate differences	-	594	-	-
Balance as at 30 June 2022	**646**	**42 602**	**1 186**	**249**
Gains/(losses) recognised in profit or loss	**1 030**	**5 088**	**107**	**32**
Gains/(losses) recognised in other comprehensive income	**-**	**-**	**21**	**-**
Purchases, sales, issue and settlements	**(334)**	**11 554**	**30**	**-**
Net transfer to level 3	**(390)**	**-**	**679**	**-**
Exchange rate differences	**-**	**751**	**-**	**-**
Balance as at 30 June 2023	**952**	**59 995**	**2 023**	**281**

Decreases in level 3 assets and liabilities are included in brackets. Decreases in the value of assets are as a result of losses, sales and settlements. Decreases in the value of liabilities are as a result of gains or settlements.

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

	Derivative financial liabilities	Deposits
	1 595	4 254
	1 341	111
	-	-
	(329)	(241)
	(400)	1 266
	-	-
	2 207	**5 390**
	1 553	**885**
	-	**-**
	(1 166)	**380**
	(117)	**-**
	-	**-**
	2 477	**6 655**

27 FAIR VALUE MEASUREMENTS continued

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

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

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

	2023		2022	
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	**640**	**-**	117	-
Advances*	**4 618**	**-**	1 339	-
Investment securities	**264**	**8**	384	-
Investment properties	**32**	**-**	-	-
Total	**5 554**	**8**	1 840	-
Liabilities				
Derivative financial instruments	**(1 448)**	**-**	(1 268)	-
Deposits	**(1 065)**	**-**	(122)	-
Total	**(2 513)**	**-**	(1 390)	-

* *Amount is mainly accrued interest on fair value advances and movements in interest rates and foreign currency that has been economically hedged. These advances are classified as level 3 primarily, 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 FAIR VALUE MEASUREMENTS continued

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

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

<table>
<tr><th rowspan="2">Asset/ liability</th><th colspan="4">2023</th></tr>
<tr><th>Significant unobservable inputs</th><th>Unobservable input to which reasonably possible changes are applied</th><th colspan="2">Reasonably possible changes applied</th></tr>
<tr><td rowspan="8">Derivative financial instruments</td><td rowspan="8">Volatilities</td><td rowspan="8">Volatilities, yields, interest rates, credit spreads</td><td colspan="2">A 10% relative stress [i.e.: (1 ± 10%) * base input] of the following base inputs</td></tr>
<tr><td>Exposure</td><td>Unobservable Input</td></tr>
<tr><td>Options</td><td>Volatility</td></tr>
<tr><td>Nominal Bonds</td><td>Yield</td></tr>
<tr><td>Inflation Bonds</td><td>Real Yield</td></tr>
<tr><td>Currency basis</td><td>Rate Curve</td></tr>
<tr><td>Credit</td><td>Credit spreads</td></tr>
<tr><td>Interest rates</td><td>Rate Curve</td></tr>
<tr><td>Advances</td><td>Credit</td><td>Credit migration matrix</td><td colspan="2">The PD is adjusted either upwards or downwards in relation to the base case.</td></tr>
<tr><td>Investment securities</td><td>Credit, growth rates and P/E ratios of unlisted investments</td><td>Credit, growth rates or P/E ratios of unlisted investments</td><td colspan="2">Increased and decreased by between 7% and 10%, depending on the nature of the instrument.</td></tr>
<tr><td>Investment properties</td><td>Expected rentals, capitalisation and exit/terminal rates</td><td>Escalation rates applied to rentals and discount rates</td><td colspan="2">Expected rentals are adjusted for comparable rentals. A range of capitalisation rates were used to assess reasonability of the rate(s) used.</td></tr>
<tr><td>Deposits</td><td>Credit inputs</td><td>Credit inputs, correlation and devaluation parameters</td><td colspan="2">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.</td></tr>
</table>

27 FAIR VALUE MEASUREMENTS continued

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

	2023			2022		
		Reasonably possible alternative fair value			Reasonably possible alternative fair value	
R million	**Fair value**	**Using more positive assumptions**	**Using more negative assumptions**	Fair value	Using more positive assumptions	Using more negative assumptions
Assets						
Derivative financial instruments	**952**	**1 028**	**875**	646	703	589
Advances	**59 995**	**60 068**	**59 922**	42 602	42 631	42 564
Investment securities	**2 023**	**2 107**	**1 955**	1 186	1 268	1 119
Investment properties	**281**	**310**	**258**	249	280	186
Total financial assets measured at fair value in level 3	**63 251**	**63 513**	**63 010**	44 683	44 882	44 458
Liabilities						
Derivative financial instruments	**2 477**	**2 394**	**2 542**	2 207	2 114	2 305
Deposits	**6 655**	**6 503**	**6 808**	5 390	5 365	5 416
Total financial liabilities measured at fair value in level 3	**9 132**	**8 897**	**9 350**	7 597	7 479	7 721

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 on the statement of financial position, but for which fair value is required to be disclosed. For all other financial instruments, the carrying value is equal to or is a reasonable approximation of the fair value.

R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
	2023				
Assets					
Advances	**943 955**	**955 832**	**-**	**147 848**	**807 984**
Investment securities	**177 609**	**171 925**	**110 210**	**60 482**	**1 233**
Total assets at amortised cost	**1 121 564**	**1 127 757**	**110 210**	**208 330**	**809 217**
Liabilities					
Deposits	**1 326 423**	**1 327 608**	**42**	**1 327 476**	**90**
Other liabilities	**-**	**(1)**	**(1)**	**-**	**-**
Tier 2 liabilities	**16 337**	**16 421**	**-**	**16 421**	**-**
Total liabilities at amortised cost	**1 342 760**	**1 344 028**	**41**	**1 343 897**	**90**
	2022				
Assets					
Advances	852 912	861 762	-	148 344	713 418
Investment securities	123 494	118 109	89 428	28 681	-
Total assets at amortised cost	976 406	979 871	89 428	177 025	713 418
Liabilities					
Deposits	1 173 712	1 175 089	-	1 175 043	46
Other liabilities	2 868	2 864	-	2 864	-
Tier 2 liabilities	20 433	20 607	-	20 607	-
Total liabilities at amortised cost	1 197 013	1 198 560	-	1 198 514	46

27 FAIR VALUE MEASUREMENTS continued

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	**2023**	2022
Opening balance	**343**	109
Day 1 profits or losses initially not recognised on financial instruments recognised in the current year	**169**	368
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(317)**	(134)
Closing balance	**195**	343

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 fair value through profit or loss is calculated by stripping out the movements that result from a change in market factors that give rise to market risk. The change in fair value due to credit risk is then calculated as the balancing figure, after deducting the movement due to market risk from the total movement in fair value.
Financial liabilities	Determined with reference to changes in the MTM yields of own issued bonds. The change in fair value of financial liabilities due to changes in credit risk is immaterial.

27 FAIR VALUE MEASUREMENTS continued

27.6.1 Financial assets designated at fair value through profit or loss

The bank has designated certain financial assets at fair value through profit or loss that would otherwise have been measured at amortised cost or FVOCI. The table below contains details on the change in credit risk attributable to these financial assets. Losses are indicated in brackets.

	2023			
			Change in fair value due to credit risk	
R million	**Carrying value**	**Mitigated credit risk**	**Current period**	**Cumulative**
Advances	**13 448**	**772**	**(79)**	**273**
Total	**13 448**	**772**	**(79)**	**273**
	2022			
Advances*	10 451	1 080	(87)	236
Total	10 451	1 080	(87)	236

* *Losses are indicated in brackets.*

27.6.2 Financial liabilities designated at fair value through profit or loss

	2023		2022	
R million	**Fair value**	**Contractually payable at maturity**	Fair value	Contractually payable at maturity
Deposits	**6 624**	**5 914**	8 728	8 355
Other liabilities	**1 122**	**1 122**	873	873
Total	**7 746**	**7 036**	9 601	9 228

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

R million	**2023**	2022
Total fair value income for the year has been disclosed as:		
Fair value gains and losses included in non-interest revenue*	**3 381**	2 432
Fair value of credit of advances included in the impairment of advances	**(59)**	(511)

* *Refer to note 2.3.*

28 SEGMENT INFORMATION

28.1 Reportable segments

Segment reporting	
Bank's chief operating decision maker	Chief executive officer (CEO)
Identification and measurement of operating segments	Aligned with internal reporting provided to the CEO and reflect 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 are 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
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 consumer, small business, agricultural, medium-sized corporate, parastatal and government entities. FNB's products cover the entire spectrum of financial services – transactional, lending, investment and savings – and include mortgage loans, credit and debit cards, personal loans, and savings and investment products. Services include transactional, deposit-taking and card-acquiring services, as well as credit facilities and FNB distribution channels (branch network, ATMs, banking app, call centres, cellphone banking and online). DirectAxis forms part of a personal loans cluster alongside FNB loans.
FNB broader Africa	Comprises a support division acting as strategic enabler, facilitator and coordinator for FNB's broader Africa businesses.
	Products and services
WesBank	WesBank represents the bank's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of South Africa.

28 SEGMENT INFORMATION continued

Reportable segments	
	Products and services
RMB	RMB represents the bank's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. RMB offers advisory, financing, trading, corporate banking and principal investing solutions.
CENTRE (INCLUDING GROUP TREASURY)	
Key group-wide functions	Group-wide functions include Group Treasury (capital, liquidity and financial resource management (FRM)), and Group Support (which includes Group Human Capital, Group Finance, Group Tax, Compliance, Enterprise Risk Management (ERM) and Group Internal Audit). This reportable segment includes management accounting entries. The total operational performance of MotoNovo's back book (i.e. business written prior to the integration with Aldermore) is included in Centre.

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. Other normalised adjustments have an impact on the profit or loss reported for the year.

28 SEGMENT INFORMATION continued

Normalised adjustments	
Margin-related items included in fair value income	In terms of IFRS, the bank is either required to or has elected to measure certain financial assets and liabilities at fair value through profit or loss. In terms of the bank's IFRS accounting policies, the gains or losses in 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 USD funding and liquidity pool.
IAS 19 remeasurement of plan assets	In terms of IAS 19, interest income is recognised on the plan assets and set off against staff costs in the income statement. All other remeasurements of plan assets are recognised in 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 for the value of the interest on the plan assets and increasing OCI.

28 SEGMENT INFORMATION continued

Normalised adjustments	
Cash-settled share-based payments and the economic hedge	The bank entered into various TRS with external parties in order to economically hedge itself against the exposure to changes in the FirstRand share price associated with the bank's LTI schemes. In accordance with IFRS 2, the expense resulting from these 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 the recognition of the fair value gain or loss on the hedging instrument to the specific reporting period in which the IFRS 2 impact will manifest in the bank's results. This reflects the economic substance of the hedge and associated IFRS 2 impact 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 is equal to the grant date fair value of the awards given.

28 SEGMENT INFORMATION continued

28.3 Reportable segments

	2023			
R million	FNB	FNB Broader Africa	WesBank	
Net interest income before impairment of advances	38 821	(19)	4 867	
Impairment and fair value of credit of advances	(6 373)	-	(1 795)	
Net interest income after impairment of advances	32 448	(19)	3 072	
Non-interest revenue	28 335	1 297	2 918	
Net income from operations	60 783	1 278	5 990	
Operating expenses	(34 823)	(1 706)	(4 312)	
Income before indirect tax	25 960	(428)	1 678	
Indirect tax	(652)	(1)	(53)	
Profit before income tax	25 308	(429)	1 625	
Income tax expense	(6 835)	116	(439)	
Profit for the year	18 473	(313)	1 186	
The income statement includes				
Total staff expenditure*	(22 671)	(354)	(1 932)	
Depreciation	(2 362)	(4)	(794)	
Amortisation	(10)	-	(8)	
Net impairment charges	(174)	-	16	
Non-interest revenue includes the following external revenue from contracts with customers:**				
Banking fees and commissions	29 135	(8)	710	
Non-banking fees and commissions	725	-	10	
Insurance income (excluding risk-related income)	358	-	79	
Management, trust and fiduciary fees	555	-	537	
Other non-interest revenue from customers	1 215	-	399	
The statement of financial position includes				
Total assets†	473 913	257	157 198	
Total liabilities#†	450 950	685	155 248	

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

* *Total staff expenditure has been presented separately in line with the JSE's report on the proactive monitoring of financial statements recommendations.*

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

\# *Total liabilities are net of interdivisional balances.*

† *Interest rate derivatives included in total assets and total liabilities for RMB and the Centre (including Group Treasury) achieved off set in the current year, however the gross position has been presented in RMB, with the netting affected in the Centre segment.*

	2023					
	Retail and commercial	RMB	Centre (including Group Treasury)	FirstRand Bank – normalised	Normalised adjustments	FirstRand Bank – IFRS
	43 669	8 716	3 617	56 002	(1 490)	54 512
	(8 168)	(691)	446	(8 413)	-	(8 413)
	35 501	8 025	4 063	47 589	(1 490)	46 099
	32 550	9 209	(1 469)	40 290	1 348	41 638
	68 051	17 234	2 594	87 879	(142)	87 737
	(40 841)	(10 940)	(1 674)	(53 455)	255	(53 200)
	27 210	6 294	920	34 424	113	34 537
	(706)	(190)	86	(810)	-	(810)
	26 504	6 104	1 006	33 614	113	33 727
	(7 158)	(1 648)	958	(7 848)	(28)	(7 876)
	19 346	4 456	1 964	25 766	85	25 851
	(24 957)	(6 024)	(2 018)	(32 999)	302	(32 697)
	(3 160)	(144)	(1)	(3 305)	-	(3 305)
	(18)	(75)	-	(93)	-	(93)
	(158)	-	-	(158)	(48)	(206)
	29 837	3 877	(16)	33 698	-	33 698
	735	18	15	768	-	768
	437	-	-	437	-	437
	1 092	244	-	1 336	-	1 336
	1 614	(1 757)	1 682	1 539	(6)	1 533
	631 368	642 123	381 473	1 654 964	-	1 654 964
	606 883	637 580	296 210	1 540 673	-	1 540 673

28 SEGMENT INFORMATION continued

28.3 Reportable segments continued

	2022		
R million	FNB	FNB Africa	WesBank
Net interest income before impairment of advances	34 366	(10)	4 540
Impairment and fair value of credit of advances	(4 769)	-	(1 382)
Net interest income after impairment of advances	29 597	(10)	3 158
Non-interest revenue	25 977	1 112	2 762
Net income from operations	55 574	1 102	5 920
Operating expenses	(30 814)	(1 434)	(4 703)
Income before indirect tax	24 760	(332)	1 217
Indirect tax	(548)	-	(37)
Profit before income tax	24 212	(332)	1 180
Income tax expense	(6 778)	93	(331)
Profit for the year	17 434	(239)	849
The income statement includes			
Total staff expenditure*	(19 372)	(280)	(1 919)
Depreciation	(2 340)	(2)	(820)
Amortisation	(17)	-	(15)
Net impairment charges	(46)	-	(28)
Non-interest revenue includes the following external revenue from contracts with customers**:			
Banking fees and commissions	27 102	(9)	649
Non-banking fees and commissions	696	-	12
Insurance income (excluding risk-related income)	357	-	82
Management, trust and fiduciary fees	580	-	537
Other non-interest revenue from customers	704	-	298
The statement of financial position includes			
Total assets	439 261	228	135 894
Total liabilities#	419 807	560	135 968

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

* *Total staff expenditure has been presented separately in line with the JSE's report on the proactive monitoring of financial statements recommendations.*

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

\# *Total liabilities are net of interdivisional balances.*

	2022					
	Retail and commercial	Corporate and institutional RMB	Centre (including Group Treasury)	FirstRand Bank – normalised	Normalised adjustments	FirstRand Bank – IFRS
	38 896	7 144	3 990	50 030	(1 068)	48 962
	(6 151)	346	(86)	(5 891)	-	(5 891)
	32 745	7 490	3 904	44 139	(1 068)	43 071
	29 851	9 393	(1 459)	37 785	797	38 582
	62 596	16 883	2 445	81 924	(271)	81 653
	(36 951)	(9 368)	(1 325)	(47 644)	486	(47 158)
	25 645	7 515	1 120	34 280	215	34 495
	(585)	(173)	(47)	(805)	-	(805)
	25 060	7 342	1 073	33 475	215	33 690
	(7 016)	(2 056)	932	(8 140)	(73)	(8 213)
	18 044	5 286	2 005	25 335	142	25 477
	(21 571)	(5 396)	(1 613)	(28 580)	617	(27 963)
	(3 162)	(117)	(1)	(3 280)	-	(3 280)
	(32)	(149)	-	(181)	-	(181)
	(74)	-	-	(74)	(131)	(205)
	27 742	3 417	(23)	31 136	-	31 136
	708	7	19	734	-	734
	439	-	-	439	-	439
	1 117	247	-	1 364	-	1 364
	1 002	(593)	734	1 143	121	1 264
	575 383	560 327	371 637	1 507 347	-	1 507 347
	556 335	554 357	282 975	1 393 667	-	1 393 667

28 SEGMENT INFORMATION continued

Geographical segments

R million	South Africa	United Kingdom	Asia	Total
	2023			
Net interest income after impairment of advances	**45 469**	**572**	**58**	**46 099**
Non-interest revenue:	**40 526**	**1 070**	**42**	**41 638**
– Non-interest revenue from contracts with customers	**37 112**	**617**	**43**	**37 772**
– Other non-interest revenue	**3 414**	**453**	**(1)**	**3 866**
Non-current assets*	**18 322**	**178**	**1**	**18 501**
	2022			
Net interest income after impairment of advances	42 629	416	26	43 071
Non-interest revenue:	38 009	534	39	38 582
– Non-interest revenue from contracts with customers	33 356	1 428	33	34 817
– Other non-interest revenue	4 653	(894)	6	3 765
Non-current assets*	17 067	27	-	17 094

* *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	2023	2022
Advances		
Fellow subsidiaries – bank accounts	**686**	604
Associates	**16 651**	14 442
Joint ventures	**4 902**	5 124
Key management personnel	**9**	50
Other assets		
Associates	**786**	583
Joint ventures	**8 596**	18 886
Amounts due by holding company and fellow subsidiaries		
Parent	**26**	8
Fellow subsidiaries	**63 179**	70 745
Derivative assets		
Joint ventures	**3**	2
Investment securities		
Associates	**174**	163
Deposits		
Fellow subsidiaries – bank accounts	**2 598**	3 663
Associates	**892**	1 423
Joint ventures	**3 659**	5 450
Key management personnel	**92**	120
Accounts payable		
Associates	**6**	4
Amounts due to holding company and fellow subsidiaries		
Parent	**807**	198
Fellow subsidiaries	**25 637**	32 702
Derivative liabilities		
Joint ventures	**118**	370
Commitments		
Fellow subsidiaries*	**15 259**	10 169
Associates	**186**	1 807
Joint ventures	**5 182**	4 711

* *Commitments to fellow subsidiaries was presented for the first time in this note. The comparative information has been provided.*

Refer to the remuneration disclosures on page C196 for details of the compensation payable to KMP. All associates and joint ventures relate to FSR. 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.

29 RELATED PARTIES continued

29.2 Transactions with related parties

R million	2023	2022
Interest received		
Fellow subsidiaries	**3 197**	1 673
Associates	**638**	864
Joint ventures	**1 212**	937
Key management personnel	**2**	2
Interest paid		
Fellow subsidiaries*	**(1 269)**	(465)
Associates	**(63)**	(43)
Joint ventures	**(104)**	(92)
Key management personnel	**(7)**	(7)
Non-interest revenue		
Fellow subsidiaries	**4 426**	4 672
Associates	**915**	1 058
Joint ventures	**1 180**	1 479
Key management personnel	**1**	2
Operating expenses		
Fellow subsidiaries	**(1 445)**	(896)
Associates	**(851)**	(805)
Dividends (paid)		
Parent	**(27 290)**	(20 640)
Dividends received		
Joint ventures	**2 947**	1 903
Salaries and other employee benefits		
Key management personnel	**99**	83
– Salaries and other short-term benefits	**55**	53
– Share-based payments	**44**	30

* *Interest paid on bank accounts with fellow subsidiaries amounted to R165 million (2022: R119 million).*

All associates and joint ventures relate to FSR.

Deferred compensation of R17 million (2022: R17 million) is due to KMP and settlement value is linked to the FSR shares.

A list of the board of directors of the bank is contained in section A of the annual report. During the financial year, no contracts were entered into which directors or officers of the company had an interest in or which significantly affected the business of the bank.

29 RELATED PARTIES continued

29.3 Post-retirement benefit fund

Details of transactions between the bank and the bank's post-retirement benefit plan are listed below

R million	**2023**	2022
Dividend income	**26**	22
Fee expense	**-**	(12)
Deposits and current accounts held with the bank	**737**	478
Interest income	**46**	32

Refer to note 21 for details of the closing balance of the bank's post-employment benefit plan.

30 INTERESTS IN OTHER 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 accounting policy 8.2 for additional information about the bank's decision not to prepare consolidated financial statements.

30.1 Structured entities

The bank uses structured entities in the ordinary course of business to support its own and customers' financing and investing needs.

Vumela Enterprise Development Fund

The bank has significant influence over the Vumela Enterprise Development Fund. The entity provides funding to qualifying SME in South Africa. As the bank does not prepare consolidated financial statements, no further disclosures have been provided.

Sponsorships of unconsolidated structured entities

The bank has provided support in the form of liquidity and credit enhancement facilities to an SPV. The bankruptcy remote SPV is consolidated by the bank's fellow subsidiary, FRIHL. During the current year, assets to the value of R4 250 million (2022: R 3 369 million) were transferred by the bank to this entity.

The bank purchased R6 279 million (2022: R4 225 million) of assets originated by the SPV in the current year.

30 INTERESTS IN OTHER ENTITIES continued

30.2 Liquidity facilities

The following table provides a summary of the liquidity facilities provided by the bank.

R million	Transaction type	2023	2022
Own transaction		**613**	2 541
iVuzi	Asset-backed commercial paper programme	**613**	2 541
Total facilities provided		**613**	2 541

All credit enhancement and liquidity facilities granted listed in the table above rank senior to a sponsor loan provided by another group entity to iVusi in terms of payment priority in the event of a drawdown. The subordinated sponsor loan reduces the bank's maximum exposure to loss to an insignificant amount.

31 FINANCIAL RISKS

Risk governance in the bank

FirstRand believes that effective risk, performance and FRM is key to its success and underpins the delivery of sustainable returns to shareholders. These disciplines are, therefore, deeply embedded in the group'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 group. In line with the group's corporate governance framework, the board retains ultimate responsibility for providing strategic direction, approving risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on.

The group's risk management framework describes the group'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 and bank is the FirstRand RCC committee. It has delegated responsibility for a number of specialist risk types to various subcommittees. Additional risk, audit and compliance committees exist in the bank's businesses and segments. Their governance structures align closely with that of the group.

A detailed overview of the group's risk governance process is provided in the group's unaudited Pillar 3 disclosure on the FirstRand website at https://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 risks This section also contains details about 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; and
• certain investment securities.

Other sources of credit risk arise from:
• cash and cash equivalents;
• accounts receivable included in other assets;
• derivative balances; and
• off-balance sheet exposures.</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 and collateral held (31.1.4).</td></tr>
<tr><td rowspan="2">Liquidity risk</td><td colspan="2">The risk that a 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>Liquidity risk arises from all assets and liabilities with differing maturity profiles.</td><td>The following information is presented for these assets and liabilities:
• undiscounted cash flow analysis of financial liabilities (31.2.1);
• discounted cash flow analysis of total assets and liabilities (31.2.2);
• collateral pledged (31.2.3); and
• concentration analysis of deposits (31.2.4).</td></tr>
</table>

31 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 group distinguishes between interest rate risk in the banking book and structural foreign exchange risk.

Traded market risk is the risk of adverse revaluation of any financial instrument as a consequence of changes in the market prices or rates.</td></tr>
<tr><td>Traded market risk (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>The following information is presented for traded market risk:
• 10-day 99% VaR analysis.</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 IRRBB:
• 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 group's financial position and earnings or other key ratios as a result of movements in FX rates impacting balance sheet exposures. It arises from balances denominated in foreign currencies and bank entities with functional currencies other than the South African rand.</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 instrument.</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 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>
</table>

31 FINANCIAL RISKS continued

Overview of financial risks	
Tax risk	The risk of financial loss due to the final determination of the tax treatment of a transaction by revenue authorities being different from the implemented tax consequences of such a transaction, combined with the imposition of penalties, sanction or reputational damage due to: • non-compliance with the various revenue acts; and/or • the inefficient use of available mechanisms to benefit from tax dispensations.
	Any event, action or inaction in the strategy, operations, financial reporting or compliance that either adversely affects the entity's tax or business position, or results in unanticipated penalties, assessments, additional taxes, harm to reputation, lost opportunities or financial statement exposure is regarded as tax risk.
Capital management	The overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the bank's solvency and quality of capital during calm and turbulent periods in the economy and financial markets. The bank, therefore, maintains capitalisation ratios aligned with its risk appetite and appropriate for safeguarding operations and stakeholder interests. The key focus areas and considerations of capital management are to ensure an optimal level and composition of capital, and effective allocation of resources including capital and risk capacity.

Objective

Credit risk management objectives are twofold:

- **Risk control:** Appropriate limits are placed on the assumption of credit risk and steps taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfil this task.
- **Management:** Credit risk is taken within the constraints of the bank's risk/return and credit risk appetite framework. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions, overseen by the group credit risk management function in ERM and relevant board committees, fulfil this role.

Based on the bank's credit risk appetite, as measured on an ROE, NIACC and volatility-of-earnings basis, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management practices across the bank therefore spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement, as well as collection and recovery of delinquent accounts.

31 FINANCIAL RISKS continued

31.1 Credit risk

Assessment and management

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure. Credit risk management across the 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 FR1 is the lowest PD and FR100 the highest. External ratings have also been mapped to the master rating scale for reporting purposes. These mappings are reviewed and updated on a regular basis.

Mapping of FR grades to rating agency scales

FR rating	Midpoint PD	International scale mapping (based on S&P)*
1 – 14	0.06%	AAA, AA+, AA, AA-, A+, A, A-
15 – 25	0.29%	BBB+, BBB(upper), BBB, BBB-(upper), BBB-, BB+(upper)
26 – 32	0.77%	BB+, BB(upper), BB, BB-(upper)
33 – 39	1.44%	BB-, B+(upper)
40 – 53	2.52%	B+
54 – 83	6.18%	B(upper), B, B-(upper)
84 – 90	13.68%	B-
91 – 99	59.11%	CCC+, CCC
100	100%	D (defaulted)

* *Indicative mapping to the international rating scales of S&P. The bank currently only uses mapping to S&P rating scales.*

31 FINANCIAL RISKS continued

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 GCA disclosed represents the maximum exposure to credit risk, before taking collateral and other credit enhancements into account.

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, or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Concentration risk is managed based on the nature of the credit concentration in each portfolio. The bank's credit portfolio is well diversified, and this is achieved through setting maximum exposure guidelines to individual counterparties. The bank regularly reviews its concentration levels and sets maximum exposure guidelines for these.

The bank seeks to establish a balanced portfolio profile and closely monitors credit concentrations.

31 FINANCIAL RISKS continued

31.1.1 Credit assets and concentration risk continued

The following tables provide a breakdown of credit exposure across geographical areas.

Geographic concentration of significant credit asset exposure

	2023					
R million	South Africa	Broader Africa	United Kingdom	Other Europe	Asia, Americas, and Australasia	Total
On-balance sheet exposures						
Cash and short-term funds	**61 950**	**63**	**10 665**	**10 464**	**11 892**	**95 034**
Total advances	**1 001 446**	**45 147**	**21 944**	**11 874**	**23 015**	**1 103 426**
Stage 3 advances**	**40 761**	**2 168**	**927**	**10**	**14**	**43 880**
Derivatives	**35 932**	**122**	**16 506**	**10 489**	**258**	**63 307**
Debt investment securities#	**264 404**	**4 143**	**3 228**	**3 228**	**24 964**	**299 967**
Other assets	**4 895**	**91**	**162**	**10**	**252**	**5 410**
Off-balance sheet exposures						
Guarantees, acceptances and letters of credit	**36 747**	**17 451**	**414**	**3 401**	**6 164**	**64 177**
Irrevocable commitments	**155 410**	**5 556**	**6 696**	**7 037**	**3 160**	**177 859**

* *Restated. Previously North and South America, Australia and Asia were presented separately. Refer to Note 32.3 – Voluntary changes in presentation.*

** *Includes purchased credit originated impaired advances.*

Excludes non-recourse investments.

2022					
South Africa	Broader Africa	United Kingdom	Other Europe	Asia, Americas, and Australasia*	Total
62 462	21	13 819	7 938	10 963	95 203
901 313	29 026	20 771	17 182	11 144	979 436
37 890	129	666	4	5	38 694
38 721	154	18 108	4 163	528	61 674
222 658	4 404	12 228	12 303	23 033	274 626
3 490	31	351	8	176	4 056
39 960	14 757	399	1 273	2 998	59 387
143 525	5 764	3 217	656	1 981	155 143

31 FINANCIAL RISKS continued

R million	2023	2022
Breakdown of advances per class		
Gross advances	**1 103 426**	979 436
Retail secured	**365 068**	335 971
– Residential mortgages	**259 635**	242 757
– WesBank VAF*	**105 433**	93 214
Retail unsecured**	**94 627**	87 351
– FNB card	**37 149**	32 821
– Personal loans#	**50 072**	46 623
– Retail other#	**7 406**	7 907
Corporate and commercial	**598 642**	504 133
– FNB commercial	**116 448**	107 823
– WesBank corporate	**54 212**	45 128
– RMB corporate and investment banking	**427 982**	351 182
Centre (including Group Treasury)	**45 089**	51 981

* *Includes public sector.*

** *Includes acceptances.*

\# *Restated. Refer to Note 32.2 – Impact due to movements in the classes of advances.*

31 FINANCIAL RISKS continued

Sector analysis concentration of advances

Advances expose the bank to concentration risk in the various industry sectors. The following tables set out the bank's exposure to various industry sectors for total advances and credit-impaired advances.

R million	Total advances	Stage 3 Advances	Stage 3 Security held and expected recoveries	Stage 3 Impairment
	2023			
Sector analysis				
Agriculture	**54 566**	**2 425**	**1 178**	**1 247**
Banks	**45 253**	**-**	**-**	**-**
Financial institutions	**175 921**	**155**	**49**	**106**
Building and property development	**67 860**	**866**	**357**	**509**
Government, Land Bank and public authorities	**27 928**	**2 148**	**1 869**	**279**
Individuals	**439 087**	**32 226**	**17 373**	**14 853**
Manufacturing and commerce	**159 769**	**3 190**	**1 590**	**1 600**
Mining	**11 956**	**147**	**41**	**106**
Transport and communication	**40 817**	**791**	**495**	**296**
Other services	**80 269**	**1 932**	**820**	**1 112**
Total advances	**1 103 426**	**43 880**	**23 772**	**20 108**
	2022			
Sector analysis				
Agriculture	48 017	2 239	1 099	1 140
Banks	47 679	-	-	-
Financial institutions	143 757	215	58	157
Building and property development	58 934	934	355	579
Government, Land Bank and public authorities	28 119	190	78	112
Individuals	408 991	29 164	14 923	14 241
Manufacturing and commerce	131 705	2 361	1 075	1 286
Mining	6 490	95	23	72
Transport and communication	31 749	769	445	324
Other services	73 995	2 727	969	1 758
Total advances	979 436	38 694	19 025	19 669

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 fair value through profit or loss, as well as the exposure to credit risk of loan commitments and financial guarantee per class of advance and per internal credit rating. The amounts in stage 3 that do not have a rating of FR91-100 relate to technical cures (performing accounts that have previously defaulted but do not meet the 12-month curing definition and therefore remain in stage 3) and paying debt-review customers, as the PDs on these customers are lower than operational stage 3 advances and the PD drives the FR rating. In addition, where the bank holds a guarantee against a stage 3 advance, the FR rating would reflect the same.

31 FINANCIAL RISKS continued

30 June 2023

R million	Retail secured: Residential mortgages	Retail secured: WesBank VAF	Retail unsecured: FNB card	Retail unsecured: Personal loans	Retail unsecured: Retail other	Retail secured and unsecured: Temporary stress scenario
Total on-balance sheet	259 635	105 433	37 149	50 072	7 406	-
FR1-25 on-balance sheet	103 785	-	546	397	1 291	-
– Stage 1	103 693	-	542	320	1 285	-
– Stage 2	92	-	4	77	-	-
– Stage 3	-	-	-	-	6	-
FR26-90 on-balance sheet	132 655	96 348	31 605	34 566	4 612	-
– Stage 1	119 109	87 358	29 350	32 990	4 466	-
– Stage 2	13 546	8 990	2 255	1 576	146	-
– Stage 3	-	-	-	-	-	-
– Purchased or originated credit impaired	-	-	-	-	-	-
FR91-100 on-balance sheet	23 195	9 085	4 998	15 109	1 503	-
– Stage 1	294	131	181	1 714	92	-
– Stage 2	8 828	2 954	760	5 848	493	-
– Stage 3	14 073	6 000	4 057	7 547	918	-
– Purchased or originated credit impaired	-	-	-	-	-	-
Total off-balance sheet	49 166	-	-	-	589	-
FR1-25 off-balance sheet	45 021	-	-	-	134	-
– Stage 1	45 015	-	-	-	134	-
– Stage 2	6	-	-	-	-	-
– Stage 3	-	-	-	-	-	-
FR26-90 off-balance sheet	4 118	-	-	-	289	-
– Stage 1	4 053	-	-	-	289	-
– Stage 2	65	-	-	-	-	-
– Stage 3	-	-	-	-	-	-
– Purchased or originated credit impaired	-	-	-	-	-	-
FR91-100 off-balance sheet	27	-	-	-	166	-
– Stage 1	1	-	-	-	166	-
– Stage 2	16	-	-	-	-	-
– Stage 3	10	-	-	-	-	-
Total exposure	308 801	105 433	37 149	50 072	7 995	-
– Stage 1	272 165	87 489	30 073	35 024	6 432	-
– Stage 2	22 553	11 944	3 019	7 501	639	-
– Stage 3	14 083	6 000	4 057	7 547	924	-
– Purchased or originated credit impaired	-	-	-	-	-	-

Corporate and commercial					
FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Centre (including Group Treasury)	Total
116 448	-	54 212	427 982	45 089	1 103 426
267	-	9 568	157 474	5 435	278 763
267	-	9 568	157 474	5 435	278 584
-	-	-	-	-	173
-	-	-	-	-	6
108 483	-	43 021	263 291	38 703	753 284
102 643	-	39 865	244 977	38 643	699 401
5 785	-	3 156	18 314	60	53 828
55	-	-	-	-	55
-	-	-	-	-	-
7 698	-	1 623	7 217	951	71 379
110	-	249	93	2	2 866
2 870	-	308	2 604	29	24 694
4 718	-	1 066	3 738	920	43 037
-	-	-	782	-	782
24 051	-	3 657	142 606	1 435	221 504
-	-	3 657	72 350	-	121 162
-	-	3 657	72 350	-	121 156
-	-	-	-	-	6
-	-	-	-	-	-
23 891	-	-	68 977	1 435	98 710
23 694	-	-	67 653	1 435	97 124
197	-	-	1 280	-	1 542
-	-	-	-	-	-
-	-	-	44	-	44
160	-	-	1 279	-	1 632
5	-	-	456	-	628
71	-	-	771	-	858
84	-	-	52	-	146
140 499	-	57 869	570 588	46 524	1 324 930
126 719	-	53 339	543 003	45 515	1 199 759
8 923	-	3 464	22 969	89	81 101
4 857	-	1 066	3 790	920	43 244
-	-	-	826	-	826

31 FINANCIAL RISKS continued

30 June 2022

R million	Retail secured		Retail unsecured			Retail secured and unsecured
	Residential mortgages	WesBank VAF	FNB card	Personal loans*	Retail other*	Temporary stress scenario
Total on-balance sheet	242 757	93 214	32 821	46 623	7 907	-
FR1-25 on-balance sheet	100 566	-	362	305	393	-
– Stage 1	100 495	-	361	214	389	-
– Stage 2	71	-	1	91	-	-
– Stage 3	-	-	-	-	4	-
FR26-90 on-balance sheet	123 457	84 491	28 007	32 511	5 697	-
– Stage 1	110 507	76 586	26 403	30 792	5 580	(2 817)
– Stage 2	12 950	7 905	1 604	1 719	117	2 817
– Stage 3	-	-	-	-	-	-
– Purchased or originated credit impaired	-	-	-	-	-	-
FR91-100 on-balance sheet	18 734	8 723	4 452	13 807	1 817	-
– Stage 1	304	180	150	1 504	76	-
– Stage 2	6 628	2 558	624	5 339	469	-
– Stage 3	11 802	5 985	3 678	6 964	1 272	-
– Purchased or originated credit impaired	-	-	-	-	-	-
Total off-balance sheet	50 451	-	-	-	622	-
FR1-25 off-balance sheet	46 316	-	-	-	141	-
– Stage 1	46 274	-	-	-	141	-
– Stage 2	42	-	-	-	-	-
– Stage 3	-	-	-	-	-	-
FR26-90 off-balance sheet	4 091	-	-	-	304	-
– Stage 1	4 010	-	-	-	304	-
– Stage 2	81	-	-	-	-	-
– Stage 3	-	-	-	-	-	-
– Purchased or originated credit impaired	-	-	-	-	-	-
FR91-100 off-balance sheet	44	-	-	-	177	-
– Stage 1	25	-	-	-	177	-
– Stage 2	10	-	-	-	-	-
– Stage 3	9	-	-	-	-	-
Total exposure	293 208	93 214	32 821	46 623	8 529	-
– Stage 1	261 615	76 766	26 914	32 510	6 667	(2 817)
– Stage 2	19 782	10 463	2 229	7 149	586	2 817
– Stage 3	11 811	5 985	3 678	6 964	1 276	-
– Purchased or originated credit impaired	-	-	-	-	-	-

* *Restated. Refer to Note 32.2 – Impact due to movements in the classes of advances.*

	Corporate and commercial					
FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Centre (including Group Treasury)	Total
107 823	-	45 128	351 182	51 981	979 436
424	-	10 480	125 024	4 244	241 798
424	-	10 467	125 024	4 244	241 618
-	-	13	-	-	176
-	-	-	-	-	4
100 846	-	32 886	223 155	47 737	678 787
95 051	-	28 579	203 660	46 761	621 102
5 700	-	4 307	18 832	312	56 263
95	-	-	-	664	759
-	-	-	663	-	663
6 553	-	1 762	3 003	-	58 851
293	-	371	68	-	2 946
1 728	-	488	803	-	18 637
4 532	-	903	1 980	-	37 116
-	-	-	152	-	152
21 131	-	1 807	123 110	1 416	198 537
827	-	1 807	63 715	-	112 806
827	-	1 807	63 715	-	112 764
-	-	-	-	-	42
-	-	-	-	-	-
19 864	-	-	57 736	1 416	83 411
19 568	-	-	56 260	1 416	81 558
296	-	-	1 403	-	1 780
-	-	-	45	-	45
-	-	-	28	-	28
440	-	-	1 659	-	2 320
90	-	-	98	-	390
122	-	-	1 444	-	1 576
228	-	-	117	-	354
128 954	-	46 935	474 292	53 397	1 177 973
116 253	-	41 224	448 825	52 421	1 060 378
7 846	-	4 808	22 482	312	78 474
4 855	-	903	2 142	664	38 278
-	-	-	843	-	843

31 FINANCIAL RISKS continued

Analysis of impaired advances (stage 3)

The following table represents an analysis of impaired advances (stage 3) for financial assets measured at amortised cost, and debt instruments measured at both FVOCI and FVTPL, in line with the manner in which the bank manages credit risk.

	2023		
R million	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3 by class			
Total retail secured	**20 073**	**14 298**	**5 775**
– Residential mortgages	**14 073**	**11 225**	**2 848**
– WesBank VAF	**6 000**	**3 073**	**2 927**
Total retail unsecured	**12 528**	**3 591**	**8 937**
– FNB card	**4 057**	**1 209**	**2 848**
– Personal loans*	**7 547**	**2 228**	**5 319**
– Retail other*	**924**	**154**	**770**
Total retail secured and unsecured	**32 601**	**17 889**	**14 712**
Total corporate and commercial	**10 359**	**5 796**	**4 563**
– FNB commercial	**4 773**	**1 941**	**2 832**
– WesBank corporate	**1 066**	**672**	**394**
– RMB corporate and investment banking	**4 520**	**3 183**	**1 337**
Centre (including Group Treasury)	**920**	**87**	**833**
Total stage 3	**43 880**	**23 772**	**20 108**
Stage 3 by category			
Overdrafts and cash management accounts	**3 016**	**640**	**2 376**
Term loans	**1 175**	**634**	**541**
Card loans	**4 341**	**1 233**	**3 108**
Instalment sales and hire purchase agreements	**7 807**	**3 720**	**4 087**
Lease payments receivable	**193**	**121**	**72**
Property finance	**15 298**	**12 062**	**3 236**
– Home loans	**13 929**	**11 133**	**2 796**
– Commercial property finance	**1 369**	**929**	**440**
Personal loans	**7 603**	**2 265**	**5 338**
Investment bank term loans	**3 194**	**2 630**	**564**
Other	**1 253**	**467**	**786**
Total stage 3	**43 880**	**23 772**	**20 108**

* *Restated. Refer to Note 32.2 – Impact due to movements in the classes of advances.*

2022		
Total	Security held and expected recoveries	Stage 3 impairment
17 787	12 098	5 689
11 802	9 266	2 536
5 985	2 832	3 153
11 918	3 365	8 553
3 678	1 067	2 611
6 964	2 075	4 889
1 276	223	1 053
29 705	15 463	14 242
8 325	3 610	4 715
4 627	1 482	3 145
903	487	416
2 795	1 641	1 154
664	(48)	712
38 694	19 025	19 669
3 652	786	2 866
1 148	605	543
4 180	1 096	3 084
7 488	3 245	4 243
74	16	58
12 711	9 818	2 893
11 732	9 225	2 507
979	593	386
7 015	2 109	4 906
1 193	976	217
1 233	374	859
38 694	19 025	19 669

31 FINANCIAL RISKS continued

31.1.3 Quality of credit assets – non-advances

The following table shows the gross carrying amount of non-advances carried at amortised cost and the fair value of non-advances measured at FVTPL or through OCI per external credit rating.

	2023		
R million	AAA to BBB	BB+ to B-	CCC
Investment securities at amortised cost			
Stage 1	**8 693**	**169 064**	**-**
Investment securities at fair value through comprehensive income			
Stage 1	**-**	**14 903**	**-**
Investment securities at fair value through profit or loss	**25 786**	**81 463**	**57**
Total investment securities	**34 479**	**265 430**	**57**
Other financial assets			
Stage 2	**484**	**4 693**	**26**
Stage 3	**-**	**124**	**83**
Total other financial assets	**484**	**4 817**	**109**
Cash and cash equivalents			
Stage 1	**35 658**	**59 376**	**-**
Total cash and cash equivalents	**35 658**	**59 376**	**-**
Derivative assets	**32 911**	**30 378**	**18**
	2022		
Investment securities at amortised cost			
Stage 1	9 904	113 733	-
Investment securities at fair value through comprehensive income			
Stage 1	-	11 216	-
Investment securities at fair value through profit or loss	39 665	100 108	-
Total investment securities	49 569	225 057	-
Other financial assets			
Stage 2	712	3 192	51
Stage 3	-	47	54
Total other financial assets	712	3 239	105
Cash and cash equivalents			
Stage 1	39 353	55 850	-
Total cash and cash equivalents	39 353	55 850	-
Derivative assets	27 943	33 726	5

31 FINANCIAL RISKS continued

31.1.4 Credit risk mitigation and collateral held

Since taking and managing credit risk is core to its business, the bank aims to optimise the amount of credit risk it takes to achieve its return objectives. Mitigation of credit risk is an important component of this, beginning with the structuring and approval of facilities only for those clients and within those parameters that fall within its 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, which results in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are driven by portfolio, product or counterparty type.

Credit risk mitigation instruments:

- Mortgage and instalment sale finance portfolios in FNB 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 as well as 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 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 corporate and investment banking are secured and unsecured. Security is usually taken in the form of financial or other collateral, including guarantees and assets.

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. 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 bank credit risk/return framework.

Collateral is taken into account for capital calculation purposes through the determination of LGD. Collateral reduces LGD, and LGD levels are determined through statistical modelling techniques based on historical experience of the recovery processes.

31 FINANCIAL RISKS continued

31.1.4 Credit risk mitigation and collateral held continued

The table below represents an analysis of the maximum exposure to credit risk for financial assets at amortised cost and fair value through profit or loss, as well as a breakdown of collateral, both financial and non-financial, held against the exposure, along with other credit enhancements and netting arrangements.

	2023				
R million	Gross carrying amount	Off-balance sheet exposure	Loss allowance	Maximum exposure to credit risk	
Residential mortgages	**259 635**	**49 165**	**(4 356)**	**304 444**	
WesBank VAF	**105 433**	**-**	**(5 773)**	**99 660**	
FNB card	**37 149**	**-**	**(4 767)**	**32 382**	
Personal loans	**50 072**	**-**	**(9 289)**	**40 783**	
Retail other	**7 406**	**590**	**(1 247)**	**6 749**	
Temporary stress scenario – retail	**-**	**-**	**-**	**-**	
FNB commercial	**116 448**	**24 051**	**(5 003)**	**135 496**	
Temporary stress scenario – commercial	**-**	**-**	**-**	**-**	
WesBank corporate	**54 212**	**3 657**	**(733)**	**57 136**	
RMB corporate and investment banking	**427 982**	**142 606**	**(4 481)**	**566 107**	
Centre (including Group Treasury)	**45 089**	**1 435**	**(886)**	**45 638**	
Total advances	**1 103 426**	**221 504**	**(36 535)**	**1 288 395**	
Investment securities**	**299 966**	**-**	**(147)**	**299 819**	
Cash and cash equivalents	**95 034**	**-**	**-**	**95 034**	
Other assets	**5 410**	**-**	**(416)**	**4 994**	
Derivatives	**63 307**	**-**	**-**	**63 307**	
	2022				
Residential mortgages	242 757	50 451	(4 084)	289 124	
WesBank VAF	93 214	-	(5 221)	87 993	
FNB card	32 821	-	(4 361)	28 460	
Personal loans#	46 623	-	(8 681)	37 942	
Retail other#	7 907	622	(1 585)	6 944	
Temporary stress scenario – retail	-	-	(315)	(315)	
FNB commercial	107 823	21 131	(5 236)	123 718	
Temporary stress scenario – commercial	-	-	(55)	(55)	
WesBank corporate	45 128	1 807	(795)	46 140	
RMB corporate and investment banking	351 182	123 110	(4 125)	470 167	
Centre (including Group Treasury)	51 981	1 416	(891)	52 506	
Total advances	979 436	198 537	(35 349)	1 142 624	
Investment securities**	274 626	-	(143)	274 483	
Cash and cash equivalents	95 203	-	-	95 203	
Other assets	4 056	-	(296)	3 760	
Derivatives†	61 674	-	-	61 674	

* *Secured represents balances which have non-financial collateral attached to the financial asset.*

** *Include debt instruments measured at fair value but exclude equity.*

Restated. Refer to Note 32.2 – Impact due to movements in the classes of advances.

† *The derivative line has been restated to reflect the netting and financial collateral attached to derivatives. In the prior year, nil values were disclosed.*

	2023		
	Netting and financial collateral	Unsecured	Secured*
	3 641	-	300 803
	-	-	99 660
	-	32 382	-
	-	40 783	-
	-	4 283	2 466
	-	-	-
	6 724	18 313	110 459
	-	-	-
	-	47	57 089
	3 722	122 591	439 794
	-	31 463	14 175
	14 087	249 862	1 024 446
	21 249	276 798	1 772
	24 210	70 825	(1)
	-	4 990	4
	59 104	4 203	-
	2022		
	3 817	1 352	283 955
	-	45	87 948
	-	28 460	-
	-	37 942	-
	-	4 724	2 220
	-	(129)	(186)
	5 303	17 243	101 172
	-	(55)	-
	-	-	46 140
	1 911	99 822	368 434
	-	38 987	13 519
	11 031	228 391	903 202
	31 809	240 805	1 869
	29 927	65 276	-
	-	3 751	9
	49 580	12 094	-

31 FINANCIAL RISKS continued

The financial effect of collateral and other credit enhancements has been calculated separately per class of advance. The amounts disclosed above represent the difference between the impairment recognised in the statement of financial position using the actual LGD and a proxy LGD for all secured portfolios. The proxy LGD is based on the LGD used to determine the impairment on the statement of financial position for unsecured portfolios.

Where there is no collateral or where collateral is disregarded for provisioning purposes, no financial effect is calculated.

Collateral held against derivative positions

The table below sets out the cash collateral held against the net derivative position.

R million	**2023**	2022
Cash collateral held	**16 554**	13 298

The table below sets out 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

	2023		2022	
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	**20 885**	**-**	14 821	-
Investment securities and other investments – held under reverse repurchase agreements	**79 065**	**28 202**	70 540	24 282
Investment securities and other investments – other	**4 022**	**3 828**	1 405	1 402
Total collateral pledged	**103 972**	**32 030**	86 766	25 684

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 R22 million (June 2022: R22 million).

31 FINANCIAL RISKS continued

The financial collateral included in the table below 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 MNA.

	Derivatives		Structured transactions		Intercompany	
R million	**2023**	2022*	**2023**	2022*	**2023**	2022*
Assets						
Offsetting applied						
Gross amount#	**106 722**	77 501	**95 099**	84 543	**63 226**	79 469
Amount offset*/**	**(43 415)**	(15 827)	**(16 034)**	(14 003)	**(21)**	(8 716)
Net amount reported in the statement of financial position	**63 307**	61 674	**79 065**	70 540	**63 205**	70 753
Offsetting not applied						
Financial instruments subject to MNAs and similar agreements	**(55 284)**	(46 507)	**(7 455)**	(585)	**(125)**	(10 965)
Financial collateral	**(3 820)**	(3 073)	**(52 724)**	(56 358)	**-**	-
Net amount	**4 203**	12 094	**18 886**	13 597	**63 080**	59 788
Liabilities						
Offsetting applied						
Gross amount#	**109 948**	86 111	**39 324**	30 159	**26 465**	41 616
Amount offset*/**	**(43 415)**	(15 827)	**(16 034)**	(14 003)	**(21)**	(8 716)
Net amount reported in the statement of financial position	**66 533**	70 284	**23 290**	16 156	**26 444**	32 900
Offsetting not applied						
Financial instruments subject to MNAs and similar agreements	**(55 284)**	(46 507)	**(7 455)**	(585)	**(125)**	(10 965)
Financial collateral	**(11 249)**	(15 655)	**(13 085)**	(12 125)	**-**	-
Net amount	**-**	8 122	**2 750**	3 446	**26 319**	21 935

* *The note has been updated and restated. Refer to Note 32 Changes in presentation.*

** *Amounts offset under derivatives are contracts that are set off under netting agreements, such as the ISDA 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.*

\# *Derivatives included in amount offset for assets under intercompany and liabilities under derivatives achieved offset in the current year. This treatment was not applied to the prior period.*

31 FINANCIAL RISKS continued

31.2 Liquidity risk

Objective

Liquidity risk arises from all assets and liabilities with differing maturity profiles, currencies and behaviour. The bank's objective is to maintain and enhance its deposit market share by appropriately pricing and rewarding depositors from diverse and sustainable funding pools, thus creating a natural liquidity buffer. Because of the liquidity risk introduced by its business activities across various currencies and geographies, the bank seeks to optimise its funding profile within structural and regulatory constraints to enable businesses to operate in an efficient and sustainable manner.

Compliance with the Basel III liquidity ratios influences the bank's funding strategy, particularly as it seeks to price appropriately for liquidity on a risk-adjusted basis. The bank continues to offer innovative and competitive products to further grow its deposit operating business whilst also optimising its institutional funding profile. These initiatives continue to improve the funding and liquidity profile of the bank.

Assessment and management

The bank focuses on continually monitoring and analysing the impact of potential risks on its funding and liquidity position to ensure business activities are preserved and funding stability is improved. This ensures the bank can operate through periods of stress when access to funding is constrained.

Mitigation of market and funding liquidity risks is achieved via contingent liquidity risk management. Buffers of HQLA are held either to be sold into the market or to provide collateral for loans to cover any unforeseen cash shortfall that may arise.

The bank's approach to liquidity risk management distinguishes between structural, daily and contingency liquidity risk management across all currencies. Various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis, as illustrated in the following table.

Daily liquidity risk	Structural liquidity risk	Contingency liquidity risk
Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations can be met by maintaining a sustainable balance between liquidity inflows and outflows.	Managing the risk that structural, long-term on- and off-balance sheet exposures cannot be funded timeously or at reasonable cost.	Maintaining several contingency funding sources to draw upon in times of economic stress.

Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress testing framework with a focus on:

- quantifying the potential exposure to future liquidity stresses;
- analysing the possible impact of economic and event risks on cash flows, liquidity, profitability and solvency position; and
- proactively evaluating the potential secondary and tertiary effects of other risks on the bank.

31 FINANCIAL RISKS continued

31.2.1 Undiscounted cash flow

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.

	2023			
		Term to maturity		
R million	Undiscounted carrying amount	Call to 3 months	4 – 12 months	>12 months and non-contractual
On-balance sheet amounts				
Deposits and current accounts	**1 470 821**	**1 067 509**	**171 920**	**231 392**
Short trading positions	**12 473**	**12 473**	**-**	**-**
Derivative financial instruments	**78 891**	**65 163**	**1 589**	**12 139**
Creditors, accruals and provisions	**20 041**	**14 231**	**24**	**5 786**
Tier 2 liabilities	**22 679**	**-**	**2 117**	**20 562**
Other liabilities	**1 212**	**580**	**56**	**576**
Lease liabilities	**1 980**	**171**	**514**	**1 295**
Amounts due to holding company and fellow	**26 553**	**14 403**	**4 852**	**7 298**
Off-balance sheet amounts				
Financial and other guarantees	**64 177**	**59 620**	**2 592**	**1 965**
Other contingencies and commitments	**4 844**	**1 775**	**3 018**	**51**
Irrevocable facilities	**177 859**	**177 859**	**-**	**-**
	2022			
On-balance sheet amounts				
Deposits and current accounts	1 300 874	955 134	106 287	239 453
Short trading positions	14 183	14 183	-	-
Derivative financial instruments	71 359	62 034	477	8 848
Creditors, accruals and provisions	19 547	13 968	535	5 044
Tier 2 liabilities	23 949	2 788	10 023	11 138
Other liabilities	3 844	226	2 849	769
Lease liabilities	1 666	205	490	971
Amounts due to holding company and fellow	32 984	23 321	3 549	6 114
Off-balance sheet amounts				
Financial and other guarantees*	59 387	57 051	911	1 425
Other contingencies and commitments	5 074	2 649	2 120	305
Irrevocable facilities	155 143	155 143	-	-

* *Financial and other guarantees presented in the prior year, has been restated to include intercompany balances relating to non-financial guarantees, financial guarantees and letters of credit. R48 671 million was previously presented. Refer to Note 26 Contingencies and commitments.*

31 FINANCIAL RISKS continued

31.2.2 Discounted cash flow analysis

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 assessment of cash flows at maturity.

Due to South Africa's structural liquidity position, banks tend to have a particularly pronounced negative gap in the shorter term due to short-term institutional funds representing a significant proportion of banks' liabilities. These are used to fund long-term assets, e.g. mortgages.

The bank's liquidity risk is mitigated by buffer of HQLA which are held either to be sold into the market or to provide collateral for loans to cover any unforeseen cash shortfall that may arise.

Discounted cash flow analysis – maturity analysis of total assets, liabilities and equity based on the present value of the expected payment

	2023			
	Discounted	Term to maturity		
R million	carrying amount	Call to 3 months	4 – 12 months	>12 months
Total assets	**1 654 964**	**571 944**	**202 541**	**880 479**
Total equity and liabilities	**1 654 964**	**1 176 881**	**168 488**	**309 595**
Net liquidity gap	**-**	**(604 937)**	**34 053**	**570 884**
Cumulative liquidity gap	**-**	**(604 937)**	**(570 884)**	**-**
	2022			
Total assets	1 507 347	571 344	194 108	741 895
Total equity and liabilities	1 507 347	1 074 069	121 189	312 089
Net liquidity gap	-	(502 725)	72 919	429 806
Cumulative liquidity gap	-	(502 725)	(429 806)	-

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 for security deposits relating to local futures and options; and
- collateral in the form of cash and other investment securities is pledged when the bank borrows equity securities from third parties. These transactions are conducted under the terms and conditions that are usual and customary to standard securities lending arrangements.

All other pledges are conducted under terms which are usual and customary to lending arrangements.

31 FINANCIAL RISKS 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	2023	2022
Cash	**24 214**	29 927
Advances	**2 400**	2 028
Investment securities — held under repurchase agreements	**4 015**	4 259
Investment securities — other	**4 400**	3 264
Total assets pledged	**35 029**	39 478

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	2023	2022
Short trading positions	**12 473**	14 183
Total deposits	**23 953**	16 288
– Deposits under repurchase agreements	**18 959**	14 630
– Deposits in securities lending transactions*	**4 331**	1 526
– Other secured deposits	**663**	132
Derivative liabilities	**21 820**	30 776
Total	**58 246**	61 247

* *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 FINANCIAL RISKS continued

31.2.4 Concentration analysis of deposits

R million	2023	2022
Sector analysis		
Deposit current accounts and other loans		
Sovereigns, including central banks	**67 752**	79 032
Public sector entities	**85 545**	83 080
Local authorities	**18 508**	14 681
Banks	**52 442**	34 733
Securities firms	**10 754**	5 445
Corporate customers	**764 775**	657 444
Retail customers	**379 116**	344 408
Other	**2 881**	1 203
Total deposits	**1 381 773**	1 220 026
Geographical analysis		
South Africa	**1 284 793**	1 134 122
Broader Africa	**21 541**	17 450
UK	**29 422**	27 196
Other	**46 017**	41 258
Total deposits	**1 381 773**	1 220 026

31 FINANCIAL RISKS continued

31.3 Market risk

31.3.1 Traded market risk

Objective

Traded market risk includes interest rate risk in the trading book, traded equity and credit risk, commodity risk, FX risk and interest rate risk in the RMB banking book, which is managed as part of the trading book.

Assessment and management

Management and monitoring of IRRBB book are split between the RMB banking book and the remaining domestic banking book, (which is covered in the IRRBB section). RMB manages most of its banking book under the market risk framework, with risk measured and monitored in conjunction with the trading book and management oversight provided by the FirstRand market and investment risk committee (MIRC). The RMB banking book interest rate risk exposure was R103 million on a 10-day expected tail loss (ETL) basis at 30 June 2023 (2022: R81 million). Interest rate risk in the remaining domestic banking book is discussed in the *Interest rate risk* section on page C228.

Market volatility continued as a theme throughout the year. The focus remained on central bank interest rates, the inflationary backdrop and geographical concerns which affected international and local policy making. The market risk measurement framework continued to perform well during the volatility. Market risk exposures remained within approved limits.

The risk related to market risk-taking activities is measured as the height of the bank's internal ETL measure (a proxy for economic capital) and regulatory capital based on 60-point average of VaR plus stressed VaR (sVaR).

ETL	The internal measure of risk is an ETL metric at the 99% confidence level under the full revaluation methodology using historical risk factor scenarios (historical simulation method). In order to accommodate the regulatory stress loss imperative, the set of scenarios used for revaluation of the current portfolio comprises historical scenarios which incorporate both the past 260 trading days and at least one static period of market distress (currently 2008/2009). The ETL is liquidity adjusted for illiquid exposures. Holding periods, ranging between 10 and 90 days or more, are used in the calculation and are based on an assessment of distressed liquidity of portfolios. The market history of the past 260 trading days has been continually updated to reflect current market volatility. The static period of market stress is periodically reviewed for appropriateness.
VaR	VaR is calculated at the 99%, 10-day actual holding period level using data from the past 260 trading days.

31 FINANCIAL RISKS continued

31.3.2 Market risk in the trading book

VaR analysis by risk type

The following table reflects the 1-day VaR, and the 10-day VaR and sVaR at the 99% confidence level. The 10-day VaR calculation is performed using 10-day scenarios created from the past 260 trading days, whereas the 10-day sVaR is calculated using scenario data from the static stress period.

	2023*						
R million	**Equities**	**Interest rates****	**Foreign exchange**	**Com-modities**	**Traded credit**	**Diversi-fication effect**	**Diversified total**
VaR (10-day 99%)							
Maximum value#	**79.3**	**520.6**	**114.0**	**69.5**	**49.3**		**435.5**
Average value	**22.9**	**309.0**	**54.8**	**33.1**	**15.2**		**266.6**
Minimum value#	**5.8**	**134.0**	**13.9**	**17.4**	**1.8**		**140.5**
Period end	**14.0**	**296.9**	**91.6**	**31.6**	**11.4**	**(172.2)**	**273.3**
sVaR (10-day 99%)							
Maximum value#	**84.2**	**553.6**	**248.7**	**79.5**	**211.1**		**479.9**
Average value	**30.8**	**349.4**	**101.2**	**42.4**	**72.4**		**296.2**
Minimum value#	**10.4**	**168.1**	**21.9**	**27.8**	**2.7**		**173.1**
Period end	**25.5**	**225.2**	**166.7**	**58.3**	**12.6**	**(225.1)**	**263.1**
VaR (1-day 99%)†							
Maximum value#	**-**	**-**	**-**	**-**	**-**		**-**
Average value	**-**	**-**	**-**	**-**	**-**		**-**
Minimum value#	**-**	**-**	**-**	**-**	**-**		**-**
Period end	**-**	**-**	**-**	**-**	**-**	**-**	**-**

* *Excludes foreign branches, which are reported on 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.

† *In the current year, the VaR (1-day 99%) is no longer utilised for limit and management monitoring.*

	2022						
	Equities	Interest rates**	Foreign exchange	Com-modities	Traded credit	Diversi-fication effect	Diversified total
	86.5	329.7	121.4	71.3	33.1		277.7
	15.7	196.7	43.0	35.8	16.2		188.3
	4.6	126.8	8.1	9.6	1.5		101.2
	6.9	257.8	34.6	62.9	2.2	(175.0)	189.4
	103.1	446.8	166.3	86.9	40.9		439.2
	23.7	324.4	64.7	48.2	16.4		187.7
	8.8	116.4	13.2	16.8	2.3		76.7
	15.8	365.5	156.9	46.3	7.3	(152.6)	439.2
	67.8	198.1	68.5	51.0	11.5		146.1
	7.3	90.2	18.3	20.8	5.4		95.8
	3.0	60.2	0.3	4.5	1.0		54.6
	4.5	100.6	7.1	20.3	1.1	(49.4)	84.2

31 FINANCIAL RISKS continued

31.4 Non-traded market risk

31.4.1 Interest rate risk in the banking book

Assessment and management

FirstRand Bank (South Africa)

The measurement techniques used to monitor IRRBB include NII sensitivity/earnings risk and PV01/economic value of equity (EVE) sensitivity. A repricing gap is also generated to better understand the repricing characteristics of the balance sheet. In calculating the repricing gap, all banking book assets, liabilities and derivative instruments are placed in gap intervals based on repricing characteristics.

The internal funds transfer pricing process is used to transfer interest rate risk from the operating businesses to Group Treasury. This process allows risk to be managed centrally and holistically in line with the bank's macroeconomic outlook. Management of the resultant risk position is achieved by balance sheet optimisation or through the use of derivative transactions. Derivative instruments used are mainly interest rate swaps, for which a liquid market exists. Where possible, hedge accounting is used to minimise any accounting mismatches that may arise. Interest rate risk from the fixed-rate book is managed to low levels with remaining risk stemming from timing and basis risk.

Foreign operations

Management of international branches is performed by in-country management teams with oversight provided by Group Treasury and Centre Risk Management. Where applicable, PV01 and ETL risk limits are also used for endowment hedges.

Sensitivity analysis

A change in interest rates impacts both the earnings potential of the banking book (as underlying assets and liabilities reprice to new rates) and the economic value/PV01 of an entity (as a result of a change in the fair value of any open risk portfolios used to manage the earnings risk). The role of management is to protect both the financial performance as a result of a change in earnings and the long-term economic value. To achieve this, both earnings sensitivity and economic sensitivity measures are monitored and managed within appropriate risk limits and appetite levels, considering the macroeconomic environment and factors which could cause a change in rates.

In the prior year, the earnings and EVE sensitivity analysis were calculated on a contractual basis. For the current year, the sensitivities have been calculated in accordance with amendments to the Banks Act as per Directive 2 of 2023. The Directive is prospective. The updated IRRBB methodology ensures that:

1. Client behaviour is considered in the management of IRRBB. Relevant behavioural adjustments that capture modelled customer behaviour (where they have legal discretion to re-pay or withdraw funds) are incorporated into the calculation. This allows for a more effective assessment of IRRBB and aligns with how the bank manages this risk.
2. There is a more effective and transparent measure of the risk associated with specific currency exposures which are exposed to different interest rates, and different possible shocks.
3. There is a more explicit consideration of basis risk and credit spread risk.

31 FINANCIAL RISKS continued

Earnings sensitivity

Earnings models are run on a monthly basis to provide a measure of the NII sensitivity of the existing banking book balance sheet to shocks in interest rates. The calculation assumes a constant balance sheet size and product mix over the forecast horizon. A pass-through assumption is applied in relation to non-maturing deposits, which reprice at the bank's discretion. This assumption is based on historical product behaviour.

The following tables show the 12-month NII sensitivity for a sustained, instantaneous parallel 400 bps downward and upward shock to interest rates.

Most of the bank's NII sensitivity relates to the endowment book mismatch. The bank's average endowment book using the updated IRRBB methodology was c.R295 billion for the year (2022: c.R285 billion – reported as R330 billion under the previously IRRBB methodology in 2022).

Projected ZAR NII sensitivity to interest rate movements

	Change in projected 12-month NII		
R million	**2023**	**2023***	2022*
Downward 400 bps	**(2 196)**	**(1 279)**	(277)
Upward 400 bps	**1 933**	**1 160**	102

** Calculated using 200 bps.*

Assuming no change in the balance sheet and no management action in response to interest rate movements, an instantaneous, sustained parallel 400 bps (2022: 200 bps) decrease in interest rates would result in a reduction in projected 12-month NII of R2 196 million (2022: R277 million). A similar increase in interest rates would result in an increase in projected 12-month NII of R1 933 million (2022: R102 million).

Effect of IBOR reform

The London Interbank Offered Rate (LIBOR) has been the reference interest rate that underpinned trillions of loans and derivative contracts worldwide. The reform of these reference interest rates and their replacement with ARRs is a priority for global regulators. The bank established a steering committee in the 2020 financial year consisting of key finance, risk, IT, treasury, legal and compliance personnel, as well as external advisors, to oversee the group's IBOR reform transition plan. This steering committee developed a transition project for affected contracts and potential future contracts, with the aim of minimising the potential disruption to business and mitigating operational and conduct risks and possible financial losses.

On 5 March 2022, LIBOR's administrator, ICE Benchmark Administration Limited (ICE), announced the cessation of several IBOR settings after 31 December 2021. The publication of EUR, CHF, JPY and GBP LIBOR for all tenors ceased on 31 December 2021. The one-week and two-month USD LIBOR were also discontinued on 31 December 2021. The announcement by ICE noted that the remaining USD LIBOR tenors would be discontinued at 30 June 2023.

Although there is currently no indication as to when JIBAR will be replaced, several proposed ARRs and calculation methodologies were previously released by the SARB. The SARB identified a potential successor to JIBAR in the South African Rand Overnight Index Average Rate (ZARONIA). The new ZARONIA rate began publication for observation in August 2022 however no JIBAR cessation date has yet been announced.

31 FINANCIAL RISKS continued

The bank currently has a number of contracts, including derivatives, which reference JIBAR and extend beyond 2023. The bank's established steering committee, detailed above, that has previously overseen the bank's IBOR related reforms and transition planning in respect of USD/GBP LIBOR, will apply the same transitioning policies to affected JIBAR contracts.

The table below shows the financial instruments, including derivatives held for trading or used by the bank in fair value hedges, that are subject to IBOR reforms which have not yet transitioned to the replacement rates as at 30 June 2023 and which will not have matured by the related IBOR cessation date. LIBOR cessation occurred on 31 December 2021 for GBP, EUR, JPY, CHF and USD for the one-week and two-month tenors. Cessation occurred on 30 June 2023 for all other USD LIBOR tenors. Those exposures that were not transitioned at the date of cessation relate to syndicated exposures where the bank is not the facility agent and is reliant on other counterparties to affect the ARR. These exposures will reference the last published USD Libor rate until the earlier of the next reset date, upon which the exposures will transition to the ARR or will mature. All reset dates fall before 31 December 2023

Refer to note 7 for information on the impact the IBOR reforms have on hedge accounting.

Financial assets subject to IBOR reform that have not yet transitioned to replacement rates at 30 June 2023:

	Amount		Amount	
R million	**USD LIBOR**	**Other LIBOR**	USD LIBOR	Other LIBOR
Assets recognised on the balance sheet				
Derivative financial instruments (assets)*	**-**	**-**	62 865	284
Investment securities	**-**	**-**	76	-
Advances	**7 803**	**-**	15 753	-
Total assets recognised on the balance sheet subject to IBOR reform	**7 803**	**-**	78 694	284
Off-balance sheet items				
Irrevocable commitments	**187**	**-**	3 476	339
Total off-balance sheet exposures subject to IBOR reform	**187**	**-**	3 476	339
Total assets exposure subject to IBOR reform	**7 990**	**-**	82 170	623

* *These balances represent the notional amount directly impacted by the IBOR reform.*

Financial liabilities subject to IBOR reform that have not yet transitioned to replacement rates as at 30 June 2023:

	Amount		Amount	
R million	**USD LIBOR**	**Other LIBOR**	USD LIBOR	Other LIBOR
Derivative financial instruments (liabilities)*	**-**	**-**	41 282	317
Deposits	**1 916**	**-**	20 926	-
Total liabilities subject to IBOR reform	**1 916**	**-**	62 208	317

* *These balances represent the notional amount directly impacted by the IBOR reform.*

31 FINANCIAL RISKS continued

Economic value of equity

An EVE sensitivity measure is used to assess the impact on the total NAV of the bank of a shock to underlying rates. Unlike the trading book, where a change in rates will impact fair value income and reportable earnings of an entity when a rate change occurs, the realisation of a rate change move in the banking book will impact the distributable and non-distributable reserves to varying degrees and is reflected in the NII margin more as an opportunity cost/benefit over the life of the underlying positions. As a result, a purely forward-looking EVE sensitivity measure is applied to the banking book and is monitored relative to the total risk limit, appetite levels and current economic conditions.

Six EVE shock scenarios are applied based on regulatory guidelines. The most material of the scenarios comprises a sustained, instantaneous parallel 400 bps (2022: 200 bps) downward and upward shock to interest rates. The reported 2023 numbers have been calculated in accordance with amendments to the Banks Act as per Directive 2 of 2023. This shock is applied to all banking book positions.

The following table:

- highlights the sensitivity of banking book NAV as a percentage of total capital; and
- reflects a point-in-time view which is dynamically managed and can fluctuate over time.

Banking book NAV sensitivity to interest rate movements as a percentage of total bank capital

%	**2023**	**2023***	2022*
Downward 400 bps	**16.01**	**8.01**	5.35
Upward 400 bps	**(13.31)**	**(6.65)**	(4.77)

* *Calculated using 200 bps.*

31 FINANCIAL RISKS continued

31.4.2 Structural foreign exchange risk

Objective

The bank is exposed to FX risk as a result of on-balance sheet transactions in a currency other than the rand, as well as structural FX risk from translation of its foreign operations' results into rand.

Group Treasury is responsible for oversight of structural FX risk and produces reports that are submitted to group ALCCO, a subcommittee of the RCC committee. It is also responsible for reporting on and the management of the group's FX exposure and macroprudential limit utilisation.

Assessment and management

The ability to transact on-balance sheet in a currency other than the home currency (rand) is governed by the macro-prudential 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 *Traded market risk* Note 31).

31.4.2 Structural foreign exchange risk

Assessment and management continued

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

	2023		2022	
	Carrying value of net investment	**Pre-tax impact on equity from 15% currency translation shock**	Carrying value of net investment	Pre-tax impact on equity from 15% currency translation shock
US dollar	**7 864**	**1 180**	5 325	799
Sterling	**(636)**	**(96)**	103	16
Indian rupee	**770**	**116**	669	100
Total	**7 998**	**1 200**	6 097	915

31 FINANCIAL RISKS continued

31.5 Equity investment risk

Assessment and management

The equity investment risk portfolio is managed through a rigorous evaluation and review process from the inception to exit of a transaction. All investments are subject to a comprehensive due diligence process, during which a thorough understanding of the target company's business, risks, challenges, competitors, management team and unique advantage or value proposition is developed. For each transaction, an appropriate structure is put in place which aligns the interests of all parties involved through the use of incentives and constraints for management and other investors. The investment thesis, results of the due diligence process and the investment structure are discussed at the investment committee before final approval is granted. In addition, normal biannual reviews are performed for each investment and crucial parts of these reviews, such as valuation estimates, are independently peer reviewed. The table below shows the equity investment risk exposure and sensitivity. The 10% sensitivity movement is calculated on the carrying value of investments, excluding those subject to the ETL process, and includes the carrying value of investments in associates and joint ventures.

Investment risk exposure and sensitivity of investment risk

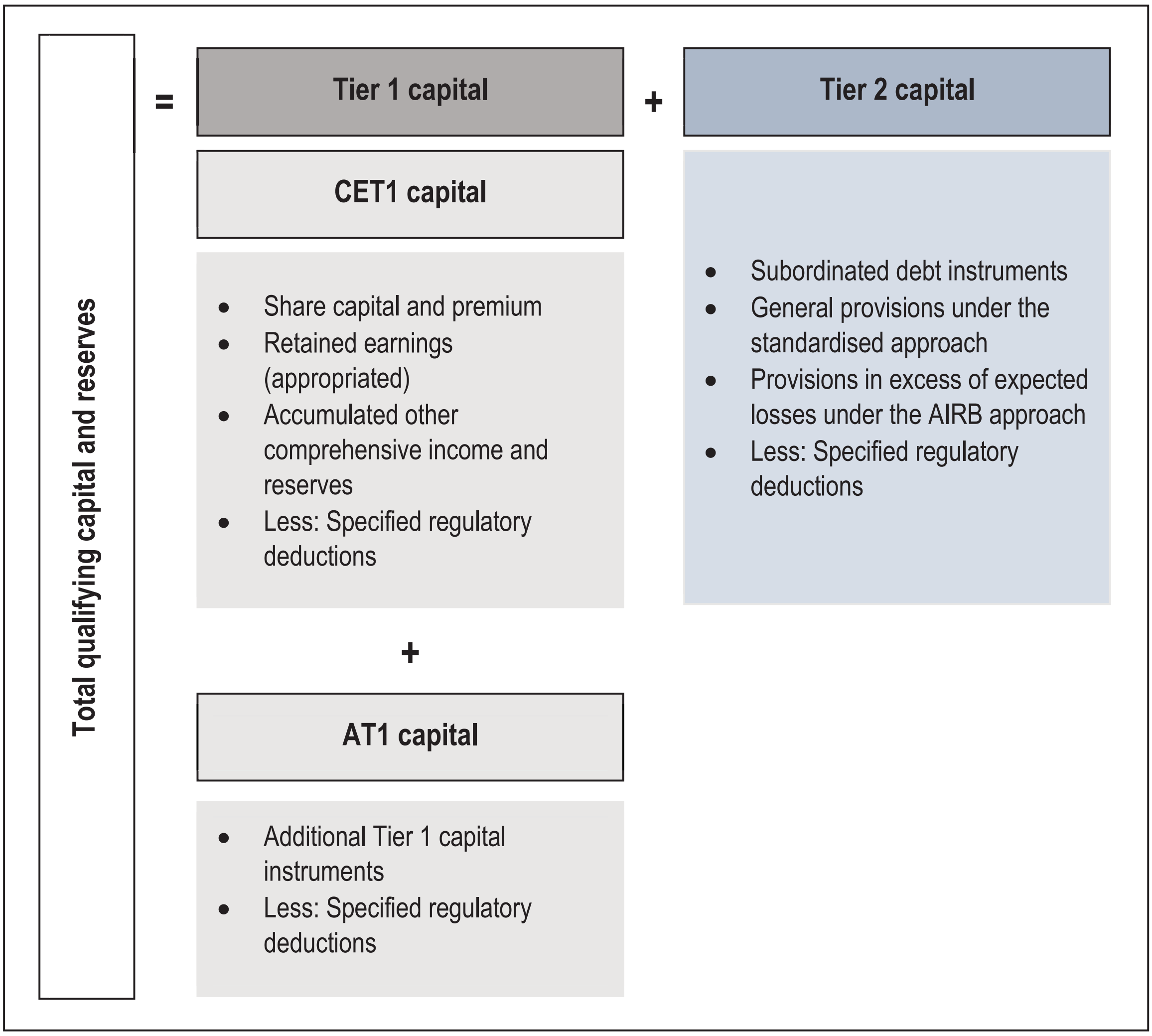
R million	**2023**	2022
Listed investment risk exposure included in the equity investment risk ETL	**17**	4
Estimated sensitivity of remaining investment balances		
Sensitivity to 10% movement in market value on investment fair value	**61**	58

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 economic 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 capital targets are a CET1 of 11.0% – 12.0%, a Tier 1 of >12.0% and total capital of >14.75%.

The following diagram defines the main components of qualifying capital and reserves.



32 IMPACT DUE TO CHANGES IN PRESENTATION

32.1 Restatement of previously presented information

Note 10 Advances

The bank has restated information previously presented in the annual financial statements. Instalment sales agreements had been incorrectly presented as lease payments receivable. The re-presentation has no impact on amounts previously presented in the statement of financial position and only impact the analysis of instalment sales, hire purchase agreements and lease payments receivable as set out in note 10.2.

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

R million	As previously reported	Movement	Presented in note 10
Within 1 year	30 710	(27 357)	3 353
Between 1 and 2 years	27 835	(26 133)	1 702
Between 2 and 3 years	24 397	(23 673)	724
Between 3 and 4 years	19 832	(19 514)	318
Between 4 and 5 years	15 637	(15 489)	148
More than 5 years	11 269	(11 207)	62
Total gross amount	129 680	(123 373)	6 307
Unearned finance charges	(25 797)	25 181	(616)
Net amount of hire purchase and lease payments receivable	103 883	(98 192)	5 691
Instalment sales	19 813	98 192	118 005
Total instalment sales, hire purchase agreements and lease payments receivable	123 696	-	123 696

32 IMPACT DUE TO CHANGES IN PRESENTATION continued

Note 31 Financial risks

31.1 Restatement of net amount reported in the statement of financial position and the financial instruments not subject to offset or MNA.

	Derivatives		
R million	As previously reported	Movement	Presented in note 31
Assets			
Offsetting applied			
Gross amount	73 378	4 123	77 501
Amount offset	(15 827)	-	(15 827)
Net amount reported on the statement of financial position	57 551	4 123	61 674
Offsetting not applied			
Financial instruments subject to MNAs and similar agreements	(46 507)	-	(46 507)
Financial collateral	(3 073)	-	(3 073)
Net amount	7 971	4 123	12 094
Financial instruments not subject to offset or MNAs	4 123	(4 123)	-
Total as per statement of financial position	61 674	(61 674)	-
Liabilities			
Offsetting applied			
Gross amount	82 387	3 724	86 111
Amount offset	(15 827)	-	(15 827)
Net amount reported on the statement of financial position	66 560	3 724	70 284
Offsetting not applied			
Financial instruments subject to MNAs and similar agreements	(46 507)	-	(46 507)
Financial collateral	(15 655)	-	(15 655)
Net amount	4 398	3 724	8 122
Financial instruments not subject to offset or MNAs	3 724	(3 724)	-
Total as per statement of financial position	70 284	(70 284)	-

The table has been condensed to reflect movements up to the net amount.

32.2 Impact due to movements in the classes of advances

Revolving facilities have been moved from the retail other segment to personal loans. These revolving facilities are used by customers in meeting longer-term, high-value lending needs. This move will enable a single view of medium-term unsecured lending products and will align the external reporting with how these products are managed internally. The group has voluntarily updated the comparative information. The restated comparatives in note 10 Advances, note 11 Impairments and note 31 Financial risks have been included below.

	Structured transactions			Intercompany		
	As previously reported	Movement	Presented in note 31	As previously reported	Movement	Presented in note 31
	70 946	13 597	84 543	29 483	49 986	79 469
	(14 003)	-	(14 003)	(8 716)	-	(8 716)
	56 943	13 597	70 540	20 767	49 986	70 753
	(585)	-	(585)	(10 965)	-	(10 965)
	(56 358)	-	(56 358)	-	-	-
	-	13 597	13 597	9 802	49 986	59 788
	13 597	(13 597)	-	49 986	(49 986)	-
	70 540	(70 540)	-	70 753	(70 753)	-
	26 713	3 446	30 159	19 771	21 845	41 616
	(14 003)	-	(14 003)	(8 716)	-	(8 716)
	12 710	3 446	16 156	11 055	21 845	32 900
	(585)	-	(585)	(10 965)	-	(10 965)
	(12 125)	-	(12 125)	-	-	-
	-	3 446	3 446	90	21 845	21 935
	3 446	(3 446)	-	21 845	(21 845)	-
	16 156	(16 156)	-	32 900	(32 900)	-

32 IMPACT DUE TO CHANGES IN PRESENTATION continued

32.2 Impact due to movements in the classes of advances continued

Note 10 Advances

10.6.5 Reconciliation of the gross carrying amount of total advances per class – Amortised cost

	Personal loans			Retail other		
R million	As previously reported	Move-ment	Presented in note 10	As previously reported	Move-ment	Presented in note 10
GCA reported as at 1 July 2021	39 686	7 199	46 885	15 712	(7 199)	8 513
– Stage 1	25 153	5 505	30 658	11 680	(5 505)	6 175
– Stage 2	6 987	694	7 681	1 540	(694)	846
– Stage 3	7 546	1 000	8 546	2 492	(1 000)	1 492
– Purchased or originated credit impaired	-	-	-	-	-	-
Transfers between stages	-	-	-	-	-	-
– Transfers to/(from) stage 1	(1 783)	(187)	(1 970)	(277)	187	(90)
Transfers into stage 1	2 005	111	2 116	496	(111)	385
Transfers out of stage 1	(3 788)	(298)	(4 086)	(773)	298	(475)
– Transfers to/(from) stage 2	(912)	(146)	(1 058)	(192)	146	(46)
Transfers into stage 2	2 735	135	2 870	481	(135)	346
Transfers out of stage 2	(3 647)	(281)	(3 928)	(673)	281	(392)
– Transfers to/(from) stage 3	2 695	333	3 028	469	(333)	136
Transfers into stage 3	3 665	(33)	3 632	699	33	732
Transfers out of stage 3	(970)	366	(604)	(230)	(366)	(596)
Current period movement	5 598	305	5 903	1 064	(305)	759
New business – changes in exposure	19 345	3 721	23 066	4 363	(3 721)	642
Back book						
– Current year movement	(13 747)	(3 416)	(17 163)	(3 299)	3 416	117
– Exposures with a change in measurement basis from 12 months to LECL	(1 393)	(255)	(1 648)	(12)	255	243
– Other current year change in exposure/net movement on GCA	(12 354)	(3 161)	(15 515)	(3 287)	3 161	(126)
– Purchased or originated credit impaired	-	-	-	-	-	-
Acquisition/(disposal) of advances	-	-	-	-	-	-
Transfers from/(to) other divisions	-	-	-	9	-	9
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-	-	-
Exchange rate differences	-	-	-	-	-	-
Bad debts written off	(4 743)	(995)	(5 738)	(2 324)	995	(1 329)
Modifications that did not give rise to derecognition	(368)	(59)	(427)	(104)	59	(45)
GCA as at 30 June 2022	40 173	6 450	46 623	14 357	(6 450)	7 907
– Stage 1	27 342	5 168	32 510	11 213	(5 168)	6 045
– Stage 2	6 557	592	7 149	1 178	(592)	586
– Stage 3	6 274	690	6 964	1 966	(690)	1 276
– Purchased or originated credit impaired	-	-	-	-	-	-
Core lending advances	40 173	6 450	46 623	14 357	(6 450)	7 907
Advances under agreements to resell	-	-	-	-	-	-
Total GCA of advances at 30 June 2022	40 173	6 450	46 623	14 357	(6 450)	7 907

32 IMPACT DUE TO CHANGES IN PRESENTATION continued

32.2 Impact due to movements in the classes of advances continued

Note 10 Advances continued

10.6.6 Reconciliation of the loss allowance on total advances per class – Amortised cost

	Personal loans			Retail other		
R million	As previously reported	Move-ment	Presented in note 10	As previously reported	Move-ment	Presented in note 10
ECL reported as at 1 July 2021	8 630	1 406	10 036	3 119	(1 406)	1 713
– Stage 1	1 611	432	2 043	718	(432)	286
– Stage 2	1 722	279	2 001	575	(279)	296
– Stage 3	5 297	695	5 992	1 826	(695)	1 131
– Purchased or originated credit impaired	-	-	-	-	-	-
Transfers between stages	-	-	-	-	-	-
– Transfers to/(from) stage 1	(9)	8	(1)	21	(8)	13
Transfers into stage 1	272	29	301	76	(29)	47
Transfers out of stage 1	(281)	(21)	(302)	(55)	21	(34)
– Transfers to/(from) stage 2	(633)	(96)	(729)	(61)	96	35
Transfers into stage 2	347	16	363	89	(16)	73
Transfers out of stage 2	(980)	(112)	(1 092)	(150)	112	(38)
– Transfers to/(from) stage 3	642	88	730	40	(88)	(48)
Transfers into stage 3	954	(17)	937	126	17	143
Transfers out of stage 3	(312)	105	(207)	(86)	(105)	(191)
Current year provision created/(released)	3 921	462	4 383	1 663	(462)	1 201
New business – impairment charge/(release)	2 262	315	2 577	375	(315)	60
Back book – impairment charge/(release)	1 659	147	1 806	1 288	(147)	1 141
– Exposures with a change in measurement basis from 12 months to LECL	(73)	(25)	(98)	29	25	54
– Other current year impairment charge/(release)	1 732	172	1 904	1 259	(172)	1 087
– Purchased or originated credit impaired	-	-	-	-	-	-
Acquisition/(disposal) of advances	-	-	-	-	-	-
Transfers from/(to) other divisions	-	-	-	-	-	-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-	-	-
Exchange rate differences	-	-	-	-	-	-
Bad debts written off	(4 743)	(995)	(5 738)	(2 324)	995	(1 329)
ECL as at 30 June 2022	7 808	873	8 681	2 458	(873)	1 585
– Stage 1	1 785	280	2 065	665	(280)	385
– Stage 2	1 544	183	1 727	330	(183)	147
– Stage 3	4 479	410	4 889	1 463	(410)	1 053
– Purchased or originated credit impaired	-	-	-	-	-	-
Current year provision created/(released) per impairment stage	3 921	462	4 383	1 663	(462)	1 201
– Stage 1	183	(158)	25	(75)	158	83
– Stage 2	454	-	454	(184)	-	(184)
– Stage 3	3 284	620	3 904	1 922	(620)	1 302
– Purchased or originated credit impaired	-	-	-	-	-	-

32 IMPACT DUE TO CHANGES IN PRESENTATION continued

32.2 Impact due to movements in the classes of advances continued

Note 10 Advances continued

10.8 Modified advances measured at amortised cost

R million	2022 Stage 2 and stage 3 Gross carrying amount before modification	Loss allowance before modification	Amortised cost before modification	Modification gain/(loss)
Personal loans				
Previously reported	2 205	(834)	1 371	(368)
Movement	237	(77)	160	(94)
Presented in note 10	2 442	(911)	1 531	(462)
Retail other				
Previously reported	429	(169)	260	(104)
Movement	(237)	77	(160)	94
Presented in note 10	192	(92)	100	(10)

Note 11 Impairment of advances

11.2.3 Breakdown of ECL created in the current period – Total retail unsecured

R million	2022 Movement in the balance sheet provisions Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage	Performing book provisions*
Previously reported	213	177	(369)	(88)	-
Movement	12	(12)	27	(27)	-
Presented in note 11	225	165	(342)	(115)	(67)

** New sub-total not previously presented.*
*** Previously presented in gross write-off and other.*

	2022							
	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
	(1 738)	(1 805)	7 275	-	547	-	(1 654)	4 363
	-	-	1 763	-	-	(1 763)	-	-
	(1 738)	(1 805)	9 038	7 233	547	(1 763)	(1 654)	4 363

32 IMPACT DUE TO CHANGES IN PRESENTATION continued

32.2 Impact due to movements in the classes of advances continued

Note 31 Financial risks

Credit assets

R million	As previously reported	Movement	Presented in note 31
Breakdown of advances per class			
Gross advances	979 436	-	979 436
Retail secured	335 971	-	335 971
– Residential mortgages	242 757	-	242 757
– WesBank VAF	93 214	-	93 214
Retail unsecured	87 351	-	87 351
– FNB card	32 821	-	32 821
– Personal loans	40 173	6 450	46 623
– Retail other	14 357	(6 450)	7 907
Corporate and commercial	504 133	-	504 133
– FNB commercial	107 823	-	107 823
– WesBank corporate	45 128	-	45 128
– RMB corporate and investment banking	351 182	-	351 182
Centre (including Group Treasury)	51 981	-	51 981

31.1.2 Quality of credit assets

	FNB personal loans								
	Stage 1			Stage 2			Stage 3		
R million	As previously reported	Move-ment	Presented in note 31	As previously reported	Move-ment	Presented in note 31	As previously reported	Move-ment	Presented in note 31
FR1-25									
On-balance sheet	115	99	214	90	1	91	-	-	-
Off-balance sheet	-	-	-	-	-	-	-	-	-
FR 26-90									
On-balance sheet	25 788	5 004	30 792	1 699	20	1 719	-	-	-
Off-balance sheet	-	-	-	-	-	-	-	-	-
FR91-100									
On-balance sheet	1 439	65	1 504	4 768	571	5 339	6 274	690	6 964
Off-balance sheet	-	-	-	-	-	-	-	-	-
	FNB retail other								
FR1-25									
On-balance sheet	488	(99)	389	1	(1)	-	4	-	4
Off-balance sheet	141	-	141	-	-	-	-	-	-
FR26-90									
On-balance sheet	10 584	(5 004)	5 580	137	(20)	117	-	-	-
Off-balance sheet	304	-	304	-	-	-	-	-	-
FR91-100									
On-balance sheet	141	(65)	76	1 040	(571)	469	1 962	(690)	1 272
Off-balance sheet	177	-	177	-	-	-	-	-	-

32 IMPACT DUE TO CHANGES IN PRESENTATION continued

32.2 Impact due to movements in the classes of advances continued

Note 31 Financial risks continued

Analysis of impaired advances (stage 3)

R million	2022 Total	2022 Security held and expected recoveries	2022 Stage 3 impairment
Stage 3 by class			
Personal loans			
As previously reported	6 274	1 795	4 479
Movement	690	280	410
Presented in note 31	6 964	2 075	4 889
Retail other			
As previously reported	1 966	503	1 463
Movement	(690)	(280)	(410)
Presented in note 31	1 276	223	1 053

31.1.4 Credit risk mitigation and collateral held

	FNB personal loans			FNB retail other		
R million	As previously reported	Movement	Presented in note 31	As previously reported	Movement	Presented in note 31
Gross carrying amount	40 173	6 450	46 623	14 357	(6 450)	7 907
Off-balance sheet exposure	-	-	-	622	-	622
Loss allowance	(7 808)	(873)	(8 681)	(2 458)	873	(1 585)
Maximum exposure to credit risk	32 365	5 577	37 942	12 521	(5 577)	6 944
Supported as follows:						
Netting and financial collateral	-	-	-	-	-	-
Secured	-	-	-	2 220	-	2 220
Unsecured	32 365	5 577	37 942	10 301	(5 577)	4 724

32 IMPACT DUE TO CHANGES IN PRESENTATION continued

32.3 Voluntary changes in presentation

The bank has made voluntary changes to certain notes presented. To allow the user to compare the restated comparatives provided with the information previously presented, the note previously included in the annual financial statements has been included below.

Note 11 Impairment of advances

11.2.3 Breakdown of ECL created in the current period

The bank has made voluntary changes in the breakdown of ECL created in the current period per key driver. New sub-total columns have been added and interest suspended on stage 3 advances has been split out from the gross write-off and other column. Set out below is the note previously included in the annual financial statements.

	2022			
R million	Change in volume stage 1	Change in coverage stage 1	Change in volume stage 2	Change in coverage stage 2
Total retail secured	126	(92)	77	271
Total retail unsecured	213	177	(369)	(88)
Temporary stress scenario	132	(108)	137	(134)
Total retail secured and unsecured	471	(23)	(155)	49
Total FNB commercial	159	(171)	(105)	(267)
– FNB commercial	120	(31)	(113)	(267)
– Temporary stress scenario	39	(140)	8	-
– WesBank corporate	21	(32)	38	(53)
– RMB corporate and investment banking	335	(683)	(552)	(167)
Total corporate and commercial	515	(886)	(619)	(487)
Broader Africa	-	-	-	-
Centre (including Group Treasury)	(34)	48	22	(9)
Total	952	(861)	(752)	(447)

2022					
Change in stage 3 provisions	Credit provision increase	Modification loss	Gross write-off and other	Post write-off recoveries	Total
(1 010)	(628)	134	2 336	(402)	1 440
(1 738)	(1 805)	547	7 275	(1 654)	4 363
(44)	(17)	-	-	-	(17)
(2 792)	(2 450)	681	9 611	(2 056)	5 786
(234)	(618)	(4)	1 089	(114)	353
(234)	(525)	(4)	1 089	(114)	446
-	(93)	-	-	-	(93)
(135)	(161)	-	196	(23)	12
675	(392)	-	55	(9)	(346)
306	(1 171)	(4)	1 340	(146)	19
-	-	-	-	-	-
474	501	-	(376)	(39)	86
(2 012)	(3 120)	677	10 575	(2 241)	5 891

32 IMPACT DUE TO CHANGES IN PRESENTATION continued

32.3 Voluntary changes in presentation continued

Note 31 Financial risks

31.1.1 Credit assets and concentration risk

Geographic concentration of significant credit asset exposure

The bank has made voluntary changes to the geographical concentration risk information presented in note 31 Financial risk. North and South America, Australasia and Asia has been collapsed into a single column Asia, Americas, and Australasia. Total advances were used to determine which geographical areas would be presented together. Set out below is the note previously included in the annual financial statements.

	2022							
R million	South Africa	Broader Africa	United Kingdom	Other Europe	North and South America	Austra-lasia	Asia	Total
On-balance sheet exposures								
Cash and short-term funds	62 462	21	13 819	7 938	10 160	297	506	95 203
Total advances	901 313	29 026	20 771	17 182	3 981	6	7 157	979 436
Stage 3 advances	37 890	129	666	4	-	1	4	38 694
Derivatives	38 721	154	18 108	4 163	494	-	34	61 674
Debt investment securities*	222 658	4 404	12 228	12 303	23 033	-	-	274 626
Other assets	3 490	31	351	8	161	1	14	4 056
Off-balance sheet exposures								
Guarantees, acceptances and letters of credit	39 960	14 757	399	1 273	23	10	2 965	59 387
Irrevocable commitments	143 525	5 764	3 217	656	1 702	-	279	155 143

* *Excluding non-recourse investments.*

33 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following new and revised standards and interpretations are applicable to the business of the bank. The bank will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
IFRS 17	**Insurance contracts** IFRS 17 *Insurance Contracts* is the new standard that prescribes the accounting for insurance contracts and will replace the current insurance contracts standard, IFRS 4 *Insurance contracts.* IFRS 17 aims to provide more transparency and comparability between companies that issue insurance contracts by providing a prescriptive approach for determining insurance and reinsurance assets and liabilities, as well as the release of profits on insurance contracts to the income statement. The bank will apply IFRS 17 from 1 July 2023. The impact of applying IFRS 17 is not expected to have a material impact on the financial results of the bank.	Annual periods commencing on or after 1 January 2023
IAS 1	**Amendments to classification of liabilities as current or non-current** The IAS1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically: • the amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists; • management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant; and • the amendments clarify the situations that are considered settlement of a liability. The bank presents its assets and liabilities in order of liquidity in the statement of financial position. The impact of this amendment would impact the disclosure of current versus non-current liabilities in the notes to the financial statements. The bank does not expect this amendment to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2023

33 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
IAS 1	**Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice Statement 2** The IASB issued amendments to IAS 1 and an update to *IFRS Practice Statement 2 Making Materiality Judgements* to help prepare useful accounting policy disclosures. The key amendments to IAS 1 include: • requiring entities to disclose their material accounting policies rather than their significant accounting policies; • clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and • clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.	Annual periods commencing on or after 1 January 2023
IAS 8	**Definition of accounting estimates** The amendments to IAS 8 introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	Annual periods commencing on or after 1 January 2023
IAS 12	**Deferred tax related to assets and liabilities arising from a single transaction** The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result a deferred tax asset and a deferred tax liability will need to be recognised for temporary differences arising on initial recognition of a lease and decommissioning provision.	Annual periods commencing on or after 1 January 2023

33 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

IFRS 16	**Lease liability in a sale and leaseback transaction – amendments to IFRS 16** The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and lease back transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.	Annual periods commencing on or after 1 January 2024

34 SUBSEQUENT EVENTS

There were no significant events that occurred between the end of the reporting period and the issue of the annual financial statements.

D

supplementary

information

Company information

Directors

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

Company secretary and registered office

C Low
4 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
PO Box 650149, Benmore 2010
Tel: +27 11 282 1808 Fax: +27 11 282 8088
Website: www.firstrand.co.za

JSE debt sponsor

(in terms of JSE Debt Listings Requirements)
Rand Merchant Bank (a division of FirstRand Bank Limited)
Debt Capital Markets
1 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
Tel: +27 11 282 8000
Fax: +27 11 282 4184

Auditors

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View
Gauteng
South Africa
2090

Deloitte & Touche
5 Magwa Crescent
Waterfall City
Johannesburg
Gauteng
South Africa
2090

Listed financial instruments of the bank

Listed debt

FRB remains the group's rated entity from which debt is issued. The bank's JSE-listed programmes and debt instruments are available on the group and RMB websites:

- www.firstrand.co.za/investors/debt-investor-centre/prospectuses-and-programme-memoranda/
- www.firstrand.co.za/investors/debt-investor-centre/jse-listed-instruments/
- www.rmb.co.za/page/krugerrand-custodial-certificate
- www.rmb.co.za/page/dollar-custodial-certificate

Credit ratings

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

Listed financial instruments of the bank continued

Capital instruments

BASEL III COMPLIANT AT1 AND TIER 2 INSTRUMENTS

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

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

Refer to https://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
Age distribution	The number of months between the loan completion and the end of the reporting period plus one (in line with the banding requirements). Percentage for each age band is based on the current exposure
Arrears	A percentage that expresses the current exposure of the loans with one or more months in arrears to the total current book exposure for the reporting period
Balance-to-market value	The current exposure divided by the indexed valuation (indexing model uses Nationwide and IPD indices). Percentage for each balance-to-market value band is based on the current exposure
Balance-to-original value	The current exposure divided by the original valuation. Percentage for each balance-to-original value band is based on the current exposure
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA
Common Equity Tier 1 (CET1) capital	Share capital and premium, and qualifying reserves, less specified regulatory deductions
Contingent convertible securities	Fixed-rate perpetual subordinated contingent convertible securities issued by Aldermore. These instruments qualify as AT1 capital
Core lending advances	Total advances excluding assets under agreements to resell
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average core lending advances (average between the opening and closing balance for the year)
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures
Dividend cover	Normalised earnings per share divided by dividend per share
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement
Impairment charge	Amortised cost impairment charge and credit fair value adjustments
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares, including treasury shares
Normalised net asset value	Normalised equity attributable to ordinary equityholders
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares
Price earnings ratio (times)	Closing price at end of period divided by basic normalised earnings per share
Price-to-book (times)	Closing share price at end of period divided by normalised net asset value per share
Return on assets (ROA)	Normalised earnings divided by average assets
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders' equity
Risk-weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets, where applicable
Shares in issue	Number of ordinary shares listed on the JSE
Technical cures	Performing accounts that are classified as stage 3/NPL because they have defaulted in the past and do not meet the stringent cure definition of performance for several consecutive months
Tier 1 ratio	Tier 1 capital divided by RWA
Tier 1 capital	CET1 capital plus AT1 capital
Tier 2 capital	Qualifying subordinated debt instruments and qualifying provisions less specified regulatory deductions
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE

Abbreviations

ABF	Asset-based finance
AC and FV	Amortised cost and fair value
ALCCO	Asset, liability and capital committee
ALM	Asset-liability management
ARR	Alternative reference rate
ASF	Available stable funding
AT1	Additional Tier 1
BEE	Black economic empowerment
CAGR	Compound annual growth rate
CET1	Common Equity Tier 1
CIB	Corporate and investment banking
CIP	Conditional incentive plan
CLR	Credit loss ratio
CoDI	Corporation for Deposit Insurance
CODM	Chief operating decision maker
COP26	United Nations Climate Change conference
Covid-19	Coronavirus disease
CPI	Consumer price inflation
CPT	Corporate performance target
CRD V	Capital Requirements Directive 5
DIP	Deferred incentive plan
DM	Developed market
D-SIB	Domestic systemically important bank
EAD	Exposure at default
ECL	Expected credit loss
EDC	External debt collector
EIR	Effective interest rate
ERM	Enterprise risk management
ESG	Environmental, social and governance
ETL	Expected tail loss
EVE	Economic value of equity
EY	Ernst & Young
Centre	FirstRand Corporate Centre
FLI	Forward-looking information
FML	Fleet management and leasing
FNB	First National Bank
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
FSLAA	Financial Sector Laws Amendment Act
FSR	FirstRand Limited
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FX	Foreign exchange
GCA	Gross carrying amount
GDP	Gross domestic product
HQLA	High-quality liquid assets
IBOR	Interbank offered rate
ICE	ICE Benchmark Administration Limited
IFRS	International Financial Reporting Standards
IRBA Code	Code of Professional Conduct for Auditors
IRRBB	Interest rate risk in the banking book
ISA	International Standard on Auditing
ISAE	International Standard on Assurance Engagements
ISDA	International Swaps and Derivatives Association
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
KMP	Key management personnel
LCR	Liquidity coverage ratio
LECL	Lifetime expected credit loss
LGD	Loss given default
LIBOR	London Interbank Offered Rate
LTEMRS	Long-term executive management retention scheme
LTI	Long-term incentive
MIRC	FirstRand market and investment risk committee
MNAs	Master netting arrangements
MPIF	Monetary policy implementation framework
MTM	Mark-to-market
MVNO	Mobile virtual network operator
NAV	Net asset value
NCD	Negotiable certificate of deposit
NCNR	Non-cumulative non-redeemable
NIACC	Net income after cost of capital
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
OCI	Other comprehensive income
PA	Prudential Authority
PBT	Profit before tax
PD	Probability of default
P/E	Price earnings
RCCC	Risk, capital management and compliance committee
Remco	Group remuneration committee
RFR	Risk-free interest rate
RMB	RMB corporate and investment banking segment
ROA	Return on assets
ROE	Return on equity
ROUA	Right of use asset
RWA	Risk-weighted assets
SA	South Africa
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SBP	Share-based payment
SICR	Significant increase in credit risk
SIFI	Systemically important financial institution
SME	Small and medium-sized enterprise
SPPI	Solely payments of principal and interest
SPV	Special purpose vehicles
STI	Short-term incentive
S&P	Standard & Poor's Global Ratings
sVar	Stressed value-at-risk
TRS	Total return swap
TTC	Through-the-cycle
UK	United Kingdom
VAF	Vehicle asset finance
VaR	Value-at-risk
VSI	Vertical sales index

Abbreviations of financial reporting standards

International Financial Reporting Standards

IFRS 1	IFRS 1 – First-time Adoption of International Financial Reporting Standards
IFRS 2	IFRS 2 – Share-based Payment
IFRS 3	IFRS 3 – Business Combinations
IFRS 4	IFRS 4 – Insurance Contracts
IFRS 5	IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	IFRS 7 – Financial Instruments – Disclosures
IFRS 8	IFRS 8 – Operating Segments
IFRS 9	IFRS 9 – Financial Instruments
IFRS 12	IFRS 12 – Disclosure of interests in Other Entities
IFRS 13	IFRS 13 – Fair Value Measurement
IFRS 15	IFRS 15 – Revenue
IFRS 16	IFRS 16 – Leases
IFRS 17	IFRS 17 – Insurance Contracts

International Accounting Standards

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

IFRS Interpretations Committee Interpretations

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

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