FirstRand

analysis

of financial results

for the year ended 30 June 2023

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

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

FirstRand

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About this report

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

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

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

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

Simplified group structure

FirstRand

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100% FirstRand Bank Limited (FRB) — SA banking

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

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

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

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

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

100% FirstRand Insurance Holdings (Pty) Ltd — Insurance

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

100% FirstRand Investment Management Holdings Limited — Investment management

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

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

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

* *Division*

** *Branch*

\# *Trading as FNB Channel Islands.*

† *Representative office*

DirectAxis is a business unit of FirstRand Bank Limited.

‡ *Wholly owned subsidiary of Aldermore Group.*

^ *Wholly owned subsidiary of FirstRand Securities.*

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

Notes:

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

Structure shows effective consolidated shareholding.

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

overview

of results

FirstRand

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

Performance highlights

Normalised earnings

R36.7bn

2022: R32.7bn ▲12%

Normalised return on equity

21.2%

2022: 20.6% ▲60 bps

Normalised net asset value

R180.7bn

2022: R164.9bn ▲10%

CET1 ratio

13.2%

2022: 13.9% ▼70 bps

Ordinary dividend per share

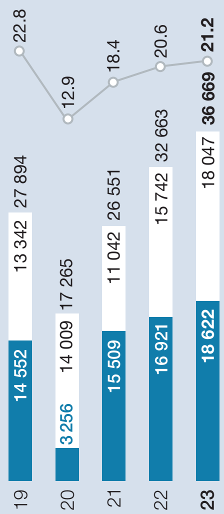
384 cents

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

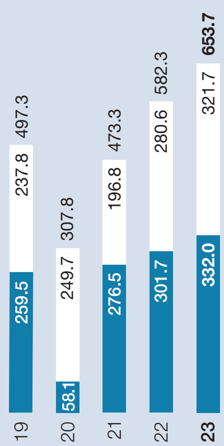
FNB WesBank RMB Aldermore

Track record

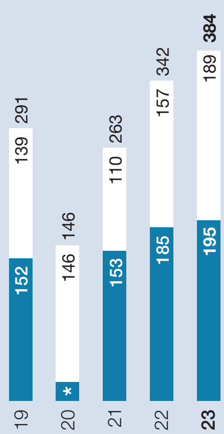
Normalised earnings
(R million) and ROE *(%)*
CAGR 7%



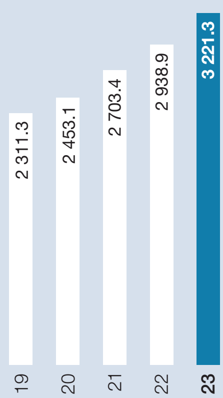
Diluted normalised earnings per share
(cents)
CAGR 7%



Dividend per share
(cents)
CAGR 7%



Normalised net asset value per share
(cents)
CAGR 9%



6 months to December
6 months to June
ROE (%)

Interim
Final

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

Key financial and operational results, ratios and statistics – normalised

for the year ended 30 June

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

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

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

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

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

** *Including unappropriated profits.*

\# *Comparative ratio has been restated to reflect data quality improvements.*

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

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

Consolidated income statement – normalised

for the year ended 30 June

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

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

Consolidated statement of other comprehensive income – normalised

for the year ended 30 June

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

Consolidated statement of financial position – normalised

as at 30 June

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

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

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

Flow of funds analysis – normalised

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

Consolidated statement of changes in equity – normalised

for the year ended 30 June

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

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

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

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

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

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

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

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

ALAN PULLINGER
Chief Executive Officer

Introduction and group strategy

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

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

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

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

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

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

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

Operating environment

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

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

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

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

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

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

Financial performance

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

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

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

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

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

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

FIRSTRAND GROUP FINANCIAL HIGHLIGHTS

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

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

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

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

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

SOURCES OF NORMALISED EARNINGS

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

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

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

\# *Includes FirstRand Limited (company).*

Several variables shaped the Centre performance, including:

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

Revenue and cost overview

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit performance

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

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

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

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

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

ANALYSIS OF IMPAIRMENT CHARGE

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

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

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

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

CHANGE IN NPLs

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

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

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

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

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

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

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

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

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

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

Financial resource management

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

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

Capital position

Capital ratios for the group and bank are summarised below.

CAPITAL ADEQUACY

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

* *Including unappropriated profits.*

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

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

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

Key factors driving the CET1 outcome are outlined below:

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

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

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

Capital allocation and returns

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

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

AVERAGE CAPITAL ALLOCATED

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

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

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

\# *Excludes MotoNovo back book.*

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

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

ROE

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

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

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

Liquidity position

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

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

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

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

PRUDENTIAL LIQUIDITY RATIOS

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

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

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

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

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

Foreign currency balance sheet

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

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

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

Prospects

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

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

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

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

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

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

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

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

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

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

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

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

Dividend strategy

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

Events after reporting period

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

Board changes

Changes to the directorate are outlined below.

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

Cash dividend declarations

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

Ordinary shares

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

Dividends

Ordinary shares

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

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

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

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

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

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

Preference shares

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

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

DIVIDENDS DECLARED AND PAID

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

WR JARDINE
Chairman

AP PULLINGER
CEO

C LOW
Company Secretary

HS KELLAN
CFO

13 September 2023

review
of operations

FNB

FNB represents the group's activities in the retail and commercial segments in South Africa and several countries in broader Africa.

FNB's strategy is underpinned by:

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

FNB FINANCIAL HIGHLIGHTS

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

Overview of results

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

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

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

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

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

CHANNEL VOLUMES

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

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

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

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

Customer segment performance

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

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

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

ACTIVE CUSTOMERS AND PLATFORM USERS

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

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

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

SEGMENTAL RESULTS

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

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

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

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

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

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

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

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

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

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

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

* *Reflects customer migration from personal to private.*

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

Credit performance

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

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

This was partly offset by:

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

ANALYSIS OF IMPAIRMENT CHARGE

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

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

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

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

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

Insurance

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

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

NEW BUSINESS APE

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

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

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

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

Wealth and investment management

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

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

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

WIM ASSETS

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

Platform

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

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

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

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

WesBank's strategy is underpinned by:

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

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

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

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

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

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

WESBANK FINANCIAL HIGHLIGHTS

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

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

Operational NIR grew 4%, driven by:

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

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

BREAKDOWN OF PRE-TAX PROFITS BY SEGMENT*

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

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

** *Includes MotoVantage.*

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

ANALYSIS OF IMPAIRMENT CHARGE

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

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

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

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

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

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

RMB

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

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

RMB FINANCIAL HIGHLIGHTS

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

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

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

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

RMB BROADER AFRICA PORTFOLIO FINANCIAL HIGHLIGHTS

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

* *Up 26% in constant currency terms.*

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

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

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

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

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

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

ANALYSIS OF IMPAIRMENT CHARGE

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

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

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

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

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

BREAKDOWN OF PBT CONTRIBUTION

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

* *Other includes support and head office activities.*

The operational performance of the portfolio is unpacked below.

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

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

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

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

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

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

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

UK operations

Aldermore

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

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

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

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

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

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

UK OPERATIONS FINANCIAL HIGHLIGHTS

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

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

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

Performance overview

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

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

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

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

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

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

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

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

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

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

ANALYSIS OF IMPAIRMENT CHARGE

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

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

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

The key credit metrics reflect the challenging operating environment:

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

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

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

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

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

Business unit performance highlights

Property finance

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

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

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

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

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

Structured and specialist finance

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

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

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

Savings

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

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

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

Aldermore Bank operational performance

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

Motor finance

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

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

SEGMENT ANALYSIS OF NORMALISED EARNINGS

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

* *Includes FNB broader Africa.*

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

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

† *Includes Group Treasury.*

segmental

reporting

Segment report
for the year ended 30 June 2023

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

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

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

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

Centre represents group-wide functions.

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

Segment report continued

for the year ended 30 June 2023

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

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

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

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

Centre represents group-wide functions.

† *Total liabilities are net of interdivisional balances.*

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

Segment report continued

for the year ended 30 June 2022

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

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

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

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

\# *Centre represents group-wide functions.*

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

Segment report continued
for the year ended 30 June 2022

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

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

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

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

\# *Centre represents group-wide functions.*

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

‡ *Total liabilities are net of interdivisional balances.*

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

Additional segmental disclosure – WesBank

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

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

Additional segmental disclosure – UK operations

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

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

* *Tax expense reflected in central functions.*

Additional segmental disclosure – UK operations continued

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

* *Tax expense reflected in central functions.*

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

Additional segmental disclosure – broader Africa

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

BROADER AFRICA FINANCIAL HIGHLIGHTS

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

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

FNB BROADER AFRICA FINANCIAL HIGHLIGHTS

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

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

RMB BROADER AFRICA PORTFOLIO FINANCIAL HIGHLIGHTS

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

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

Additional segmental disclosure – insurance activities

TOTAL INSURANCE PBT

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

* *Includes homeowners' book underwritten by OUTsurance.*

** *MotoVantage provides VAPS products.*

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

PREMIUMS RECOGNISED (ON GROUP INSURANCE LICENCES)

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

FNB insurance activities

NEW BUSINESS APE

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

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

VALUE OF NEW BUSINESS – FNB LIFE*

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

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

FNB SHORT-TERM INSURANCE

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

EMBEDDED VALUE – FNB LIFE

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

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

NUMBER OF LIFE POLICIES

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

FNB LIFE IN-FORCE APE

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

Additional segmental disclosure – insurance activities continued

WesBank insurance activities

NUMBER OF POLICIES AND GROSS WRITTEN PREMIUM

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

Additional segmental disclosure – investment management activities

TOTAL ASSETS UNDER MANAGEMENT

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

REVENUE BY TYPE

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

Additional information on internal restructures
for the year ended 30 June 2022

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

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

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

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

Additional information on internal restructures continued

for the year ended 30 June 2022

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

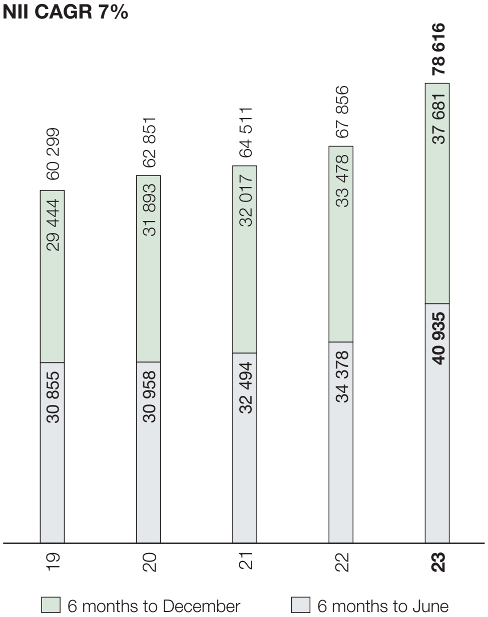
Total FNB previously published	Transfer of revolving facilities	Total FNB after reallocation	Aldermore previously published	Restatement	Aldermore after restatement	Total restructures					
						FNB	WesBank	RMB	Aldermore	Centre	FirstRand group
53.1		53.1	51.2		51.2						
47.3		47.3	6.3		6.3						
1.04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

analysis
of results

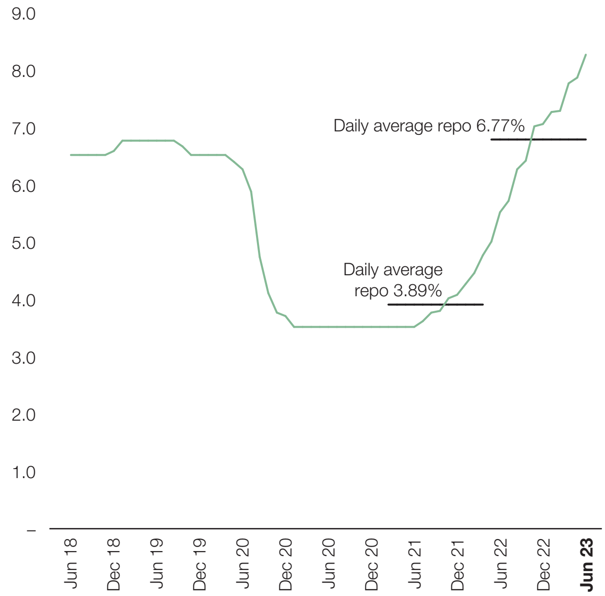
Net interest income (before impairment of advances)

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

Net interest income
(R million)
NII CAGR 7%



Repo rate
(%)



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

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

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

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

MARGIN CASCADE TABLE

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

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

Net interest income (before impairment of advances) continued

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

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

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

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

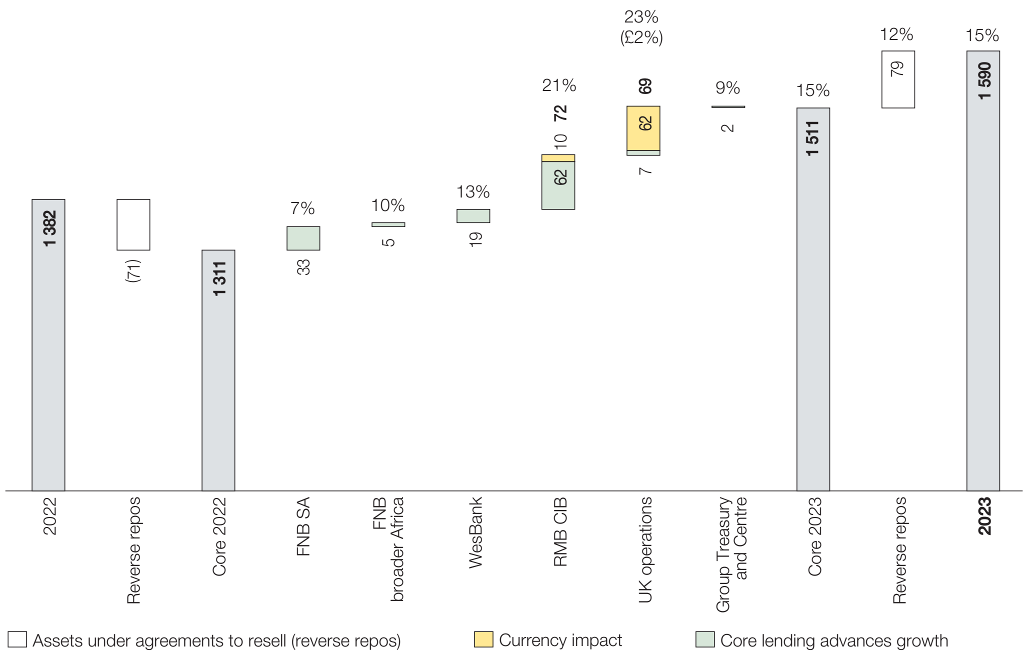
\# *Other includes negative endowment, e.g. fixed assets.*

Key drivers

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

Core advances – up 15%

Gross advances growth by business
(R billion)



Note: Percentages are calculated on R million numbers.

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

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

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

Net interest income (before impairment of advances) continued

Key drivers

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

AVERAGE BALANCE SHEET

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

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

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

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

Include trading liabilities.

Net interest income (before impairment of advances) continued

NOTE 1 – MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

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

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

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

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

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

Key drivers

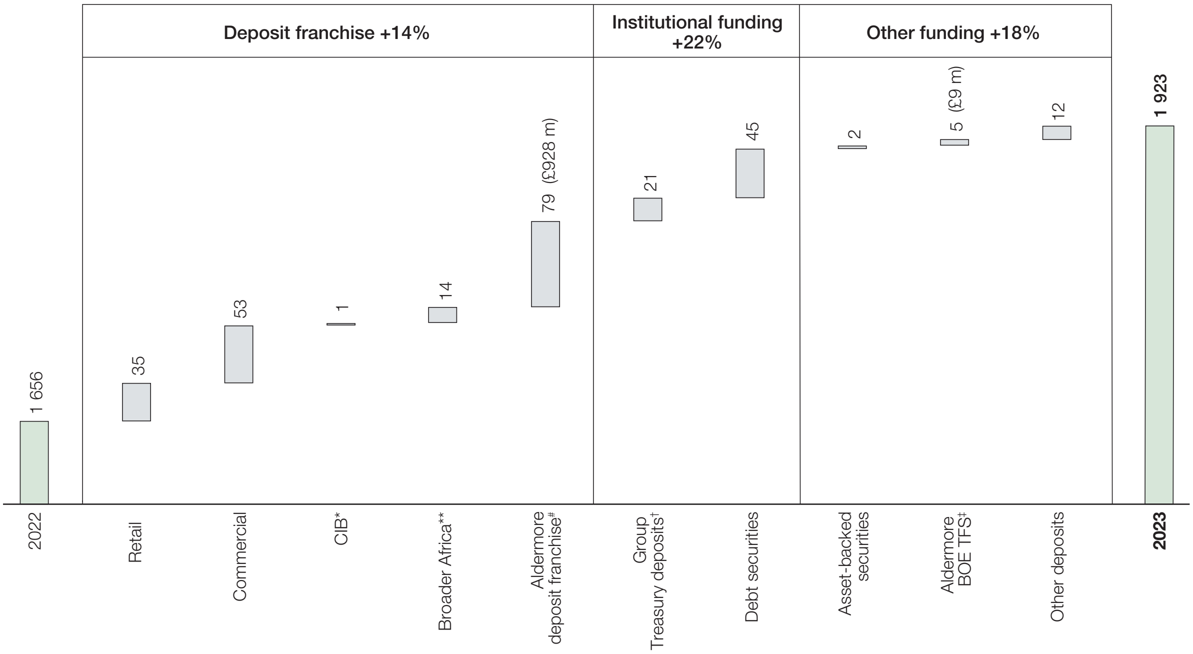
Advances margins

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

Net interest income (before impairment of advances) continued

Funding – up 16%

Funding growth by segment
(R billion)



* *Includes South Africa and the London branch.*

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

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

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

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

Deposits and funding key drivers

Deposit franchise

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

Institutional funding

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

Other funding

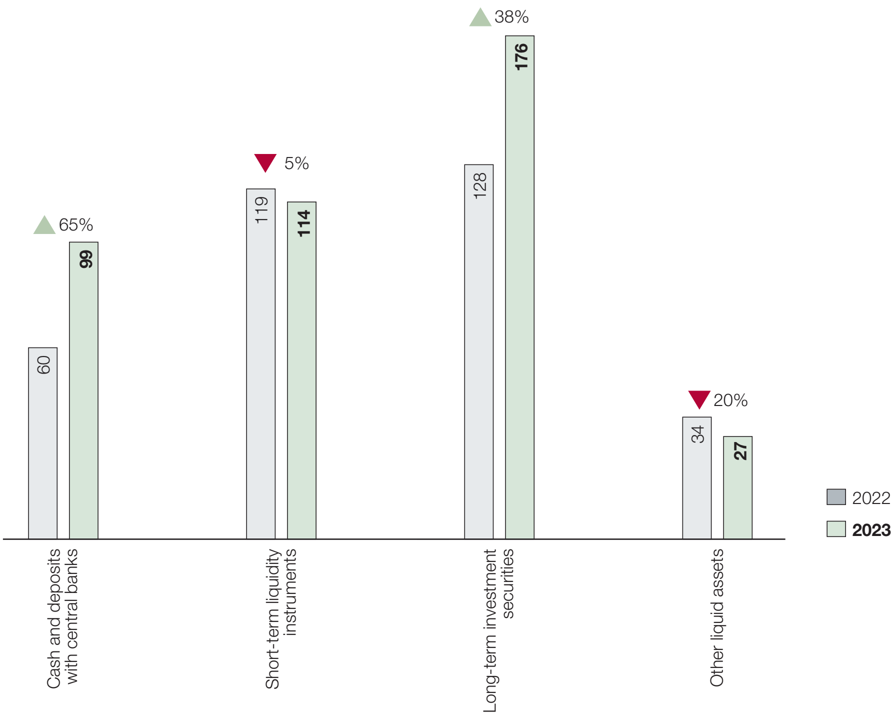
- Securitisation funding, included in asset-backed securities, increased marginally following the execution of Aldermore's Oak 4 transaction in May 2023 offset by the continued amortisation of existing transactions.
- *Aldermore's term funding scheme increased as a consequence of interest accrual.*
-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

Net interest income (before impairment of advances) continued

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

Liquidity management by investment type*

(R billion)



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

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

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

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

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

Margin key drivers

Deposit margins

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

Credit

CREDIT HIGHLIGHTS AT A GLANCE

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

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

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

Changes in presentation of the credit information

Revolving facilities

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

Temporary stress scenario

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

Impairment charge

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

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

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

The higher CLR is driven by the following:

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

Credit continued

Impairment charge

ANALYSIS OF IMPAIRMENT CHARGE

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

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

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

Income statement components

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

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

Credit continued

INCOME STATEMENT ANALYSIS

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

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

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

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

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

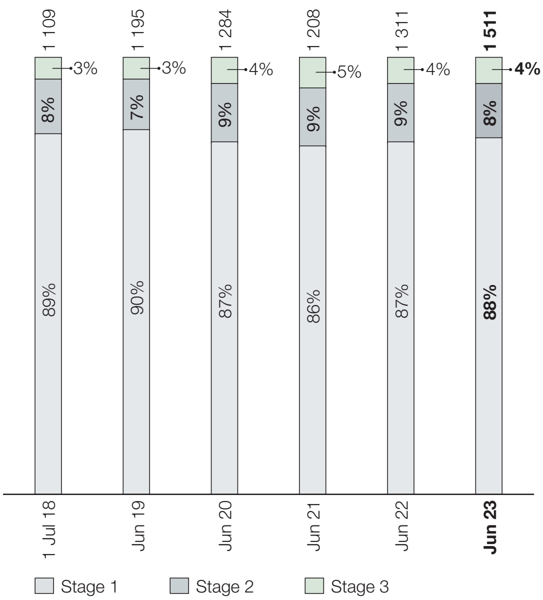
		Year ended 30 June 2023				
		Recognised directly in the income statement				
Gross write-off and other*	**Current year ECL provided**	**Modification loss**	**Interest suspended on stage 3 advances**	**Post write-off recoveries**	**Total**	**CLR %**
9 493	**10 591**	**675**	**(2 073)**	**(1 765)**	**7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

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

Credit continued

Stage distribution

Core lending advances by stage
(R billion)



Stage distribution of advances

Stage 1 advances

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

Stage 2 advances

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

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

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

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

Credit continued

Stage distribution of advances

Stage 3/NPL advances

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

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

STAGE 2 ADVANCES

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

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

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

Credit continued

Stage 3 non-performing loans

CHANGE IN NPLs

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

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

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

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

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

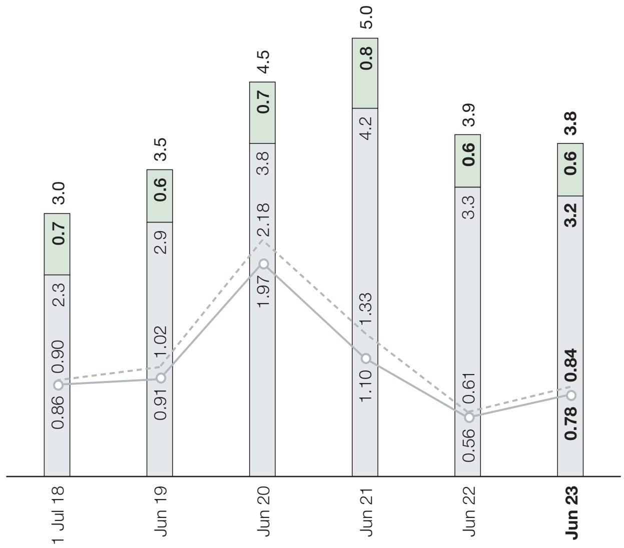
* *June 2022 has been restated due to reallocation from Covid-19 relief to other paying NPLs.*

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

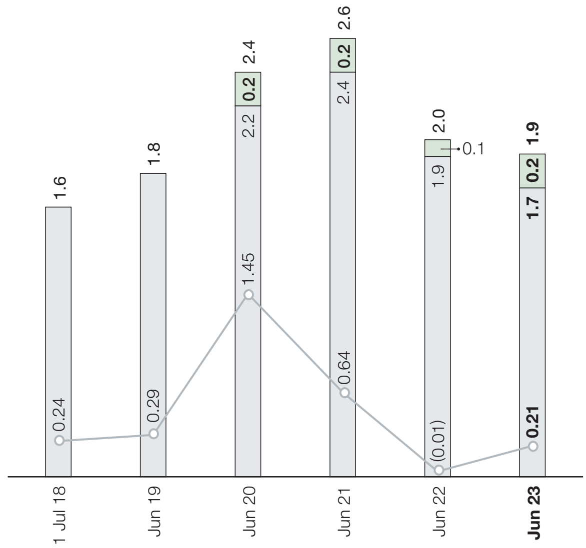
Include debt-review and other core lending advances <90 days in arrears and still subject to curing criteria.

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

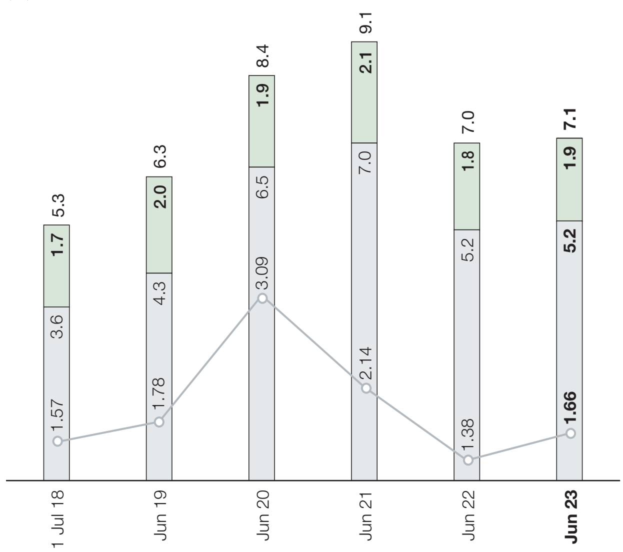
Group NPL and impairment history
(%)



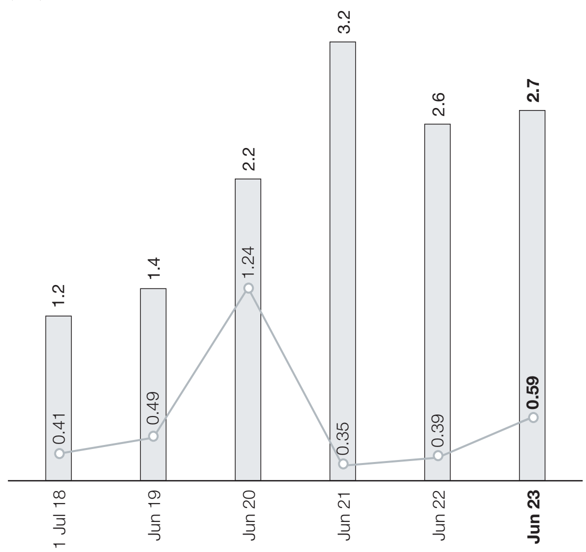
SA corporate and commercial NPLs and impairments
(%)



SA retail NPLs and impairments
(%)



UK operations NPLs and impairments
(£%)



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

Credit continued

Coverage

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

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

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

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

Performing coverage

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

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

Stage 3 coverage

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

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

Movement in balance sheet provisions

BALANCE SHEET IMPAIRMENTS

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

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

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

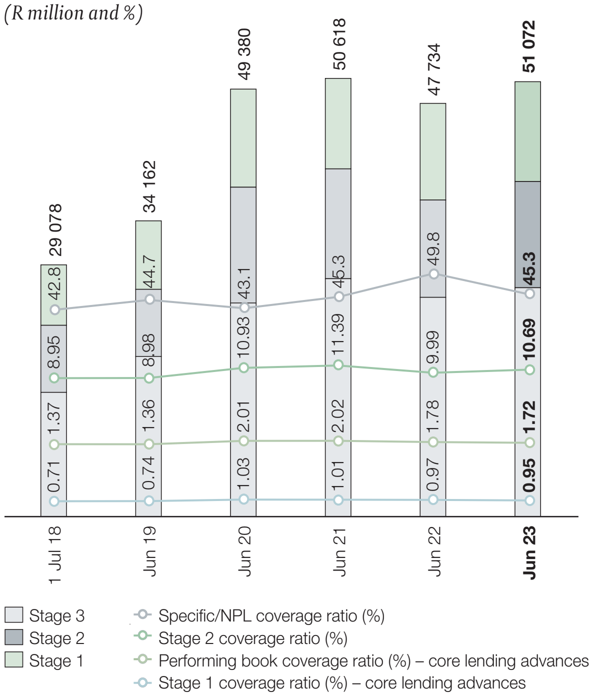
** *Write-off of gross balances, excluding prior year provisions held, which have been recognised in the income statement over various reporting periods.*

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

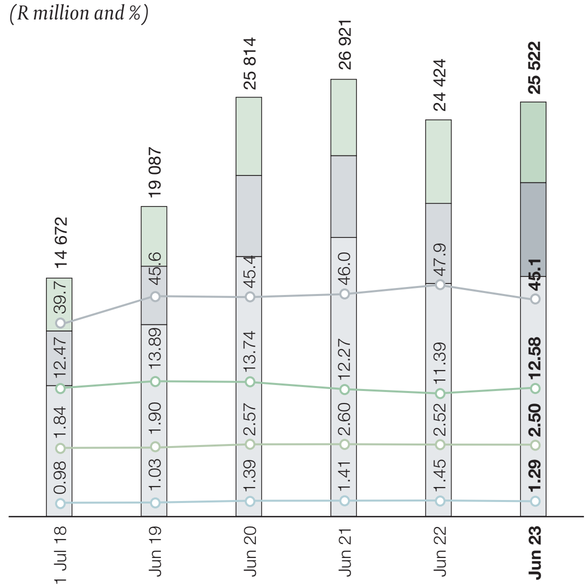
Credit continued

Balance sheet impairments and coverage ratios

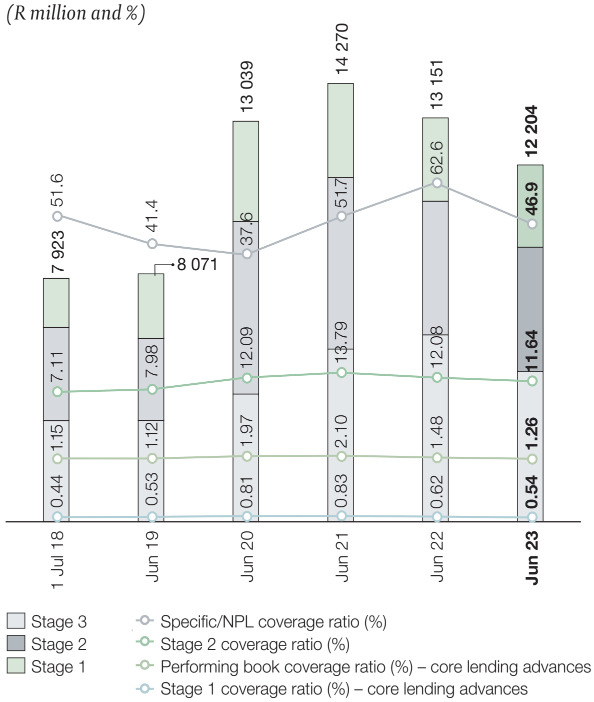
Group balance sheet impairments and coverage ratios
(R million and %)



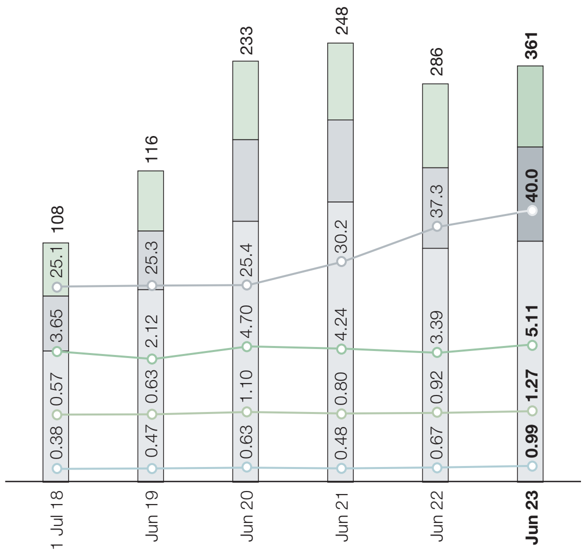
SA retail balance sheet impairments and coverage ratios
(R million and %)



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



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



Credit continued

Note 1: Analysis of advances

SEGMENTAL ANALYSIS OF ADVANCES

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

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

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

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

\# *Managed by the Group Treasurer.*

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

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

Credit continued

CIB ADVANCES BREAKDOWN

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

* *Managed by the Group Treasurer.*

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

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

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

CENTRE (INCLUDING GROUP TREASURY) ADVANCES BREAKDOWN

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

CREDIT OVERVIEW – TOTAL UK OPERATIONS

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

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

Credit continued

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

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

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

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

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

Credit continued

Note 3: Analysis of stage 3/NPLs and impairments

SEGMENTAL ANALYSIS OF STAGE 3/NPLS AND IMPAIRMENTS

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

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

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

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

Credit continued

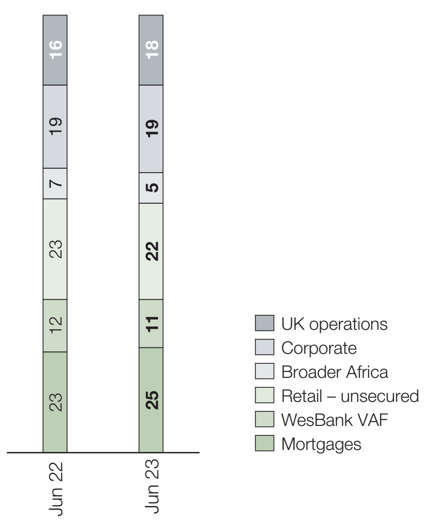
SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES AND NPLs

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

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

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

NPL distribution
(%)



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

Credit continued

Note 4: Analysis of income statement credit impairments

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

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

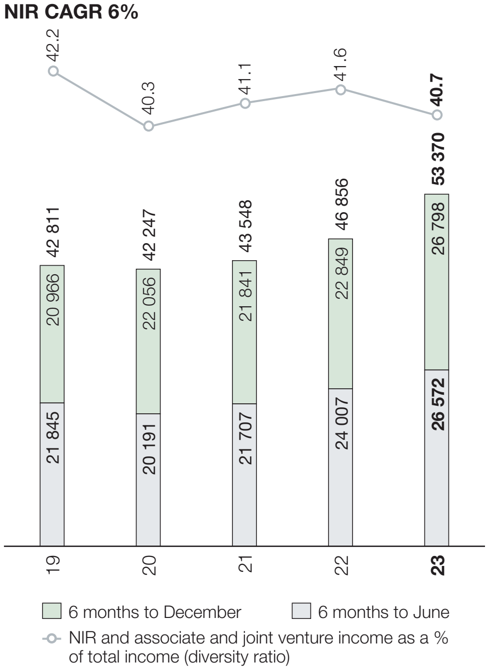
** *Represents the in-country balance sheet excluding Group Treasury.*

Non-interest revenue

Total non-interest revenue – 11%

Operational non-interest revenue – 14%

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



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

ANALYSIS OF TOTAL NIR

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

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

Non-interest revenue continued

NOTE 1 – FEE AND COMMISSION INCOME – UP 8%

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

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

Key drivers

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

NOTE 2 – INSURANCE INCOME – UP 26%

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

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

Key drivers

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

Non-interest revenue continued

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

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

Key drivers

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

NOTE 4 – INVESTMENT INCOME – UP >100%

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

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

Key drivers

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

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

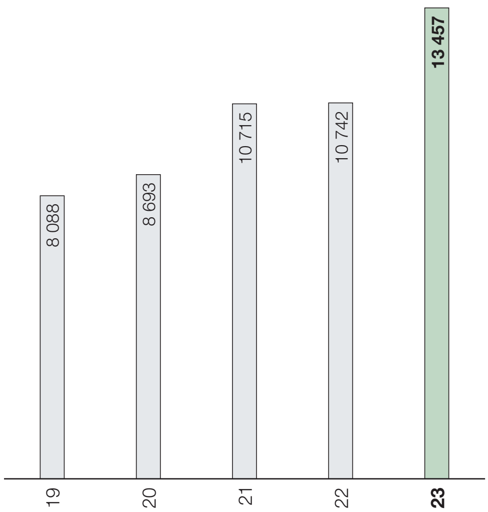
Key drivers

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

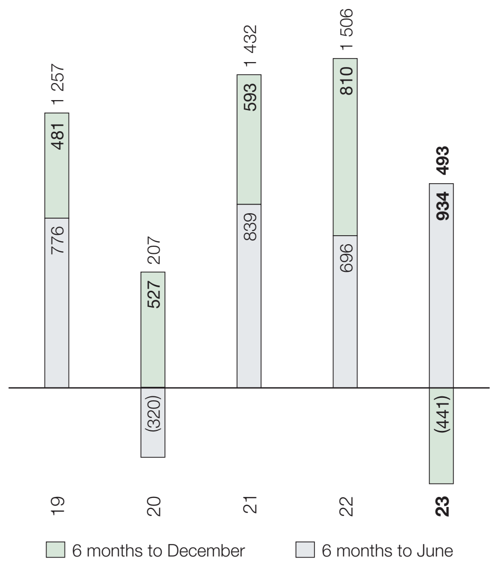
Non-interest revenue continued

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

Investments in associates and joint ventures
(R million)



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



SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES

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

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

Key drivers

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

Non-interest revenue continued

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

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

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

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

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

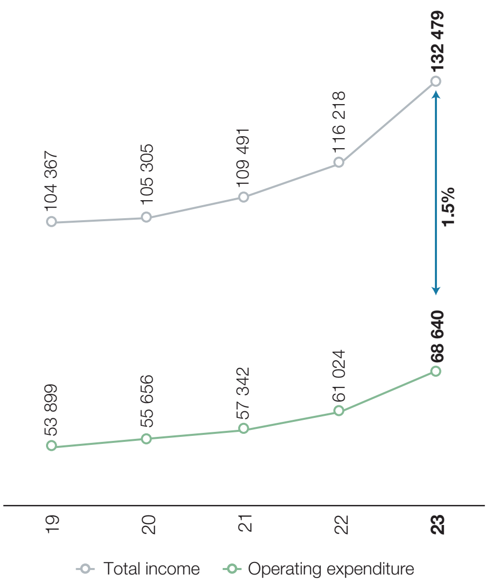
Restructuring reflects a neutral earnings impact with the delta of R105 million as an impairment provision release.

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

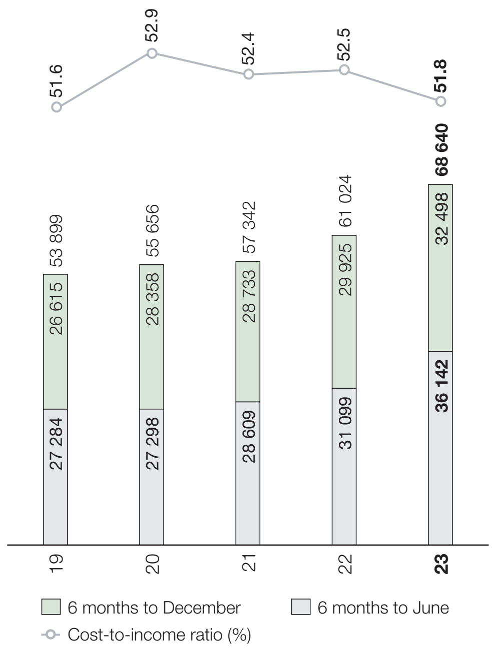
Operating expenses

Operating expenses – up 12%

Operating jaws
(R million)



Operating efficiency
(R million)



Operating expenses continued

OPERATING EXPENSES – UP 12%

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

Key drivers – operational

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

Key drivers – staff

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

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

IT spend

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

FUNCTIONAL PRESENTATION OF IT SPEND

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

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

financial

resource management

Economic view of the balance sheet

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

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

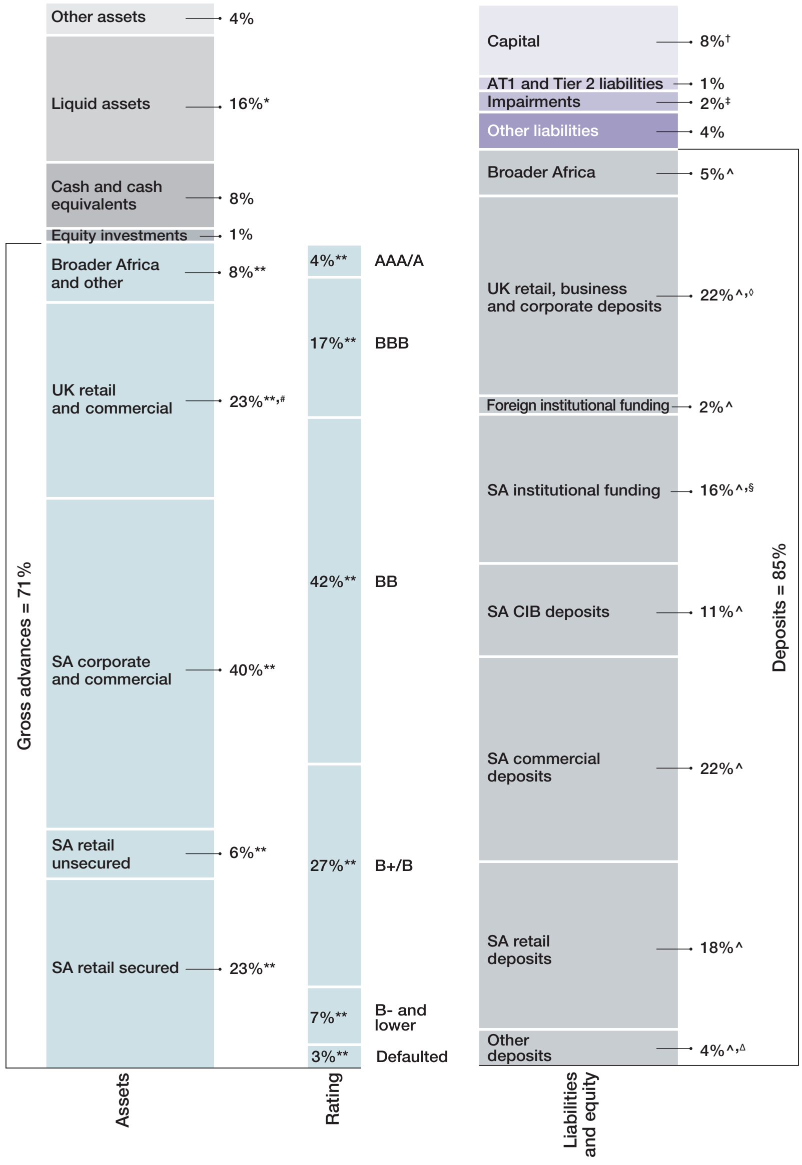
When assessing the underlying risk in the balance sheet, the group's asset profile reflects a diversified advances portfolio, which constitutes 71% of total assets. The composition of the gross advances portfolio consists of SA retail secured (23%), SA retail unsecured (6%), SA corporate and commercial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

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

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

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

Economic view of the balance sheet



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

Note: Non-recourse deposits have been netted off against assets. Derivative, securities lending and short trading position assets and liabilities have been netted off.

Funding and liquidity

Funding and liquidity management approach

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

Funding conditions

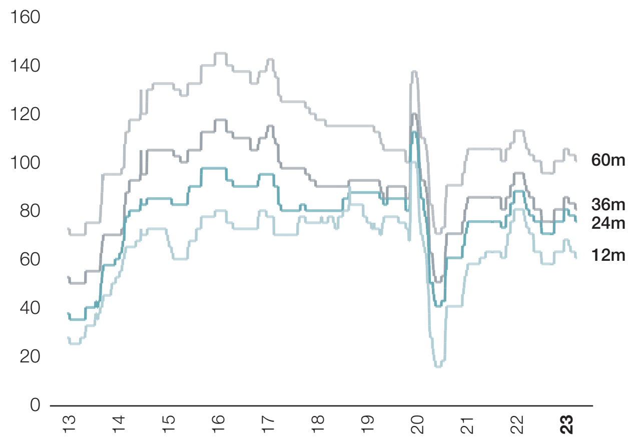
During the period under review, global and local macroeconomic pressures persisted as central banks continued to tighten monetary policy and global growth trended lower. The tighter policy stance globally and domestically has had a limited impact on funding access and liquidity availability for the group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

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

12-month mid-market funding spread
(bps)

Sources: Bloomberg (RMBP screen) and Reuters.

Long-term funding spreads
(bps)



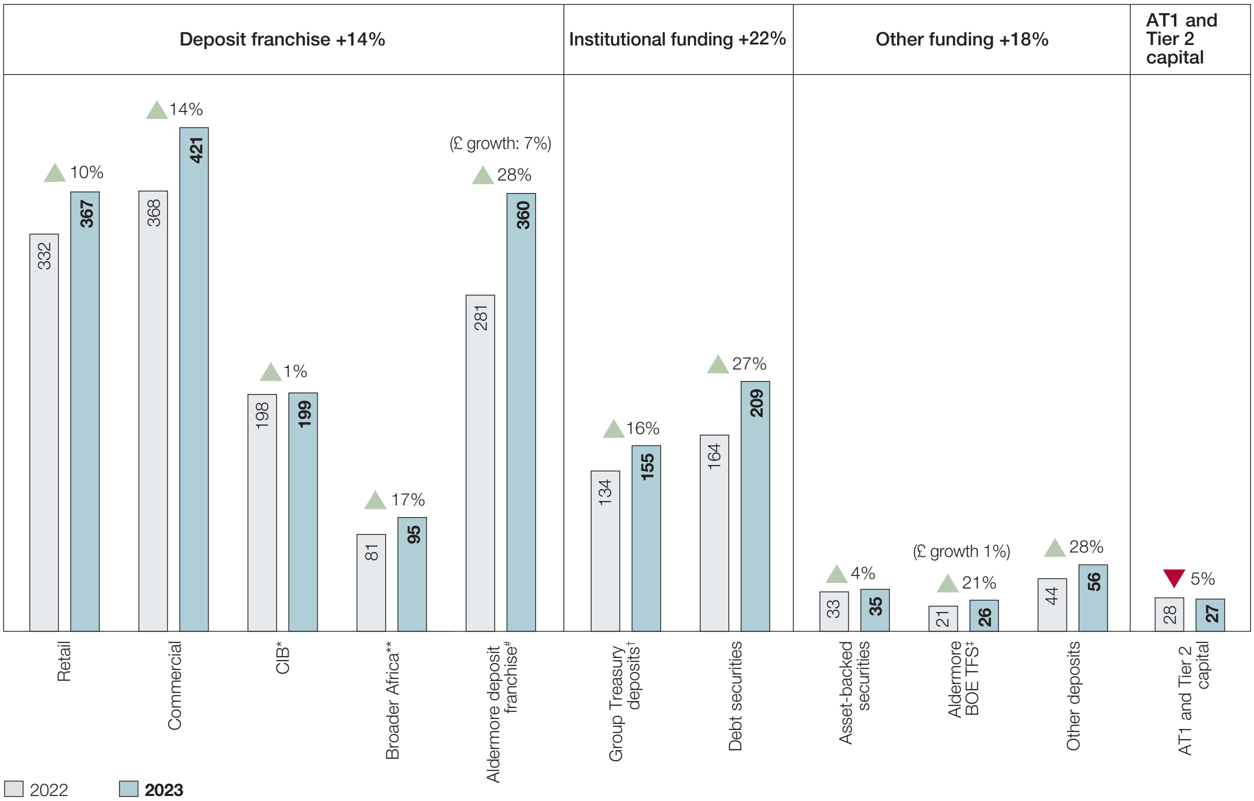
Sources: Bloomberg (RMBP screen) and Reuters.

Funding and liquidity continued

Funding measurement and activity

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

Funding portfolio growth
(R billion)



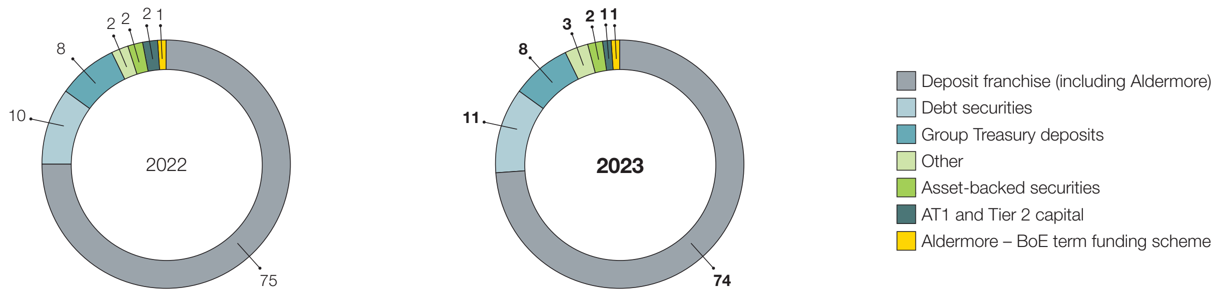
Note 1: Percentage change is based on actual underlying numbers rather than the rounded figures shown in the bar graphs above.
Note 2: Asset-backed securities include Aldermore's securitisation transactions.

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

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

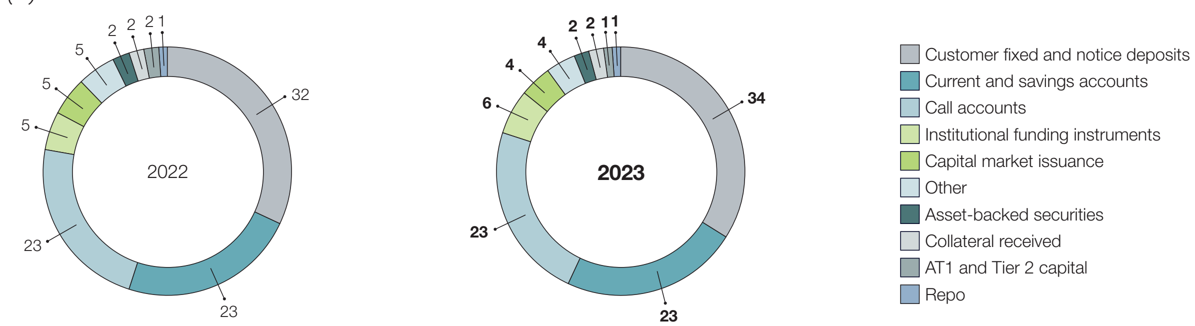
Funding mix

(%)



Funding by instrument type

(%)



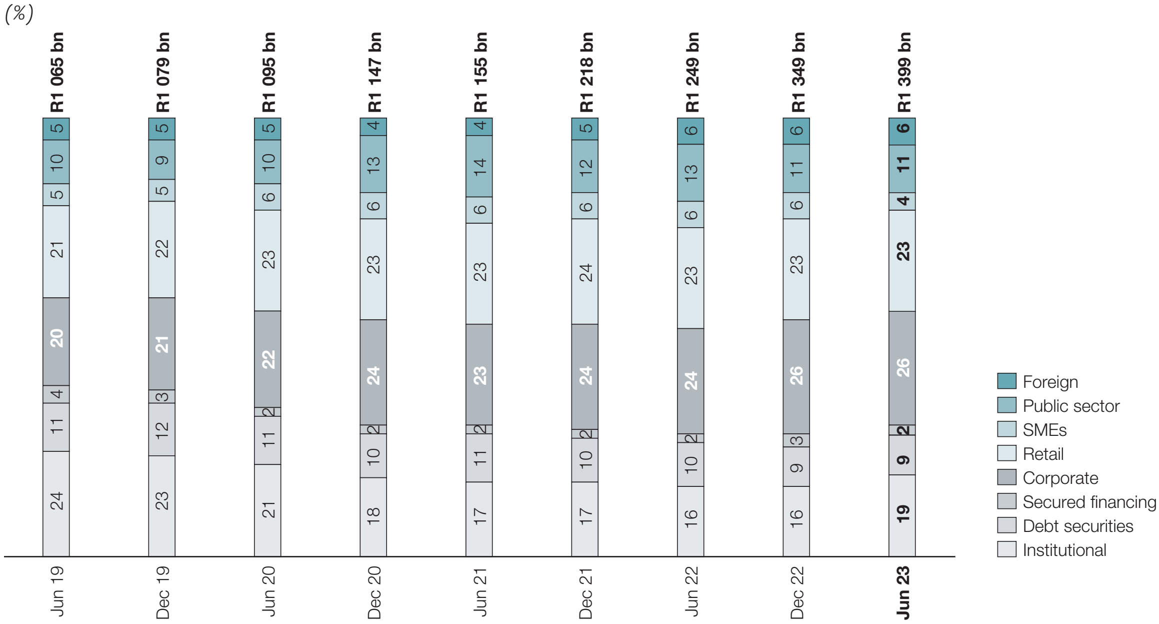
Funding and liquidity continued

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

BANK COUNTERPARTY FUNDING ANALYSIS*

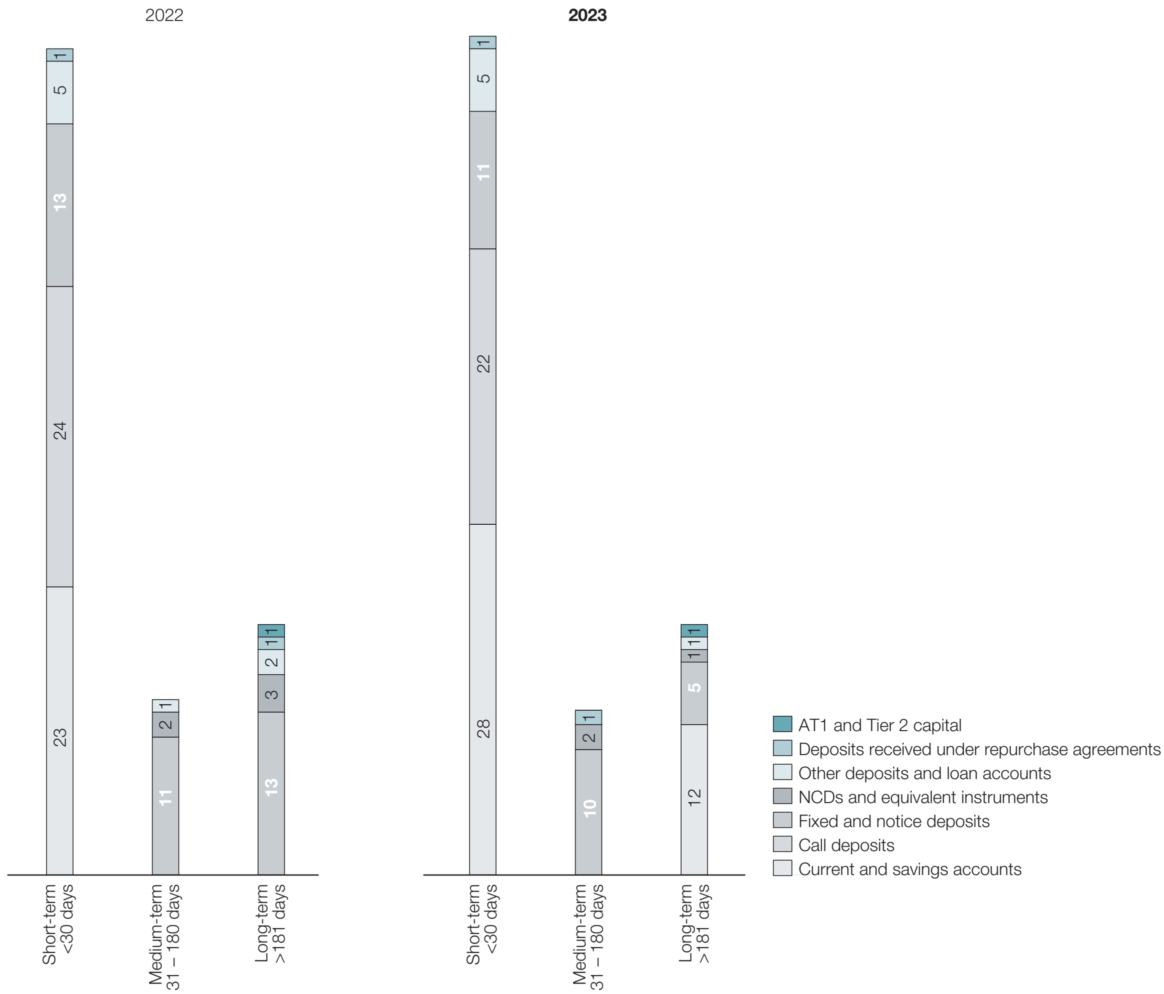
	As at 30 June				
	2023				2022
% of funding liabilities	**Total**	**Short term**	**Medium term**	**Long term**	Total
Institutional	**18.5**	**9.2**	**3.3**	**6.0**	15.5
ZAR	**18.0**	**8.9**	**3.2**	**5.9**	15.2
FX	**0.5**	**0.3**	**0.1**	**0.1**	0.3
Debt securities	**9.0**	**–**	**1.1**	**7.9**	9.9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

Bank funding analysis by source*
(%)



* *Excluding foreign branches.*

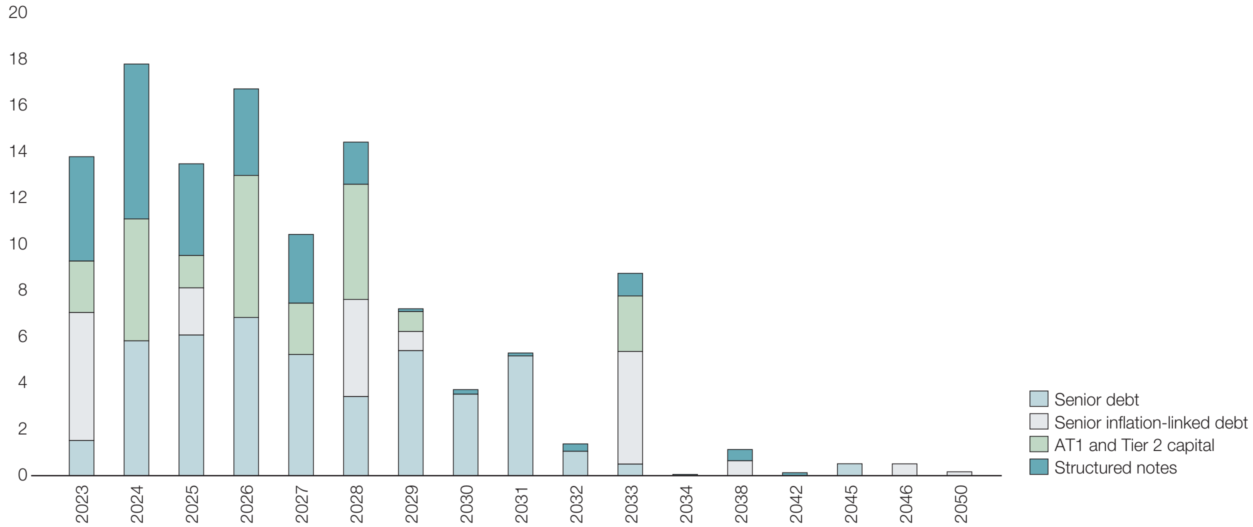
Funding liabilities by instrument type and term
(%)



Funding and liquidity continued

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

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



* *Including foreign branches.*

Foreign currency balance sheet

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

UK operations

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

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

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

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

Liquidity risk position

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

COMPOSITION OF LIQUID ASSETS

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

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

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

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

LIQUIDITY RATIOS

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

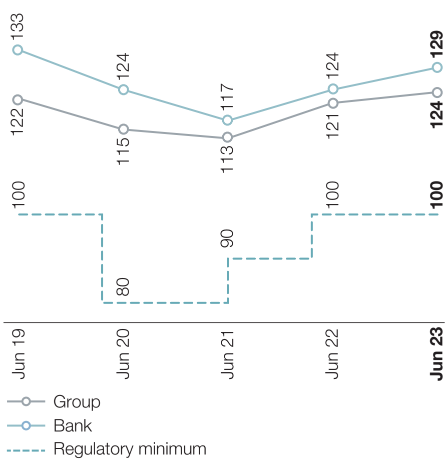
* *The group's LCR and NSFR include the bank's operations in South Africa, and all registered banks and foreign branches in the group. The bank's LCR and NSFR reflect South African operations only.*

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

Funding and liquidity continued

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

LCR
(%)



NSFR
(%)

Capital

Capital management approach

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

Year under review

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

CAPITAL ADEQUACY AND LEVERAGE RATIOS

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

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

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

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

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

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

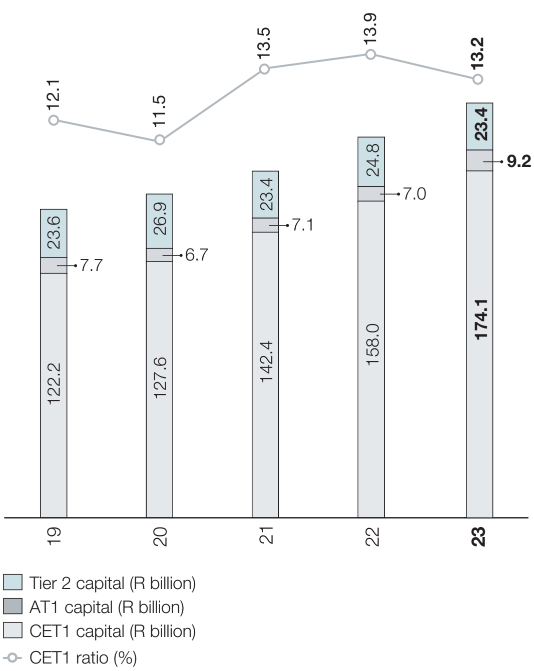
The group continues to enhance the use of economic capital in risk-based decision-making, including capital allocation. The assessment of economic risk aligns with FirstRand's economic capital framework to ensure the group remains solvent at a confidence interval of 99.93%, and that it can deliver on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

Capital continued

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

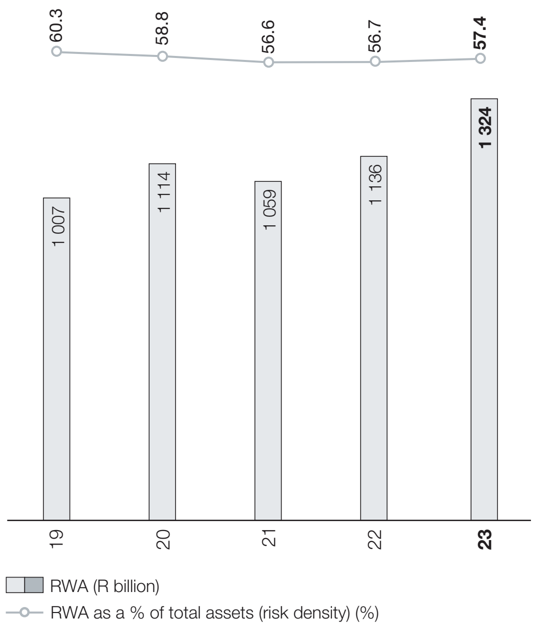
The increase in the group's risk density reflects changes in the balance sheet mix.

Capital adequacy*

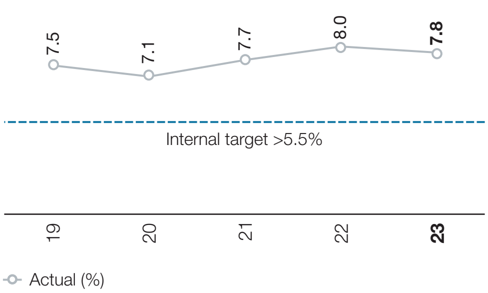


* *Including unappropriated profits.*

RWA history



Leverage*



* *Including unappropriated profits.*

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

Supply of capital

COMPOSITION OF CAPITAL*

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

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

Key drivers

June 2023 vs June 2022

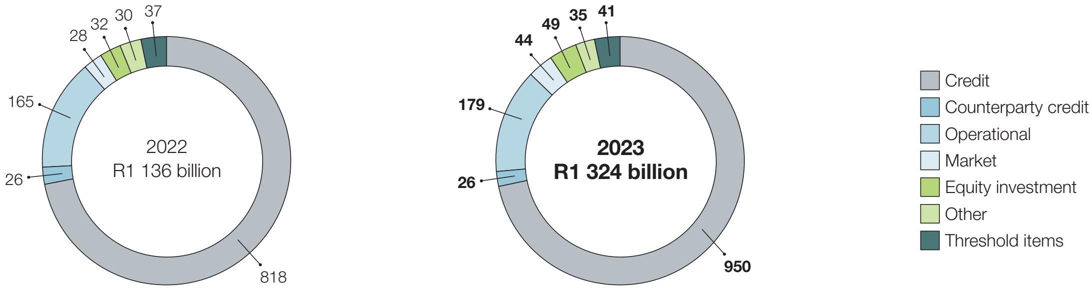
CET 1 capital	▲	• Positive earnings generation partly offset by the payment of ordinary and special dividends during the year. • Increase in the foreign currency translation reserve given significant rand depreciation against hard currencies.
AT1 capital	▲	• AT1 issuance (R3 billion) in line with the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

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

Capital continued

Demand for capital

RWA analysis
(R billion)



Key drivers

2023 vs 2022

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

Capital adequacy position for the group and its regulated entities

RWA AND CAPITAL ADEQUACY POSITIONS OF FIRSTRAND AND ITS REGULATED ENTITIES

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

* *Excluding any confidential bank-specific requirements.*
** *Including unappropriated profits.*
# *Including foreign branches.*
† *The branch is in the process of being wound down.*
‡ *Solvency capital requirements as per quarterly returns as at 30 June 2023.*

Performance measurement

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

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

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

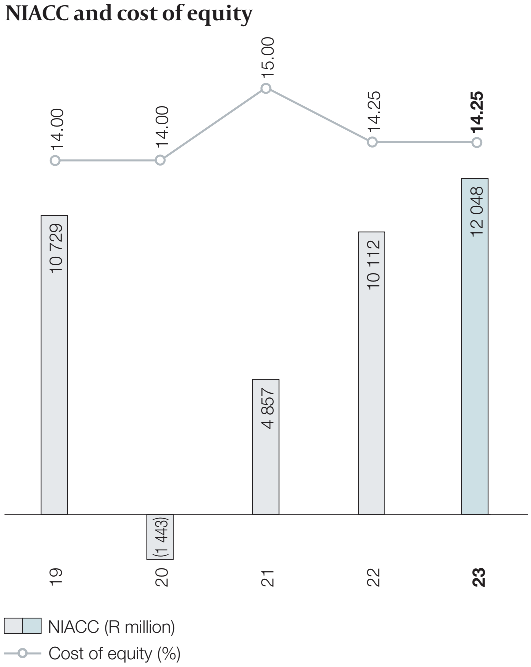
NIACC AND ROE

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

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

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

NIACC and cost of equity



Shareholder value creation

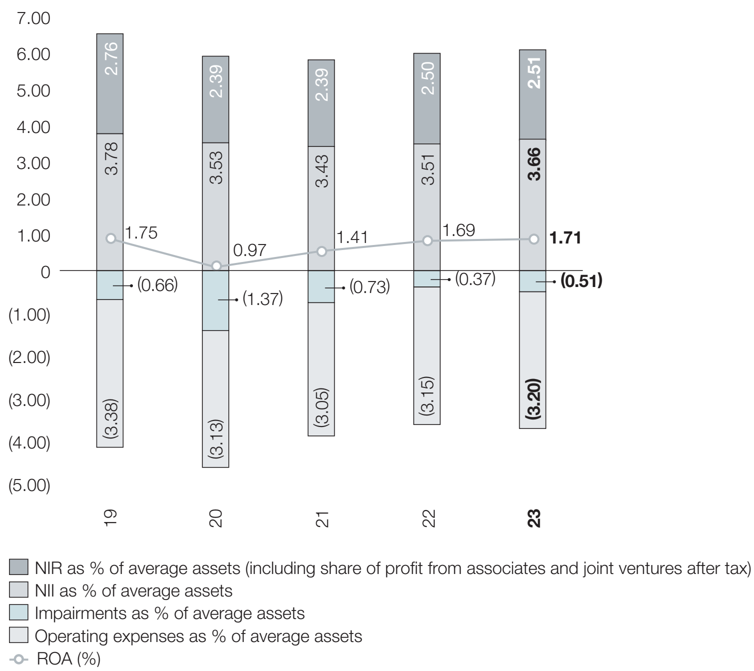
The decomposition of the ROE in the table below indicates that the improvement in ROE was largely driven by an improvement in return on assets (ROA).

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

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

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

ROA analysis



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

Performance measurement continued

Operating business performance

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

ROE AND NORMALISED EARNINGS PER BUSINESS

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

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

** *Includes the unallocated capital.*

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

BUSINESS ROAs

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

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

The table below provides a geographical analysis of capital allocated.

GEOGRAPHICAL ANALYSIS OF AVERAGE CAPITAL ALLOCATED

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

* *Exclude cross-border deals.*

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

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

The table below provides a geographical ROE analysis.

GEOGRAPHICAL ROE ANALYSIS

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

* *Exclude cross-border deals.*

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

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

Regulatory update

Resolution framework

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

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

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

Capital

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

Liquidity

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

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

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

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

Financial conglomerates

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

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

basis

of preparation

Presentation

Normalised results

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

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

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

Description of difference between normalised and IFRS results

Consolidated private equity subsidiaries

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

FirstRand shares held for client trading activities

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

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

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

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

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

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

Margin-related items included in fair value income

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

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

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

IAS 19 remeasurement of plan assets

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

Realisation on the sale of private equity subsidiaries

In terms of *Circular 01/2023 – Headline Earnings*, gains or losses from the sale of subsidiaries are excluded from headline earnings.

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

Cash-settled share-based payments and the economic hedge

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

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

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

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

Consolidation of fully vested empowerment vehicles

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

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

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

Headline earnings adjustments

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

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

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

Restatement of prior year numbers

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

Description of restatement

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

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

for the year ended 30 June 2023

To the Directors of FirstRand Limited

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

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

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

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

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

Directors' responsibility for the Pro Forma Financial Information

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

Our independence and quality control

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

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

Reporting accountant's responsibility

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

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

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

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

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

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

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

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

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

Opinion

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

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

Johannesburg, South Africa
13 September 2023

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

Johannesburg, South Africa
13 September 2023

Statement of headline earnings – IFRS

for the year ended 30 June

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

* *Includes Ghana goodwill impairment of R89 million.*

Reconciliation from headline to normalised earnings

for the year ended 30 June

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

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

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

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

Reconciliation of normalised to IFRS summary consolidated income statement

for the year ended 30 June 2023

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

* *FirstRand shares held for client trading activities.*

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

Reconciliation of normalised to IFRS summary consolidated income statement

for the year ended 30 June 2022

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

* *FirstRand shares held for client trading activities.*

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

Reconciliation of normalised to IFRS summary consolidated statement of financial position

as at 30 June 2023

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

* *FirstRand shares held for client trading activities.*

Reconciliation of normalised to IFRS summary consolidated statement of financial position

as at 30 June 2022

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

* *FirstRand shares held for client trading activities.*

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

supplementary *information*

Headline earnings additional disclosure

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

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

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

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

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

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

Issue 2 – Capital appreciation on investment products

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

Number of ordinary shares in issue

as at 30 June

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

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

Key market indicators and share statistics
for the year ended 30 June

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

Company information

Directors

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

Company secretary and registered office

C Low
4 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
PO Box 650149, Benmore, 2010
Tel: +27 11 282 1808
Fax: +27 11 282 8088
Website: www.firstrand.co.za

JSE sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)
1 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton, 2196
Tel: +27 11 282 8000

Namibian sponsor

Simonis Storm Securities (Pty) Ltd

4 Koch Street
Klein Windhoek
Namibia

Transfer secretaries – South Africa

Computershare Investor Services (Pty) Ltd

1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank, Johannesburg, 2196
Private Bag X9000, Saxonwold, 2132
Tel: +27 11 370 5000
Fax: +27 11 688 5248

Transfer secretaries – Namibia

Transfer Secretaries (Pty) Ltd

4 Robert Mugabe Avenue, Windhoek
PO Box 2401, Windhoek, Namibia
Tel: +264 612 27647
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Auditors

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4 Lisbon Lane
Waterfall City
Jukskei View
2090

Deloitte & Touche

Deloitte Place
5 Magwa Crescent
Waterfall City
Johannesburg, Gauteng
South Africa
2090

Listed financial instruments of the group

Listed equity

Johannesburg Stock Exchange (JSE)

Ordinary shares		
Issuer	**Share code**	**ISIN code**
FirstRand Limited	FSR	ZAE000066304

Namibian Stock Exchange (NSX)

Ordinary shares		
Issuer	**Share code**	**ISIN code**
FirstRand Limited	FST	ZAE000066304
FirstRand Namibia Limited	FNB	NA0003475176

Botswana Stock Exchange (BSE)

Ordinary shares		
Issuer	**Share code**	**ISIN code**
First National Bank of Botswana Limited	FNBB	BW0000000066

Listed debt

South Africa

FRB remains the group's rated entity from which debt is issued. The bank's JSE-listed programmes and debt instruments are available on the group and RMB websites:

- www.firstrand.co.za/investors/debt-investor-centre/prospectuses-and-programme-memoranda/
- www.firstrand.co.za/investors/debt-investor-centre/jse-listed-instruments/
- www.rmb.co.za/page/krugerrand-custodial-certificate
- www.rmb.co.za/page/dollar-custodial-certificate

The group also issues debt instruments in the following jurisdictions:

Broader Africa

Issuer: First National Bank of Namibia Limited

NSX

Domestic medium-term note programme

ISIN code	
Senior unsecured	
NA000A3K3LR6	NA000A3K3LQ8

Issuer: First National Bank of Botswana Limited

BSE

Domestic medium-term note programme

ISIN code
Subordinated debt
BW0000002377
Senior unsecured
BW0000001916

Credit ratings

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

Capital instruments

BASEL III COMPLIANT AT1 AND TIER 2 INSTRUMENTS

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

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

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

Definitions

Additional Tier 1 (AT1) capital	AT1 capital instruments and qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions
Age distribution	The number of months between the loan completion and the end of the reporting period plus one (in line with the banding requirements). Percentage for each age band is based on the current exposure
Arrears	A percentage that expresses the current exposure of the loans with one or more months in arrears to the total current book exposure for the reporting period
Balance-to-market value	The current exposure divided by the indexed valuation (indexing model uses Nationwide and IPD indices). Percentage for each balance-to-market value band is based on the current exposure
Balance-to-original value	The current exposure divided by the original valuation. Percentage for each balance-to-original value band is based on the current exposure
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA
Common Equity Tier 1 (CET1) capital	Share capital and premium, qualifying reserves and third-party capital, less specified regulatory deductions
Contingent convertible securities	Fixed-rate perpetual subordinated contingent convertible securities issued by Aldermore. These instruments qualify as AT1 capital
Core lending advances	Total advances excluding assets under agreements to resell
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average core lending advances (average between the opening and closing balance for the year)
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures
Dividend cover	Normalised earnings per share divided by dividend per share
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement
Impairment charge	Amortised cost impairment charge and credit fair value adjustments
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares, including treasury shares
Normalised net asset value	Normalised equity attributable to ordinary equityholders
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares
Price earnings ratio (times)	Closing price at end of period divided by basic normalised earnings per share
Price-to-book (times)	Closing share price at end of period divided by normalised net asset value per share
Return on assets (ROA)	Normalised earnings divided by average assets
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders' equity
Risk-weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets, where applicable
Shares in issue	Number of ordinary shares listed on the JSE
Technical cures	Performing accounts that are classified as stage 3/NPL because they have defaulted in the past and do not meet the stringent cure definition of performance for several consecutive months
Tier 1 ratio	Tier 1 capital divided by RWA
Tier 1 capital	CET1 capital plus AT1 capital
Tier 2 capital	Qualifying subordinated debt instruments, capital instruments issued out of fully consolidated subsidiaries to third parties, qualifying provisions less specified regulatory deductions
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE

Abbreviations

AC and FV	Amortised cost and fair value
ALM	Asset-liability management
APE	Annual premium equivalent
ASF	Available stable funding
AT1	Additional Tier 1
AUM	Assets under management
B-BBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
BoE	Bank of England
BSE	Botswana Stock Exchange
CAGR	Compound annual growth rate
CCyB	Countercyclical buffer
CET1	Common Equity Tier 1
CIB	Corporate and investment banking
CLR	Credit loss ratio
CoDI	Corporation for Deposit Insurance
COE	Cost of equity
Covid-19	Coronavirus disease
CPI	Consumer price inflation
D-SIB	Domestic systemically important bank
DWT	Dividend withholding tax
ECL	Expected credit loss
FLI	Forward-looking information
FML	Fleet management and leasing
FRB	FirstRand Bank Limited
FREF	FirstRand Empowerment Fund
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRI	FirstRand International Limited
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRISCOL	FirstRand Insurance Services Company
FRM	Financial resource management
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FX	Foreign exchange
GCA	Gross carrying amount
HQLA	High-quality liquid assets
IMF	International Monetary Fund
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
LCH	London Clearing House
LCR	Liquidity coverage ratio
LSE	London Stock Exchange
LTI	Long-term incentive
MPIF	Monetary policy implementation framework
MVNO	Mobile virtual network operator
NAV	Net asset value
NCNR	Non-cumulative non-redeemable
NIACC	Net income after cost of capital
NII	Net interest income
NIM	Net interest margin
NIR	Non-interest revenue
NOSIA	Notice of sums in arrears
NPLs	Non-performing loans
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
PA	Prudential Authority
PBT	Profit before tax
ROA	Return on assets
ROE	Return on equity
RWA	Risk-weighted assets
SA	South Africa
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SIFI	Systemically important financial institution
SME	Small and medium-sized enterprise
SPV	Special purpose vehicle
STI	Short-term incentive
TCFD	Task Force on Climate-related Financial Disclosures
TFS	Toyota Financial Services (Pty) Ltd
TFSME	Term Funding Scheme with additional incentives for SMEs
TRS	Total return swap
TTC	Through-the-cycle
UK	United Kingdom
VAF	Vehicle asset finance
VAPS	Value-added products and services
VSI	Vertical sales index
VWFS	Volkswagen Financial Services (Pty) Ltd
WIM	Wealth and investment management

Abbreviations of financial reporting standards

International Financial Reporting Standards

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

International Accounting Standards

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

IFRS Interpretations Committee Interpretations

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

FirstRand

www.firstrand.co.za

FirstRand

annual
financial statements

for the year ended 30 June 2023

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1966/010753/06
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

A

five-year review

and economic impact

five-year review

and economic impact

A

Five-year review and economic impact

FIVE-YEAR REVIEW

R million	2019	2020	2021	2022*	**2023**	Compound growth %
Statement of financial position						
Total assets – **restated**	1 665 382	1 894 620	1 870 013	1 999 569	**2 297 610**	8
Average assets **– restated**	1 598 634	1 780 001	1 882 317	1 934 791	**2 148 590**	8
Core lending advances	1 194 599	1 284 131	1 208 468	1 311 441	**1 511 037**	6
Average core lending advances	1 152 006	1 239 365	1 246 300	1 259 955	**1 411 239**	5
Impairment and fair value of credit of advances	34 162	49 380	50 618	47 734	**51 072**	11
Non-performing loans (NPLs)	41 349	57 281	60 705	50 886	**57 432**	9
Gross advances before impairments	1 239 914	1 311 095	1 274 052	1 382 058	**1 590 447**	6
Deposits	1 393 104	1 535 015	1 542 078	1 655 972	**1 923 103**	8
Capital and reserves attributable to equityholders of the group	140 407	147 774	163 262	176 426	**193 393**	8
Treasury shares	(29)	72	25	70	**145**	50
Ordinary dividends	15 931	16 716	6 170	17 390	**27 991**	15
Total equity before dividends and treasury shares	156 309	164 562	169 457	193 886	**221 529**	9
Total ordinary equity	129 673	137 529	151 617	164 781	**180 547**	9
Assets under administration **–**	2 001 400	2 258 429	2 282 511	2 408 453	**2 765 761**	8
Income statement						
Net interest income before impairment of advances	60 457	62 915	63 290	66 375	**76 437**	6
Impairment and fair value of credit of advances	(10 500)	(24 383)	(13 660)	(7 080)	**(10 949)**	1
Non-interest revenue	45 808	41 691	45 195	48 248	**55 314**	5
Share of profit of associates and joint ventures after tax	1 230	29	1 538	1 491	**487**	(21)
Operating expenses	(54 043)	(55 276)	(57 556)	(60 769)	**(68 749)**	6
Earnings attributable to ordinary equityholders	30 211	17 021	26 743	32 761	**36 366**	5
Headline earnings	27 887	17 326	26 950	32 817	**36 735**	7
Earnings per share (cents)						
– Basic	538.6	303.5	476.9	584.3	**648.7**	5
– Diluted	538.6	303.5	476.9	584.3	**648.7**	5
Headline earnings per share (cents)						
– Basic	497.3	308.9	480.5	585.3	**655.3**	7
– Diluted	497.3	308.9	480.5	585.3	**655.3**	7

* *Reclassifications of prior year numbers.*

FIVE-YEAR REVIEW continued

R million	2019	2020	2021	2022*	**2023**	Compound growth %
Dividend per share (cents)	291.0	146.0	263.0	342.0	**384.0**	
Special dividend per share (cents)	-	-	-	125.0	**-**	
Dividend cover based on headline earnings	1.7	2.1	1.8	1.7	**1.7**	
NCNR preference dividends per share (cents)**						
– February	381.7	374.7	253.6	270.7	**52.2**	(39)
– August	384.2	306.0	273.9	307.4	**-**	-
Net asset value per ordinary share (cents)	2 311.9	2 453.1	2 703.5	2 938.6	**3 226.6**	9
Shares in issue (millions)	5 609.5	5 609.5	5 609.5	5 609.5	**5 609.5**	-
Weighted average number of shares in issue (millions)	5 609.0	5 608.2	5 608.2	5 606.7	**5 605.7**	-
Diluted weighted average number of shares in issue (millions)	5 609.0	5 608.2	5 608.2	5 606.7	**5 605.7**	-

* *Reclassifications of prior year numbers.*

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

FIVE-YEAR REVIEW continued

R million	2019	2020	2021	2022*	**2023**	Compound growth %
Key ratios						
Return on ordinary equity based on headline earnings (%)	22.2	13.0	18.6	20.7	**21.3**	
Price earnings ratio based on headline earnings (times)	13.8	12.3	11.2	10.7	**10.5**	
Price-to-book ratio (times)	3.0	1.6	2.0	2.1	**2.1**	
Market capitalisation (R million)	384 530	213 497	300 612	349 864	**384 250**	-
Closing share price (cents)	6 855	3 806	5 359	6 237	**6 850**	-
Cost-to-income ratio (%)	50.3	52.8	52.3	52.3	**52.0**	
Credit loss ratio (%) – core lending advances	0.91	1.97	1.10	0.56	**0.76**	
NPLs as a % of core lending advances	3.46	4.46	5.02	3.88	**3.80**	
Non-interest income as a % of total income	43.8	39.9	42.5	42.8	**42.2**	
Return on average total assets based on headline earnings (%) **– restated**	1.7	1.0	1.4	1.6	**1.7**	
Interest margin on average advances (%)	5.2	5.1	5.1	5.0	**5.1**	
Exchange rates						
Rand/USD						
– Closing	14.13	17.36	14.26	16.41	**18.84**	
– Average	14.17	15.51	15.33	15.19	**17.73**	
Rand/GBP						
– Closing	17.98	21.43	19.72	19.95	**23.95**	
– Average	18.33	19.57	20.66	20.21	**21.31**	
Statement of financial position (USD)*						
Total assets **– restated**	117 861	109 137	131 137	121 851	**121 954**	1
Gross advances before impairments	87 750	75 524	89 344	84 220	**84 419**	(1)
Deposits	98 592	88 423	108 140	100 912	**102 076**	1
Total equity	9 937	8 512	11 449	10 751	**10 265**	1
Assets under administration **– restated**	141 642	130 094	160 064	146 767	**146 803**	1
Income statement (USD)**						
Earnings attributable to ordinary equityholders	2 132	1 097	1 744	2 157	**2 051**	(1)
Headline earnings	1 968	1 117	1 758	2 160	**2 072**	1
Statement of financial position (GBP)*						
Total assets **– restated**	92 624	88 410	94 828	100 229	**95 934**	
Gross advances before impairments	68 961	61 180	64 607	69 276	**66 407**	(1)
Deposits	77 481	71 629	78 199	83 006	**80 297**	1
Total equity	7 809	6 896	8 279	8 843	**8 075**	1
Assets under administration **– restated**	111 313	105 386	115 746	120 967	**115 481**	1
Income statement (GBP)**						
Earnings attributable to ordinary equityholders	1 648	870	1 294	1 621	**1 707**	1
Headline earnings	1 521	885	1 304	1 624	**1 724**	3

* *Reclassifications of prior year numbers.*

* *The statement of financial position is converted using the closing rates as disclosed.*

** *The income statement is converted using the average rate as disclosed.*

ECONOMIC IMPACT

	2023		2022	
	R million	**%**	R million	%
Value added				
Net interest income after impairment	**140 947**	**72.2**	101 887	67.8
Non-operating revenue	**55 465**	**28.4**	49 604	33.0
Non-operating expenses	**(1 261)**	**(0.6)**	(1 215)	(0.8)
Value added by operations	**195 151**	**100.0**	150 276	100.0
To employees				
Salaries, wages and other benefits	**42 336**	**21.7**	36 621	24.4
To providers of funding	**104 569**	**53.6**	60 820	40.5
Dividends to shareholders	**29 110**		18 228	
Interest paid	**75 459**		42 592	
To suppliers	**21 055**	**10.8**	18 790	12.5
To government	**13 987**	**7.2**	14 647	9.7
Normal tax	**11 993**		12 950	
Value-added tax	**1 595**		1 420	
Capital gains tax	**345**		-	
Other	**54**		277	
To communities				
Corporate social investment spend	**268**	**0.1**	221	0.1
To expansion and growth	**12 936**	**6.6**	19 177	12.8
Retained income	**8 375**		15 371	
Depreciation and amortisation	**4 721**		4 827	
Deferred income tax	**(160)**		(1 021)	
Total value added	**195 151**	**100.0**	150 276	100.0

B

firstrand group

audited consolidated annual financial statements

firstrand group

audited consolidated annual financial statements

B

FirstRand group audited consolidated annual financial statements

AUDIT COMMITTEE REPORT

The committee herewith presents its report in respect of the group's financial year ended 30 June 2023. This report has been prepared based on the requirements of the South African Companies Act, 71 of 2008, as amended (Companies Act), the King Code of Governance for South Africa (King IV), the JSE Listings Requirements and other applicable regulatory requirements.

The group audit committee is constituted as a statutory committee of the FirstRand board in respect of the group's duties in terms of section 94(7) of the Companies Act and section 64 of the Banks Act of 1990 (Banks Act). The objectives and functions of the committee are set out in its charter, which was reviewed and updated during the financial year.

The fundamental role of the audit committee is to assist the board in fulfilling its oversight responsibilities in areas that include internal and external audit functions, financial reporting (including the evaluation and efficiency of accounting policies), financial risk management, regulatory compliance and internal controls (including the effectiveness and adequacy thereof).

SUMMARY OF RESPONSIBILITIES

- Reviews the quality, independence and effectiveness of the statutory audit work performed by the group's external auditors.
- Recommends the appointment of the external audit firms to the board and shareholders and approves the appointment of the audit lead partners after consideration of the enhanced due diligence results.
- Monitors the extent of non-audit engagements provided by the group's external audit firms, in accordance with approved internal policies and limits.
- Assists the board in evaluating the adequacy and effectiveness of FirstRand's internal control environment (including internal financial controls and IT risk- related controls), accounting practices, information systems and internal assurance processes.
- Ensures that a combined assurance model is applied to provide a coordinated approach to assurance activities by group internal audit, external audit compliance, risk and other internal control functions.
- Provides independent oversight regarding financial risks, including risks relating to the validity, accuracy and completeness of the interim financial and annual financial statements (both financial and non-financial reports) and recommends these items to the board for approval. Assesses reports received on fraud and IT risks as these relate to financial reporting.
- Satisfies itself as to the expertise, resources and experience of the group financial director and finance function.
- Assesses and evaluates the effectiveness of the group's risk management processes regarding compliance with applicable legal and regulatory requirements, as well as accounting policies, in the preparation of the financial statements and external financial reports.

The effectiveness of the committee and its individual members is assessed annually by the board.

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

Feedback was obtained from management and, external and internal audit in making all assessments.

AUDIT COMMITTEE REPORT continued

COMPOSITION AND GOVERNANCE

Members of the committee satisfy the requirements for serving as members of an audit committee, as provided in section 94 of the Companies Act, King IV and the Banks Act. As a collective, the committee possesses the appropriate financial expertise, related qualifications and a balance of skills and experience to discharge its responsibilities. All members are independent non-executive directors.

Audit committees in the segments/operating businesses, established as management committees, support the group audit committee in the execution of its tasks. They are chaired by the same competent independent non-executive members of the group audit committee.

The composition of the group audit committee and the attendance of meetings by its members for the 2023 financial year are set out below.

COMPOSITION	MEETINGS	NOVEMBER TRILATERAL
GG Gelink (chairman)	4/4	1/1
RM Loubser	4/4	1/1
LL von Zeuner	4/4	1/1
T Winterboer	4/4	1/1

ATTENDEES
– Chief executive officer
– Chief operating officer
– Chief financial officer
– Chief risk officer
– Chief audit executive
– Chairs of the subcommittees and other specialists
– External auditors
– Heads of finance, risk and internal audit

The committee is satisfied that the individual members of the committee possess appropriate qualifications and the balance of skills and experience required to discharge their responsibilities.

AUDIT COMMITTEE REPORT continued

AREAS OF FOCUS

In addition to the items detailed in the specific sections that follow, the committee performed the following during the year:

- Reviewed and considered the effectiveness of the internal financial controls and the going concern aspect of FirstRand and its subsidiaries, in terms of Regulation 40(4) of the Banks Act regulations (including specific approval of the list of loss-making entities and/or those with a negative net asset value).
- Reviewed the report on management's self-assessment of internal financial controls, enabling the directors' attestation in terms of the JSE Listings Requirements section 3.84(k).
- Conducted the quarterly financial analysis of the group's performance.
- Reviewed and approved the internal and external audit work plan.
- Reviewed and approved the audit committee charter.
- The committee received regular feedback regarding the progress of the intended transition of Ernst & Young (EY) to replace Deloitte as one of the joint auditors of the group for the 30 June 2024 financial year audit. The appointment of EY will be tabled for approval at the upcoming shareholder meeting in November 2023.
- Reviewed the impact of emerging and current regulation on the group.
- Reviewed and responded to the outcome of the statutory and regulatory audits.
- Noted management's response to JSE proactive monitoring of the financial statements report relating to the 2022 calendar year and additional reports issued from JSE applicable for the 2023 financial year.
- The committee monitored the progress of the implementation of IFRS 17.

EXTERNAL AUDIT

The committee has satisfied itself as to the performance and quality of the external audit function, as well as the independence of the external auditors and lead partners of the group, as set out in section 94(8) of the Companies Act. In reaching this conclusion, the following matters were considered:

- Representations made by the external auditors to the audit committee, including the ISQC1 system of quality control representations.
- Independence criteria specified by the Independent Regulatory Board for Auditors (IRBA) and international regulatory bodies, as well as criteria for internal governance processes within audit firms.
- Auditor suitability assessment in terms of paragraph 3.84(g)(ii) and section 22.15(h) of the JSE Listings Requirements.
- Previous appointments of the auditors, tenure of the auditors and rotation of the lead partners.
- Extent of non-audit work undertaken by the auditors for the group (in accordance with approved internal policy limits to ensure external audit independence is not jeopardised).
- Any matters arising from the closed meeting between audit firm senior leadership and the committee regarding the firm's risk and quality processes, independently from what the audit team disclosed to the committee.
- The public conduct of audit firms, for example through media reports with follow-up sessions with the external auditors.
- The intention is to appoint EY as the joint auditor for the 30 June 2024 financial year end (replacing Deloitte) and KPMG Incorporated as the other joint auditor for 30 June 2026. The committee nominated EY for appointment as the external auditor for the 2024 financial year end, and reappointed PwC as external audit firm responsible for performing the function of joint auditor for the 2024 financial year. The committee ensured that the appointment of the auditors complied with all required legislation. It also approved the proposed audit fees for the financial year under review.

AUDIT COMMITTEE REPORT continued

NON-AUDIT SERVICES

The committee annually reviews and approves the list of non-audit services which the auditors may perform. There is an approval process whereby all non-audit service engagements above a certain threshold must be approved by the financial director, and above a further threshold be pre-approved by the chairman of the audit committee. If above the highest threshold, it needs to be approved by the entire committee. A maximum limit of 25% of the group's annual audit fee is in place for non-audit services, in aggregate and individually, per firm. The cumulative spend for the year to date is presented to the committee on a quarterly basis to keep track of the non-audit spend as well as the nature of services.

The 2023 non-audit fees were 6.05% of the audit fees. Revisions to the International Ethics Standards Board for Accountants (IESBA) Code, impacting non-audit services, took effect for periods commencing on or after 15 December 2022, therefore effective for the group's financial year ending 30 June 2024. The revised provisions include new requirements that expressly prohibit audit firms and network firms from providing certain types of non-audit services to their audit clients, especially when they are public interest entities. The impact to the group is expected to be limited given the extensive governance process already in place.

INTERNAL AUDIT

The internal audit function's mission is to protect and enable sustainable growth for the FirstRand group and all its stakeholders. Group Internal Audit (GIA) leverages its unique position in the group to deliver independent and objective assurance, data-driven insights and impactful advice.

GIA assists executive management and the audit committee to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes within the group.

The committee reviewed and approved the internal audit charter and evaluated the independence, effectiveness and performance of GIA in compliance with its charter after having done the following:

- Assessed the performance of the chief audit executive and the arrangements of internal audit, and is satisfied that the function is independent and appropriately resourced, and that the chief audit executive has fulfilled the obligations of that position.
- Reviewed and approved the annual internal audit plan, which was informed by combined assurance role players and aligned to the group's strategic objectives, risks and opportunities identified by management, as well as topical issues facing the financial services industry. On a quarterly basis, the committee reviewed the status of the audit plan and approved changes made, to ensure it remained agile in its response to the changing risk landscape.
- Reviewed quarterly activity reports from internal audit which covered audit plan progress, insights, opportunities for improvement, a summary of audit observations with a focus on significant matters for escalation and other matters for noting, a cumulative view on internal controls, and status updates on management's remediation efforts to address findings raised.

The group's external auditors conducted an annual assessment of the internal audit function against International Standards on Auditing (ISA) 610 and confirmed that the work performed by internal audit was suitable for the purposes of external audit reliance. The international standards for the professional practice of internal auditing and the FirstRand group internal audit charter requires the internal audit function to be reviewed every five years by a qualified, independent assessor or assessment team from outside the group. This review was last performed by EY in 2020, with the overall assessment concluding that the activities of FirstRand's internal audit function generally conform to the Institute of Internal Auditors (IIA) standards.

AUDIT COMMITTEE REPORT continued

FINANCIAL STATEMENTS AND FINANCE FUNCTION

FirstRand maintains a strong risk culture and the effective functioning of its internal financial controls is relied upon to confirm the integrity and reliability of the financial statements. A formal attestation process relating to the effective functioning of internal financial controls within the operating businesses enables the positive attestation required from the CFO and CEO as stipulated in paragraph 3.84(k) of the JSE Listings Requirements.

Where deficiencies were identified and reported, the committee assessed the significance thereof, as well as the existence and effectiveness of mitigating controls, and reviewed the remediation actions implemented. The committee is satisfied that the group has appropriate financial reporting control frameworks and procedures in place, and that these procedures are operating effectively.

The committee reports that, based on a formal assessment process, it was satisfied as to the appropriateness of the expertise, effectiveness and experience of the group financial director during the reporting period. In addition, the committee is satisfied with the expertise, effectiveness and adequacy of resources and arrangements in the finance function, as well as the experience and continued professional development of the leadership team.

The committee confirms that it was able to carry out its work to fulfil its statutory mandate under normal and unrestricted conditions. The committee is satisfied that the assurance obtained during the meetings, corroborated by the review of the documentation deemed necessary and by its own analyses, sustains its conclusions reached for the 2023 financial year.

The committee recommended the consolidated financial statements and company financial statements for the year ended 30 June 2023 for approval to the board. The financial statements will be open for discussion at the forthcoming annual general meeting.

Key audit matters identified by the external auditors are included in their report in the group's annual financial statements. These matters have been discussed and agreed upon with management and were presented to the committee. The committee has considered the appropriateness of the key audit matters reported on by the external auditors. It is satisfied with management's treatment thereof and the audit response thereto.

CONCERNS/COMPLAINTS PROCESS

An audit committee process exists to receive and deal appropriately with any concerns or complaints relating to:

- reporting practices and internal audit of the group;
- content or auditing of the financial statements;
- internal financial controls of the bank or controlling company; and
- any other related matter.

No complaints were received relating to accounting practices or internal audit, or to the content or audit of the group's annual financial statements.

AUDIT COMMITTEE REPORT continued

COMBINED ASSURANCE MODEL AND RELATIONSHIP WITH OTHER GOVERNANCE COMMITTEES

The committee focused on the identification of key and emerging risks, and monitored alignment of all assurance providers to eliminate multiple approaches to assurance and reporting thereon. The combined assurance model incorporates and optimises all assurance services and functions so that, taken as a whole, these enable an effective control environment; support the integrity of information used for internal decision-making by management, the governing body and its committees; and support the integrity of the group's external reports.

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

The committee encouraged the focus of assurance activities on key risk areas and robust discussion on emerging risks and the implication thereof for assurance providers. It fostered effective communication between first-, second- and third-line assurance providers (i.e. business, risk, compliance, and internal audit function).

FUTURE AREAS OF FOCUS

- Oversee the opening balance and first-year audit by EY as joint auditors for the financial year ending 30 June 2024 and the transition process with KPMG for the financial year ending 30 June 2026.
- Review and monitor the group's finalisation of the adoption of IFRS 17, which will replace IFRS 4 Insurance Contracts, including the impact on required restatements and disclosure in the financial statements.
- Monitor the implementation of the amended JSE Listings Requirements.
- Continue attention to the areas focused on during 2023.

GG Gelink
Chairman, audit committee
Sandton

13 September 2023

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

The directors of FirstRand Limited (the company or the group) are responsible for the preparation and fair presentation of the consolidated and separate 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 have reviewed the group and company's budgets and flow of funds forecasts and considered the group and company'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.

Chief executive and chief financial officers' responsibility statement relating to internal financial controls

The CEO and CFO, whose names appear below, hereby confirm that:

a) the consolidated annual financial statements of the group, which appear on pages B105 to B326, and the separate annual financial statements of the company, which appear on pages B327 to B344, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
e) where we are not satisfied, we have disclosed to the audit committee and auditors any deficiencies in the design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
f) we are not aware of any fraud involving directors.

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

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

Approval of the separate and consolidated annual financial statements

The separate and consolidated annual financial statements, as set out on the pages outlined above, were approved by the board of directors on 13 September 2023.

It is the responsibility of the group's independent external auditors, Deloitte & Touche and PricewaterhouseCoopers Inc., to report on the fair presentation of the annual financial statements. These annual financial statements have been audited in terms of section 29(1) of the Companies Act, no 71 of 2008. Their unmodified report appears on page B25.

WR Jardine
Chairman
Sandton

AP Pullinger
Chief executive officer

H Kellan
Chief financial officer

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 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

for the year ended 30 June 2023

NATURE OF BUSINESS

FirstRand Limited is a public company and registered bank-controlling company with a primary listing on the JSE (under Financial – Banks, share code: FSR) and a secondary listing on the Namibian Stock Exchange (NSX) (share code: FST). FirstRand Limited is the holding company of the FirstRand group of companies.

FirstRand's portfolio of integrated financial services businesses comprises FNB, RMB, WesBank and Aldermore and offers a universal set of transactional, lending, investment and insurance products and services. The Centre segment represents group-wide functions.

Whilst the group is predominantly South Africa-based, it has subsidiaries in the United Kingdom (being Aldermore Group plc), Namibia, Botswana, Zambia, Mozambique, Tanzania, Nigeria, Eswatini, Lesotho and Ghana. The bank has branches in India, London and Guernsey, and representative offices in Kenya, Angola, New York and China.

The board acknowledges its responsibilities for the integrity of this report. Guidelines as provided by King IV have been adopted in preparation of this report. The board believes that this report fairly represents the performance of the group.

GROUP RESULTS

Profit after tax amounted to R38 712 million (2022: R34 639 million). The operating results and the state of affairs of the company and the group are fully disclosed in the annual financial statements.

DIVIDEND DECLARATIONS

Dividends

ORDINARY SHARES

	Year ended 30 June	
Cents per share	**2023**	2022
Interim (declared 1 March 2023)	**189.0**	157.0
Final (declared 13 September 2023)	**195.0**	185.0
Annual ordinary dividends	**384.0**	342.0
Special dividend (declared 14 September 2023)	**-**	125.0
Total dividends	**384.0**	467.0

DISTRIBUTIONS ON OTHER EQUITY INSTRUMENTS

Distributions of R1 119 million were made on other equity instruments (2022: R838 million). Current tax of R258 million (2022: R166 million) relating to the AT1 instruments was recognised in the income statement.

DIRECTORS' REPORT continued

B preference shares

Dividends on the B preference shares are calculated at a rate of 75.56% of the prime lending rate of FNB, a division of FirstRand Bank Limited.

Dividends declared and paid

	Year ended 30 June	
Cents per share	**2023**	2022
Period:		
23 February 2021 – 30 August 2021	**-**	273.9
31 August 2021 – 28 February 2022	**-**	270.7
1 March 2022 – 29 August 2022	**307.4**	-
30 August 2022 – 26 September 2022	**52.2**	-

Other distributions on the AT1 instruments and contingent convertible securities totalled R957 million (2022: R593 million).

SHARE CAPITAL

Details of FirstRand's authorised share capital as at 30 June 2023 are shown in note 28 to the group's financial statements.

Ordinary share capital

There were no changes to authorised or issued ordinary share capital during the year.

Preference share capital

There were no changes to authorised preference share capital during the year.

DIRECTORS' REPORT continued

SHAREHOLDER ANALYSIS

The following shareholders have a significant beneficial interest in FirstRand's issued ordinary shares.

%	**2023**	2022
Public Investment Corporation	**16.1**	16.1
Black economic empowerment (BEE) partners	**4.9**	5.2
Royal Bafokeng Holdings	**3.0**	3.0
Remgro Limited	**1.8**	2.4

A further analysis of shareholders is set out in section C.

EVENTS AFTER REPORTING PERIOD

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

DIRECTORS' REPORT continued

BOARD CHANGES

The following changes to the board of directors took place during the 2023 financial year.

		EFFECTIVE DATE
Resignations		
TS Mashego	Independent non-executive director	2 December 2022
Appointments		
TC Issacs	Independent non-executive director	22 June 2023

DIRECTORS' AND PRESCRIBED OFFICERS' INTERESTS IN FIRSTRAND

Closed periods commence on 1 January and 1 July and are in force until the announcement of the interim and year end results. Closed periods also include any period where the company is trading under caution or where participants have knowledge of price sensitive information. A director or prescribed officer is prohibited from using their position or confidential and price sensitive information to benefit themselves or any related party.

Under the requirements of the Companies Act. 71 of 2008 (the Act), a director must use their power and perform their functions in good faith and for a proper purpose in the best interest of the company. This includes the duty to avoid a conflict of interest. Directors' and officers' are required to notify the board of any matter in which they have a personal financial interest or in which they know that a related party has a personal financial interest in relation to particular items of business or other directorships. At the request of the chair, declarations are tabled before commencement of each board meeting and all board members are required to declare their interests and potential conflicts in dealing with matters for consideration at the meeting.

In terms of the JSE Listings Requirements, directors and prescribed officers are prohibited from dealing in any securities of the company during prohibited periods.

All directors' dealings require the prior approval of the chairman before trading in the company's securities, and the company secretary retains a record of all such dealings in securities and approvals. Trading in securities by employees who are exposed to price sensitive information is subject to the group's personal account trading rules. It is not a requirement of the company's memorandum of incorporation or the board charter that directors own shares in the company.

DIRECTORS' REPORT continued

Directors' and Prescribed Officers' interest in ordinary shares in FirstRand Limited.

	30 June 2023					
	Direct beneficial (thousands)	**Indirect beneficial (thousands)**	**Held by associates (thousands)**	**Total 2023 (thousands)**	Total 2022 (thousands)	Percentage holding %
Executive directors and prescribed officers						
A Pullinger	5 933	-	108	**6 041**	5 737	0.11
HS Kellan*	1 345	667	153	**2 165**	1 884	0.04
M Vilakazi**	252	-	-	**252**	-	0.00
J Celliers	447	49	-	**496**	426	0.01
S Cooper**	-	89	-	**89**	-	0.00
JR Formby#	711	890	-	**1 601**	1 460	0.03
EA Brown†	418	-	-	**418**	-	0.01
Non-executive directors						
JP Burger‡	-	5 912	124	**6 036**	6 888	0.11
GG Gelink**	102	-	-	**102**	102	0.00
WR Jardine**	11	232	4	**247**	247	0.00
RM Loubser	-	1 810	2	**1 812**	1 812	0.03
Z Roscherr	659	-	-	**659**	659	0.01
T Winterboer**	15	-	-	**15**	15	0.00
L von Zeuner**	5	3	-	**8**	8	0.00
TC Isaacs**,^	-	-	4	**4**	-	0.00
Total	9 898	9 652	395	**19 945**	**19 238**	**0.35**

* *Has 2 000 000 debt securities in FirstRand Bank Ltd which do not form part of this calculation.*
** *Percentage is insignificant in relation to total issued share capital.*
# *Resigned effective 30 September 2022.*
† *Appointed as RMB CEO effective 1 October 2022.*
‡ *900 000 shares have been pledged as collateral at a financial institution.*
^ *Appointed June 2023.*

Directors' interests remained unchanged from the end of the financial year to the date of this report (including those of directors who have retired and resigned).

WR Jardine	**AP Pullinger**	**HS Kellan**
Chairman	Chief executive officer	Chief financial officer
Sandton		

13 September 2023

Deloitte.

pwc

INDEPENDENT AUDITORS' REPORT

To the Shareholders of FirstRand Limited

Report on the audit of the consolidated and separate financial statements

Our Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of FirstRand Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2023, and its consolidated and separate financial performance and its consolidated and separate 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 Limited's consolidated and separate financial statements set out on pages B37 to B344 comprise:

- the consolidated and separate statements of financial position as at 30 June 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the separate statement of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements 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 consolidated and separate 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.

INDEPENDENT AUDITORS’ REPORT continued

Independence

We are independent of the Group 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 group materiality

- Overall group materiality*: R2 545 million,* which represents *5%* of *consolidated income 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 consolidated and separate 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated 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 group materiality	*R2 545 million*
How we determined it	*5% of consolidated income before income tax*
Rationale for the materiality benchmark applied	*We chose consolidated income before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark for listed companies. 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 consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report in respect of the separate financial statements.

Key audit matter	*How our audit addressed the key audit matter*
Impairment of advances Significant macroeconomic uncertainty persists in the environment in which the Group 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 consolidated 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 Group'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 (South Africa and Broader Africa), 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.

INDEPENDENT AUDITORS' REPORT continued

Key audit matter	*How our audit addressed the key audit matter*
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
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, WesBank corporate, UK operations and Broader Africa.* The credit impairment models are subject to formal model governance and approval. The related disclosures in the consolidated financial statements are included in: • Sections 4 and 9.4 – Accounting policies; • Note 11 – Advances; • Note 12 – Impairment of advances; and • Note 37 – Financial and Insurance risk.	• 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.

INDEPENDENT AUDITORS' REPORT continued

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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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.

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 consolidated financial statements are included in:
• Section 4 – Accounting policies; and
• Note 34 – Fair value measurements.
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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.
• 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.
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INDEPENDENT AUDITORS’ REPORT continued

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the documents titled “FirstRand Annual Financial Statements for the year ended 30 June 2023” and “FirstRand Remuneration Report for the year ended 30 June 2023”, which include the Directors’ Report, the Audit Committee Report and the Company Secretary’s Certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor’s report, and the documents titled “FirstRand Corporate Governance Report for the year ended 30 June 2023”, “Chairman’s Report”, “CEO’s Report”, “CFO’s Report” and “FirstRand Material Risk Factor Disclosure for the year ended 30 June 2023”, which are expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditors’ report thereon.

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

In connection with our audit of the consolidated and separate 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 consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and 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 Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT continued

Auditors' responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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 Group's and 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 consolidated and separate 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 Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 consolidated and separate 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 Limited for 13 years. Prior to the commencement of the joint audit relationship, PricewaterhouseCoopers Inc. were the sole auditors of FirstRand Limited for 14 years.

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

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

ACCOUNTING POLICIES

1 INTRODUCTION AND BASIS OF PREPARATION

The group's consolidated and separate annual 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, JSE Listings Requirements, the Banks Act and requirements of the Companies Act no 71 of 2008.

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

Presentation of financial statements, functional and foreign currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Presentation	The group presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, the group 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 group	South African rand (R)
Level of rounding	All amounts are presented in millions of rands. The group 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 group presentation currency	The financial position and results of the group's foreign operations are translated at the closing or average exchange rate, as required per IAS 21. Upon consolidation, exchange differences arising on the translation of the net investment in foreign operations are recognised as a separate component of other comprehensive income (OCI) (the foreign currency translation reserve) and are reclassified to profit or loss upon loss of control of the foreign operation. The net investment in a foreign operation includes any monetary items for which settlement is neither planned nor likely in the foreseeable future.
Foreign currency transactions of the group	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 gains or losses are recognised in profit or loss in fair value gains or losses. To the extent that foreign exchange gains or losses relate to financial assets held at fair value through other comprehensive income (FVOCI) the following applies: ➢ Equity instruments – recognised in OCI as part of the fair value movement; and ➢ Debt instruments – allocated between profit or loss (those that relate to changes in amortised cost) and OCI (those that relate to changes in the fair value).

Application of the going concern principle

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

1 INTRODUCTION AND BASIS OF PREPARATION continued

Forecast growth in earnings and balance sheet risk-weighted assets (RWA) is based on the group'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 group 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 group 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 group adopts the following significant accounting policies in preparing its financial statements. These 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 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES				
2	**Subsidiaries, associates and joint arrangements**	Consolidation and equity accounting (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)	Derivatives and hedge accounting (section 4.5)
		Transfers, modifications and derecognition (section 4.3)	Offset and collateral (section 4.4)	

1 INTRODUCTION AND BASIS OF PREPARATION continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES				
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	**Non-banking activities**	Insurance activities (section 8.1)	Investment management activities (section 8.2)	
9	**Critical accounting estimates, assumptions and judgements**	Introduction (section 9.1)	Subsidiaries, associates and joint arrangements (section 9.2)	Taxation (section 9.3)
		Impairment of financial assets (section 9.4)	Provisions (section 9.5)	Transactions with employees (section 9.6)
		Insurance and investment management activities (section 9.7)		

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.

The consolidated 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* became effective in the current year. None of these amendments to IFRS impacted the group's reported earnings, financial position or reserves, or the accounting policies.

2 SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS

2.1 Basis of consolidation and equity accounting

	Subsidiaries and other structured entities	Associates	Joint ventures
Typical shareholding in the assessment of entities that are not structured entities	Greater than 50%	Between 20% and 50%	Between 20% and 50%
When an entity is a structured entity and control of it is not evidenced through shareholding, the group considers the substance of the arrangement and the group's involvement with it to determine whether the group has control, joint control or significant influence over the significant decisions that impact its relevant activities.			
Nature of the relationship between the group and the investee	Entities over which the group has control, as defined in IFRS 10, are consolidated. These include certain investment funds managed by the group, securitisation structures or other entities used for the purpose of buying or selling credit protection.	Entities over which the group has significant influence as defined in IAS 28. These include investment funds not consolidated, but which the group has significant influence over.	A joint arrangement in terms of which the group and the other contracting parties have joint control, as defined in IFRS 11. Joint ventures are those joint arrangements where the group has rights to the net assets of the arrangement.

Separate financial statements
The company measures investments in the above entities at cost less impairment (in terms of IAS 36), with the exception of investments acquired and held exclusively with the view to dispose of them in the near future (within 12 months). These investments are measured at fair value less cost to sell in terms of IFRS 5.

Consolidated financial statements		
	Consolidation	**Equity accounting**
Initial recognition in the consolidated financial statements	Subsidiaries acquired are accounted for by applying the acquisition method of accounting to business combinations. The excess (shortage) of the sum of the consideration transferred, the value of non-controlling interest and the fair value of any existing interest, over the fair value of identifiable net assets are recognised as goodwill or a gain on bargain purchase, as set out further below. Transaction costs are included in operating expenses within profit or loss, when incurred.	Associates and joint ventures are initially recognised at cost (including goodwill) and subsequently equity accounted. The carrying amount is increased or decreased to recognise the group's share of profit or loss from the investee after the date of acquisition. Items that impact the investee's net asset value (NAV) that don't impact OCI are recognised directly in gains less losses from investing activities within non-interest revenue (NIR).

2 SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS continued

2.1 Basis of consolidation and equity accounting continued

Consolidated financial statements		
	Consolidation	**Equity accounting**
Intercompany transactions and balances	Intercompany transactions are all eliminated on consolidation, including unrealised gains. Unrealised losses on transactions between group entities are also eliminated unless the transaction provides evidence of impairment of the transferred asset, in which case the transferred asset will be tested for impairment in accordance with the group's impairment policies.	Unrealised gains on transactions are eliminated to the extent of the group's interest in the entity. Unrealised losses are also eliminated to the extent of the group's interest in the entity, unless the transaction provides evidence of an impairment of the transferred asset.
Common control transaction	There is currently no guidance under IFRS for the accounting treatment of business combinations under common control. In terms of IAS 8, the group developed an accounting policy that requires that business combinations under common control use the predecessor values of the acquiree without the restatement of comparatives. Therefore, any difference between the NAV and the amount paid (i.e. the purchase consideration) is recorded directly in equity.	
Impairment	In the consolidated financial statements either the cash generating unit (CGU) is tested, i.e. a grouping of assets no higher than an operating segment of the group, or, if the entity is not part of a CGU, the individual assets of the subsidiary and goodwill are tested for impairment in terms of IAS 36.	The entire carrying amount of the investment, including other long-term interests, is tested for impairment. Certain loans and other long-term interests in associates and joint ventures are considered to be, in substance, part of the net investment in the entity when settlement is neither planned nor likely to occur in the foreseeable future. Such items may include preference shares and long-term receivables or loans, but do not include trade receivables or any long-term loans for which adequate collateral exists. These loans and other long-term interests in associates and joint ventures are included in advances on the face of the statement of financial position and are measured in terms of IFRS 9.

2 SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS continued

2.1 Basis of consolidation and equity accounting continued

Consolidated financial statements		
	Consolidation	**Equity accounting**
		The value of such loans after any expected credit losses (ECL) raised for IFRS 9 where such loans are measured at amortised cost is, however, included in the carrying amount of the investee for purposes of determining the share of losses of the investee attributable to the group and for impairment testing purposes.
Goodwill	Goodwill on the acquisition of businesses and subsidiaries represents excess consideration transferred and is recognised as an intangible asset at cost less accumulated impairment losses. If this amount is negative, as in the case of a bargain purchase, the difference is immediately recognised in gains less losses from investing activities within NIR. Goodwill is tested annually for impairment by the group in March, or earlier if there are objective indicators of impairment. For subsidiaries acquired between March and June, a goodwill impairment test is performed in June in the year of acquisition and thereafter annually in March. For testing purposes, goodwill is allocated to a suitable CGU. Impairment losses in respect of goodwill are not subsequently reversed.	Notional goodwill on the acquisition of associates and joint ventures is included in the equity accounted carrying amount of the investment. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.
Non-controlling interest	Non-controlling interests in the net assets of subsidiaries are separately identified and presented from the group's equity. All transactions with non-controlling interests which do not result in a loss of control are treated as transactions with equityholders.	Transactions with other shareholders are not equity transactions and the effects thereof are recognised in profit or loss as part of gains less losses from investing activities in NIR.

2 SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS continued

2.1 Basis of consolidation and equity accounting continued

Consolidated financial statements		
	Consolidation	**Equity accounting**
	Partial disposals and increases in effective shareholding between 50% and 100% are treated as transactions with equityholders. Non-controlling interest is initially measured either at the proportional share of net assets or at fair value. The measurement distinction is made by the group on a case-by-case basis.	

Interests in unconsolidated structured entities
Interests in unconsolidated structured entities may expose the group to variability in returns from the structured entity. However, because of a lack of power over the structured entity it is not consolidated. Normal customer or supplier relationships, where the group 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 group also sponsors the formation of structured entities primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions and for buying and selling credit protection. Where the interest or sponsorship does not result in control, disclosures of these interests or sponsorships are made in the notes in terms of IFRS 12.

2.2 Related party transactions

Related parties of the group, as defined, include:

Subsidiaries	Associates	Joint ventures	Post-employment benefit funds (pension funds)
Entities that have significant influence over the group, 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 group are the FirstRand Limited board of directors and prescribed officers, including any entities which provide KMP services to the group. 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 group's funding or insurance operations.
➢ interest income is calculated using the effective interest rate, which includes origination fees. The original effective interest rate is applied to:
    ○ the gross carrying amount (GCA) of financial assets which are not credit impaired; and
    ○ the amortised cost of financial assets which represents the net carrying amount, from the month after the assets become credit-impaired (refer to section 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 accounting policy 4.3) is calculated by applying the original effective interest rate to the asset's modified GCA.
➢ 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 group's funding or insurance operations;
➢ interest on capitalised leases where the group is the lessee; and
➢ the difference between the purchase and resale price in repurchase and reverse repurchase agreements where the related advances or deposit is measured at amortised cost, because the amount is in substance interest.
 	
The total interest expense is reduced by the amount of interest incurred in respect of liabilities used to fund the group's fair value activities. This amount is reported in fair value income within NIR.

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 colspan="2">Under IFRS 15, where a five-step analysis is required to determine the amount and timing of revenue recognition, the group 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 group can identify the contract and the performance obligation (i.e. the different goods or services) and can determine the transaction price, which is required to be allocated to the identifiable performance obligations.

Unless specifically stated otherwise, the group is the principal in its revenue arrangements as the group controls the goods and services before transferring them to the customer.</td></tr>
<tr><td>Fee and commission income</td><td>Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers.

Fee and commission income is earned by the group by providing customers with a range of services and products, and consists of the following main categories:
➢ banking fee and commission income;
➢ knowledge-based fee and commission income;
➢ management, trust and fiduciary fees;
➢ fee and commission income from service providers; and
➢ other non-banking fee and commission income.

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

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

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

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	
Fee and commission income	Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking, insurance and asset management operations. This includes fee and commission income earned from providing services on behalf of third-party service providers, in effect acting as an agent. The revenue is recognised at a point in time and includes commission earned from the sale of prepaid airtime, data vouchers and electricity, and traffic fines paid through FNB channels, as well as insurance commission. The group 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 group needs to fulfil. The supplier of the goods or services to be acquired by customers can either be the group or an external third party. The group recognises a contract liability referred to as the customer loyalty programme liability, which represents the deferred amount of revenue resulting from providing these reward credits to customers. The amount deferred is equal to the maximum cash flow that could be required in order to settle the liability with the customer, as the supplier of goods and services could either be the bank itself or independent third parties. The deferred revenue in respect of which the eBucks liability is raised is recognised in the period in which the customer utilises their reward credits. When the group 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 group 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.
Insurance income – non-risk-related	Where the group is acting as an agent, commissions and brokerage earned on the sale of insurance products to customers of the group on behalf of an insurer are recognised at the point that the significant obligation has been fulfilled. Income arising from third-party insurance cell captives and profit share agreements, where there is not a significant transfer of insurance risk, are executory contracts. Revenue is recognised when both parties have fulfilled their obligations.
Insurance income – risk-related	Insurance-related income represents the premiums written on short-term, long-term and vehicle-related warranty products which transfer significant insurance risk to the group, where the earned portion of the premium received is recognised as revenue. Reinsurance premiums are accounted for as expenses in the same accounting period as the premiums to which the reinsurance relates. Commissions payable, together with insurance benefits, claims and movements in insurance liabilities, provide the resultant insurance risk-related income.

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>Other non-interest revenue</td><td>The group, through its various operating businesses and subsidiaries, 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).</td></tr>
<tr><th colspan="2">Fair value gains or losses</th></tr>
<tr><td colspan="2">Fair value gains or losses of the group 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 group’s fair value operations. Interest expense is reduced by the amount that is included in fair value income;
➢ fair value adjustment on financial instruments designated at FVTPL in order to eliminate an accounting mismatch, except for such instruments relating to the group’s insurance and funding operations, for which the interest component is recognised in net interest income (NII). The change in the fair value of a financial liability designated at FVTPL attributable to changes in its credit risk is presented in OCI, unless this would cause or enlarge an accounting mismatch in profit or loss. The total fair value adjustment on policyholder liabilities and non-recourse liabilities (including movements due to changes in credit risk) is included in profit or loss, since the fair value movements on these liabilities are directly linked to fair value movements on the underlying assets;
➢ ordinary and preference dividends on equity instruments at FVTPL;
➢ any difference between the carrying amount of the liability and the consideration paid, when the group repurchases debt instruments that it has issued;
➢ fair value gains or losses on policyholder liabilities under investment contracts; and
➢ fair value gains or losses on commodities acquired for short-term trading purposes, including commodities acquired with the intention of reselling in the short term, or if they form part of the trading operations of the group 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 group in terms of IFRS 15.</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
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 group, including non-trading equity instruments measured at FVOCI; and ➢ fair value gains or losses on investment property held at FVTPL.
Dividend income
The group recognises dividend income when the group'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 group, apart from certain fee and commission expenses included in net fee and commission income, are recognised and measured in terms of the accrual principle and presented as operating expenses in profit or loss.	
Indirect tax expense	Indirect tax includes other taxes paid to central and local governments and also includes value-added tax and securities transfer tax. Indirect tax is disclosed separately from income tax and operating expenses in the income statement.

3.2 Income tax expenses

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

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 group 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.

3 INCOME, EXPENSES AND TAXATION continued

3.2 Income tax expenses continued

Deferred income tax	
Recognition	On temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.
Typical temporary differences for which deferred tax is provided	➢ Provision for loan impairment. ➢ Instalment credit assets. ➢ Revaluation (including ECL movements) of certain financial assets and liabilities, including derivative contracts. ➢ Provisions for pensions and other post-retirement benefits. ➢ Share-based payment (SBP) liabilities. ➢ Investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the difference will not reverse in the foreseeable future. ➢ Cash flow hedges.
Measurement	The liability method under IAS 12 is used, which means applying tax rates and laws applicable at the reporting date, which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. For temporary differences arising from the fair value adjustments on investment properties and investment securities, deferred income tax is provided at the rate that would apply to the sale of the assets, i.e. the capital gains tax rate.
Presentation	Deferred income tax is presented in profit or loss unless it relates to items recognised directly in equity or OCI. Items recognised directly in equity or OCI relate to: ➢ the issuance or buy-back of share capital; ➢ fair value remeasurement of financial assets measured at FVOCI; ➢ remeasurements of defined benefit post-employment plans; and ➢ derivatives designated as hedging instruments in effective cash flow hedge relationships. Tax in respect of share transactions is recognised directly in equity. Tax in respect of the other items is recognised directly in OCI and subsequently reclassified to profit or loss (where applicable) at the same time as the related gain or loss.
Deferred tax assets	The group recognises deferred income tax assets only if it is probable that future taxable income will be available, against which the unused tax losses can be utilised, based on management's review of the budget and forecast information. The group 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.

3 INCOME, EXPENSES AND TAXATION continued

3.2 Income tax expenses continued

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

4 FINANCIAL INSTRUMENTS

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

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 group's business model for managing the financial assets; and ➢ the contractual cash flow characteristics of the financial asset.
Business model
The group distinguishes three main business models for managing financial assets: ➢ holding financial assets to collect contractual cash flows; ➢ managing financial assets and liabilities on a fair value basis or selling financial assets; and ➢ a mixed business model of collecting contractual cash flows and selling financial assets. The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment is done for each legal reporting entity at least at a franchise level, although franchises will perform the assessment on a portfolio or sub-portfolio level, depending on the manner in which groups of financial assets are managed in each franchise. The main consideration in determining the different business models across the group 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 group 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. Where the group participates in a National Treasury switch and the participation is voluntary, the 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.

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

Classification and subsequent measurement of financial assets

Business model

Determining whether sales are significant or frequent requires management to use its judgement. The significance and frequency of sales are assessed on a case-by-case basis at the business model level. The frequency is assessed on an annual basis and sales of assets that take place once or less per annum are considered to be infrequent. If sales take place more than once per annum it doesn't mean that the business models are not to collect contractual cash flows, but rather that the reasons for the sales need to be more carefully considered. Management will consider both the volume and number of sales relative to the total assets in the business model to determine whether they are significant.

A change in business model only occurs on the rare occasion when the group 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.

Amortised cost

Financial assets are measured at amortised cost using the effective interest rate method when they are held to collect contractual cash flows which are SPPI, and sales of such assets are not significant or frequent. These include the majority of the retail, corporate and commercial advances of the group, as well as certain investment securities utilised for liquidity risk management of the group. For purchased or originated credit-impaired financial assets, the group applies the credit-adjusted effective interest rate. This interest rate is determined based on the amortised cost and not the GCA of the financial asset, and incorporates the impact of ECL in the estimated future cash flows of the financial asset.

Cash and cash equivalents

Cash and cash equivalents comprise coins and bank notes, money at call and short notice, and balances with central banks. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition. Money at call and short notice constitutes amounts withdrawable in 32 days or less. Cash and cash equivalents are measured at amortised cost.

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

<table>
<tr><th colspan="3">Classification and subsequent measurement of financial assets</th></tr>
<tr><th colspan="3">Retail advances</th></tr>
<tr><td rowspan="2">Retail advances</td><td>Business model</td><td>Cash flow characteristics</td></tr>
<tr><td>The FNB, WesBank and Aldermore 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 group for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.</td></tr>
<tr><th colspan="3">Corporate and commercial advances</th></tr>
<tr><td rowspan="2">Corporate and commercial advances</td><td>Business model</td><td>Cash flow characteristics</td></tr>
<tr><td>The business models of FNB, WesBank, RMB and Aldermore are also focused on collecting contractual cash flows on corporate and commercial advances and growing these advances within acceptable credit appetite limits.

The products under in this business model include:
➢ trade and working capital finance;
➢ specialised finance;
➢ commercial property finance; and
➢ asset-backed finance.

These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return. Although the intention is to collect cash flows, not all of the instruments are held to maturity as some financial assets are sold through syndication. These sales are, however, either insignificant in value in relation to the value of advances held to collect cash flows or infrequent, and therefore the held to collect business model is still appropriate.</td><td>The cash flows on corporate and commercial advances are SPPI. Interest charged to customers compensates the group for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.</td></tr>
</table>

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

Classification and subsequent measurement of financial assets		
Corporate and commercial advances		
	Within RMB, debt for large corporates and institutions is structured. These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return. Although the intention is to collect cash flows, not all of the instruments are held to maturity as some financial assets are sold in the secondary market to facilitate funding. These sales are, however, insignificant in value in relation to the value of RMB advances held to collect cash flows and therefore the held to collect business model is still appropriate. In other portfolios, RMB originates advances with the intention to distribute. These advances are included under a different business model and are measured at FVTPL (as set out further below).	The cash flows on these advances are considered to be SPPI if the loan contract does not contain equity upside features, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract. Any advances that do contain such features are mandatorily measured at FVTPL.
Marketable advances	Advances also include marketable advances representing corporate bonds and certain debt investment securities qualifying as high-quality liquid assets (HQLA) that are under the control of the group treasurer, held by RMB. These assets are primarily held to collect the contractual cash flows over the life of the asset.	The cash flows on these advances are SPPI.
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 assets are short-term financial assets that are held to collect contractual cash flows.	The cash flows on these assets are SPPI.

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

Classification and subsequent measurement of financial assets		
Mandatory at FVTPL		
Corporate advances	In certain instances, RMB originates advances with the mandate of distributing an identified portion of the total advances in the secondary market within an approved timeframe. The reason for originating these advances is not to collect the contractual cash flows, but rather to realise the cash flows through the sale of the assets.	Any advances which are originated to be distributed or managed on a fair value basis, or are held to collect contractual cash flows but include cash flows related to equity upside features, conversion options, payments linked to equity or commodity prices, or prepayment penalties that exceed reasonable compensation for early termination of the contract, will be included in this category.
Marketable advances	RMB occasionally invests in notes issued by special purpose vehicles (SPVs), with the intention of selling these notes to external parties. These include notes issued by an SPV to which it sells a portion of corporate and commercial advances that it originates to distribute (detailed above). The collection of contractual cash flows on these notes is merely incidental.	Advances which are acquired to distribute are included in this category.
Investment securities	RMB Global Markets holds portfolios of investment securities (including corporate and government bonds) to hedge risks or for short-term profit realisation. These securities are managed on a fair value basis.	
	All equity investments of the group are managed on a fair value basis, either through FVTPL or designated at FVOCI.	
Derivative assets	Derivatives are either held for trading or to hedge risk. These instruments are managed on a fair value basis.	
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.	

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

Classification and subsequent measurement of financial assets		
Debt instruments at FVOCI		
Investment securities	The treasury division of the group holds certain investment securities for liquidity management purposes. Local regulators require that the bank/branch prove liquidity of its assets by way of periodic outright sales. Therefore, the business model for these investment securities is both collecting contractual cash flows and selling these financial assets.	The cash flows on these investment securities are SPPI.
Equity investments at FVOCI		
Investment securities	The group 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 group 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 group. Compound instruments are those financial instruments that have components of both financial liabilities and equity, such as issued convertible bonds. At initial recognition the instrument and the related transaction costs are split into their separate components and accounted for as a financial liability or equity in terms of the definitions and criteria of IAS 32.

Financial liabilities measured at amortised cost
The following liabilities are measured at amortised cost using the effective interest rate method, unless they have been designated as measured at FVTPL: ➢ deposits; ➢ creditors; ➢ Tier 2 liabilities; and ➢ other funding liabilities.
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.

4 FINANCIAL INSTRUMENTS continued

4.1.3 Classification and subsequent measurement of financial liabilities and compound instruments continued

Financial liabilities designated at FVTPL

A financial liability other than one held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial liabilities which is managed and its performance evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated at FVTPL.

The financial liabilities that the group designated at FVTPL are the following:

- deposits; and
- other funding liabilities.

Both types of liabilities satisfied the above-mentioned conditions of IFRS 9 for such designation. These financial liabilities are measured at fair value at reporting date as determined under IFRS 13, with any gains or losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedge accounting relationship. However, for non-derivative financial liabilities that are designated at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability.

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 group is the lessor.

Refer to accounting policy note 9.4 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 ECL	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 SICR, the PD of the asset calculated at the origination date is compared to that calculated at the reporting date (incorporating forward-looking information (FLI)). The origination date is defined as the most recent date at which the group 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

Advances	
Credit-impaired financial assets	Advances are considered credit-impaired if they meet the definition of default. The group'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, are more than three instalments in arrears. In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the group to actions such as the realisation of security. Indicators of unlikeliness to pay are determined based on the requirements of Regulation 67 of the Banks Act. Examples include application for bankruptcy or obligor insolvency. Any distressed restructures of accounts which have experienced a SICR since initial recognition are defined as default events. Retail accounts are considered to no longer be in default if they meet the stringent cure definition, which has been determined at portfolio level based on analysis of re-defaulted rates. Curing from default within wholesale is determined judgementally through a committee process.
Purchased or originated credit-impaired	Financial assets that meet the above-mentioned definition of credit-impaired at initial recognition and remain classified as such for the duration of the agreement.
Write-offs	Write-off must occur when it is not economical to pursue further recoveries, i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised): ➢ By implication, in both retail and wholesale, for secured as well as unsecured exposures, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account. ➢ Within retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of 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. ➢ 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 they are assessed on a case-by-case basis. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.

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 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 group does not use the low credit risk exemption for investment securities, including government bonds.

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 group 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 group 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.

4 FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition continued

A modification of a financial asset is substantial and will thus result in derecognition of the original financial asset where the modified contractual terms are priced to reflect current conditions on the date of modification and are not merely an attempt to recover outstanding amounts. Where the modification does not result in an accounting derecognition the original asset continues to be recognised.

Derecognition of financial liabilities includes a situation of substantial modification of the terms and conditions of an existing financial liability. A substantial modification of the terms occurs where the discounted present value of the cash flows under the new terms, including fees paid net of fees received and discounted using the original effective interest rate, differs by at least 10% from the discounted present value of the remaining cash flows of the original financial liability.

The following transactions are entered into by the group 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		
Traditional securitisations and other structured transactions	Specific advances or investment securities are transferred to a structured entity, which then issues liabilities to third-party investors, for example variable rate notes or investment grade commercial paper. The group's obligations towards the third-party note holders is limited to the cash flows received on the underlying securitised advances or non-recourse investment securities, i.e. the note holders only have a claim to the ring-fenced assets in the structured entity, and not to other assets of the group. The group consolidates these securitisations and SPVs as structured entities in terms of IFRS 10.	The transferred assets continue to be recognised by the group in full. Such advances and investment securities are disclosed separately in the relevant notes. The group recognises an associated liability for the obligation towards third-party note holders as a separate category of deposits. These deposits are usually measured at amortised cost.
Reverse repurchase agreements	Investment securities and advances are sold to an external counterparty in exchange for cash and the group 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 group 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 group in full. Such advances and investment securities are disclosed separately in the relevant notes. The group 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

Transaction type	Description	Accounting treatment
Securities lending	Investment securities are lent to external counterparties in exchange for cash collateral as security for the return of the securities. The group's only recourse in respect of the return of the securities it has lent is to the cash collateral held and as such, the group generally requires cash collateral in excess of the fair value of the securities lent.	
Transfers with derecognition		
Where the group purchases its own debt	The debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value gains or losses within NIR.	
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 group would be willing to offer a customer with a similar risk profile.	The existing asset is not derecognised. The GCA of the financial asset is recalculated as the present value of the estimated future cash receipts through the expected life of the renegotiated or modified financial asset, discounted at the financial asset's original effective interest rate. Distressed modifications are included in ECL.
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 group 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 group 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 of set-off under these agreements is only enforceable in the event of default, insolvency and bankruptcy.

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

Derivative financial instruments	The group'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 group 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 group 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 group has a legally enforceable right to offset the amounts and the group has the intention to settle the net amount.

It is the group'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 consolidated income statement. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

Derivative instruments are classified either as held for trading or formally designated as hedging instruments. The group elected to adopt IFRS 9 for cash flow and fair value hedges. IAS 39 will continue to be applied to portfolio hedges, which the group 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/IAS 39 and are calculated to be effective.

The group 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 group is monitoring and evaluating developments in the market and the impact thereof on accounting.

Fair value hedge accounting

Fair value hedge accounting does not change the recording of gains or losses on derivatives, but it does result in recognising changes in the fair value of the hedged item attributable to the hedged risk that would otherwise not be recognised in the income statement. The change in the fair value of the hedged item is taken to non-interest revenue under fair value gains or losses. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued. The cumulative adjustment to the carrying amount of the hedged item is amortised to the income statement based on a recalculated effective interest rate, unless the hedged item has been derecognised, in which case it is recognised in the income statement immediately.

Cash flow hedge accounting

For derivatives used in cash flow hedges, the effective portion of changes in the fair value of the hedging derivatives is recognised in the cash flow hedge reserve in OCI, and reclassified to profit or loss in the periods in which the hedged item affects profit or loss. The ineffective portion is recognised immediately in profit or loss as part of fair value gains or losses within NIR.

The accumulated gains and losses recognised in OCI are reclassified to the income statement in the same periods in which the hedged item affects profit or loss. When a hedge relationship is discontinued, or partially discontinued, any cumulative gain or loss recognised in OCI remains in equity until the hedged item affects the income statement.

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 group include: ➢ assets utilised by the group 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 group and leased to third parties under operating leases as part of the group's revenue-generating operations; ➢ capitalised leased assets; and ➢ other assets utilised by the group in the normal course of operations, including computer and office equipment, motor vehicles and furniture and fittings.	Historical cost less accumulated depreciation and impairment losses, except for land, which is not depreciated. Depreciation is recognised on the straight-line basis over the useful life of the asset, except for assets capitalised under leases where the group is the lessee, in which case it is depreciated per the leases accounting policy 5.3. Freehold property and property held under leasing agreements: – Buildings and structures 40 – 50 years – Mechanical and electrical 14 – 20 years – Components 14 – 20 years – Sundries 3 – 5 years – Computer equipment 3 – 5 years – Other equipment 3 – 10 years
Investment properties	
Investment properties are those held to earn rental income and/or for capital appreciation that are not occupied by the companies in the group. When investment properties become owner-occupied, the group 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

<table>
<tr><th>Classification</th><th>Measurement</th></tr>
<tr><th colspan="2">Intangible assets</th></tr>
<tr><td>Intangible assets of the group 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 group exceeding the costs incurred for more than one financial period.
➢ Material acquired trademarks, patents and similar rights are capitalised when the group 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.</td><td>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</td></tr>
<tr><td>Goodwill arising from business combinations is recognised as an intangible asset.</td><td>Refer to accounting policy 2.1.</td></tr>
<tr><th colspan="2">Commodities</th></tr>
<tr><td>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 group; 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 group in terms of IFRS 15.</td><td>Fair value less costs to sell with changes in fair value being recognised as fair value gains or losses within NIR.</td></tr>
<tr><td>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.</td><td>FVTPL.</td></tr>
</table>

5 OTHER ASSETS AND LIABILITIES continued

5.1 Classification and measurement continued

Classification	Measurement
Provisions	
The group 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 group will recognise the amount as an accrual. The most significant provisions are related to litigation and claims, as well as provisions for intellectual property fees that arise because of the use of dealer platforms, databases, systems, brands and trademarks when marketing and promoting motor warranty products as part of the motor value-added products and services (VAPS) business. The group 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 other than goodwill acquired as part of a business combination (refer to accounting policy 2.1), are reviewed for impairment whenever objective evidence of impairment exists. Impairment losses are recognised in profit or loss as part of operating expenses.

Other assets are derecognised when they are disposed of or, in the case of intangible assets, when no future economic benefits are expected from their use. Gains or losses arising on derecognition are determined as the difference between the carrying amount of the asset and the net proceeds received, and are recorded in profit or loss as part of NIR.

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. The group has elected to recognise any excess impairment on the disposal group that remains after impairing the assets within the measurement scope of IFRS 5 as excess impairment within operating expenses with a corresponding adjustment to the assets whose measurement is outside of the scope of IFRS 5, until those assets are reduced to zero. Any subsequent increases in fair value less costs to sell are recognised in NIR when realised.

5.3 Leases

The group 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 group assesses whether a contract is or contains a lease at inception of the contract.

Qualifying leases are recognised as a right of use asset (ROUA) and a corresponding liability at the date at which the leased asset is made available for use by the group.

5 OTHER ASSETS AND LIABILITIES continued

5.3 Leases continued

	Group company is the lessee	Group company is the lessor
At inception	The group 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 group recognises assets sold under a finance lease as finance lease receivables included in advances and impair the advances, as required, in line with the impairment of financial assets accounting policy in section 4.2. No practical expedients are applied, and the general model under IFRS 9 is used for impairment calculations on lease receivables.
Over the life of the lease	Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses. The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term. If ownership is transferred at the end of the lease term, the asset is depreciated over the shorter of the lease term or useful life. The group applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss.	Unearned finance income is recognised as interest income over the term of the lease using the effective interest rate method. Finance lease receivables are assessed for impairment in terms of IFRS 9, as set out in the impairment of financial assets policy section 4.2. Interest on finance lease receivables that are credit-impaired (stage 3) is recognised and calculated by applying the original effective interest rate to the net carrying amount.
Presentation	The lease liability is presented in other liabilities in the consolidated statement of financial position. The ROUAs are not presented as a separate line in the consolidated statement of financial position, but rather disclosed as ROUA in the property and equipment note.	Finance lease receivables are presented as part of advances in the consolidated statement of financial position.

5 OTHER ASSETS AND LIABILITIES continued

5.3 Leases continued

	Group company is the lessee	Group company is the lessor
Operating leases	For short-term and low-value leases, which the group has defined as all other leases except for property and vehicle leases, the lease payments are recognised as an operating expense, spread on a straight-line basis over the term of the lease.	Assets held under operating leases are included in property and equipment and depreciated – refer to accounting policy 5.1. Rental income is recognised as other NIR on a straight-line basis over the lease term.
Finance lease agreements (including hire purchases) where the group is the lessor	The group 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 group calculates finance charges using the effective interest rates as detailed in the contracts and credit finance charges to interest revenue in proportion to capital balances outstanding.	

6 CAPITAL AND RESERVES

Transaction	Liability	Equity
Shares issued and issue costs	Preference shares, where the group does not have the unilateral ability to avoid repayments, are classified as other liabilities.	The group's equity includes ordinary shares, contingently convertible securities, Additional Tier 1 notes and non-cumulative non-redeemable (NCNR) preference shares. Contingently convertible securities, Additional Tier 1 notes and NCNR preference shares are classified as other equity instruments in the financial statements. Any incremental costs directly related to the issue of new shares or options, net of any related tax benefit, are deducted from the issue price.
Dividends paid/declared	Recognised as interest expense on the underlying liability.	Dividends on equity instruments are recognised against equity. A corresponding liability is recognised when the dividends have been approved by the company's shareholders and distribution is no longer at the discretion of the entity.
Distribution of non-cash assets to owners	The liability to distribute non-cash assets is recognised as a dividend to owners at the fair value of the asset to be distributed.	The 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.

6 CAPITAL AND RESERVES continued

Transaction	Liability	Equity
	The difference between the carrying amount of the assets distributed and the fair value of the assets on the date of distribution is recognised as NIR in profit or loss for the period.	
Treasury shares, i.e. where the group purchases its own equity share capital	If the group reacquires its own equity instruments, those instruments are deducted from the group's equity.	The consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are reissued or sold. Where the shares are subsequently sold or reissued, any consideration received net of any directly attributable incremental costs is included in shareholders' equity.
Other reserves	Not applicable	Other reserves recognised by the group include general risk reserves, required to be held by some of the group's African operations capital redemption reserve funds and insurance contingency reserves. These reserves are required by in-country legislation governing these subsidiaries and are calculated based on the requirements outlined in the relevant legislation applicable in the specific jurisdiction.

7 TRANSACTIONS WITH EMPLOYEES

7.1 Employee benefits

The group 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 group employees. The defined benefit plans are funded by contributions from employees and the relevant group companies, taking into account the recommendations of independent qualified actuaries.

Defined contribution plans	
Determination of purchased pension on retirement from defined contribution plan	**Recognition** Contributions are recognised as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

7 TRANSACTIONS WITH EMPLOYEES continued

7.1 Employee benefits continued

Defined contribution plans	
	Measurement On the date of the purchase, the defined benefit liability and the plan assets will increase for the purchase amount and thereafter the accounting treatment applicable to defined benefit plans will be applied to the purchased pension. It should be noted that the purchase price for the new retiree would be slightly higher than the liability determined on the accounting valuation, as the purchase price allows for a more conservative mortality assumption based on the solvency reserves of the fund.

Defined benefit plans	
Defined benefit obligation liability	**Recognition** The liabilities and assets of these funds are reflected as a net asset or liability in the statement of financial position, i.e. the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
	Measurement The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The discount rate used is the rate of nominal and inflation-linked government-issued bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.

Liability for short-term employee benefits	
Leave pay	The group recognises a liability for employees' rights to annual leave in respect of past service. The amount recognised by the group is based on the current salary of employees and the contractual terms between employees and the group. The expense is included in staff costs.
Bonuses	The group 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 TRANSACTIONS WITH EMPLOYEES continued

7.2 Share-based payment transactions

The group operates a cash-settled and an immaterial equity-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.

Awards granted under equity-settled plans result in an expense to be recognised in profit or loss at the fair value of the employee services received in exchange for the grant of the awards over the vesting period of the awards. A corresponding credit to a SBP reserve in the statement of changes in equity is when the expense is recognised.

8 NON-BANKING ACTIVITIES

8.1 Insurance activities

Insurance activities include contracts issued by the group, which transfer significant insurance risk or financial risk. Furthermore, the group has entered into reinsurance contracts.

Insurance contracts are contracts under which the group, as the insurer, accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more (at least 10%) than the benefits payable if the insured event did not occur. The group issues insurance contracts in terms of the Insurance Act 18 of 2017 (Insurance Act) as well as the Short-term Insurance Act 18 of 2017 (Short-term Act).

Investment contracts which are linked-fund policies falling within the scope of the Insurance Act are viewed as a form of long-term insurance from a legal perspective. However, as investment contracts do not convey insurance risk upon the company, they are scoped out of IFRS 4 and are accounted for in terms of IFRS 9. Investment contracts are classified as financial liabilities, measured at FVTPL.

The group obtains reinsurance in the ordinary course of business for the purpose of limiting its net loss potential through the diversification of its risks on certain long-term and short-term insurance contracts. Reinsurance arrangements do not relieve the group from its direct obligations to policyholders.

Insurance contracts	
Premiums	Premiums on insurance contracts are recognised when due. Premiums are recognised gross of commission payable to intermediaries and reinsurance premiums as well as net of eBucks before the deduction of acquisition costs.

8 NON-BANKING ACTIVITIES continued

8.1 Insurance activities continued

	Short-term insurance contracts	Long-term insurance contracts
Claims and benefits paid	Claims and benefits paid consist of claims and claims handling expenses paid during the financial year and are determined by the market value of the indemnification received by the policyholder. Salvages and third-party recoveries are also included here. The salvage amount is the amount received by the company from the sale of the policyholder's property which is damaged beyond economic repair. The insurer will purchase new property for the policyholder, while the damaged property will be sold by the insurance company. The income received from the sale of the damaged property will be netted off against the claims paid, which represents the cost of the new property. Recoveries represent the insurer's recovery for its insured damage from either the insurer of the other party to the loss event, or a third-party which is the insured individual who was involved in the loss event.	Claims and benefits paid are recognised when the amounts are paid over to the customers and are determined with reference to the contract entered into with the policyholder.
Policyholder liability	In terms of IFRS 4, insurance contracts may be measured under existing local practice. The provision for the outstanding claims reserve (OCR) comprises the group's estimate of settling all claims reported (notified claims) but remains unpaid at year end, and claims incurred but not reported (IBNR).	In terms of IFRS 4, measurement of policyholder liabilities arising from insurance contracts are measured using existing local practices. The group utilises the Standards of Actuarial Practice (SAPs) 104 issued by the Actuarial Society of South Africa (ASSA) to determine the policyholder liabilities that are classified as long-term insurance contracts.

8 NON-BANKING ACTIVITIES continued

8.1 Insurance activities continued

	Short-term insurance contracts	Long-term insurance contracts
	For OCR, each notified claim relating to one of the group's policies is assessed on a case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. Standardised policies and procedures are applied to claims assessments. The provision for each notified claim includes an estimate of the associated claim handling costs. The ultimate cost of incurred claims may vary as a result of future developments or better information becoming available about the current circumstances. Adjustments to the quantum of claims provisions established in prior years are reflected in the annual financial statements for the period in which the adjustments are made and disclosed separately, if material. A provision is raised for claims incurred but not yet reported (IBNR) based on historical experience. The group determines the IBNR claims by using actuarial modelling.	Policyholder liabilities are measured either on a discounted or undiscounted basis, depending on the features of the contracts. *Discounted liabilities* The valuation is performed on a policy-by-policy basis by discounting the best estimate of future expected premiums, risk benefits, reinsurance and expenses at the risk-free rate. These calculations are performed using best estimate assumptions (lapse, expenses, premium collection, mortality, morbidity, retrenchment, inflation and yield curve) adjusted by compulsory margins as specified in SAP-104 and further discretionary margins where appropriate. Where the policyholder liability calculated above results in an asset, the group elects to zerorise the policyholder liability and as a result, there is no discounted policyholder liability recognised on the statement of financial position. *Undiscounted liabilities* Undiscounted policyholder liabilities under insurance contracts comprise a provision for claims IBNR and OCR. IBNR and OCR liabilities are measured at the best estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not. The IBNR is a retrospective forward-looking insurance liability, taking into account incurred but not yet reported events, using historical data as the main driver in determining the best estimate for the IBNR. OCR is calculated by reviewing individual claims and the effect of both internal and external foreseeable events, such as changes in claims-handling procedures, inflation, judicial trends, legislative changes and past experience and trends. The group does not discount its OCR.

8 NON-BANKING ACTIVITIES continued

8.1 Insurance activities continued

<table>
<tr><th></th><th>Short-term insurance contracts</th><th>Long-term insurance contracts</th></tr>
<tr><td>Changes in the policyholder liabilities</td><td>Adjustments to the amounts of policyholder liabilities for policies established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately, if material.</td><td>Any differences between valuation assumptions and actual experience, and any change in liabilities resulting from changes in valuation assumptions, are recognised in profit or loss as part of insurance income in NIR over the life of the contract.

If future experience under a policy contract is exactly in line with the assumptions employed at the initial recognition of the contract, the valuation margins will emerge as profits over the duration of a policy contract. This is known as the unwinding of margins.</td></tr>
<tr><td>Liability adequacy test</td><td>The insurance liability is tested for adequacy by calculating current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability.

Where a shortfall is identified, an additional liability and the related expense are recognised.</td><td>Liabilities are calculated in terms of the financial soundness valuation (FSV) basis as described in SAP 104. Since the FSV basis meets the minimum requirement of the liability adequacy test, it is not necessary to perform additional adequacy tests on the liability component.</td></tr>
<tr><td>Acquisition costs</td><td colspan="2">Acquisition costs include all commission and expenses directly related to acquiring new business. Acquisition costs are expensed as they are incurred.</td></tr>
<tr><td>Insurance premium receivables and payables</td><td colspan="2">Amounts due from policyholders relate to insurance premiums receivable from policyholders whose payments were not received on the due date and are included in other assets. Insurance creditors and accruals include sundry creditors as well as the reinsurer premium due and are included in creditors, accruals and provisions.

Collection rates, applicable to the product arrears rules, are applied to amounts that are not successfully collected from premium debtors to determine the amount that is recoverable. In the current year, an overall collection rate of 80% (2022: 83%) was assumed. The recoverable amount is excluded from amounts that are not successfully collected. The unrecoverable amount is then included in the measurement of the impairment provision.

The collection rates are determined by using historical information and trends available to the company. The unrecoverable amount is determined on a product level.</td></tr>
</table>

8 NON-BANKING ACTIVITIES continued

8.1 Insurance activities continued

Reinsurance contracts held	
Definitions	Contracts that give rise to a significant transfer of insurance risk from the group to another insurance entity.
Premiums/ insurance claims recovered	Premiums paid to reinsurers are recognised as a deduction against premium income at the undiscounted amounts in terms of the contract when they become due for payment. Insurance claims recovered from reinsurers are recognised in profit or loss in the same period as the related claim at the undiscounted amount receivable in terms of the contract.
Profit share from reinsurer	The entity is party to profit-sharing arrangements with its reinsurers which enable the entity to receive an experience refund. The experience refund is a percentage of the entity's eligible reinsurance premium, claims paid, and reinsurance claims received (reinsurance profit or loss). The percentages applied to the reinsurance profit or loss are stated and specific to each profit-sharing arrangement. The payment terms of the experience refund are specific to the reinsurance profit-sharing arrangements.
Reinsurance assets	The benefits to which the group is entitled under its reinsurance contracts are recognised as assets including: ➢ short-term balances due from reinsurers on settled claims (included in other assets); and ➢ receivables that are dependent on the expected claims and benefits arising under the related insurance contracts (classified as reinsurance assets). Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. IFRS 4 requires reinsurance assets to be reduced to the extent of the impairment of such reinsurance assets and specifies the conditions for impairment – objective evidence, the result of an event, and reliably measurable impacts on the amounts that the cedant may not receive from the reinsurer. This is an in accordance with the incurred loss model specified in IAS 39, i.e. an event must have occurred in order for the impairment to be recognised. Whilst IFRS 4 does not include specific guidance as to what types of events would trigger an impairment test, the guidance in IAS 39 for objective evidence of impairment is used.
Changes in reinsurance assets	Any difference between the carrying amount of the reinsurance asset and the recoverable amount is recognised in profit or loss as an adjustment to premium income included in non-interest revenue.
Related reinsurance payables	Liabilities relating to reinsurance comprising premiums payable for reinsurance contracts are included in accounts payable and are recognised as an expense when they fall due in terms of the contract.

8 NON-BANKING ACTIVITIES continued

8.1 Insurance activities continued

Investment contracts	
Definitions	Contracts that only transfer financial risk with no significant insurance risk and are within the scope of IFRS 9. These comprise linked-fund policies.
Contributions	Contributions received are recorded as an increase in investment contract liabilities.
Benefits	Benefits incurred are recorded as withdrawals from investment contract liabilities.
Policyholder liabilities	These are recognised within policyholder liabilities in the statement of financial position when the group becomes party to the contractual provisions of the contract. These liabilities are designated at FVTPL on initial recognition. The fair value of the financial liability recognised is never less than the amount payable on surrender, discounted for the required notice period, where applicable.
Fair value adjustments in policyholder liabilities held under investment contracts	The movement in the policyholder liabilities under investment contracts is recognised as a fair value adjustment on the statement of comprehensive income for both linked and non-linked contracts.

8.2 Investment management activities

Certain divisions within the group engage in investment management activities that result in managing assets on behalf of clients. The group excludes assets related to these activities from the statement of financial position as these are not assets of the group, but of the client and are held in a fiduciary capacity. However, the group discloses the value of the assets in its notes.

The fee income earned and fee expenses incurred by the group relating to these activities are recognised in fee and commission income and expenses within NIR in the period to which the service relates.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

9.1 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 group, except those related to fair value measurement, which are included in note 34.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.2 Subsidiaries, associates and joint arrangements

<table>
<tr><th colspan="2">Subsidiaries</th></tr>
<tr><td colspan="2">Only one party can have control over a subsidiary. In determining whether the group has control over an entity, consideration is given to any rights the group has that result in the ability to direct the relevant activities of the investee, and the group’s exposure to variable returns.

In operating entities, shareholding is most often the clearest indication of control. However, for structured entities and investment management funds, judgement is often needed to determine which investors have control of the entity or fund. Generally, where the group’s shareholding is greater than 50%, the investment is accounted for as a subsidiary.</td></tr>
<tr><td>Decision-making power</td><td>Some of the major factors considered by the group in making this determination include the following:
➢ the purpose and design of the entity;
➢ what the relevant activities of the entity are;
➢ who controls the relevant activities and whether control is based on voting rights or contractual agreements. This includes considering:
o what percentage of voting rights is held by the group and the dispersion and behaviour of other investors;
o potential voting rights and whether these increase/decrease the group’s voting powers;
o who makes the operating and capital decisions;
o who appoints and determines the remuneration of the KMP of the entity;
o whether any investor has any veto rights on decisions;
o whether there are any management contracts in place that confer decision-making rights;
o whether the group provides significant funding or guarantees to the entity; and
o whether the group’s exposure is disproportionate to its voting rights;
➢ whether the group is exposed to any downside risk or upside potential that the entity was designed to create;
➢ to what extent the group is involved in the setup of the entity; and
➢ to what extent the group is responsible to ensure that the entity operates as intended.</td></tr>
<tr><td>Exposure to variable returns</td><td>Factors considered include:
➢ the group’s rights in respect of profit or residual distributions;
➢ the group’s rights in respect of repayments and return of debt funding;
➢ whether the group receives any remuneration from servicing assets or liabilities of the entity;
➢ whether the group provides any credit or liquidity support to the entity;
➢ whether the group receives any management fees and whether these are market-related; and
➢ whether the group can obtain any synergies through the shareholding that are not available to other shareholders. Benefits could be non-financial in nature, such as employee services, etc.</td></tr>
</table>

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.2 Subsidiaries, associates and joint arrangements continued

Subsidiaries	
Ability to use power to affect returns	Factors considered include: ➢ whether the group is acting as an agent or principal; ➢ whether the group has any *de facto* decision-making rights; ➢ whether the decision-making rights the group has are protective or substantive; and ➢ whether the group has the practical ability to direct the relevant activities.

Associates	Joint arrangements
Determining whether the group has significant influence over an entity: ➢ Significant influence may arise from rights other than voting rights, for example management agreements. ➢ The group 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.	Determining whether the group has joint control over an entity: ➢ The group considers all contractual arrangements to determine whether unanimous consent is required in all circumstances. ➢ A joint arrangement is classified as a joint venture when it is a separate legal entity, and the shareholders share in the net assets of the separate legal entity which requires consideration of the practical decision-making ability and management control over the activities of the joint arrangement.

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

Investment funds

The group acts as fund manager to a number of investment funds. In terms of a mandate the group is required to make active investment management decisions in respect of the fund.

Determining whether the group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the group in the fund (comprising any direct interests in the fund and expected management fees), as well as the investors' right to remove the group as fund manager.

If the other investors are able to easily remove the group as fund manager or the group's aggregate interest is not deemed to be significant, the group does not consolidate the funds as it is merely acting as an agent for other investors. Other investors are considered to be able to easily remove the fund manager if it is possible for a small number of investors acting together to appoint a new fund manager in the absence of misconduct. Where the group has a significant investment and an irrevocable fund management agreement, the fund is consolidated.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.2 Subsidiaries, associates and joint arrangements continued

Investment funds

Where such funds are consolidated, judgement is applied in determining if the non-controlling interests in the funds are classified as equity or financial liabilities. Where the external investors have the right to put their investments back into the fund, these non-controlling interests do not meet the definition of equity and are classified as financial liabilities.

Where such funds are not consolidated or equity accounted, the group accounts for the investments in the funds as investment securities in terms of IFRS 9.

Where investments in funds managed by the group meet the criteria for consolidation, but are considered to be financially inconsequential both individually and in aggregate with other inconsequential investments in funds, they are not consolidated by the group, and are recognised as marketable advances.

As decisions related to the relevant activities are based on a contractual agreement (mandate) as opposed to voting or similar rights, investment funds that are managed by the group are considered to be structured entities as defined in IFRS 12, except where other investors can easily remove the group as fund manager without cause as this represents rights similar to voting rights.

The group receives investment management fees from the funds for investment management services rendered. These fees are typical of supplier-customer relationships in the investment management industry.

Where the group provides seed funding or has any other interests in investment funds it manages, and does not consolidate, the investment is considered to represent a typical customer-supplier relationship.

Impairment of goodwill

The carrying amount of goodwill is tested annually for impairment in accordance with the group's policy. Goodwill is considered to be impaired when its recoverable amount is less than its carrying amount. The recoverable amount of the CGU is determined as the higher of the value in use or fair value less costs to sell. For impairment testing purposes, goodwill is allocated to CGUs at the lowest level of operating activity to which it relates and is therefore not combined at group level. The group's goodwill impairment test is performed on the balances as at 31 March annually. In the prior year, balances for Aldermore were tested at 30 June.

The goodwill balance as at 30 June is allocated to the following significant CGUs:

R million	Segment the goodwill is allocated to	2023	2022
Aldermore	Aldermore	**8 361**	7 095
WesBank	WesBank	**122**	345
African operations	FNB broader Africa	**38**	152
Other	Various	**125**	130
Total		**8 646**	7 722

Refer to Note 3 – Operating expenses for details of the impairment charge recognised in profit or loss.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.2 Subsidiaries, associates and joint arrangements continued

Determination of recoverable amount
The recoverable amount of all CGUs to which goodwill is allocated was determined using the value in use methodology. The value in use is calculated as the net present value of the discounted cash flows of the CGU. This is determined by discounting the estimated future pre-tax cash flows (cash flow projections) to its present value using a pre-tax weighted average cost of capital discount rate. In the prior year, the recoverable amount of the goodwill attributable to the WesBank segment was determined using fair value less costs to sell. The fair value was determined using the discounted cash flow methodology. **Management's judgement in estimating the recoverable amount of a CGU** The cash flow projections for each CGU are based on budgets and forecasts approved by the board as part of the annual budget and forecast process undertaken in April and May each year. The budgets and forecasts are based on historical data adjusted for management's expectation of future performance. Expected future performance is determined using both internal and external sources of information. The board challenges and endorses planning assumptions in light of the internal capital allocation decisions necessary to support strategy, current market conditions and the macroeconomic outlook. Cash flow projections up to 2028 were prepared for Aldermore, whereas the cash flows projections until 2027 were considered for other CGUs. The terminal cash flows are calculated from the final cash flow period, which is extrapolated into perpetuity, using the estimated growth rates stated below. These growth rates are consistent with economic reports specific to the country in which each CGU operates. To determine the net present value, the cash flows of the CGU are discounted using the weighted average cost of capital for the specific CGU, adjusted for specific risks relating to the CGU. Where fair value less cost to sell has been used to determine the recoverable amount of the CGU, the discounted cash flow valuation technique is adopted. The fair value is determined by discounting future cash flows using the weighted average cost of capital for the specific CGU, which is adjusted for risks specific to the CGU. The cash flow projections, including terminal cash flows, are estimated using the same process as explained above. The key assumptions in determining fair value are the discount rate and growth rate. For the purpose of the fair value hierarchy, the determination of this fair value is categorised as level 3.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.2 Subsidiaries, associates and joint arrangements continued

Determination of recoverable amount

The table below shows the discount rates and the growth rates used in calculating the value in use for the CGUs.

	Discount rates		Growth rates	
R million	**2023**	2022	**2023**	2022
Aldermore	**14.59**	14.90	**2.00**	2.00
WesBank*	**19.52**	19.80 – 20.50	**3.00**	4.70
African operations*	**15.70**	15.45 – 29.53	**4.70**	4.90 – 8.00
Other	**19.52**	19.79	**3.00**	3.00

* *In the prior year, WesBank and African operations included more than one CGU. Due to the impairments recognised in the current year, these segments have a single CGU each.*

Impairment results

Other than those CGUs where goodwill has been impaired, a reasonable change in projected cash flows, the discount rate or growth rate of the above-mentioned CGUs results in their recoverable amount being sufficiently in excess of the carrying amount resulting in changes to the assumptions not changing the final outcome of the test. The goodwill attributable to the Aldermore CGU in the current and prior period were not shown to be sensitive to changes in assumptions supporting the recoverable amount, as the recoverable amount calculated is materially higher than the carrying amount attributable to Aldermore.

Foreign operations

Management has reviewed the economies of the countries where the group's foreign operations are actively conducted and has not identified any hyperinflationary economies in terms of the requirements of IFRS. The group operates in South Africa, Namibia, Botswana, Eswatini, Mozambique, Zambia, Lesotho, Tanzania, Ghana, Nigeria, Mauritius, Wales, the United Kingdom (UK), Guernsey and India. The group has representative offices in New York, Kenya, Angola and Shanghai. The office in Angola has no lending or deposit-taking activities at this point.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.3 Taxation

The group 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 group 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 group 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 rate 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 had been calculated at the 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 entities in the group in order to utilise the deferred tax assets.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets

Impairment of advances
In determining whether an impairment loss should be recognised, the group 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 group's credit risk exposure. The group adopts the PD/LGD approach to calculate ECL for advances. ECL is based on a weighted average of the macroeconomic scenarios selected, weighted by the probability of occurrence. Regression modelling techniques are used to predict borrowers' behaviour and transaction characteristics in accordance with and to align with IFRS 9, based on relationships observed in historical data related to the group of accounts to which the model will be applied. Models are used to estimate impairment parameters (PD, LGD and EAD) based on the predictive characteristics identified through the regression process.

Forward-looking information
Forward-looking macroeconomic information has been incorporated into expected credit loss estimates through the application of quantitative modelling and expert judgement-based post-model adjustments. Both quantitative models and expert judgement-based adjustments consider a range of macroeconomic scenarios as inputs. Macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for various scenarios. Development of these scenarios is overseen by the FirstRand macroeconomic forum, which is responsible for oversight and is independent of credit and modelling functions. Teams of economists, both locally and within the various subsidiaries, assess micro- and macroeconomic developments to formulate the macroeconomic forecasts. 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.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Forward-looking information continued
Within the RMB corporate and investment banking portfolios, macroeconomic stress testing models are applied to estimate the impact of FLI on ECL. These stress testing models are industry-specific and make use of regression techniques, observed macroeconomic correlations and expert judgement, depending on the extent of data available in each industry. The outputs from these models are used to determine the level of stress that a particular industry is expected to experience, and through-the-cycle impairment parameters are scaled accordingly, with scaling factors based on historical Standard & Poors Global Ratings (S&P) default data. Within retail and commercial portfolios, forward-looking ECL is modelled using regression-based techniques that determine the relationship between key macroeconomic factors and credit risk parameters (with industry considerations further applied in the case of commercial portfolios) based on historically observed correlations. Modelled correlations and macroeconomic variable weightings are adjusted on the basis of expert judgement to ensure that the relationships between macroeconomic forecasts and risk parameters are intuitive and that ECL is reflective of forward-looking expectations of credit performance. The approach applied within the UK operations is aligned with the approach applied within domestic retail portfolios, with FLI-adjusted ECL estimates determined on the basis of a combination of regression-based modelling and expert judgement. Where the impact of forward-looking macroeconomic information on ECL is determined based on historical relationships between macroeconomic movements and default rates, and it is not expected for these relationships to hold under current macroeconomic conditions, judgemental post-model adjustments have been applied to ensure that relationships between macroeconomic forecasts and ECL estimates are intuitive, with ECL increasing where macroeconomic conditions are expected to worsen, and reflecting additional relevant information not catered for in models. This approach is followed across all portfolios. For the group's South African and broader Africa operations, 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 2021 and 30 June 2022, given the event-driven uncertainty in the global and South African economy. 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 table below sets out the most significant macroeconomic factors used to estimate the FLI relating to ECL provisions in South Africa and broader Africa. The information is forecast over a period of three years, per major economic region that the group operates in.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 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) are drawn out, with 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 and 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% 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.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Forward-looking information continued

The following table sets out the scenarios and the probabilities assigned to each scenario for the group's UK operations at 30 June 2023:

Scenario	Probability	Description
Base	60% (2022: 45%)	• The UK narrowly avoids a technical recession, but growth slows meaningfully due to the impact of higher interest rates and tight financial conditions. • The Energy Price Guarantee and base effects support a reduction in headline inflation with meaningful falls in core inflation expected from the end of the 2023 calendar year. • Wage growth is expected to soften slowly. • Higher interest rates are expected to result in further weakness in property values.
Upside	15% (2022: 5%)	• The Energy Price Guarantee and excess savings is successful in alleviating the cost-of-living crisis, and the UK avoids a recession. • Wholesale agriculture and energy risks recede further and lower headline inflation and forward expectations in the near term resulting in the avoidance of an energy price cliff edge. • A tight labour market results in positive nominal wage growth and a strong recovery in real disposable income. • Inflation settles higher than pre-pandemic, and households run down excess savings at a faster pace, raising both productivity and trend growth compared to the post financial crisis period. • Upside resilience in the labour market somewhat offsets falling goods/commodity inflation, but the sustainably higher path of wage growth and forward expectations allows the Bank of England (BoE) to normalise policy. • House prices growth slows but remains positive, with demand supported by mortgage rates falling back quicker.
Downside	20% (2022: 35%)	• Fiscal support is ineffective at supporting real households and business incomes and the UK enters a 6-quarter long recession. • The slower decline in inflation than forecast and emerging upside risks prompts the BoE to continue hiking the bank rate to 5.25%. Policy stays in restrictive territory for longer than expected. • Tighter financial conditions and lengthened monetary policy lags lead to lower levels of household and business lending. • Brexit legacy issues exacerbate trade disruptions and specific skill segment labour shortages. • The significant rise in housing costs, consumer inflation and debt servicing cause a reduction in spending and investment while net trade declines. • Higher interest rates cause a wave of insolvencies and the return of inactive workers seeking to boost income, results in unemployment rising to 7%. • Rising mortgage rates and unemployment introduce forbearance and forced-selling, causing a 12% fall in house prices. • A cyclical recovery unfolds eventually, with inflation expectations falling back as headline inflation falls. The BoE embarks on a brief easing cycle, cutting the bank rate to 4%, allowing property growth and the labour market to recover in the medium-term.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Forward-looking information continued

Scenario	Probability	Description
Severe downside	5% (2022: 15%)	• The cost-of-living crisis and a resurgence of the energy crisis leads to a wage-price spiral and further aggressive action from central banks, resulting in a deep two-year long recession. • Geopolitical tensions and supply chain disruptions intensify further, triggering substantial further upside pressure in commodity, agricultural and energy prices. • An Energy Price Guarantee remains, but at a higher level, with the policy's cost limiting what other support the government can provide. • The UK fails to secure any significant post Brexit trade deals resulting in much lower trade volumes. • Due to increased fiscal vulnerability, appetite for UK assets falls causing a prolonged depreciation in pound sterling which pushes up imported and producer inflation. • The resurgence in energy prices and risk of a wage price spiral prompt a second flurry of tightening from the BoE, taking the bank rate to 6% and policy stays tighter for longer. • Consumer and investor sentiment falls further and spare capacity in the economy increases significantly, while economic shocks result in permanent economic scarring and lower trend growth. • Unemployment rises considerably to over 9% as business insolvencies surge. • Rising mortgage rates and unemployment drive increased forbearance and forced-selling in a residential property market where affordability metrics are already stretched, causing a substantial correction in house prices (dropping approximately 20%).

Overview of forward-looking information 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.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Forward-looking information continued

United Kingdom

The cost-of-living crisis, stubborn inflation, and higher interest rates continue to dominate as the main themes driving the economic outlook. This has fed through to rising mortgage rates, which are having an increasingly detrimental impact on affordability measures. However, cash buyers and a high prevalence of fixed-rate mortgages means monetary policy will take time to feed through to the housing market and household finances. The energy crisis has subsided, however wage, services and core inflation remain much too high for the BoE. The Monetary Policy Committee's reaction heightens overtightening risks. However, a higher-for-longer interest rate environment seems increasingly likely, with risks to the peak and hiking cycle duration tilted to the upside. As such, the risks to economic activity are tilted to the downside after a surprising period of resilience.

Broader Africa

General

The operating environment in the group's broader Africa footprint was largely characterised by high inflation, tight monetary policy and a slow fall in commodity prices. Structural weaknesses pre-dating the pandemic continue to constrain economic activity in the medium term.

Namibia

Growth in Namibia remained above its pandemic lows, driven by increased mining output and an improvement in SACU revenues. Despite a reduction in commodity prices, these factors should continue to support growth alongside expected investments in renewable energy infrastructure. Despite these improvements, rising inflation remained a constraint on economic activity overall. Due to the currency peg with the South African rand, Namibia's monetary policy flexibility is constrained during hiking cycles as interest rates must be on par or above those of South Africa in line with Namibia's official monetary policy framework. High interest rates remain a near-term constraint on growth expectation due to households remaining highly indebted.

Botswana

The Botswana economy remained somewhat resilient due to good mining production. In the medium term, the mining sector should also be supported by the resumption of local copper mining activity. However, inflation in Botswana remained elevated while a new policy interest rate, named the monetary policy rate (MPR), was implemented. Persistent high inflation and monetary policy risk may limit the upside to economic activity gains.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 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 ECL provisions. The information is forecast over a period of three years, per major economic region that the group operates in. The information below reflects the group'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	4.30	(5.60)	(1.10)	3.70
Foreign exchange rate (USD/ZAR)	15.90	14.80	15.20	18.80	17.40	17.90	26.30	20.90	21.50

** Applicable to the secured portfolio.*

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Significant macroeconomic factors

UK (%)	Upside scenario 2024	Upside scenario 2025	Upside scenario 2026	Baseline scenario 2024	Baseline scenario 2025	Baseline scenario 2026	Downside scenario 2024	Downside scenario 2025	Downside scenario 2026	Severe scenario 2024	Severe scenario 2025	Severe scenario 2026
Real GDP growth	2.00	3.20	2.60	(0.50)	1.40	1.40	(2.40)	0.10	1.60	(3.30)	(1.60)	0.60
CPI inflation	3.20	2.00	1.80	3.70	2.10	2.10	4.40	2.60	2.00	5.60	6.10	2.10
BoE rate	4.30	3.10	3.00	4.50	3.50	3.50	5.30	4.80	4.00	5.40	6.00	5.90
Household disposable income growth	(0.40)	2.30	2.40	(0.30)	1.70	1.90	(3.10)	(0.10)	2.30	(5.00)	(2.50)	2.70
House price index growth*	1.30	3.80	3.80	(4.90)	3.00	3.90	(7.70)	(2.50)	1.70	(11.50)	(7.00)	(0.30)
Unemployment rate	3.70	3.50	3.50	4.70	4.20	3.90	5.90	6.80	5.90	8.40	9.00	8.30

* *Applicable to the secured portfolio.*

Broader Africa

Namibia (%)	Upside scenario 2024	Upside scenario 2025	Upside scenario 2026	Baseline scenario 2024	Baseline scenario 2025	Baseline scenario 2026	Downside scenario 2024	Downside scenario 2025	Downside scenario 2026
Real GDP growth	5.60	6.30	6.70	2.90	3.00	2.90	0.40	(0.30)	-
CPI inflation	4.90	4.90	5.10	4.90	4.50	4.70	7.60	7.60	7.80
Policy rate	5.25	5.25	5.25	7.25	7.25	7.00	10.00	7.50	7.50

Botswana (%)	Upside scenario 2024	Upside scenario 2025	Upside scenario 2026	Baseline scenario 2024	Baseline scenario 2025	Baseline scenario 2026	Downside scenario 2024	Downside scenario 2025	Downside scenario 2026
Real GDP growth	7.50	7.90	8.00	3.80	4.40	4.30	1.00	1.20	1.20
CPI inflation	4.60	4.60	3.80	7.00	4.50	3.50	11.70	9.30	8.50
Policy rate	3.10	3.10	3.10	3.20	3.20	3.20	8.40	8.40	8.40

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Significant macroeconomic factors

30 June 2022

South Africa (%)	Upside scenario 2023	Upside scenario 2024	Upside scenario 2025	Baseline scenario 2023	Baseline scenario 2024	Baseline scenario 2025	Downside scenario 2023	Downside scenario 2024	Downside scenario 2025
	Applicable across all portfolios								
Real GDP growth	3.50	3.20	3.10	2.00	1.60	1.60	(2.70)	0.90	0.90
CPI inflation	5.60	4.40	4.40	6.40	4.60	4.60	9.90	9.30	5.80
Repo rate	5.75	5.25	5.25	5.75	5.75	5.75	10.00	10.00	7.50
	Retail-specific								
Retail real income growth	2.30	2.40	2.80	1.30	1.20	1.50	(17.00)	(0.70)	(0.90)
House price index growth*	5.90	6.40	7.00	3.40	3.20	3.60	(4.50)	(1.70)	(2.10)
Household debt to income	67.40	68.20	68.60	66.40	66.60	66.70	65.40	64.90	64.60
Employment growth	0.80	0.60	0.90	0.50	0.30	0.50	(0.60)	(0.20)	(0.30)
	Wholesale-specific								
Fixed capital formation	2.10	7.20	6.80	1.20	3.60	3.50	(1.60)	(1.90)	(2.00)
Foreign exchange rate (USD/ZAR)	13.30	13.90	14.50	15.70	16.40	17.10	23.60	23.00	20.50

** Applicable to the secured portfolio.*

(%)	South Africa – significant macroeconomic factors relevant to temporary stress scenario						
	Real GDP growth	**CPI inflation**	**Repo rate**	**Retail real income 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	(4.00)
2025	(2.10)	11.00	12.00	(2.00)	(4.90)	63.20	(0.60)

** Applicable to the secured portfolio.*

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Significant macroeconomic factors

UK (%)	Upside scenario 2023	Upside scenario 2024	Upside scenario 2025	Baseline scenario 2023	Baseline scenario 2024	Baseline scenario 2025	Downside scenario 2023	Downside scenario 2024	Downside scenario 2025	Severe scenario 2023	Severe scenario 2024	Severe scenario 2025
Real GDP growth	4.00	2.70	2.20	0.60	1.70	1.80	(3.00)	0.90	1.50	(3.10)	0.50	1.10
CPI inflation	4.70	2.60	2.30	4.90	1.80	1.80	7.10	1.50	2.00	2.30	0.80	1.20
BoE rate	2.00	2.00	2.00	1.50	1.50	1.50	3.00	2.25	1.75	(0.50)	(0.50)	0.50
Household disposable income growth	3.80	2.50	2.20	1.90	3.30	3.30	(2.00)	3.80	4.00	1.50	2.80	2.30
House price index growth*	3.10	3.00	3.00	1.10	2.00	2.00	(6.80)	1.70	2.40	(6.70)	1.10	1.60
Unemployment rate**	3.40	3.40	3.40	3.90	3.90	3.90	7.80	7.20	6.80	8.80	8.50	8.20

* *Applicable to the secured portfolio.*

** *In the prior year employment growth was used while in the current year unemployment rate was forecast.*

Broader Africa

Namibia (%)	Upside scenario 2023	Upside scenario 2024	Upside scenario 2025	Baseline scenario 2023	Baseline scenario 2024	Baseline scenario 2025	Downside scenario 2023	Downside scenario 2024	Downside scenario 2025
Real GDP growth	4.75	5.50	5.50	2.90	3.10	3.50	(0.85)	(0.50)	(0.50)
CPI inflation	4.80	4.40	4.20	5.00	4.90	4.70	7.30	7.20	7.20
Repo rate	5.75	5.25	5.25	5.50	5.75	5.75	10.00	8.00	7.00

Botswana (%)	Upside scenario 2023	Upside scenario 2024	Upside scenario 2025	Baseline scenario 2023	Baseline scenario 2024	Baseline scenario 2025	Downside scenario 2023	Downside scenario 2024	Downside scenario 2025
Real GDP growth	5.25	5.45	5.50	3.70	3.90	4.00	0.90	0.55	0.40
CPI inflation	9.30	5.83	4.50	10.65	6.88	4.90	12.89	9.49	8.22
Repo rate	2.65	2.90	2.90	3.65	3.90	3.90	4.03	4.40	4.40

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Significant macroeconomic factors

The following table reflects the impact on the performing (stage 1 and stage 2) impairment provisions on advances, if the probability weighting assigned to each of the scenarios were increased to 100%. 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	**24 197**	**23 609**	**(2)**	**20 914**	**(14)**	**26 279**	**9**
Retail	**10 749**	**10 274**	**(4)**	**9 101**	**(15)**	**11 676**	**9**
Commercial	**2 459**	**2 438**	**(1)**	**2 199**	**(11)**	**2 618**	**6**
RMB CIB	**3 770**	**3 736**	**(1)**	**3 480**	**(8)**	**4 044**	**7**
Broader Africa	**2 093**	**2 165**	**3**	**1 898**	**(9)**	**2 374**	**13**
Centre (including Group Treasury)	**521**	**512**	**(2)**	**506**	**(3)**	**518**	**(1)**
UK operations	**4 605**	**4 484**	**(3)**	**3 730**	**(19)**	**5 049**	**10**
Total at 30 June 2022	21 379	20 355	(5)	18 436	(14)	24 629	15
Retail	10 085	9 544	(5)	8 767	(13)	11 780	17
Commercial	2 523	2 459	(3)	2 313	(8)	2 797	11
RMB CIB	3 620	3 593	(1)	3 455	(5)	3 793	5
Broader Africa	1 911	2 094	10	1 916	-	2 305	21
Centre (including Group Treasury)	512	510	-	510	-	513	-
UK operations	2 728	2 155	(21)	1 475	(46)	3 441	26

* *Due to the non-linearity of the temporary stress scenario, the scenario increases to R31 866 million for the period ended 30 June 2022 when a probability weighting of 100% to the temporary stress scenario is added to the downside scenario. The scenario was not applied at 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 post-model adjustments.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Judgement	Retail and retail SME	Wholesale and commercial SME
Measurement of the 12-month and LECL	Parameters are determined on a basis whereby exposures are pooled at a portfolio level (at a minimum). Where appropriate, more granular pooling is applied. The inputs used to determine parameter values include historically observed behaviour, as well as behavioural and demographic information related to individual exposures currently on book. PD parameters are determined through assessment of the influence that various risk drivers have had on historical default rates. EAD parameter estimates are based on product characteristics in addition to historical drawdown and payment behaviour.	Parameters are determined based on the application of statistical models that produce estimates based on counterparty-specific financial information and transaction characteristics. These characteristics include the nature of available collateral. Due to the specialised nature of these exposures, parameters produced by models are taken through a robust review and challenge process before being applied to calculate ECL, and are required to be signed off by a committee of wholesale and commercial credit experts who can motivate adjustments to modelled parameters.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 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"></td><td>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></td></tr>
<tr><td colspan="2">Parameters are calibrated for the calculation of 12-month and LECL using term structures that consider borrower risk, account age, historical behaviour, transaction characteristics and correlations between parameters.

Term structures have been developed over the remaining lifetime of an instrument. The remaining lifetime is limited to the contractual term of instruments in the portfolio, except for instruments with an undrawn commitment such as credit cards, where there is no contractual expiry date. In such instances the remaining lifetime is determined with reference to the change in client requirements that would trigger a review of the contractual terms, for example an increase in limit.

ECL on open accounts is discounted from the expected date of default to the reporting date, using the asset's original effective interest rate or a reasonable approximation thereof.</td></tr>
<tr><td>Determination of whether the credit risk of financial instruments have increased significantly since initial recognition (SICR)</td><td>SICR triggers continue to be based on client behaviour, client-based behaviour scores and judgemental factors.</td><td>SICR triggers continue to be determined based on client behaviour and the internal FirstRand client rating or risk score, as well as judgemental factors, which include triggers for industries in distress, potentially resulting in the client being added to the watch-list through the group's ongoing risk management process. These triggers are determined at a deal and client level and are calibrated over time to determine what level of deterioration is reflective of a SICR.</td></tr>
</table>

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Judgement	Retail and retail SME	Wholesale and commercial SME
Prior and current year: Sensitivity staging	The move from 12-month ECL (stage 1) to LECL (stage 2) can result in a substantial increase in ECL. The sensitivity information provided in the table below details the estimated additional ECL charge to the income statement that the group would need to recognise if 5% of the stage 1 GCA of advances suffered a SICR and were moved from stage 1 to stage 2 as at 30 June 2023. A 5% increase in advances categorised as stage 2 can be viewed as a reasonably possible alternative based on the current economic conditions.	

R million	30 June 2023 5% increase in gross carrying amount of exposure*	30 June 2023 Increase in the loss allowance
Retail	**34 634**	**2 504**
Wholesale, commercial and other (including Group Treasury)	**36 283**	**4 411**
Total increase in stage 2 advances and ECL	**70 917**	**6 915**
	30 June 2022	
Retail	30 195	2 054
Wholesale, commercial and other (including Group Treasury)	30 731	3 929
Total increase in stage 2 advances and ECL	60 926	5 983

* *Includes exposures across the group's exposures in South Africa, broader Africa and UK operations.*

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.5 Provisions

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

9.6 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 group 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.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.6 Transactions with employees continued

Employee benefits – defined benefit plans	
Determination of present value of defined benefit plan obligations	The cost of the benefits and the present value of the defined benefit pension funds and post-employment medical obligations depend on a number of factors that are determined annually on an actuarial basis, by independent actuaries, using the projected unit credit method which incorporates a number of assumptions. The key assumptions used in determining the charge to profit or loss arising from these obligations include the expected long-term rate of return on the relevant plan assets, discount rate and expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.
Cash-settled share-based payment plans	
Determination of fair value of the award	The award is determined using 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; and ➢ staff turnover and historical forfeiture rates as indicators of future conditions.
Equity-settled share-based payment plans	
Determination of fair value of the award	The total value of the services received is calculated with reference to the fair value of the award on grant date. The fair value of the award is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of awards expected to vest.

9.7 Insurance and investment management activities

Long-term insurance contracts	
Determination/ valuation of policyholder liability for long-term insurance contracts – FSV method	Policyholder liabilities under long-term insurance contracts are valued in terms of the FSV method as is required by professional guidance note SAP 104 issued by the ASSA. This methodology is applied to each product type depending on the nature of the contract and the associated risks. Under this method, the liability is determined as the best estimate of the future cash flows relating to the insurance contracts plus certain compulsory and discretionary margins. A repudiation factor is applied when calculating the liability based on historical claim repudiation rates.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.7 Insurance and investment management activities continued

<table>
<tr><th colspan="2">Long-term insurance contracts</th></tr>
<tr><td>Best estimate of future cash flows</td><td>The best estimate of future cash flows considers certain assumptions, i.e. expected future experience as well as revised expectations of future income, claims and expenditure. Differences between the assumptions used at the start and end of the period give rise to revised liability quantification.

The expected level of terminations is incorporated into the liabilities, irrespective of whether this leads to an increase or a decrease in the liabilities.</td></tr>
<tr><td>Discretionary margins</td><td>The main discretionary margins utilised in the valuation are as follows:
➢ additional prospective margins are held in respect of decrement assumptions and asset-related fees on certain product lines to avoid the premature recognition of profits that may give rise to future losses if the claims experience turns out to be worse than expected; and
➢ where the present value of expected future inflows is greater than the value of expected future outflows, as assessed on a policy-by-policy basis and grouped per product, portfolio and tax fund, results in an asset, the company elects to zeroise the policyholder liability. As a result, there are no discounted policyholder liabilities recognised on the statement of financial position except those relating to positive policyholder liabilities.</td></tr>
<tr><td>Liabilities for claims</td><td>OCR represent claims where the incident giving rise to a claim has occurred and has been reported to the insurer for settlement, but has not yet been finalised and paid by the insurer. The liability is measured at the value assessed for the claim and a repudiation factor is applied when calculating the liability based on historical claim repudiation rates.

IBNR claims are claims incurred but not yet reported or paid. The liability is estimated by assuming that future trends in reporting of claims will be similar to the past. The profile of claims run-off (over time) is modelled by using historical data of the group and chain-ladder techniques. The profile is then applied to actual claims data of recent periods for which the run-off is believed to be incomplete.</td></tr>
</table>

Key assumptions to which the estimation of liabilities is particularly sensitive
Material judgement is required in determining liabilities and in the choice of assumptions. Assumptions in use are based on experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continual basis in order to ensure realistic and reasonable valuations. The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.7 Insurance and investment management activities continued

Key assumptions to which the estimation of liabilities is particularly sensitive	
Mortality, retrenchment and morbidity rates	Assumptions are based on standard industry tables, national tables, reinsurer tables or internal tables where sufficient data is available, according to the type of contract written and the factors underlying the risk profiles of the insured person. They reflect recent historical experience and are adjusted when appropriate to reflect the group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future trends. Assumptions are differentiated by gender, underwriting class and contract types. An increase in actual mortality rates will lead to an increase in claims and related expenditure thereby reducing profits for shareholders.
Expenses	Operating expense assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses are taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in expenses would result in an increase in expenditure thereby reducing profits for shareholders.
Lapse and cancellation rates	Lapses relate to the termination of policies due to non-payment of premiums. Cancellations relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the group's experience and vary by product type, policy duration and sales channel. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.
Discount rate	Life insurance liabilities are determined as the sum of the discounted value of the expected benefits paid to policyholders and future administration expenses directly related to the contract, less the discounted value of the expected contractual premiums that would be required to meet these future cash outflows. Discount rates are based on risk-free rates published by the Prudential Authority (PA) for the calculation of solvency assessment and management returns. A decrease in the discount rate will increase the asset.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.7 Insurance and investment management activities continued

Investment contracts	
Valuation of policyholder liability under investment contracts	The fair value of investment contracts without fixed benefits and unit-linked contracts is calculated using the current unit price that reflects the fair values of the underlying financial assets and/or derivatives. For unit-linked contracts, the unitised investment funds linked to the financial liability are multiplied by the number of units attributed to the policyholder at the statement of financial position date. For investment contracts with fixed and guaranteed terms, a valuation model is used to establish the fair value at inception and at each reporting date. The valuation model values the liabilities as the present value of the maturity values, using appropriate market-related yields to maturity. For investment contracts with no guaranteed returns, the return is derived from the performance of the underlying unit trust or share portfolio and is valued at fair value at each reporting date.

10 RESTATEMENT OF PRIOR YEAR NUMBERS

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

10.1 Description of restatement

Aldermore applies a dynamic portfolio fair value hedging strategy, refer to note 8 for more detail. IAS 39 requires the change in value of a hedged item (which represents the fair value of the interest rate risk component of the hedged portfolio) to be presented in a manner consistent with the position of the hedged item with a particular repricing period. The group restated its statement of financial position to reflect the change in value of hedged items in an asset position within other assets and in a liability position within creditors, accruals and provisions, respectively. The change in presentation has no impact on the profit or loss or NAV of the group.

10 RESTATEMENT OF PRIOR YEAR NUMBERS continued

10.2 Restated consolidated statement of financial position

as at 30 June

R million	As previously reported 2022	Reclassification	Restated 2022
ASSETS			
Cash and cash equivalents	143 636	-	143 636
Derivative financial instruments	65 667	-	65 667
Commodities	17 580	-	17 580
Investment securities	382 149	-	382 149
Advances	1 334 324	-	1 334 324
– Advances to customers	1 262 083	-	1 262 083
– Marketable advances	72 241	-	72 241
Other assets	9 597	(4 833)	4 764
Current tax asset	624	-	624
Non-current assets and disposal groups held for sale	1 501	-	1 501
Reinsurance assets	583	-	583
Investments in associates	8 178	-	8 178
Investments in joint ventures	2 618	-	2 618
Property and equipment	19 725	-	19 725
Intangible assets	9 459	-	9 459
Investment properties	698	-	698
Defined benefit post-employment asset	35	-	35
Deferred income tax asset	8 028	-	8 028
Total assets	2 004 402	(4 833)	1 999 569
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	14 623	-	14 623
Derivative financial instruments	64 547	-	64 547
Creditors, accruals and provisions	35 761	(4 833)	30 928
Current tax liability	803	-	803
Liabilities directly associated with disposal groups held for sale	824	-	824
Deposits	1 655 972	-	1 655 972
Employee liabilities	13 862	-	13 862
Other liabilities	8 248	-	8 248
Policyholder liabilities	7 424	-	7 424
Tier 2 liabilities	20 937	-	20 937
Deferred income tax liability	692	-	692
Total liabilities	1 823 693	(4 833)	1 818 860
Equity			
Ordinary shares	56	-	56
Share premium	7 905		7 905
Reserves	156 820	-	156 820
Capital and reserves attributable to equityholders of the group	164 781	-	164 781
Other equity instruments	11 645	-	11 645
Non-controlling interests	4 283	-	4 283
Total equity	180 709	-	180 709
Total equity and liabilities	2 004 402	(4 833)	1 999 569

The value attributable to the dynamic hedging strategy in 2021 was not material.

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June

R million	Notes	2023	2022
Interest income calculated using effective interest rate		**149 269**	107 515
Interest on other financial instruments and similar income		**2 627**	1 452
Interest and similar income	1.1	**151 896**	108 967
Interest expense and similar charges	1.2	**(75 459)**	(42 592)
Net interest income before impairment of advances		**76 437**	66 375
Impairment and fair value of credit of advances		**(10 949)**	(7 080)
– Impairment on amortised cost advances	12.2	**(11 151)**	(6 539)
– Fair value of credit on advances	12.2	**202**	(541)
Net interest income after impairment of advances		**65 488**	59 295
Non-interest revenue	2	**55 314**	48 248
– Net fee and commission income	2.1	**36 084**	33 396
– Fee and commission income		**43 540**	39 967
– Fee and commission expense		**(7 456)**	(6 571)
– Insurance income	2.2	**5 393**	4 297
– Fair value income	2.3	**8 551**	6 835
– Fair value gains and losses		**17 882**	12 790
– Interest expense on fair value activities		**(9 331)**	(5 955)
– Gains less losses from investing activities	2.4	**1 528**	515
– Other non-interest income	2.5	**3 758**	3 205
Income from operations		**120 802**	107 543
Operating expenses	3	**(68 749)**	(60 769)
Net income from operations		**52 053**	46 774
Share of profit of associates after tax	16	**332**	895
Share of profit of joint ventures after tax	17	**155**	596
Income before indirect tax		**52 540**	48 265
Indirect tax	4.1	**(1 632)**	(1 433)
Income before income tax		**50 908**	46 832
Income tax expense	4.2	**(12 196)**	(12 193)
Profit for the year		**38 712**	34 639
Attributable to			
Ordinary equityholders		**36 366**	32 761
Other equity instrument holders		**1 119**	838
Equityholders of the group		**37 485**	33 599
Non-controlling interests		**1 227**	1 040
Profit for the year		**38 712**	34 639
Earnings per share (cents)			
– Basic	5	**648.7**	584.3
– Diluted	5	**648.7**	584.3

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June

R million	2023	2022
Profit for the year	**38 712**	34 639
Items that may subsequently be reclassified to profit or loss		
Cash flow hedges	**(738)**	(3 712)
Gains/(losses) arising during the year	**282**	(2 138)
Reclassification adjustments for amounts included in profit or loss	**(1 333)**	(2 972)
Deferred income tax	**313**	1 398
FVOCI debt reserve	**33**	(50)
Gains/(losses) arising during the year	**35**	(65)
Reclassification adjustments for amounts included in profit or loss	**11**	(15)
Deferred income tax	**(13)**	30
Exchange differences on translating foreign operations	**8 081**	2 007
Gains arising during the year	**7 974**	1 997
Deferred income tax	**107**	10
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interest	**(3)**	13
Items that may not subsequently be reclassified to profit or loss		
FVOCI equity reserve	**33**	4
Gains arising during the year	**38**	10
Deferred income tax	**(5)**	(6)
Remeasurements on defined benefit post-employment plans	**10**	41
Gains arising during the year	**20**	59
Deferred income tax	**(10)**	(18)
Other comprehensive income/(loss) for the year	**7 416**	(1 697)
Total comprehensive income for the year	**46 128**	32 942
Attributable to		
Ordinary equityholders	**43 705**	31 037
Other equity instrument holders	**1 119**	838
Equityholders of the group	**44 824**	31 875
Non-controlling interests	**1 304**	1 067
Total comprehensive income for the year	**46 128**	32 942

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	2023	2022*
ASSETS			
Cash and cash equivalents	7	**175 304**	143 636
Derivative financial instruments	8	**85 956**	65 667
Commodities	9	**17 252**	17 580
Investment securities	10	**419 140**	382 149
Advances	11	**1 539 375**	1 334 324
– Advances to customers**		**1 455 422**	1 262 083
– Marketable advances		**83 953**	72 241
Other assets	13	**3 760**	4 764
Current tax asset		**925**	624
Non-current assets and disposal groups held for sale	14	**1 359**	1 501
Reinsurance assets	15	**554**	583
Investments in associates	16	**10 400**	8 178
Investments in joint ventures	17	**3 105**	2 618
Property and equipment	18	**21 155**	19 725
Intangible assets	19	**10 278**	9 459
Investment properties	20	**353**	698
Defined benefit post-employment asset	21	**25**	35
Deferred income tax asset	22	**8 669**	8 028
Total assets		**2 297 610**	1 999 569
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	23	**12 753**	14 623
Derivative financial instruments	8	**70 354**	64 547
Creditors, accruals and provisions	24	**43 389**	30 928
Current tax liability		**471**	803
Liabilities directly associated with disposal groups held for sale	14	**-**	824
Deposits	25	**1 923 103**	1 655 972
Employee liabilities	21	**17 074**	13 862
Other liabilities	26	**7 033**	8 248
Policyholder liabilities	15	**8 131**	7 424
Tier 2 liabilities	27	**16 869**	20 937
Deferred income tax liability	22	**752**	692
Total liabilities		**2 099 929**	1 818 860
Equity			
Ordinary shares	28	**56**	56
Share premium	28	**7 860**	7 905
Reserves		**172 631**	156 820
Capital and reserves attributable to equityholders of the group		**180 547**	164 781
Other equity instruments and reserves	29	**12 846**	11 645
Non-controlling interests		**4 288**	4 283
Total equity		**197 681**	180 709
Total equity and liabilities		**2 297 610**	1 999 569

* *Restated, refer to section 10 of the accounting policies.*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	Ordinary share capital and ordinary equityholders' funds				
R million	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2021	56	7 973	**8 029**	(597)	1 355
Disposal of subsidiaries	-	-	**-**	-	-
Additional Tier 1 capital issued during the year	-	-	**-**	-	-
Movement in other reserves	-	-	**-**	-	-
Ordinary dividends	-	-	**-**	-	-
Distributions on other equity instruments	-	-	**-**	-	-
Transfer to/(from) general risk reserves	-	-	**-**	-	-
Changes in ownership interest of subsidiaries	-	-	**-**	-	-
Movement in treasury shares	-	(68)	**(68)**	-	-
Total comprehensive income for the year	-	-	**-**	41	(3 712)
– Profit for the year	-	-	**-**	-	-
– Other comprehensive income for the year	-	-	**-**	41	(3 712)
Vesting of share-based payments	-	-	-	-	-
Balance as at 30 June 2022	56	7 905	**7 961**	(556)	(2 357)
Acquisition of subsidiaries	-	-	**-**	-	-
Additional Tier 1 capital issued during the year	-	-	**-**	-	-
Preference shares redeemed during the year	-	-	**-**	-	-
Movement in other reserves	-	-	**-**	-	-
Ordinary dividends	-	-	**-**	-	-
Distributions on other equity instruments	-	-	**-**	-	-
Transfer (from)/to general risk reserves	-	-	**-**	-	-
Changes in ownership interest of subsidiaries	-	-	**-**	-	-
Movement in treasury shares	-	(45)	**(45)**	-	-
Total comprehensive income for the year	-	-	**-**	10	(738)
– Profit for the year	-	-	**-**	-	-
– Other comprehensive income for the year	-	-	**-**	10	(738)
Vesting of share-based payments	-	-	**-**	-	-
Balance as at 30 June 2023	56	7 860	**7 916**	(546)	(3 095)

* *Refer to note 28.2 for a breakdown of other reserves.*

** *Other equity instruments and reserves at 30 June 2023 include Rnil (2022: R4 519 million) of non-cumulative, non-redeemable preference shares and R9 930 million (2022: R7 126 million) of AT1 instruments and R2 916 million (2022: nil) in empowerment fund reserve.*

	Ordinary share capital and ordinary equityholders’ funds							
	Share-based payment reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	Reserves attributable to ordinary equity-holders	Other equity instruments and reserves**	Non-controlling interests	Total equity
	44	2 773	1 176	138 837	143 588	11 645	4 625	167 887
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	203	(278)	(75)	-	29	(46)
	-	-	-	(17 390)	(17 390)	-	(1 026)	(18 416)
	-	-	-	-	-	(838)	-	(838)
	-	-	(55)	55	-	-	-	-
	-	-	-	(364)	(364)	-	(412)	(776)
	-	-	-	24	24	-	-	(44)
	-	1 993	(46)	32 761	31 037	838	1 067	32 942
	-	-	-	32 761	32 761	838	1 040	34 639
	-	1 993	(46)	-	(1 724)	-	27	(1 697)
	-	-	-	-	-	-	-	-
	44	4 766	1 278	153 645	156 820	11 645	4 283	180 709
	-	-	-	-	-	-	1	1
	-	-	-	-	-	2 804	-	2 804
	-	-	-	-	-	(4 519)	-	(4 519)
	12	-	295	(170)	137	2 916	2	3 055
	-	-	-	(27 991)	(27 991)	-	(1 240)	(29 231)
	-	-	-	-	-	(1 119)	-	(1 119)
	-	-	6	(6)	-	-	-	-
	-	-	-	2	2	-	(62)	(60)
	-	-	-	(13)	(13)	-	-	(58)
	-	8 003	64	36 366	43 705	1 119	1 304	46 128
	-	-	-	36 366	36 366	1 119	1 227	38 712
	-	8 003	64	-	7 339	-	77	7 416
	(29)	-	-	-	(29)	-	-	(29)
	27	12 769	1 643	161 833	172 631	12 846	4 288	197 681

CONSOLIDATED 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		**191 607**	150 467
– Interest received		**150 756**	113 464
– Fee and commission received		**43 540**	39 967
– Insurance income received		**4 767**	3 607
– Fee and commission paid		**(7 456)**	(6 571)
Trading and other income		**3 774**	3 539
Interest payments		**(74 673)**	(37 778)
Other operating expenses		**(52 376)**	(45 355)
Dividends received		**3 557**	3 065
Dividends paid		**(29 110)**	(18 228)
Dividends paid to non-controlling interest		**(1 240)**	(1 026)
Taxation paid		**(14 574)**	(14 984)
Cash generated from operating activities		**26 965**	39 700
Movements in operating assets and liabilities		**20 690**	(29 899)
– Liquid assets and trading securities		**(27 190)**	(200)
– Advances		**(157 650)**	(92 260)
– Deposits		**210 639**	61 655
– Other assets		**(4 756)**	(194)
– Creditors		**9 299**	6 930
– Employee liabilities		**(947)**	(5 241)
– Total other liabilities		**(8 705)**	(589)
– Other operating liabilities*		**(9 441)**	(428)
– Reinsurance assets		**29**	(196)
– Policyholder liabilities		**707**	35
Net cash generated from operating activities		**47 655**	9 801
Cash flows from investing activities			
Acquisition of investments in associates	16	**(1 110)**	(236)
Proceeds on disposal of investments in associates	16	**38**	1
Acquisition of investments in joint ventures	17	**(653)**	(92)
Proceeds on disposal of investments in joint ventures	17	**67**	40
Acquisition of investments in subsidiaries	30.1	**-**	21
Proceeds on disposal of subsidiaries	30.2	**42**	-
Acquisition of property and equipment	18	**(4 730)**	(3 265)
Proceeds on disposal of property and equipment	18	**458**	617
Acquisition of intangible assets and investment properties	19,20	**(460)**	(409)
Proceeds on disposal of non-current assets held for sale	14	**2 053**	25
Net cash outflow from investing activities		**(4 295)**	(3 298)

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

CONSOLIDATED STATEMENT OF CASH FLOWS continued

for the year ended 30 June

R million	Notes	2023	2022
Cash flows from financing activities			
Proceeds on the issue of other financing liabilities	26.1	**4 614**	1 067
Redemption of other financing liabilities	26.1	**(5 114)**	(842)
Principal payment towards lease liabilities	26.1	**(1 012)**	(1 030)
Proceeds from issue of Tier 2 liabilities	27.1	**10 486**	2 742
Capital repaid on Tier 2 liabilities	27.1	**(15 579)**	(3 577)
Acquisition of additional interest in subsidiaries from non-controlling interest	30.1.1	**(170)**	(866)
Redemption of preference shares		**(4 519)**	-
Proceeds from issue of AT1 equity instruments	29	**2 804**	-
Net cash outflow from financing activities		**(8 490)**	(2 506)
Net increase in cash and cash equivalents		**34 870**	3 997
Cash and cash equivalents at the beginning of the year		**143 636**	135 059
Effect of exchange rate changes on cash and cash equivalents		**(3 202)**	4 631
Transfer to non-current assets held for sale	14	**-**	(51)
Cash and cash equivalents at the end of the year	7	**175 304**	143 636

NOTES TO THE CONSOLIDATED 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		
Debt instruments at fair value through other comprehensive income	**3 313**	1 187
Instruments at fair value through profit and loss	**2 625**	1 450
Instruments at amortised cost	**145 956**	106 328
Non-financial instruments	**2**	2
Interest and similar income	**151 896**	108 967
Advances	**123 567**	87 726
– Overdrafts and cash management accounts	**9 359**	6 569
– Term loans	**7 870**	4 740
– Card loans	**5 678**	4 296
– Instalment sales and hire purchase agreements	**21 235**	16 250
– Lease payments receivable	**675**	644
– Property finance	**38 689**	27 157
– Home loans	**32 694**	22 968
– Commercial property finance	**5 995**	4 189
– Personal loans	**11 173**	9 865
– Preference share agreements	**2 742**	2 330
– Assets under agreements to resell	**1 060**	767
– Investment bank term loans	**13 936**	8 698
– Long-term loans to group associates and joint ventures	**67**	53
– Other customer advances	**3 792**	2 160
– Invoice finance	**1 499**	612
– Marketable advances	**5 792**	3 585
Cash and cash equivalents	**4 279**	1 501
Investment securities	**19 938**	13 209
Accrued on off-market advances	**61**	49
Interest on derivatives qualifying as hedging instruments	**3 894**	6 347
Other	**157**	135
Interest and similar income	**151 896**	108 967

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*	**(167)**	(23)
Instruments at amortised cost	**(75 145)**	(42 432)
Non-financial instruments	**(147)**	(137)
Interest expense and similar charges	**(75 459)**	(42 592)
Deposits	**(81 335)**	(42 014)
Deposits from customers	**(65 327)**	(31 021)
– Current accounts	**(8 403)**	(3 413)
– Savings deposits	**(2 201)**	(875)
– Call deposits	**(22 619)**	(10 532)
– Fixed and notice deposits	**(30 504)**	(15 219)
– Other deposits	**(1 600)**	(982)
Debt securities	**(13 421)**	(9 614)
– Negotiable certificates of deposit	**(4 459)**	(2 021)
– Fixed and floating rate notes	**(8 962)**	(7 593)
Securitisation issuances	**(932)**	(467)
Repurchase agreements	**(450)**	(377)
Securities lending	**(150)**	(86)
Cash collateral and credit-linked notes	**(1 055)**	(449)
Other funding liabilities	**(1 263)**	(239)
SARB funding facility due to Covid-19 SME government guarantee	**(125)**	(65)
Preference shares and other	**(84)**	(135)
Lease liabilities	**(146)**	(143)
Tier 2 liabilities	**(1 628)**	(1 396)
Interest on derivatives qualifying as hedging instruments	**(162)**	(4 560)
Other	**(47)**	5
Gross interest expense and similar charges	**(84 790)**	(48 547)
Less: interest expense on fair value activities reallocated**	**9 331**	5 955
Interest expense and similar charges	**(75 459)**	(42 592)

* *The analysis of interest expense and similar charges was expanded to separately present instruments at FVTPL from instruments at amortised cost.*

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

2 NON-INTEREST REVENUE

R million	Notes	2023	2022
Analysis of non-interest revenue			
Fee and commission income		**43 540**	39 967
– Instruments at amortised cost		**35 742**	32 907
– Instruments at fair value through profit or loss		**79**	9
– Non-financial instruments		**7 719**	7 051
Fee and commission expenses		**(7 456)**	(6 571)
Net fee and commission income	2.1	**36 084**	33 396
Insurance income	2.2	**5 393**	4 297
– Instruments mandatory at fair value through profit or loss		**4 797**	4 178
– Instruments designated at fair value through profit or loss		**2 088**	2 467
– Translation gains or losses on instruments not held at fair value through profit or loss		**1 666**	190
Fair value income	2.3	**8 551**	6 835
– Instruments at fair value through profit or loss		**60**	221
– Designated fair value through profit or loss		**46**	37
– Mandatory fair value through profit or loss		**14**	184
– Instruments at amortised cost		**123**	137
– Instruments at fair value through other comprehensive income		**2**	27
– Non-financial instruments		**1 343**	130
Gains less losses from investing activities*	2.4	**1 528**	515
Other non-interest revenue	2.5	**3 758**	3 205
Total non-interest revenue		**55 314**	48 248

* *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	**38 462**	35 259
– Card commissions	**7 224**	6 169
– Cash deposit fees	**1 823**	1 812
– Commitment fees	**1 976**	1 662
– Electronic transaction fees	**892**	1 091
– Exchange commissions	**2 487**	2 280
– Brokerage income	**127**	154
– Bank charges	**23 933**	22 091
– Transaction and service fees	**8 733**	7 767
– Documentation and administration fees	**10 931**	10 357
– Cash handling fees	**3 043**	2 944
– Other	**1 226**	1 023
Knowledge-based fee and commission income	**1 455**	1 161
Management, trust and fiduciary fees	**2 559**	2 571
Fee and commission income from service providers	**509**	503
Other non-banking fee and commission income	**555**	473
Fee and commission income*	**43 540**	39 967
Transaction processing fees	**(2 079)**	(1 569)
Transaction-based fees	**(180)**	(166)
Commission paid	**(263)**	(246)
Customer loyalty programmes	**(2 361)**	(2 162)
Cash sorting, handling and transportation charges	**(1 252)**	(1 173)
Card and cheque book-related	**(404)**	(392)
ATM commissions paid	**(65)**	(65)
Other	**(852)**	(798)
Fee and commission expenses	**(7 456)**	(6 571)
Net fee and commission income	**36 084**	33 396

* *Revenue from contracts with customers.*

2.2 Insurance income

R million	2023	2022
Commissions, brokerage and profit share from third-party cells*	**1 471**	1 500
Insurance risk-related income	**3 922**	2 797
– Insurance premiums received	**6 528**	5 416
– Reinsurance expenses	**(895)**	(642)
– Insurance benefits and claims paid	**(2 448)**	(2 596)
– Reinsurance recoveries	**531**	484
– Transfers from/(to) policyholder liabilities (gross)	**225**	(136)
– Transfers (to)/from policyholder liabilities (reinsurance)	**(19)**	271
Insurance income	**5 393**	4 297

* *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	**2 087**	1 559
Fair value income	**6 464**	5 276
Fair value gains or losses	**8 551**	6 835

2.4 Gains less losses from investing activities

R million	Notes	2023	2022
Gains on disposal of investment activities		**715**	132
– Gains on disposal of debt instruments at amortised cost*		**715**	132
Impairment loss of debt investment securities at amortised cost*		**(716)**	(35)
Reclassification from other comprehensive income on the derecognition/sale of assets FVOCI		**(11)**	15
Preference share dividends from unlisted investments		**124**	39
Other dividends received		**78**	130
Gain on disposal of investments in subsidiaries		**25**	56
Gain/(loss) on disposal of investments in associates**		**1 246**	(40)
Gain on disposal of investments in joint ventures		**-**	40
Fair value remeasurements on investment properties	20	**(25)**	(19)
Rental income from investment properties	20	**88**	81
Other gains from investing activities		**4**	116
Gains less losses from investing activities		**1 528**	515

* *A gain of R715 million was recognised relating to the portion of the loan that was converted to equity. The portion not converted was settled resulting in a loss of R716 million, refer to note 16.*

** *Includes gain of R1 209 million on disposal of associate shown as held for sale per note 14 in the prior year and gain of R37 million on disposal of associate per note 16.*

2.5 Other non-interest revenue

R million	2023	2022
Revenue from contracts with customers*	**1 769**	1 279
– Sales	**2 639**	2 212
– Cost of sales	**(1 957)**	(1 641)
– Other income	**1 087**	708
(Loss)/gain on disposal of property and equipment	**(43)**	8
Rental income**	**1 764**	1 701
Other operating lease transactions	**268**	217
Other non-interest revenue	**3 758**	3 205

* *Revenue from contracts with customers.*

** *Rental income mainly comprises operating lease income earned from vehicle financing arrangements and speedpoint rentals.*

3 OPERATING EXPENSES

R million	Notes	2023	2022
Auditors' remuneration		**(594)**	(537)
– Audit fees		**(559)**	(483)
– Fees for other services		**(34)**	(47)
– Prior year under accrual		**(1)**	(7)
Non-capitalised lease charges		**(535)**	(560)
– Short-term lease charge		**(401)**	(345)
– Low-value lease charge		**(213)**	(198)
– Variable lease charge*		**(12)**	(28)
– Early termination gains on lease*		**91**	11
Staff costs		**(42 336)**	(36 621)
– Salaries, wages and allowances		**(31 049)**	(27 319)
– Contributions to employee benefit funds		**(554)**	(479)
– Defined contribution schemes		**(417)**	(389)
– Defined benefit schemes	21.1	**(137)**	(90)
– Social security levies		**(765)**	(706)
– Share-based payments	32	**(2 433)**	(1 452)
– Movement in short-term employee benefit liabilities		**(6 081)**	(5 420)
– Other staff costs		**(1 454)**	(1 245)
Other operating costs		**(25 284)**	(23 051)
– Amortisation of intangible assets	19	**(676)**	(831)
– Depreciation of property and equipment	18	**(4 045)**	(3 996)
– Impairments incurred		**(386)**	(322)
– Impairments reversed		**17**	12
– Insurance		**(82)**	(115)
– Advertising and marketing		**(1 921)**	(1 827)
– Maintenance		**(1 568)**	(1 425)
– Property		**(1 370)**	(1 188)
– Computer		**(4 821)**	(4 199)
– Stationery, storage and delivery		**(277)**	(267)
– Telecommunications		**(602)**	(568)
– Professional fees		**(4 136)**	(3 056)
– Donations		**(340)**	(342)
– Assets costing less than R7 000		**(229)**	(209)
– Business travel		**(488)**	(240)
– Profit share expenses		**(85)**	(120)
– Bank charges		**(110)**	(169)
– Legal fee expenses		**(661)**	(861)
– Entertainment		**(330)**	(211)
– Subscriptions and memberships		**(393)**	(256)
– Training expenses		**(342)**	(296)
– Other operating expenditure		**(2 439)**	(2 565)
Total operating expenses		**(68 749)**	(60 769)

* *Variable lease charge reflected in the prior year as R17 million has been expanded to separately present early termination gains on leases in the current year.*

3 OPERATING EXPENSES continued

Notable impairments incurred during 2023

Goodwill

The carrying amount of both CGU's included in the WesBank segment have been reduced to their recoverable amounts through the recognition of an impairment against goodwill of R223 million in total. The carrying amount a CGU included in the FNB broader Africa segment has been reduced to its recoverable amount through the recognition of an impairment against goodwill of R114 million.

Notable impairments incurred during 2022

Goodwill

The carrying amount of one CGU included in the WesBank segment has been reduced to its recoverable amount through the recognition of an impairment against goodwill of R60 million.

Other

Impairments incurred include R132 million impairment losses recognised on properties and equipment held by the group that have been reduced to their respective recoverable amounts. This impairment is included in the FNB segment. Impairments of R30 million was recognised on the Tanzania disposal group and included in the FNB broader Africa reportable segment. Furthermore, ECL of R89 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

3 OPERATING EXPENSES continued

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 32.*

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 B128 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 AND INCOME TAX EXPENSE

	R million	2023	2022
4.1	**Indirect tax**		
	Value-added tax (net)	**(1 595)**	(1 420)
	Securities transfer tax	**(24)**	(10)
	Other	**(13)**	(3)
	Total indirect tax	**(1 632)**	(1 433)
4.2	**Income tax expense**		
	South African income tax		
	Current	**(9 354)**	(10 291)
	– Current year	**(9 425)**	(9 664)
	– Prior year adjustment	**71**	(627)
	Deferred income tax	**260**	954
	– Current year	**618**	616
	– Prior year adjustment	**(358)**	338
	Total South African income tax	**(9 094)**	(9 337)
	Foreign company and withholding tax		
	Current	**(2 642)**	(2 659)
	– Current year	**(2 671)**	(2 651)
	– Prior year adjustment	**29**	(8)
	Deferred income tax	**(122)**	136
	– Current year	**(83)**	138
	– Prior year adjustment	**(39)**	(2)
	Total foreign company and withholding tax	**(2 764)**	(2 523)
	South African capital gains tax	**(323)**	(69)
	– Current	**(345)**	-
	– Deferred capital gains tax	**22**	(69)
	Total capital gains tax	**(323)**	(69)
	Customer tax adjustment account	**(15)**	(1)
	Change in tax rate adjustment	**-**	(262)
	Withholding tax on dividends	**-**	(1)
	Total income tax expense	**(12 196)**	(12 193)

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 group viewed this change in tax rate as substantively enacted from the time that it was announced by the Minister of Finance. The group calculated the year-end deferred tax balances at 27% for the current and prior year.

4 INDIRECT AND INCOME TAX EXPENSE continued

Tax rate reconciliation

%	**2023**	2022
Standard rate of income tax	**27.0**	28.0
Total tax has been affected by:		
Dividend and other exempt income	**(2.9)**	(2.7)
Other non-taxable income*	**(0.6)**	(0.4)
Rate difference	**(1.1)**	(0.5)
Prior year adjustments	**0.6**	0.7
Tax difference on associates	**(0.2)**	(0.6)
Tax difference on joint ventures	**(0.1)**	(0.4)
Disallowed expenditure**	**1.0**	1.7
Other	**0.3**	0.2
Effective rate of tax	**24.0**	26.0

* *The majority of other 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 HEADLINE EARNINGS, EARNINGS AND DIVIDENDS PER SHARE

		Earnings attributable R million		**Cents per share**	
	Notes	**2023**	2022	**2023**	2022
Headline earnings					
– Basic	5.2	**36 735**	32 817	**655.3**	585.3
– Diluted	5.2	**36 735**	32 817	**655.3**	585.3
Earnings attributable to ordinary equityholders					
– Basic	5.2	**36 366**	32 761	**648.7**	584.3
– Diluted	5.2	**36 366**	32 761	**648.7**	584.3
Dividends – ordinary					
– Interim paid				**189.0**	157.0
– Final declared/paid				**195.0**	185.0
Special dividend				**-**	125.0
Dividends – preference*					
– Interim paid				**52.2**	270.7
– Final declared/paid				**-**	307.4

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

5 HEADLINE EARNINGS, EARNINGS AND DIVIDENDS PER SHARE continued

5.1 Weighted average number of shares

	2023	2022
Weighted average number of shares before treasury shares	**5 609 488 001**	5 609 488 001
Less: treasury shares	**(3 768 649)**	(2 751 213)
– Shares for client trading	**(3 768 649)**	(2 751 213)
Weighted average number of shares in issue	**5 605 719 352**	5 606 736 788
Diluted weighted average number of shares in issue	**5 605 719 352**	5 606 736 788

The same weighted average number of shares was used for the basic and diluted headline earnings per share (HEPS) and basic and diluted earnings per share (EPS) as there are no potential dilutive ordinary shares in issue.

5.2 Headline earnings reconciliation

	2023		2022	
R million	**Gross**	**Net**	Gross	Net
Earnings attributable to ordinary equityholders		**36 366**		32 761
Adjusted for:				
Impairment of non-private equity associates	**-**	**-**	25	25
Gain on disposal of investments in subsidiaries	**(25)**	**(25)**	(56)	(56)
Loss/(gain) on disposal of property and equipment	**43**	**36**	(8)	(8)
Compensation from third parties for impaired/lost property and equipment	**-**	**-**	(109)	(78)
Impairment of goodwill	**342**	**295**	60	49
Fair value movement on investment properties	**25**	**18**	19	15
Impairment of assets in terms of IAS 36	**61**	**45**	136	112
Other	**-**	**-**	(3)	(3)
Headline earnings attributable to ordinary equityholders		**36 735**		32 817

6 ANALYSIS OF ASSETS AND LIABILITIES

6.1 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.

R million	Notes	2023			
		Amortised cost	At fair value through profit or loss		
			Mandatory	Designated	
ASSETS					
Cash and cash equivalents	7	**175 304**	**-**	**-**	
Derivative financial instruments	8	**-**	**65 389**	**-**	
Investment securities*	10	**226 135**	**128 708**	**9 578**	
Advances	11	**1 409 450**	**117 794**	**12 131**	
Other assets	13	**8 749**	**-**	**-**	
Non-current assets and disposal groups held for sale	14	**793**	**-**	**-**	
Non-financial assets		**-**	**-**	**-**	
Total assets		**1 820 431**	**311 891**	**21 709**	
		2022**			
Cash and cash equivalents	7	143 636	-	-	
Derivative financial instruments	8	-	57 041	-	
Investment securities*	10	162 485	159 802	8 436	
Advances	11	1 238 641	86 800	8 883	
Other assets**	13	6 215	-	-	
Non-current assets and disposal groups held for sale	14	659	-	-	
Non-financial assets		-	-	-	
Total assets (restated)		1 551 636	303 643	17 319	

* *All non-recourse investments are included in the investment securities balance held at mandatory FVTPL.*

** *Refer to Accounting Policy note 10.1 for restatement of other assets and creditors, accruals and provisions and Note 38 Impact of changes in presentation.*

2023						
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					
-	**-**	**-**	**-**	**175 304**	**175 304**	**-**
-	**-**	**20 567**	**-**	**85 956**	**71 803**	**14 153**
54 333	**385**	**-**	**-**	**419 140**	**219 650**	**199 490**
-	**-**	**-**	**-**	**1 539 375**	**465 069**	**1 074 306**
-	**-**	**-**	**(4 989)**	**3 760**	**6 560**	**(2 800)**
-	**-**	**-**	**566**	**1 359**	**1 359**	**-**
-	**-**	**-**	**72 716**	**72 716**	**18 620**	**54 096**
54 333	**385**	**20 567**	**68 293**	**2 297 610**	**958 365**	**1 339 245**
2022**						
-	-	-	-	143 636	143 636	-
-	-	8 626	-	65 667	55 444	10 223
51 082	344	-	-	382 149	224 243	157 906
-	-	-	-	1 334 324	427 300	907 024
-	-	-	(1 451)	4 764	4 610	154
-	-	-	842	1 501	1 501	-
-	-	-	67 528	67 528	18 615	48 913
51 082	344	8 626	66 919	1 999 569	875 349	1 124 220

6 ANALYSIS OF ASSETS AND LIABILITIES continued

6.2 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	Notes	2023			
		Amortised cost	At fair value through profit or loss		
			Mandatory	Designated	
LIABILITIES					
Short trading positions	23	**-**	**12 753**	**-**	
Derivative financial instruments	8	**-**	**68 909**	**-**	
Creditors, accruals and provisions	24	**30 015**	**-**	**-**	
Liabilities directly associated with disposal groups held for sale	14	**-**	**-**	**-**	
Deposits	25	**1 863 525**	**49 012**	**10 566**	
Other liabilities	26	**3 923**	**-**	**84**	
Policyholder liabilities	15	**-**	**-**	**6 383**	
Tier 2 liabilities	27	**16 869**	**-**	**-**	
Non-financial liabilities		**-**	**-**	**-**	
Total liabilities		**1 914 332**	**130 674**	**17 033**	
		2022*			
Short trading positions	23	-	14 623	-	
Derivative financial instruments	8	-	63 672	-	
Creditors, accruals and provisions*	24	19 479	-	-	
Liabilities directly associated with disposal groups held for sale	14	747	-	-	
Deposits	25	1 602 414	37 587	15 971	
Other liabilities	26	5 343	-	71	
Policyholder liabilities	15	-	-	5 396	
Tier 2 liabilities	27	20 937	-	-	
Non-financial liabilities		-	-	-	
Total liabilities		1 648 920	115 882	21 438	

* *Refer to Accounting Policy note 10.1 for restatement of other assets and creditors, accruals and provisions and Note 38 Impact of changes in presentation.*

	2023				
	Derivatives designated as hedging instruments	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current and non-contractual**
	-	**-**	**12 753**	**12 753**	**-**
	1 445	**-**	**70 354**	**69 662**	**692**
	-	**13 374**	**43 389**	**35 334**	**8 055**
	-	**-**	**-**	**-**	**-**
	-	**-**	**1 923 103**	**1 674 928**	**248 175**
	-	**3 026**	**7 033**	**2 068**	**4 965**
	-	**1 748**	**8 131**	**2 839**	**5 292**
	-	**-**	**16 869**	**1 924**	**14 945**
	-	**18 297**	**18 297**	**10 830**	**7 467**
	1 445	**36 445**	**2 099 929**	**1 810 338**	**289 591**
	2022*				
	-	-	14 623	14 623	-
	875	-	64 547	57 412	7 135
	-	11 449	30 928	24 390	6 538
	-	77	824	824	-
	-	-	1 655 972	1 429 957	226 015
	-	2 834	8 248	4 859	3 389
	-	2 028	7 424	2 601	4 823
	-	-	20 937	12 160	8 777
	-	15 357	15 357	7 557	7 800
	875	31 745	1 818 860	1 554 383	264 477

7 CASH AND CASH EQUIVALENTS

R million	2023	Restated 2022
Coins and bank notes	**11 094**	11 711
Money at call and short notice*	**107 373**	95 498
Balances with central banks	**56 837**	36 427
Mandatory reserve balances with central banks	**40 958**	34 521
Other balances with central banks*	**15 879**	1 906
Total cash and cash equivalents**	**175 304**	143 636

* *Other balances with central banks and money at call and short notice was restated in the prior year from R19 631 million to R1 906 million and from R77 773 million to R95 498 million respectively, resulting from a review and subsequently alignment of the line definitions applied by businesses across the group to these respective lines.*

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

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

8 DERIVATIVE FINANCIAL INSTRUMENTS

Use of derivatives

The group transacts in derivatives for two purposes: to create risk management solutions for clients and to manage and hedge the group's own risk. The group'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 group applies IFRS 9 for cash flow and fair value micro hedges. IAS 39 is applied to portfolio hedges, which the group refers to as macro hedges, to which fair value hedge accounting has been applied.

For further details on the valuation of derivatives refer to note 34.

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 group applies hedge accounting in respect of specified interest rate risk and equity price risk detailed in this note.

The group 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. Aldermore manages its interest rate risk through its own treasury department and ALCCO. For further details on the group's approach to managing interest rate risk and market risk, refer to note 37.

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 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.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Qualifying for hedge accounting continued

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

IFRS 9 does not specify a method for assessing hedge effectiveness. The group 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 group 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 group's risk management strategy.

Held for trading activities

Most of the group'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. The notional amounts for derivative instruments qualifying for fair value hedge accounting include macro hedging portfolios.

Derivative financial instruments – assets

	2023		2022	
R million	**Notional**	**Fair value**	Notional	Fair value
Qualifying for hedge accounting	**426 230**	**20 567**	362 720	8 626
Fair value hedge accounting	**244 380**	**17 242**	183 925	6 732
– Interest rate derivatives*	**244 380**	**17 242**	183 925	6 732
Cash flow hedge accounting	**181 850**	**3 325**	178 795	1 894
– Interest rate derivatives*	**174 322**	**1 216**	176 632	623
– Equity derivatives	**7 528**	**2 109**	2 163	1 271
Held for trading	**11 365 703**	**65 389**	4 928 241	57 041
– Currency derivatives	**321 084**	**14 765**	293 955	13 375
– Interest rate derivatives*	**10 942 087**	**44 857**	4 527 122	36 878
– Equity derivatives	**69 434**	**3 845**	57 443	2 357
– Commodity derivatives	**27 330**	**1 731**	26 220	1 184
– Energy derivatives	**480**	**59**	10 551	3 154
– Credit derivatives	**5 288**	**132**	12 950	93
Total derivative assets	**11 791 933**	**85 956**	5 290 961	65 667
Exchange traded	**15 815**	**290**	38 548	474
Over the counter	**11 776 118**	**85 666**	5 252 413	65 193
Total derivative assets	**11 791 933**	**85 956**	5 290 961	65 667

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

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Derivative financial instruments – liabilities

	2023		2022	
R million	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting	**454 267**	**1 445**	404 484	875
Fair value hedge accounting	**124 573**	**750**	85 853	444
– Interest rate derivatives*	**124 573**	**750**	85 853	444
Cash flow hedge accounting	**329 694**	**695**	318 631	431
– Interest rate derivatives*	**329 694**	**695**	316 181	371
– Equity derivatives	**-**	**-**	2 450	60
Held for trading	**11 695 263**	**68 909**	4 742 815	63 672
– Currency derivatives	**297 827**	**17 546**	275 755	18 288
– Interest rate derivatives*	**11 312 700**	**47 945**	4 387 294	39 783
– Equity derivatives	**69 949**	**2 789**	63 386	3 331
– Commodity derivatives	**10 616**	**507**	2 945	587
– Energy derivatives	**508**	**54**	7 419	1 526
– Credit derivatives	**3 663**	**68**	6 016	157
Total derivative liabilities	**12 149 530**	**70 354**	5 147 299	64 547
Exchange traded	**41 068**	**149**	12 003	205
Over the counter	**12 108 462**	**70 205**	5 135 296	64 342
Total derivative liabilities	**12 149 530**	**70 354**	5 147 299	64 547

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

Fair value hedges

Interest rate risk

The group defines interest rate risk, to which fair value hedge accounting is applied, as the potential variations in NII due to the group 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 group'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, only the benchmark interest rate component of the coupon cash flows plus the principal are designated as the hedged item. The interest rate swap curve is regarded as the best indicator of the interest rate risk and as such the benchmark interest rate is obtained from the interest rate swap curve denominated in the exposure's currency. The swap curve enables the measurement of the benchmark interest rate component on designation. The difference between the benchmark rate and the base rate is therefore excluded from the hedge risk designated.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Interest rate risk continued

As such, the benchmark interest rate risk is the component being hedged, while other risks such as credit risk are managed but not hedged by the group. 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 hedged 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 and FVOCI. To manage the interest rate risk associated with such risk exposures, the group uses a variety of cash collateralised vanilla fixed-for-floating interest rate swap derivatives.
- Interest rate exposure on a portfolio of fixed-rate HQLA measured at amortised cost and FVOCI; and advances and deposits measured at amortised cost in Aldermore, where Aldermore enters into interest rate swaps on a monthly basis. The exposure from these portfolios frequently changes due to new advances, deposits and HQLA being entered into, as well as contractual repayments and early repayments made by or to customers. As a result, Aldermore has adopted a dynamic hedging strategy (macro hedging), to hedge the exposure profile by de-designating and re-designating interest rate swaps agreements at each month end to reach offsetting positions.

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

The group 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.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Interest rate risk continued

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

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

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

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

The USD LIBOR ceased to exist on 30 June 2023 and all the group'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 group 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.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Interest rate risk 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	2022 Notional
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 37.4.1 – 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 excluding the maturity of the macro hedging portfolios.

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 instruments included in fair value hedging relationships, according to their respective maturity buckets, excluding macro hedging portfolios.

	2023 Average interest rate risk (%)	2022* Average interest rate risk (%)
Derivative asset		
4 — 12 months	**2**	6
> 12 months*	**5**	4
Derivative liability		
4 — 12 months	**-**	-
> 12 months	**-**	-

* *In the prior year, 7% 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.*

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

R million	Advances*	Investment securities	Funding liabilities**
	2023		
Interest rate risk — hedged items			
Carrying amount excluding fair value hedge adjustments	**182 004**	**51 124**	**98 855**
Accumulated fair value hedge adjustments for instruments that are actively hedged	**(10 017)**	**(5 206)**	**504**
Total carrying amount of hedged items	**171 987**	**45 918**	**99 359**
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	136 759	41 814	73 661
Accumulated fair value hedge adjustments for instruments that are actively hedged	(3 984)	(2 848)	112
Total carrying amount of hedged items	132 775	38 966	73 773
Accumulated fair value hedge adjustments for items that have ceased to be adjusted for fair value hedge gains and losses	-	57	-

* *Majority of the amounts in advances relate to the macro hedging strategy applied. In the prior year, a portion of the fair value macro hedges failed to qualify for hedge accounting.*

** *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 and macro hedging portfolios).

R million	2023	2022
Interest rate risk		
Changes in fair value for the year arising on hedging instruments	**6 680**	6 871
– Interest rate derivatives	**6 680**	6 871
Changes in fair value on the hedged items attributable to the hedged risk	**(5 979)**	(6 786)
– Advances	**(4 929)**	(4 221)
– Investment securities — amortised cost	**530**	(1 020)
– Investment securities — FVOCI	**(1 386)**	(2 094)
– Funding liabilities*	**(194)**	549
Ineffectiveness recognised in NIR	**701**	85

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

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Cash flow hedges

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

- prime-linked advances (cash flow interest rate risk);
- variable Johannesburg Interbank Average Rate-linked (JIBAR-linked) advances (cash flow interest rate risk);
- variable overnight financial liabilities (cash flow interest rate risk); and
- the group'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 group to volatility in interest cash flows as the variable benchmark interest rate varies over time. To manage the cash flow risk, the group 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.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

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

Equity price risk

Equity price risk exists within the group's employee share incentive schemes that enable KMP and employees to benefit from the performance of FirstRand's share price. Refer to note 32 for further details. These share incentive schemes, which are accounted for as cash-settled SBP in terms of IFRS 2, expose the group to cash equity price risk due to volatility in FirstRand's share price.

The fair value of the IFRS 2 liability, which is predominantly driven by movements in the FirstRand share price, is economically hedged with total return swaps (TRS). When the share price increases/decreases, the SBP expense increases/decreases in line with the share price movement. Similarly, the fair value of the TRS will increase/decrease for the share price component of the derivative in line with the increase/decrease in share price. Changes in the cash flows of the hedged item and the hedging instrument are expected to offset each other, resulting in an economic relationship being present between the SBP expense and the TRS. The number of FSR shares covered by the TRS was 143 million (2022: 96 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 financial year, the hedging relationship for the schemes no longer qualified for hedge accounting from the date the vesting terms were confirmed.

8 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**	**5 409**	147 456	-
>12 months	**340 889**	**2 119**	328 845	4 613
Total	**504 016**	**7 528**	492 813	4 613

**This 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/share price	
	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**	**56**	6	-
>12 months	**7**	**56**	7	42
Derivative liabilities				
1 — 3 months	**7**	**-**	6	-
4 — 12 months	**7**	**-**	5	-
>12 months	**8**	**-**	7	61

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

The following amounts were recorded in NIR 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 the hedging instruments	**(685)**	**683**	**(2)**	(2 841)	544	(2 297)
– Interest rate derivatives	**(685)**	**-**	**(685)**	(2 841)	-	(2 841)
– Equity derivatives	**-**	**683**	**683**	-	544	544
On the hedged item subject to the hedged risk	**642**	**(960)**	**(318)**	2 682	(452)	2 230
– Advances	**614**	**-**	**614**	7 298	-	7 298
– Other funding liabilities	**28**	**-**	**28**	(4 616)	-	(4 616)
– Share-based payment	**-**	**(960)**	**(960)**	-	(452)	(452)
Ineffectiveness in NII and operating expenses*	**(42)**	**-**	**(42)**	(159)	92	(67)

* *In the prior year, the ineffectiveness recognised in NII 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.*

8 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	**(3 001)**	**644**	**(2 357)**
(Losses)/gains recognised in reserves in the current year	**(745)**	**1 027**	**282**
Deferred tax on reserve movement	**266**	**47**	**313**
Transfers to NII and operating expenses (staff costs)	**(241)**	**(1 092)**	**(1 333)**
– Hedged item affects profit or loss	**(145)**	**(1 092)**	**(1 237)**
– Hedged future cash flows no longer expected to occur	**(96)**	**-**	**(96)**
Cash flow hedge reserve – closing balance	**(3 721)**	**626**	**(3 095)**
Cash flow hedge reserve relating to continuing hedges	**(3 485)**	**625**	**(2 860)**
Cash flow hedge reserve relating to discontinued hedges	**(236)**	**1**	**(235)**
Cash flow hedge reserve – closing balance	**(3 721)**	**626**	**(3 095)**
As at 30 June 2022			
Cash flow hedge reserve – opening balance	1 196	159	1 355
(Losses)/gains recognised in reserves in the current year	(3 816)	1 678	(2 138)
Deferred tax on reserve movement	1 575	(177)	1 398
Transfers to NII, operating staff costs and tax expense	(1 956)	(1 016)	(2 972)
– Hedged item affects profit or loss	(1 377)	(707)	(2 084)
– Hedged future cash flows no longer expected to occur	(579)	(309)	(888)
Cash flow hedge reserve – closing balance	(3 001)	644	(2 357)
Cash flow hedge reserve relating to continuing hedges	(3 330)	600	(2 730)
Cash flow hedge reserve relating to discontinued hedges	329	44	373
Cash flow hedge reserve – closing balance	(3 001)	644	(2 357)

* *In the prior year the 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.*

9 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

10 INVESTMENT SECURITIES

R million	2023	2022
Negotiable certificates of deposit	**359**	35
Treasury bills	**116 578**	123 785
Other government and government-guaranteed stock	**251 222**	204 308
Other dated securities	**25 793**	29 352
Other undated securities	**500**	140
Non-recourse investments	**3 758**	7 013
Equities	**15 761**	12 470
Other	**5 949**	5 360
Total gross carrying amount of investment securities	**419 920**	382 463
Loss allowance on investment securities	**(780)**	(314)
Total investment securities	**419 140**	382 149

Analysis of impairment stages of investment securities

	2023			
	Amortised cost		FVOCI (debt)	
R million	Carrying amount	ECL allowance	Carrying amount	ECL allowance
As at 30 June 2023				
Stage 1	**226 252**	**695**	**54 333**	**-**
Stage 3	**195**	**85**	**-**	**-**
Stage 4	**468**	**-**	**-**	**-**
Total investment securities	**226 915**	**780**	**54 333**	**-**
	2022			
As at 30 June 2022				
Stage 1	162 799	314	51 082	-
Stage 3	-	-	-	-
Stage 4	-	-	-	-
Total investment securities	162 799	314	51 082	-

During the current year, the Ghanaian government bonds were restructured. Prior to the restructure, the expected credit loss representing 57% of the face value was raised. The expected credit loss is reflected in impairments of investment securities in investment income. As a result of the restructure, the original instruments were derecognised and new instruments were recognised. The new instruments issued are originated credit impaired (stage 4).

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 are calculated using the loss rate approach and is immaterial.

10 INVESTMENT SECURITIES continued

Non-recourse investments at fair value through profit or loss

The group entered into the following transactions with its consolidated structured entities over the course of many years.

SPV	Type of SPV	Instruments
iNkotha Investments Limited	Call bond programme	Overnight high credit quality
iVuzi Investments Limited	Asset-backed commercial paper programme	Short-dated high credit quality
iNguza Investments Limited	Repack programme	Debentures or notes linked to underlying credit exposure

The performance on the commercial paper is directly linked to the performance and risk of the underlying portfolio of the SPV. The group has no obligations towards other investors beyond the amount already invested. Information regarding other investments is kept at the group's registered offices. iVuzi Investments Limited is in the process of winding down.

Repurchase agreements and securities lending transactions

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

	Investment securities (carrying amount)		Associated liabilities recognised in deposits (carrying amount)	
R million	**2023**	2022	**2023**	2022
Repurchase agreements	**4 705**	4 893	**3 848**	3 518

Both the transferred investments and related deposits under repurchase agreements are either measured at amortised cost or at FVTPL.

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).

Equity investments designated at fair value through other comprehensive income

The fair value of strategic equity investments of the group which have been classified as non-trading equity instruments designated on initial recognition as measured at FVOCI is R384 million (2022: R344 million). These strategic investments mainly relate to the group's investments in African Bank Holdings Limited and CLS Group Holdings Limited. The FVOCI measurement was deemed more appropriate because these are strategic investments that the group does not plan on selling.

11 ADVANCES

11.1 Category analysis of advances

R million	Notes	2023	2022
Overdrafts and cash management accounts		**91 880**	80 514
Term loans		**97 108**	76 436
Card loans		**41 725**	37 348
Instalment sales, hire purchase agreements and lease payments receivable	11.2	**288 284**	245 904
Property finance		**536 558**	473 300
Personal loans		**57 425**	53 068
Preference share agreements		**40 928**	40 407
Investment bank term loans		**205 380**	168 008
Long-term loans to group associates and joint ventures		**2 696**	2 841
Other		**65 100**	61 374
Total customer advances		**1 427 084**	1 239 200
Marketable advances		**83 953**	72 241
Assets under agreements to resell		**79 410**	70 617
Gross value of advances		**1 590 447**	1 382 058
Impairment and credit of fair value advances	12	**(51 072)**	(47 734)
Net advances		**1 539 375**	1 334 324
Gross advances – amortised cost		**1 459 196**	1 284 777
Impairment of advances – amortised cost		**(49 746)**	(46 136)
Net advances – amortised cost		**1 409 450**	1 238 641
Gross advances – fair value		**131 251**	97 281
Impairment of advances – fair value		**(1 326)**	(1 598)
Net advances – fair value		**129 925**	95 683
Net advances		**1 539 375**	1 334 324

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

R million	2023	2022*
Within 1 year	**49 450**	39 423
Between 1 and 2 years	**43 547**	35 642
Between 2 and 3 years	**37 990**	29 042
Between 3 and 4 years	**26 980**	22 034
Between 4 and 5 years	**6 480**	6 645
More than 5 years	**3 113**	2 034
Total gross amount**	**167 560**	134 820
Unearned finance charges	**(25 649)**	(18 517)
Net amount of hire purchase and lease payments receivable	**141 911**	116 303
Instalment sales	**146 373**	129 601
Total instalment sales, hire purchase agreements and lease payments receivable	**288 284**	245 904

* *Restated. Refer to note 38.1 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. The increase in the gross amount is attributable to growth in motor vehicle leasing as industry supply constraints continue to ease in the UK.*

11 ADVANCES continued

11.3 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), for MotoNovo retail hire purchase advances (MotoFirst, and MotoWay) and for Aldermore residential mortgage advances (Oak 2, Oak 3 and Oak 4). During the financial year, MotoWay, Oak 2 and Nitro 6 were closed out (notes redeemed and assets repurchased by the relevant servicer) and Oak 4 was launched. 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	**-**	-
Oak 2	October 2018	£390 million	**-**	1 324	**-**	1 313
Nitro Programme	May 2019	R2 billion	**215**	477	**170**	413
Oak 3	September 2019	£344 million	**2 602**	2 980	**2 464**	2 891
MotoMore	September 2019	£250 million	**17 753**	14 513	**17 400**	14 432
MotoWay	September 2019	£583 million	**-**	2 003	**-**	2 209
Turbo Finance 9	October 2020	£583 million	**2 626**	5 754	**2 596**	5 705
Oak 4	May 2023	£447 million	**9 756**	-	**9 686**	-

11.4 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.

The UK operations retail portfolio consists of the property finance and motor finance portfolio and commercial represents the structured and specialised finance business.

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 38.2 Impact due to movements in the classes of advances.*

11 ADVANCES continued

11.4 Analysis of advances per class continued

Temporary stress scenario

An additional stress scenario was introduced during the financial year ended 30 June 2021 and 30 June 2022 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.

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

Basis of preparation of the reconciliation

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

The movement on GCA is split between:

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

Current year ECL provided/(released) relates to:

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

11 ADVANCES continued

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

Basis of preparation of the reconciliation continued

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 the RMB corporate and investment banking portfolio.

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

Additional information relating to advances

The total contractual amount outstanding on amortised cost advances that were written off during the period and are still subject to enforcement activity is R11 948 million (30 June 2022: R14 663 million).

Included in the core lending advances is advances of R1 815 million (30 June 2022: R1 963 million) for which no ECL is raised due to over-collateralisation. These advances are originated in FNB commercial and RMB corporate and investment banking. Advances under agreements to resell also are also fully collateralised and therefore no ECL is raised for these advances either.

11 ADVANCES continued

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

Amortised cost – 30 June 2023

	Retail secured		Retail unsecured			Retail secured and unsecured
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other	Temporary stress scenario
GCA reported as at 1 July 2022	**242 757**	**99 354**	**32 821**	**46 623**	**7 907**	**-**
– Stage 1	**211 306**	**82 088**	**26 914**	**32 510**	**6 045**	**(2 688)**
– Stage 2	**19 649**	**11 063**	**2 229**	**7 149**	**586**	**2 688**
– Stage 3	**11 802**	**6 203**	**3 678**	**6 964**	**1 276**	**-**
– Purchased or originated credit impaired	**-**	**-**	**-**	**-**	**-**	**-**
Transfers between stages	**-**	**-**	**-**	**-**	**-**	**-**
– Transfers to/(from) stage 1	**(6 016)**	**(3 071)**	**(1 802)**	**(3 242)**	**(321)**	**-**
Transfers into stage 1	**5 873**	**2 418**	**641**	**1 085**	**156**	**-**
Transfers out of stage 1	**(11 889)**	**(5 489)**	**(2 443)**	**(4 327)**	**(477)**	**-**
– Transfers to/(from) stage 2	**2 130**	**740**	**96**	**(195)**	**69**	**-**
Transfers into stage 2	**11 272**	**4 805**	**1 292**	**2 628**	**369**	**-**
Transfers out of stage 2	**(9 142)**	**(4 065)**	**(1 196)**	**(2 823)**	**(300)**	**-**
– Transfers to/(from) stage 3	**3 886**	**2 331**	**1 706**	**3 437**	**252**	**-**
Transfers into stage 3	**5 585**	**3 242**	**1 822**	**4 086**	**375**	**-**
Transfers out of stage 3	**(1 699)**	**(911)**	**(116)**	**(649)**	**(123)**	**-**
Current year movement	**17 452**	**11 256**	**6 082**	**8 647**	**311**	**-**
New business – changes in exposure	**45 431**	**43 635**	**3 467**	**21 297**	**1 024**	**-**
Back book – current year movement	**(27 979)**	**(32 379)**	**2 615**	**(12 650)**	**(713)**	**-**
– Exposures with a change in measurement basis from 12 months to LECL	**(1 505)**	**(1 992)**	**185**	**(1 108)**	**1**	**-**
– Other current year change in exposure/net movement on GCA	**(26 474)**	**(30 387)**	**2 430**	**(11 542)**	**(714)**	**-**
Purchased or originated credit impaired	**-**	**-**	**-**	**-**	**-**	**-**
Acquisition/(disposal) of advances	**-**	**-**	**-**	**-**	**-**	**-**
Transfers from/(to) other divisions	**(11)**	**-**	**-**	**-**	**11**	**-**
Transfers from/(to) non-current assets or disposal groups held for sale	**-**	**-**	**-**	**-**	**-**	**-**
Exchange rate differences	**-**	**-**	**-**	**-**	**-**	**-**
Bad debts written off	**(438)**	**(1 777)**	**(1 639)**	**(4 895)**	**(745)**	**-**
Modifications that did not give rise to derecognition	**(125)**	**(54)**	**(115)**	**(303)**	**(78)**	**-**
GCA as at 30 June 2023	**259 635**	**108 779**	**37 149**	**50 072**	**7 406**	**-**
– Stage 1	**223 096**	**90 310**	**30 073**	**35 024**	**5 843**	**-**
– Stage 2	**22 466**	**12 300**	**3 019**	**7 501**	**639**	**-**
– Stage 3	**14 073**	**6 169**	**4 057**	**7 547**	**924**	**-**
– Purchased or originated credit impaired	**-**	**-**	**-**	**-**	**-**	**-**
Core lending advances	**259 635**	**108 779**	**37 149**	**50 072**	**7 406**	**-**
Assets under agreements to resell	**-**	**-**	**-**	**-**	**-**	**-**
Total GCA of advances at 30 June 2023	**259 635**	**108 779**	**37 149**	**50 072**	**7 406**	**-**

Corporate and commercial						UK operations		
FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Broader Africa	Centre (including Group Treasury)	Retail	Commercial	Total
107 711	-	45 128	284 141	67 218	47 271	231 437	72 409	1 284 777
95 656	(130)	39 417	259 862	58 053	47 271	203 370	65 183	1 124 857
7 428	130	4 808	20 974	5 847	-	21 102	6 263	109 916
4 627	-	903	2 572	3 318	-	6 965	963	49 271
-	-	-	733	-	-	-	-	733
-	-	-	-	-	-	-	-	-
(3 130)	-	708	(5 974)	(3 280)	-	2 151	(1 094)	(25 071)
2 388	-	3 070	1 714	1 173	-	9 760	3 002	31 280
(5 518)	-	(2 362)	(7 688)	(4 453)	-	(7 609)	(4 096)	(56 351)
1 303	-	(1 120)	3 675	2 680	-	(3 424)	624	6 578
4 591	-	2 025	7 219	4 214	-	6 831	3 639	48 885
(3 288)	-	(3 145)	(3 544)	(1 534)	-	(10 255)	(3 015)	(42 307)
1 827	-	412	2 299	600	-	1 273	470	18 493
1 894	-	500	2 299	755	-	2 242	749	23 549
(67)	-	(88)	-	(155)	-	(969)	(279)	(5 056)
9 914	-	9 262	50 565	10 875	(6 423)	9 149	(868)	126 222
18 585	-	22 321	109 953	16 946	578	102 265	26 933	412 435
(8 671)	-	(13 059)	(59 468)	(6 071)	(7 001)	(93 116)	(27 801)	(286 293)
(496)	-	(2 344)	(1 942)	(186)	-	(8 718)	(2 441)	(20 546)
(8 175)	-	(10 715)	(57 526)	(5 885)	(7 001)	(84 398)	(25 360)	(265 747)
-	-	-	80	-	-	-	-	80
(90)	-	-	(3 932)	-	-	86	-	(3 936)
-	-	-	-	-	-	-	-	-
-	-	-	(44)	-	-	(785)	-	(829)
-	-	-	5 265	(529)	13	47 496	14 425	66 670
(1 612)	-	(178)	(387)	(760)	-	(475)	(132)	(13 038)
5	-	-	-	-	-	-	-	(670)
115 928	-	54 212	335 608	76 804	40 861	286 908	85 834	1 459 196
102 500	-	49 682	311 754	65 913	40 861	259 928	77 780	1 292 764
8 655	-	3 464	19 495	7 346	-	18 256	6 636	109 777
4 773	-	1 066	3 577	3 545	-	8 724	1 418	55 873
-	-	-	782	-	-	-	-	782
115 928	-	54 212	334 969	76 804	26 456	286 908	85 834	1 444 152
-	-	-	639	-	14 405	-	-	15 044
115 928	-	54 212	335 608	76 804	40 861	286 908	85 834	1 459 196

11 ADVANCES continued

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

R million	Retail secured		Retail unsecured			Retail secured and unsecured
	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other	Temporary stress scenario
ECL reported as at 1 July 2022	4 084	5 396	4 361	8 681	1 585	317
– Stage 1	609	802	1 130	2 065	385	156
– Stage 2	939	1 344	620	1 727	147	161
– Stage 3	2 536	3 250	2 611	4 889	1 053	-
– Purchased or originated credit impaired	-	-	-	-	-	-
Transfers between stages	-	-	-	-	-	-
– Transfers to/(from) stage 1	123	94	46	(145)	17	-
Transfers into stage 1	189	149	171	244	39	-
Transfers out of stage 1	(66)	(55)	(125)	(389)	(22)	-
– Transfers to/(from) stage 2	(92)	(296)	(281)	(727)	(23)	-
Transfers into stage 2	238	116	79	360	61	-
Transfers out of stage 2	(330)	(412)	(360)	(1 087)	(84)	-
– Transfers to/(from) stage 3	(31)	202	235	872	6	-
Transfers into stage 3	171	299	295	1 109	68	-
Transfers out of stage 3	(202)	(97)	(60)	(237)	(62)	-
Current year provision created/(released)	640	2 243	2 045	5 468	513	(317)
New business – impairment charge/(release)	388	1 501	275	2 831	91	-
Back book – impairment charge/(release)	252	742	1 770	2 637	422	(317)
– Exposures with a change in measurement basis from 12 months to LECL	43	(63)	190	(119)	14	-
– Other current year impairment charge/(release)	209	805	1 580	2 756	408	(317)
Purchased or originated credit impaired	-	-	-	-	-	-
Acquisition/(disposal) of advances	-	-	-	-	-	-
Transfers from/(to) other divisions	70	-	-	35	(105)	-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-	-	-
Exchange rate differences	-	-	-	-	-	-
Bad debts written off	(438)	(1 777)	(1 639)	(4 895)	(745)	-
ECL as at 30 June 2023	4 356	5 862	4 767	9 289	1 248	-
– Stage 1	432	995	1 165	2 069	310	-
– Stage 2	1 076	1 879	754	1 901	168	-
– Stage 3	2 848	2 988	2 848	5 319	770	-
– Purchased or originated credit impaired	-	-	-	-	-	-
Current year provision created/(released) per impairment stage	640	2 243	2 045	5 468	513	(317)
– Stage 1	(370)	100	(10)	112	15	(156)
– Stage 2	229	830	415	902	44	(161)
– Stage 3	781	1 313	1 640	4 454	454	-
– Purchased or originated credit impaired	-	-	-	-	-	-

Corporate and commercial						UK operations		
FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Broader Africa	Centre (including Group Treasury)	Retail	Commercial	Total
5 234	55	795	5 576	3 856	510	4 565	1 121	46 136
1 030	23	186	1 200	1 035	361	1 271	529	10 782
1 059	32	193	2 420	876	149	746	182	10 595
3 145	-	416	1 873	1 945	-	2 548	410	24 676
-	-	-	83	-	-	-	-	83
-	-	-	-	-	-	-	-	-
98	-	127	32	21	-	224	21	658
192	-	143	74	72	-	279	76	1 628
(94)	-	(16)	(42)	(51)	-	(55)	(55)	(970)
(270)	-	(113)	(178)	(48)	-	(175)	(8)	(2 211)
91	-	19	36	77	-	110	59	1 246
(361)	-	(132)	(214)	(125)	-	(285)	(67)	(3 457)
172	-	(14)	146	27	-	(49)	(13)	1 553
215	-	10	146	72	-	101	22	2 508
(43)	-	(24)	-	(45)	-	(150)	(35)	(955)
1 330	(55)	116	720	927	(11)	1 655	514	15 788
259	-	237	647	543	(21)	900	418	8 069
1 071	(55)	(121)	(123)	384	10	755	96	7 523
299	-	(28)	(16)	69	-	(107)	30	312
772	(55)	(93)	(107)	315	10	862	66	7 211
-	-	-	196	-	-	-	-	196
-	-	-	(723)	-	22	-	-	(701)
-	-	-	-	-	-	-	-	-
-	-	-	(36)	-	-	-	-	(36)
-	-	-	60	117	-	1 121	289	1 587
(1 612)	-	(178)	(387)	(760)	10	(475)	(132)	(13 028)
4 952	-	733	5 210	4 140	531	6 866	1 792	49 746
907	-	228	1 334	1 285	370	2 372	962	12 429
1 213	-	111	2 436	808	151	889	382	11 768
2 832	-	394	1 195	2 047	10	3 605	448	25 304
-	-	-	245	-	-	-	-	245
1 330	(55)	116	720	927	(11)	1 655	514	15 788
(220)	(23)	(85)	55	188	(11)	512	268	375
424	(32)	31	189	(23)	-	180	155	3 183
1 126	-	170	280	762	-	963	91	12 034
-	-	-	196	-	-	-	-	196

11 ADVANCES continued

11.5.3 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	Broader Africa	Centre (including Group Treasury)	Total
GCA reported as at 1 July 2022	112	96 655	29	485	97 281
– Stage 1	112	93 082	29	442	93 665
– Stage 2	-	2 691	-	43	2 734
– Stage 3	-	799	-	-	799
– Purchased or originated credit impaired	-	83	-	-	83
Transfers between stages	-	-	-	-	-
– Transfers to/(from) stage 1	-	(319)	-	-	(319)
Transfers into stage 1	-	1 312	-	-	1 312
Transfers out of stage 1	-	(1 631)	-	-	(1 631)
– Transfers to/(from) stage 2	-	319	-	-	319
Transfers into stage 2	-	1 631	-	-	1 631
Transfers out of stage 2	-	(1 312)	-	-	(1 312)
– Transfers to/(from) stage 3	-	-	-	-	-
Transfers into stage 3	-	-	-	-	-
Transfers out of stage 3	-	-	-	-	-
Current year movement	(44)	32 270	365	93	32 684
New business – changes in exposure	-	19 849	-	194	20 043
Back book – current year movement	(44)	12 422	365	(101)	12 642
– 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)	11 406	365	(101)	11 626
Purchased or originated credit impaired	-	(1)	-	-	(1)
Acquisition/(disposal) of advances	-	-	-	-	-
Transfers from/(to) other divisions	502	-	-	(502)	-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-	-
Exchange rate differences	-	1 557	(139)	-	1 418
Bad debts written off	(50)	(82)	-	-	(132)
GCA as at 30 June 2023	520	130 400	255	76	131 251
– Stage 1	520	124 776	255	33	125 584
– Stage 2	-	4 847	-	43	4 890
– Stage 3	-	777	-	-	777
– Purchased or originated credit impaired	-	-	-	-	-
Core lending advances	520	66 289	-	76	66 885
Assets under agreements to resell	-	64 111	255	-	64 366
Total GCA of advances at 30 June 2023	520	130 400	255	76	131 251

11 ADVANCES continued

11.5.4 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	Broader Africa	Centre (including Group Treasury)	Total
ECL reported as at 1 July 2022	3	1 488	-	107	1 598
– Stage 1	3	276	-	102	381
– Stage 2	-	649	-	5	654
– Stage 3	-	481	-	-	481
– Purchased or originated credit impaired	-	82	-	-	82
Transfers between stages	-	-	-	-	-
– Transfers to/(from) stage 1	-	175	-	-	175
Transfers into stage 1	-	181	-	-	181
Transfers out of stage 1	-	(6)	-	-	(6)
– Transfers to/(from) stage 2	-	(175)	-	-	(175)
Transfers into stage 2	-	6	-	-	6
Transfers out of stage 2	-	(181)	-	-	(181)
– Transfers to/(from) stage 3	-	-	-	-	-
Transfers into stage 3	-	-	-	-	-
Transfers out of stage 3	-	-	-	-	-
Current year provision created/(released)	(1)	(210)	-	9	(202)
New business – impairment charge/(release)	-	189	-	9	198
Back book – impairment charge/(release)	(1)	(399)	-	-	(400)
– Exposures with a change in measurement basis from 12 months to LECL	-	9	-	-	9
– Other current year impairment charge/(release)	(1)	(408)	-	-	(409)
Purchased or originated credit impaired	-	-	-	-	-
Acquisition/(disposal) of advances	-	-	-	-	-
Transfers from/(to) other divisions	99	-	-	(99)	-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-	-
Exchange rate differences	-	62	-	-	62
Bad debts written off	(50)	(82)	-	-	(132)
ECL as at 30 June 2023	51	1 258	-	17	1 326
– Stage 1	51	295	-	4	350
– Stage 2	-	483	-	4	487
– Stage 3	-	480	-	9	489
– Purchased or originated credit impaired	-	-	-	-	-
Current year provision created/(released) per impairment stage	(1)	(210)	-	9	(202)
– Stage 1	(51)	(169)	-	1	(219)
– Stage 2	-	(41)	-	1	(40)
– Stage 3	50	-	-	7	57
– Purchased or originated credit impaired	-	-	-	-	-

11 ADVANCES continued

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

	Retail secured		Retail unsecured			Retail secured and unsecured
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans*	Retail other*	Temporary stress scenario
GCA reported as at 1 July 2021	225 666	100 102	31 249	46 908	8 513	-
– Stage 1	196 375	77 514	24 553	30 681	6 175	(1 212)
– Stage 2	15 935	12 677	2 662	7 681	846	1 212
– Stage 3	13 356	9 911	4 034	8 546	1 492	-
– Purchased or originated credit impaired	-	-	-	-	-	-
Transfers between stages	-	-	-	-	-	-
– Transfers to/(from) stage 1	(2 445)	(1 188)	(628)	(1 970)	(90)	-
Transfers into stage 1	7 678	4 421	1 171	2 116	385	-
Transfers out of stage 1	(10 123)	(5 609)	(1 799)	(4 086)	(475)	-
– Transfers to/(from) stage 2	1 711	603	(853)	(1 058)	(46)	-
Transfers into stage 2	10 563	5 958	860	2 870	346	-
Transfers out of stage 2	(8 852)	(5 355)	(1 713)	(3 928)	(392)	-
– Transfers to/(from) stage 3	734	585	1 481	3 028	136	-
Transfers into stage 3	3 905	2 726	1 713	3 632	732	-
Transfers out of stage 3	(3 171)	(2 141)	(232)	(604)	(596)	-
Current year movement	17 617	1 752	3 618	5 880	759	-
New business – changes in exposure	44 607	36 304	3 239	23 066	642	-
Back book – current year movement	(26 990)	(34 552)	379	(17 186)	117	-
– Exposures with a change in measurement basis from 12 months to LECL	(1 486)	(3 122)	74	(1 648)	243	-
– Other current year change in exposure/net movement on GCA	(25 504)	(31 430)	305	(15 538)	(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	(469)	(2 412)	(1 970)	(5 738)	(1 329)	-
Modifications that did not give rise to derecognition	(48)	(88)	(76)	(427)	(45)	-
GCA as at 30 June 2022	242 757	99 354	32 821	46 623	7 907	-
– Stage 1	211 306	82 088	26 914	32 510	6 045	(2 688)
– Stage 2	19 649	11 063	2 229	7 149	586	2 688
– Stage 3	11 802	6 203	3 678	6 964	1 276	-
– Purchased or originated credit impaired	-	-	-	-	-	-
Core lending advances	242 757	99 354	32 821	46 623	7 907	-
Assets under repurchase agreements	-	-	-	-	-	-
Total GCA of advances at 30 June 2022	242 757	99 354	32 821	46 623	7 907	-

* *Restated. Refer to Note 38.2 – Impact due to movements in the classes of advances.*

Corporate and commercial						UK operations		
FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Broader Africa	Centre (including Group Treasury)	Retail	Commercial	Total
97 001	-	41 015	248 091	60 133	35 428	221 188	62 428	1 177 722
83 139	(99)	35 561	219 427	49 929	35 428	198 513	53 163	1 009 147
8 064	99	4 060	25 170	6 677	-	15 803	7 169	108 055
5 798	-	1 394	2 678	3 527	-	6 872	2 096	59 704
-	-	-	816	-	-	-	-	816
-	-	-	-	-	-	-	-	-
(1 222)	-	89	(515)	(138)	-	(4 107)	434	(11 780)
5 103	-	2 728	2 480	1 879	-	7 252	4 193	39 406
(6 325)	-	(2 639)	(2 995)	(2 017)	-	(11 359)	(3 759)	(51 186)
(564)	-	(198)	(248)	(92)	-	2 781	139	2 175
5 515	-	2 505	3 433	1 879	-	10 480	3 781	48 190
(6 079)	-	(2 703)	(3 681)	(1 971)	-	(7 699)	(3 642)	(46 015)
1 786	-	109	763	230	-	1 326	(573)	9 605
1 900	-	418	1 300	464	-	2 104	377	19 271
(114)	-	(309)	(537)	(234)	-	(778)	(950)	(9 666)
12 245	-	4 319	33 807	6 513	11 819	8 179	9 551	116 059
18 177	-	25 287	84 372	16 657	1 863	82 631	29 610	366 455
(5 932)	-	(20 968)	(50 482)	(10 144)	9 956	(74 452)	(20 059)	(250 313)
(544)	-	(1 291)	(4 577)	37	-	(5 205)	(2 828)	(20 347)
(5 388)	-	(19 677)	(45 905)	(10 181)	9 956	(69 247)	(17 231)	(229 966)
-	-	-	(83)	-	-	-	-	(83)
-	-	-	(1 614)	-	-	(93)	-	(1 707)
-	-	-	-	-	-	-	-	-
-	-	-	-	115	-	-	-	115
-	-	-	3 983	1 370	24	2 457	602	8 436
(1 540)	-	(206)	(126)	(913)	-	(294)	(172)	(15 169)
5	-	-	-	-	-	-	-	(679)
107 711	-	45 128	284 141	67 218	47 271	231 437	72 409	1 284 777
95 656	(130)	39 417	259 862	58 053	47 271	203 370	65 183	1 124 857
7 428	130	4 808	20 974	5 847	-	21 102	6 263	109 916
4 627	-	903	2 572	3 318	-	6 965	963	49 271
-	-	-	733	-	-	-	-	733
107 711	-	45 128	283 472	67 218	23 871	231 437	72 409	1 260 708
–	–	–	669	–	23 400	–	–	24 069
107 711	–	45 128	284 141	67 218	47 271	231 437	72 409	1 284 777

11 ADVANCES continued

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

	Retail secured		Retail unsecured			Retail secured and unsecured
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans*	Retail other*	Temporary stress scenario
ECL reported as at 1 July 2021	4 304	5 850	4 683	10 036	1 713	335
– Stage 1	646	743	861	2 043	286	131
– Stage 2	841	1 081	654	2 001	296	160
– Stage 3	2 817	4 026	3 168	5 992	1 131	44
– Purchased or originated credit impaired	-	-	-	-	-	-
Transfers between stages	-	-	-	-	-	-
– Transfers to/(from) stage 1	192	238	130	(1)	13	-
Transfers into stage 1	235	292	209	301	47	-
Transfers out of stage 1	(43)	(54)	(79)	(302)	(34)	-
– Transfers to/(from) stage 2	(67)	(187)	(292)	(729)	35	-
Transfers into stage 2	228	216	64	363	73	-
Transfers out of stage 2	(295)	(403)	(356)	(1 092)	(38)	-
– Transfers to/(from) stage 3	(125)	(51)	162	730	(48)	-
Transfers into stage 3	160	203	283	937	143	-
Transfers out of stage 3	(285)	(254)	(121)	(207)	(191)	-
Current year provision created/(released)	249	1 958	1 648	4 383	1 201	(18)
New business – impairment charge/(release)	347	748	194	2 577	60	-
Back book – impairment charge/(release)	(98)	1 210	1 454	1 806	1 141	(18)
– Exposures with a change in measurement basis from 12 months to LECL	21	(257)	231	(98)	54	-
– Other current year impairment charge/(release)	(119)	1 467	1 223	1 904	1 087	(18)
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	(469)	(2 412)	(1 970)	(5 738)	(1 329)	-
ECL as at 30 June 2022	4 084	5 396	4 361	8 681	1 585	317
– Stage 1	609	802	1 130	2 065	385	156
– Stage 2	939	1 344	620	1 727	147	161
– Stage 3	2 536	3 250	2 611	4 889	1 053	-
– Purchased or originated credit impaired	-	-	-	-	-	-
Current year provision created/(released) per impairment stage	249	1 958	1 648	4 383	1 201	(18)
– Stage 1	(230)	(177)	140	25	83	25
– Stage 2	166	451	257	454	(184)	1
– Stage 3	313	1 684	1 251	3 904	1 302	(44)
– Purchased or originated credit impaired	-	-	-	-	-	-

* *Restated. Refer to Note 38.2 – Impact due to movements in the classes of advances.*

Corporate and commercial						UK operations		
FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Broader Africa	Centre (including Group Treasury)	Retail	Commercial	Total
5 761	148	956	6 510	3 901	512	3 571	1 332	49 612
944	124	197	1 636	992	360	805	415	10 183
1 438	24	208	3 285	941	152	685	288	12 054
3 379	-	551	1 499	1 968	-	2 081	629	27 285
-	-	-	90	-	-	-	-	90
-	-	-	-	-	-	-	-	-
192	-	149	94	41	-	57	241	1 346
332	-	169	128	110	-	117	260	2 200
(140)	-	(20)	(34)	(69)	-	(60)	(19)	(854)
(359)	-	(97)	(180)	(16)	-	(87)	(14)	(1 993)
127	-	38	31	104	-	87	83	1 414
(486)	-	(135)	(211)	(120)	-	(174)	(97)	(3 407)
167	-	(52)	86	(25)	-	30	(227)	647
255	-	21	128	40	-	109	11	2 290
(88)	-	(73)	(42)	(65)	-	(79)	(238)	(1 643)
1 016	(93)	45	(837)	641	(2)	1 475	(57)	11 609
187	-	234	695	307	(3)	1 072	263	6 681
829	(93)	(189)	(1 525)	334	1	403	(320)	4 935
230	-	(105)	(166)	6	1	(96)	(58)	(237)
599	(93)	(84)	(1 359)	328	-	499	(262)	5 172
-	-	-	(7)	-	-	-	-	(7)
(3)	-	-	(39)	-	-	(212)	-	(254)
-	-	-	-	-	-	-	-	-
-	-	-	-	9	-	-	-	9
-	-	-	68	218	-	25	18	329
(1 540)	-	(206)	(126)	(913)	-	(294)	(172)	(15 169)
5 234	55	795	5 576	3 856	510	4 565	1 121	46 136
1 030	23	186	1 200	1 035	361	1 271	529	10 782
1 059	32	193	2 420	876	149	746	182	10 595
3 145	-	416	1 873	1 945	-	2 548	410	24 676
-	-	-	83	-	-	-	-	83
1 016	(93)	45	(837)	641	(2)	1 475	(57)	11 609
(103)	(101)	(161)	(546)	(65)	(2)	406	(138)	(844)
(21)	8	82	(694)	(129)	-	143	(97)	437
1 140	-	124	410	835	-	926	178	12 023
-	-	-	(7)	-	-	-	-	(7)

11 ADVANCES continued

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

Fair value – 30 June 2022

R million	FNB commercial	RMB corporate and investment banking	Broader Africa	Centre (including Group Treasury)	Total
GCA reported as at 1 July 2021	91	95 217	220	802	96 330
– Stage 1	91	91 912	47	751	92 801
– Stage 2	-	3 119	173	51	3 343
– Stage 3	-	104	-	-	104
– 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	557	(191)	(775)	(388)
New business – changes in exposure	-	17 428	-	(520)	16 908
Back book – current year movement	21	(16 872)	(191)	(255)	(17 297)
– Exposures with a change in measurement basis from 12 months to LECL	-	(361)	(173)	-	(534)
– Other current year change in exposure/ net movement on GCA	21	(16 511)	(18)	(255)	(16 763)
Purchased or originated credit impaired	-	1	-	-	1
Acquisition/(disposal) of advances	-	-	-	458	458
Transfers from/(to) other divisions	-	-	-	-	-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-	- -
Exchange rate differences	-	881	-	-	881
Bad debts written off	-	-	-	-	-
GCA as at 30 June 2022	112	96 655	29	485	97 281
– Stage 1	112	93 082	29	442	93 665
– Stage 2	-	2 691	-	43	2 734
– Stage 3	-	799	-	-	799
– Purchased or originated credit impaired	-	83	-	-	83
Core lending advances	112	50 107	29	485	50 733
Assets under repurchase agreements	-	46 548	-	-	46 548
Total GCA of advances at 30 June 2022	112	96 655	29	485	97 281

11 ADVANCES continued

11.5.8 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	Broader Africa	Centre (including Group Treasury)	Total
ECL reported as at 1 July 2021	-	895	-	111	1 006
– Stage 1	-	164	-	104	268
– Stage 2	-	630	-	7	637
– Stage 3	-	19	-	-	19
– 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	545	-	(7)	541
New business – impairment charge/(release)	-	716	-	-	716
Back book – impairment charge/(release)	3	(171)	-	(7)	(175)
– Exposures with a change in measurement basis from 12 months to LECL	-	(31)	-	-	(31)
– Other current year impairment charge/(release)	3	(140)	-	(7)	(144)
Purchased or originated credit impaired	-	-	-	-	-
Acquisition/(disposal) of advances	-	-	-	3	3
Transfers from/(to) other divisions	-	-	-	-	-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-	-
Exchange rate differences	-	48	-	-	48
Bad debts written off	-	-	-	-	-
ECL as at 30 June 2022	3	1 488	-	107	1 598
– Stage 1	3	276	-	102	381
– Stage 2	-	649	-	5	654
– Stage 3	-	481	-	-	481
– Purchased or originated credit impaired	-	82	-	-	82
Current year provision created/(released) per impairment stage	3	545	-	(7)	541
– Stage 1	3	105	-	(5)	103
– Stage 2	-	(21)	-	(2)	(23)
– Stage 3	-	461	-	-	461
– Purchased or originated credit impaired	-	-	-	-	-

11 ADVANCES continued

11.6 Analysis of the gross advances and loss allowance on total advances per class continued

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	-	(13)	13	-	-
Total retail secured	-	(2 367)	2 367	-	-
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	-	(2 688)	2 688	-	-
FNB commercial	-	(130)	130	-	-
Total temporary stress scenario impact	-	(2 818)	2 818	-	-

2022				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
142	64	78	-	-
46	24	23	(1)	-
188	88	101	(1)	-
58	29	29	-	-
52	31	21	-	-
51	31	20	-	-
1	-	1	-	-
19	8	10	1	-
129	68	60	1	-
317	156	161	-	-
55	23	32	-	-
372	179	193	-	-

11 ADVANCES continued

11.7 Modified advances measured at amortised cost

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

	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	1 279	(282)	997	(54)
Total retail secured	12 891	(419)	12 472	(155)
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	16 424	(1 688)	14 736	(646)

* *Restated. Refer to Note 38.2 – 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 R341 million (2022: R563 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)
	1 157	(189)	968	(88)
	1 866	(263)	1 603	(136)
	516	(263)	253	(76)
	2 442	(911)	1 531	(462)
	192	(92)	100	(10)
	3 150	(1 266)	1 884	(548)
	257	(32)	225	5
	5 273	(1 561)	3 712	(679)

12 IMPAIRMENT OF ADVANCES

12.1 Analysis of the loss allowance closing balance

	2023				
	Loss allowance				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Amount as at 30 June 2023	**51 072**	**12 779**	**12 255**	**25 793**	**245**
Amortised cost	**49 746**	**12 429**	**11 768**	**25 304**	**245**
Fair value	**1 326**	**350**	**487**	**489**	**-**
Included in the total loss allowance					
– On- and off-balance sheet exposure*	**50 848**	**12 662**	**12 157**	**25 784**	**245**
– Letters of credit and guarantees	**224**	**117**	**98**	**9**	**-**
Components of total loss allowance as at 30 June 2023					
– Forward-looking information**	**3 640**	**1 571**	**1 668**	**401**	**-**
– Model update#	**(534)**	**477**	**(69)**	**(942)**	**-**
	2022				
Amount as at 30 June 2022	47 734	11 163	11 249	25 157	165
Amortised cost	46 136	10 782	10 595	24 676	83
Fair value	1 598	381	654	481	82
Included in the total loss allowance					
– On- and off-balance sheet exposure*	47 517	11 061	11 146	25 145	165
– Letters of credit and guarantees	217	102	103	12	-
Components of total loss allowance as at 30 June 2022					
– Forward-looking information**	2 697	1 059	1 421	217	-
– Model update#	422	(120)	377	165	-

* *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 macro economic information into the ECL calculations. For more detail on the process of incorporating FLI into the ECL calculation refer to the accounting policy note 9.4.*

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

12 IMPAIRMENT OF ADVANCES continued

12.2 Breakdown of ECL created in the reporting period

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

	2023				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Current year ECL provided	**15 586**	**156**	**3 143**	**12 091**	**196**
Interest suspended on stage 3 advances	**(2 850)**	**-**	**-**	**(2 847)**	**(3)**
Current year change in ECL provided after interest suspended on stage 3 advances	**12 736**	**156**	**3 143**	**9 244**	**193**
Post write-off recoveries	**(2 457)**	**-**	**-**	**(2 457)**	**-**
Modification losses	**670**	**24**	**75**	**571**	**-**
Impairment recognised in the income statement – 30 June 2023	**10 949**	**180**	**3 218**	**7 358**	**193**
Amortised cost	**11 151**	**400**	**3 258**	**7 300**	**193**
Fair value*	**(202)**	**(220)**	**(40)**	**58**	**-**
	2022				
Current year ECL provided	12 150	(740)	416	12 481	(7)
Interest suspended on stage 3 advances	(2 993)	-	-	(2 993)	-
Current year change in ECL provided after interest suspended on stage 3 advances	9 157	(740)	416	9 488	(7)
Post write-off recoveries	(2 756)	-	-	(2 756)	-
Modification losses	679	-	118	561	-
Impairment recognised in the income statement – 30 June 2022	7 080	(740)	534	7 293	(7)
Amortised cost	6 539	(843)	555	6 834	(7)
Fair value*	541	103	(21)	459	-

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

12 IMPAIRMENT OF ADVANCES

12.2 Breakdown of ECL created in the reporting period continued

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

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

Income statement component	Definition and key drivers
Volume change in stage 1	This represents 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 and, loans commencing in the period in stage 1 subsequently written off or curing.
Change in stage 1 coverage	This represents the change in the impairment on stage 1 core lending advances due to a change in the coverage ratio for stage 1 advances. This is calculated as the GCA of stage 1 advances at the current year end multiplied by the difference in the current year and prior year stage 1 coverage ratio.
Volume change in stage 2	This represents 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 gross carrying amount of stage 2 advances at the current year end multiplied by the difference in the current year and prior year stage 2 coverage ratio.
Change in stage 3 provisions (NPLs)	This represents the change in the impairment on stage 3 core lending advances due to a change in the coverage ratio and volume changes due to loans commencing in the period in stage 3 subsequently written off or curing.

12 IMPAIRMENT OF ADVANCES continued

12.2 Breakdown of ECL created in the reporting period continued

Income statement component	Definition 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).

12 IMPAIRMENT OF ADVANCES continued

12.2 Breakdown of ECL created in the reporting period continued

12.2.3 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	**114**	**(98)**	**285**	**387**	**688**
Total retail unsecured	**278**	**(314)**	**341**	**(12)**	**293**
Temporary stress scenario	**(156)**	**-**	**(161)**	**-**	**(317)**
Total retail secured and unsecured	**236**	**(412)**	**465**	**375**	**664**
Total FNB commercial	**47**	**(145)**	**143**	**(21)**	**24**
– FNB commercial	**70**	**(145)**	**175**	**(21)**	**79**
– Temporary stress scenario	**(23)**	**-**	**(32)**	**-**	**(55)**
WesBank corporate	**48**	**(6)**	**(54)**	**(28)**	**(40)**
RMB corporate and investment banking	**405**	**(252)**	**(47)**	**(103)**	**3**
Total corporate and commercial	**500**	**(403)**	**42**	**(152)**	**(13)**
Broader Africa	**124**	**126**	**236**	**(304)**	**182**
Centre (including Group Treasury)	**83**	**(172)**	**-**	**1**	**(88)**
UK operations	**432**	**1 102**	**94**	**249**	**1 877**
Total	**1 375**	**241**	**837**	**169**	**2 622**
	2022				
Total retail secured	93	(71)	58	303	383
Total retail unsecured#	224	166	(342)	(115)	(67)
Temporary stress scenario	130	(105)	137	(136)	26
Total retail secured and unsecured	447	(10)	(147)	52	342
Total FNB commercial	159	(171)	(105)	(266)	(383)
– FNB commercial	120	(31)	(113)	(266)	(290)
– Temporary stress scenario	39	(140)	8	-	(93)
WesBank corporate	21	(32)	38	(53)	(26)
RMB corporate and investment banking	389	(713)	(226)	(620)	(1 170)
Total corporate and commercial	569	(916)	(293)	(939)	(1 579)
Broader Africa	129	(86)	(124)	59	(22)
Centre (including Group Treasury)	(335)	334	(25)	20	(6)
UK operations	207	373	439	(484)	535
Total	1 017	(305)	(150)	(1 292)	(730)

* *New sub-total not previously presented.*
** *Previously presented in gross write-off and other.*
\# *Refer to note 38.2 – 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
	50	**738**	**2 144**	**2 882**	**179**	**(455)**	**(438)**	**2 168**
	384	**677**	**7 349**	**8 026**	**496**	**(1 618)**	**(1 327)**	**5 577**
	-	**(317)**	**-**	**(317)**	**-**	**-**	**-**	**(317)**
	434	**1 098**	**9 493**	**10 591**	**675**	**(2 073)**	**(1 765)**	**7 428**
	(313)	**(289)**	**1 563**	**1 274**	**(5)**	**(464)**	**(190)**	**615**
	(313)	**(234)**	**1 563**	**1 329**	**(5)**	**(464)**	**(190)**	**670**
	-	**(55)**	**-**	**(55)**	**-**	**-**	**-**	**(55)**
	(22)	**(62)**	**178**	**116**	**-**	**(23)**	**(35)**	**58**
	(599)	**(596)**	**1 105**	**509**	**-**	**(40)**	**(42)**	**427**
	(934)	**(947)**	**2 846**	**1 899**	**(5)**	**(527)**	**(267)**	**1 100**
	102	**284**	**644**	**928**	**-**	**(201)**	**(232)**	**495**
	19	**(69)**	**69**	**-**	**-**	**-**	**-**	**-**
	1 095	**2 972**	**(804)**	**2 168**	**-**	**(49)**	**(193)**	**1 926**
	716	**3 338**	**12 248**	**15 586**	**670**	**(2 850)**	**(2 457)**	**10 949**
	2022							
	(1 057)	(674)	2 882	2 208	136	(468)	(415)	1 461
	(1 738)	(1 805)	9 038	7 233	547	(1 764)	(1 653)	4 363
	(44)	(18)	-	(18)	-	-	-	(18)
	(2 839)	(2 497)	11 920	9 423	683	(2 232)	(2 068)	5 806
	(234)	(617)	1 539	922	(4)	(450)	(114)	354
	(234)	(524)	1 539	1 015	(4)	(450)	(114)	447
	-	(93)	-	(93)	-	-	-	(93)
	(135)	(161)	206	45	-	(10)	(23)	12
	829	(341)	47	(294)	-	(116)	(10)	(420)
	460	(1 119)	1 792	673	(4)	(576)	(147)	(54)
	(23)	(45)	686	641	-	(167)	(299)	175
	-	(6)	(1)	(7)	-	-	-	(7)
	248	783	637	1 420	-	(18)	(242)	1 160
	(2 154)	(2 884)	15 034	12 150	679	(2 993)	(2 756)	7 080

13 OTHER ASSETS

R million	2023	2022*
Items in transit	**3 363**	2 067
Interest and commission accrued	**33**	23
Prepayments	**2 783**	2 246
Properties in possession	**72**	99
Sundry debtors	**1 646**	1 317
Fair value hedge liability**	**(10 007)**	(4 282)
Dividends receivable	**481**	306
– Profit share receivable on insurance cells	**393**	206
– Other dividends receivable	**88**	100
Variation margin	**827**	807
Accounts receivable	**5 028**	2 510
Total gross carrying amount of other assets	**4 226**	5 093
– Financial	**9 215**	6 544
– Loss allowance on other financial assets#	**(466)**	(329)
– Non-financial	**(4 989)**	(1 451)
Total other assets	**3 760**	4 764

* *Restated. Refer to accounting policy note 10.1 for restatement of other assets and creditors, accruals and provisions and Note 38 Impact of changes in presentation.*

** *The balance reflected relates to the fair value of the interest rate risk component of the hedged items designated in the group's fair value macro hedge accounting relationship.*

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

14 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

	2023	2022		
R million	**Total**	Total	Tanzania	Other
ASSETS				
Cash and cash equivalents*	**-**	552	552	-
Advances*	**829**	104	104	-
Impairment of advances	**(36)**	-	-	-
Other assets	**-**	3	3	-
Investment in associates	**566**	842	-	842
Total assets classified as a disposal group held for sale	**1 359**	1 501	659	842
LIABILITIES				
Creditors, accruals and provisions*	**-**	16	16	-
Deposits*	**-**	596	596	-
Other liabilities*	**-**	212	212	-
Total liabilities classified as a disposal group held for sale	**-**	824	824	-
Net assets of disposal group held for sale	**1 359**	677	(165)	842

* *Carrying amount approximates fair value.*

14.1 Tanzania disposal group held for sale

The group took a decision to dispose of its operations in Tanzania in a prior year. The operations were conducted through FNB Tanzania and formed part of the broader Africa geographical segment. The group concluded the sale of the disposal group within FNB Tanzania with an effective date of 7 July 2022. An impairment loss was recognised in operating expenses in the prior year for the write-down of the disposal group to its fair value less cost to sell (see note 3).

14.2 Investment in associate held for sale

The group entered into an agreement to dispose of its 39.23% interest in an associate (Studio 88) to Mr Price Limited in the previous year. The deal was concluded in October 2022. (Refer to note 2.4)

In the current year, the group agreed to a share-buy-back initiated by the parent of one of its associates. The completion of the share-buy-back is expected to be finalised in October 2023.

The carrying amount of the investment in associate is less than the fair value less cost to sell as per the agreement.

14.3 Advances

The group entered into an agreement to sell its working capital finance loan portfolio held in Aldermore. The sale was completed in July 2023 for a consideration equal to the carrying amount of the loan portfolio.

15 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS

R million	Notes	2023	2022
Policyholder liabilities under insurance contracts	15.1	**1 748**	2 028
Policyholder liabilities under investment contracts	15.2	**6 383**	5 396
Total gross policyholder liabilities		**8 131**	7 424
Reinsurance assets	15.1	**(554)**	(583)
Total net policyholder liabilities		**7 577**	6 841

15.1 Policyholder liabilities under insurance contracts and reinsurance assets

R million	Notes	Gross	Reinsurance asset	Net
		2023		
Short-term insurance contracts		**698**	**(227)**	**471**
Claims outstanding and claims incurred but not reported	15.1.1	**657**	**(226)**	**431**
Unearned premiums	15.1.2	**41**	**(1)**	**40**
Long-term insurance contracts	15.1.3	**1 050**	**(327)**	**723**
Total policyholder liabilities under insurance contracts and reinsurance assets		**1 748**	**(554)**	**1 194**
		2022		
Short-term insurance contracts		616	(175)	441
Claims outstanding and claims incurred but not reported	15.1.1	576	(172)	404
Unearned premiums	15.1.2	40	(3)	37
Long-term insurance contracts	15.1.3	1 412	(408)	1 004
Total policyholder liabilities under insurance contracts and reinsurance assets		2 028	(583)	1 445

15.1.1 Reconciliation of outstanding claims, claims incurred but not reported and similar items

R million	Gross	Reinsurance asset	Net
	2023		
Opening balance	**576**	**(172)**	**404**
Increase/(decrease) in current year claims outstanding	**166**	**(84)**	**82**
Increase/(decrease) from prior year claims	**(30)**	**20**	**(10)**
Claims settled in the year	**(57)**	**10**	**(47)**
Exchange rate differences	**2**	**-**	**2**
Closing balance	**657**	**(226)**	**431**
	2022		
Opening balance	431	(98)	333
Increase/(decrease) in current year claims	250	(138)	112
Increase/(decrease) from prior year claims	15	(11)	4
Claims settled in the year	(120)	75	(45)
Closing balance	576	(172)	404

15 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS continued

15.1.2 Reconciliation of unearned premiums and similar items

R million	Gross	Reinsurance asset	Net
	2023		
Opening balance	**40**	**(3)**	**37**
Increase/(decrease) in unearned premiums and similar items	**1**	**2**	**3**
Closing balance	**41**	**(1)**	**40**
	2022		
Opening balance	35	-	35
Increase/(decrease) in unearned premiums and similar items	5	(3)	2
Closing balance	40	(3)	37

15.1.3 Reconciliation of gross long-term insurance contracts

R million	Gross	Reinsurance asset	Net
	2023		
Opening balance	**1 412**	**(408)**	**1 004**
Transfer (to)/from policyholder liabilities	**(362)**	**81**	**(281)**
– Claims incurred but not yet reported	**(88)**	**23**	**(65)**
– Outstanding claims	**(274)**	**58**	**(216)**
Closing balance	**1 050**	**(327)**	**723**
	2022		
Opening balance	1 545	(289)	1 256
Transfer to policyholder liabilities	(133)	(119)	(252)
– Claims incurred but not yet reported	(161)	10	(151)
– Outstanding claims	28	(129)	(101)
Closing balance	1 412	(408)	1 004

15.2 Policyholder liabilities under investment contracts

R million	2023	2022
Opening balance	**5 396**	5 378
Premiums received	**1 062**	605
Fees deducted from account balances	**(48)**	(48)
Policyholder benefits on investment contracts	**(708)**	(647)
Fair value adjustments recognised in fair value	**681**	108
Closing balance	**6 383**	5 396

16 INVESTMENTS IN ASSOCIATES

R million	2023	2022
Analysis of the carrying value of associates		
Shares at cost less impairment	**6 932**	4 869
Share of post-acquisition reserves	**3 468**	3 309
Total investments in associates	**10 400**	8 178
Movement in the carrying value of associates		
Opening balance	**8 178**	8 644
Share of profit of associates after tax	**332**	895
– Income before tax for the year	**1 318**	1 332
– Net impairments of associates (incurred)/reversed	**(611)**	25
– Tax for the year	**(375)**	(462)
Net movement resulting from acquisitions, disposals and transfers	**2 360**	(943)
– Acquisition of associates	**2 831**	281
– Cash consideration	**1 110**	236
– Non-cash consideration	**1 721**	45
– Disposal of associates	**(1)**	(382)
– Transfer to non-current assets and disposal groups held for sale	**(470)**	(842)
Movement in other reserves	**(4)**	9
Exchange rate differences	**21**	1
Dividends received for the year	**(487)**	(428)
Closing balance	**10 400**	8 178

During the current year R64 million (2022: R47 million) in losses were not recognised. The cumulative share of losses from associates not recognised is R478 million (2022: R537 million).

The group has no exposure to contingent liabilities as a result of its relationships with associates.

16 INVESTMENTS IN ASSOCIATES continued

Financial information of significant associates

	Toyota Financial Services Proprietary Limited		Primedia Holdings Proprietary Limited		Volkswagen Financial Services SA Proprietary Limited	
Nature of business	Vehicle finance		Broadcasting		Vehicle finance	
Place of business	South Africa		South Africa		South Africa	
% ownership	33		22		49	
% voting rights	33		22		49	
R million	**2023**	2022	**2023**	2022	**2023**	2022
Amounts recognised in profit or loss and other comprehensive income of the investee						
Dividends received	**139**	97	**-**	-	**-**	-
Revenue	**1 874**	3 933	**1 954**	1 732	**1 694**	3 396
Profit or loss from continuing operations after tax	**410**	710	**194**	(976)	**194**	354
Total comprehensive income/(loss)	**410**	710	**194**	(976)	**194**	354
Amounts recognised on the statement of financial position of the investee						
Total assets	**46 086**	39 677	**4 563**	4 468	**36 221**	35 781
– Current assets	**13 672**	12 113	**676**	734	**18 129**	16 972
– Non-current assets	**32 414**	27 564	**3 887**	3 734	**18 092**	18 809
Total liabilities	**(41 313)**	(35 033)	**(2 931)**	(3 022)	**(33 495)**	(33 250)
– Current liabilities	**(13 756)**	(11 302)	**(726)**	(2 602)	**(14 361)**	(14 881)
– Non-current liabilities	**(27 557)**	(23 731)	**(2 205)**	(420)	**(19 134)**	(18 369)
Net asset value	**4 773**	4 644	**1 632**	1 446	**2 726**	2 531
Group's share of net asset value	**1 575**	1 533	**359**	318	**1 336**	1 240
Other adjustments to net asset value	**(142)**	(110)	**(259)**	(218)	**37**	61
Carrying value of investments	**1 433**	1 423	**100**	100	**1 373**	1 301
Acquisitions of associates						
Total consideration transferred	**-**	-	**-**	-	**-**	-
– Discharged by cash	**-**	-	**-**	-	**-**	-

16 INVESTMENTS IN ASSOCIATES continued

Financial information of individually immaterial associates

	RMB private equity associates		Other individually immaterial associates	
R million	**2023**	2022	**2023**	2022
Carrying amount	**4 216**	3 281	**3 278**	2 073
Group's share of profit or loss after tax from continuing operations	**219**	635	**(107)**	30
Group's share of other comprehensive loss	**8**	(5)	**-**	(1)
Group's share of total comprehensive income/(loss)	**227**	630	**(107)**	29
Acquisitions of associates				
Acquisition date	**Various**	Various	**Various**	Various
Interest acquired (%)	**Various**	Various	**Various**	Various
Total consideration transferred	**960**	179	**1 871**	102
– Discharged by cash	**839**	179	**271**	57
– Non-cash consideration and other purchases	**121**	-	**1 600**	45
Disposal of associates				
Disposal date	**Various**	Various	**Various**	Various
Interest disposed (%)	**Various**	Various	**Various**	Various
Total consideration received	**38**	8	**-**	334
– Discharged by cash	**38**	1	**-**	-
– Non-cash consideration and other purchases	**-**	7	**-**	334
Carrying value of the associate on disposal	**(1)**	(8)	**-**	(374)
Gains/(loss) on disposal of associates	**37**	-	**-**	(40)

Significant acquisition, disposal and impairment of associates 2023

Impairment of associates

In the current year, a private equity investee company implemented a debt-to-equity restructure. As a result, a portion of the investee's loan was converted to equity while the other was settled according to the contractual terms of the loan. A gain of R715 million was recognised in investment income relating to the portion of the loan that was converted to equity (refer note 2.4) . The portion of the advance settled resulted in R105 million release in impairment on amortised cost advances, with the majority of the loan being written off of R716 million (refer to note 2.4). The impairment of the equity portion resulting from the restructure amounted to R650 million in joint ventures and R149 million in associates.The net earnings impact of this transaction is zero.

The remaining impairment recognised relates to the group's investment in private equity associates and other individually immaterial associates, evidencing continued weakening macro economic conditions in South Africa due to rising interest rates, elevated inflation, a weakening Rand and power shortages. The carrying value of these investments are based on their fair value less costs to sell and was determined using an earnings multiple approach with the key assumptions being the earnings multiples and sustainable earnings. The fair value less costs to sell is level 3 of the fair value hierarchy.

Reclassification of investment in associates to non-current assets held for sale

The group's investment in a associate was reclassified to non-current asset held for sale. This investment forms part of the FNB segment. Refer to note 14 for more detail.

16 INVESTMENTS IN ASSOCIATES continued

Significant acquisition, disposal and impairment of associates 2022

Disposal of associates

Gains and losses related to the disposal of associates that are private equity in nature are included in headline earnings. An associate is private equity in nature if the investment is acquired with the main objective of realizing a return on investment through dividends and capital profit on sale of the investment and where management is involved as directors in taking an active role in helping build and develop the associate. In the prior year, losses of R40 million included under other individually immaterial associates arose from associates of a private equity nature.

Impairment and impairment reversal in associates

The net reversal of impairment of R25 million is driven by a reversal of an impairment in an investment in associate of R115 million and impairments of R90 million arising from other associates. Impairments arose due to continued economic stress from local disruptions arising from unrests, the KZN floods and loadshedding, as well as the impact of global inflationary supply shock. In determining these investments' fair value less cost to sell, which is level 3 in the fair value hierarchy, earnings multiples and sustainable earnings determined by management were used.

Reclassification of investment in associates to non-current assets held for sale

The group's investment in a RMB private equity associate (Studio 88), a leading independent retailer of branded leisure, lifestyle and sporting apparel and footwear, was reclassified to non-current asset held for sale. This investment forms part of the RMB segment. Refer to note 14 for more detail.

17 INVESTMENTS IN JOINT VENTURES

R million	**2023**	2022
Analysis of carrying value of joint ventures		
Shares at cost less impairment	**454**	578
Share of post-acquisition reserves	**2 651**	2 040
Carrying value of investments in joint ventures	**3 105**	2 618
Movement in the carrying value of joint ventures		
Opening balance	**2 618**	2 116
Share of profit of joint ventures after tax	**155**	596
– Income before tax for the year	**905**	804
– Net impairments of joint ventures reversed/(incurred)	**(650)**	(119)
– Tax for the year	**(100)**	(89)
Net movement resulting from acquisitions and disposals	**639**	99
– Acquisition of joint ventures	**706**	99
– Disposal of joint ventures	**(67)**	-
Movement in other reserves	**1**	4
Dividends received for the year	**(308)**	(197)
Closing balance	**3 105**	2 618

17 INVESTMENTS IN JOINT VENTURES continued

Financial information of significant joint ventures

	RMB Morgan Stanley	
Nature of business	Equity sales, trading and research	
Place of business	South Africa	
% ownership	50	
% voting rights	50	
R million	**2023**	2022
Amounts recognised in profit or loss and other comprehensive income of the investee		
Dividends received	**77**	77
Revenue	**995**	1 009
Profit or loss from continuing operations after tax	**303**	328
Total comprehensive income	**303**	328
Amounts recognised in the statement of financial position of the investee		
Total assets	**22 908**	29 914
– Current assets	**21 800**	29 035
– Non-current assets	**1 108**	879
Total liabilities	**(21 365)**	(28 519)
– Current financial liabilities	**(14 825)**	(23 614)
– Current non-financial liabilities	**(5 425)**	(4 028)
– Non-current financial liabilities	**(1 045)**	(804)
– Non-current non-financial liabilities	**(70)**	(73)
Net asset value	**1 543**	1 395
Group's share of net asset value	**772**	698
Other adjustments to net asset value	**31**	37
Carrying value of investment	**803**	735
Included in total assets, liabilities and comprehensive income		
Cash and cash equivalents	**(2 635)**	(2 216)
Depreciation and amortisation	**(13)**	(11)
Interest income	**46**	29
Interest expense	**(757)**	(639)
Income tax	**(64)**	(82)

17 INVESTMENTS IN JOINT VENTURES continued

Financial information of individually immaterial joint ventures

	RMB private equity joint ventures		Other	
R million	**2023**	2022	**2023**	2022
Carrying amount	**2 032**	1 675	**270**	208
Group's share of profit or loss after tax from continuing operations	**(57)**	392	**67**	30
Group's share of other comprehensive income	**1**	4	**-**	-
Group's share of total comprehensive (loss)/income	**(56)**	396	**67**	30
Acquisition of joint ventures				
Acquisition date	**Various**	Various	**Various**	Various
Interest acquired (%)	**Various**	Various	**Various**	Various
Total consideration transferred	**671**	80	**35**	19
– Discharged by cash	**618**	73	**35**	19
– Non-cash consideration	**53**	7	**-**	-
Disposal of joint ventures				
Disposal date	**Various**	Various	**Various**	Various
Interest disposed of (%)	**Various**	Various	**Various**	Various
Total consideration received	**67**	-	**-**	40
– Discharged by cash	**67**	-	**-**	40
Carrying value of the joint venture on disposal date	**(67)**	-	**-**	-
Gain on disposal of joint ventures	**-**	-	**-**	40

Gains and losses related to the disposal of joint ventures that are private equity in nature are included in headline earnings. A joint venture is private equity in nature if the investment is acquired with the main objective of realising a return on investment through dividends and capital profit on sale of the investment and where management is involved as directors in taking an active role in helping build and develop the joint venture. In the current year, gains of Rnil million (2022: R40 million) included under other arises from joint ventures of a private equity nature.

During the current year losses of R384 million (2022: R72 million) were not recognised as the balance of the investment in the joint venture was Rnil. The cumulative share of losses from joint ventures not recognised is R1 021 million (2022: R735 million). Impairments recognised for other joint ventures of R671 million relates to debt to equity restructure reflected in Note 16. A net reversal of impairment of R21 million was recognised in the current year. The carrying value of the investments are based on their fair value less cost to sell and was determined using an earnings multiple approach, with the key assumptions being the earnings multiples and sustainable earnings. The fair values less cost to sell is level 3 of the fair value hierarchy.

The group has exposure to contingent liabilities of R150 million (2022: R150 million) as a result of its relationships with its joint ventures.

18 PROPERTY AND EQUIPMENT

R million	Freehold property	Right of use property	Right of use equipment	Assets held under leasing agreements	Computer equipment	Other equipment	Total
Net book value at 1 July 2021	6 999	5 133	445	186	2 641	4 786	20 190
Cost	10 043	9 145	755	343	9 444	9 563	39 293
Accumulated depreciation	(3 044)	(4 012)	(310)	(157)	(6 803)	(4 777)	(19 103)
Movement for the year	(234)	(18)	13	(33)	204	(397)	(465)
Acquisitions*	141	1 058	209	37	1 429	1 225	4 099
Disposals	(47)	(9)	-	(8)	(114)	(440)	(618)
Acquisitions of subsidiaries	60	58	-	-	-	2	120
Exchange rate difference	40	26	-	(3)	22	1	86
Depreciation charge for the year	(316)	(1 141)	(182)	(59)	(1 133)	(1 165)	(3 996)
Impairments recognised	(112)	-	-	-	-	(20)	(132)
Early terminations/modification of leases	-	(10)	(14)	-	-	-	(24)
Net book value at 30 June 2022	**6 765**	**5 115**	**458**	**153**	**2 845**	**4 389**	**19 725**
Cost	**10 164**	**9 214**	**938**	**344**	**9 890**	**9 241**	**39 791**
Accumulated depreciation	**(3 399)**	**(4 099)**	**(480)**	**(191)**	**(7 045)**	**(4 852)**	**(20 066)**
Movement for the year	**29**	**580**	**(55)**	**(26)**	**632**	**270**	**1 430**
Acquisitions*	**440**	**1 610**	**155**	**18**	**1 835**	**1 774**	**5 832**
Disposals	**(75)**	**(29)**	**-**	**(5)**	**-**	**(374)**	**(483)**
Acquisitions of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exchange rate difference	**(16)**	**205**	**4**	**(6)**	**12**	**10**	**209**
Depreciation charge for the year	**(320)**	**(1 189)**	**(192)**	**(37)**	**(1 215)**	**(1 092)**	**(4 045)**
Impairments recognised	**-**	**(17)**	**-**	**-**	**-**	**(48)**	**(65)**
Early terminations/modification of leases	**-**	**-**	**(22)**	**-**	**-**	**-**	**(22)**
Impairments reversed	**-**	**-**	**-**	**4**	**-**	**-**	**4**
Net book value at 30 June 2023	**6 794**	**5 695**	**403**	**127**	**3 477**	**4 659**	**21 155**
Cost	**10 421**	**10 324**	**871**	**319**	**8 414**	**9 014**	**39 363**
Accumulated depreciation	**(3 627)**	**(4 629)**	**(468)**	**(192)**	**(4 937)**	**(4 355)**	**(18 208)**

* *Includes capitalised improvements to property leases of R663 million (2022: R433 million).*

19 INTANGIBLE ASSETS

R million	Goodwill	Broker relation-ship	Software and develop-ment costs	Trade-marks	Other	Total
Net book value as at 1 July 2021	7 726	1 324	646	58	178	9 932
Cost	8 603	2 602	2 269	259	479	14 212
Accumulated amortisation and impairment	(877)	(1 278)	(1 623)	(201)	(301)	(4 280)
Movement for the year	(4)	(431)	(3)	(11)	(24)	(473)
Acquisitions and capitalisations	-	-	402	-	7	409
Derecognised	-	-	(131)	-	-	(131)
Acquisitions of subsidiaries	2	-	-	-	73	75
Exchange rate differences	54	21	3	-	(9)	69
Amortisation for the year	-	(452)	(277)	(10)	(92)	(831)
Impairments recognised	(60)	-	-	(1)	(3)	(64)
Net book value as at 30 June 2022	**7 722**	**893**	**643**	**47**	**154**	**9 459**
Cost	**8 674**	**2 633**	**2 281**	**338**	**571**	**14 497**
Accumulated amortisation and impairment	**(952)**	**(1 740)**	**(1 638)**	**(291)**	**(417)**	**(5 038)**
Movement for the year	**924**	**(357)**	**275**	**(10)**	**(13)**	**819**
Acquisitions and capitalisations	**-**	**-**	**454**	**-**	**6**	**460**
Exchange rate differences	**1 266**	**120**	**-**	**-**	**(9)**	**1 377**
Amortisation for the year	**-**	**(477)**	**(179)**	**(10)**	**(10)**	**(676)**
Impairments recognised	**(342)**	**-**	**-**	**-**	**-**	**(342)**
Net book value as at 30 June 2023	**8 646**	**536**	**918**	**37**	**141**	**10 278**
Cost	**9 861**	**3 161**	**2 502**	**346**	**581**	**16 451**
Accumulated amortisation and impairment	**(1 215)**	**(2 625)**	**(1 584)**	**(309)**	**(440)**	**(6 173)**

Acquisitions

In the prior year, the group recognised the Slow Lounge brand in the FNB reportable segment for R73 million. There were no material acquisitions in the current year.

20 INVESTMENT PROPERTIES

R million	Notes	2023	2022
Opening balance		**698**	659
Fair value remeasurements	2.4	**(25)**	(19)
(Disposal)/acquisition of subsidiaries		**(320)**	58
Closing balance		**353**	698

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

R million	2023	2022
Rental income from investment property	**88**	81
Direct operating expenses on investment property that generated rental income	**43**	79

In the current and prior year the group has no contractual obligations to purchase, construct or develop investment property nor were there material costs incurred for repairs, maintenance and enhancements of investment property.

The latest valuation was performed during the 2023 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 34 for the significant inputs used to determine the fair value of investment properties.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS

R million	Notes	2023	2022
Liability for short-term employee benefits		**9 353**	8 656
Share-based payment liability (detailed in note 32)		**6 321**	3 901
Defined benefit post-employment liability	21.1	**1 335**	1 260
Other long-term employee benefit liability		**65**	45
Defined contribution post-employment liability	21.2	**-**	-
Total employee liabilities		**17 074**	13 862
Defined benefit post-employment asset	21.1	**(25)**	(35)
Net amount due to employees		**17 049**	13 827

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

21.1 Defined benefit post-employment liability

The group 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 group 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.

Nature of benefits	
Pension	**Medical**
The pension plan (FirstRand Retirement Fund) provides retired employees with a pension benefit after service. A separate account (the fund) has been established. The account holds assets that are used solely to pay pension benefits. For current pensioners the fund pays a pension to the members and a dependants' pension to the spouse and eligible children on death of the pensioner. There is also a small number of active members whose benefit entitlement will be determined on a defined benefit basis as prescribed by the rules of the fund. For this small number of defined benefit contributing members in the pension plan (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).	The medical scheme provides retired employees with medical benefits after service. The employer's post-employment healthcare liability consists of a commitment to pay a portion of the members' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member. Members employed on or after 1 December 1998 do not qualify for a post-employment medical subsidy.

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 group is liable to maintain the nominal value of pensions in payment. The fund also provides death, retrenchment and withdrawal benefits.	

Governance	
Pension	**Medical**
The pension plan is regulated by the Financial Sector Conduct Authority in South Africa. Responsibility for governance of the plans, including investment decisions, lies with the board of trustees. Contribution categories available to members are jointly determined by the group and board of trustees. The board of trustees must be composed of representatives of the group and plan participants in accordance with the plans' regulations. The board consists of four representatives of the group and four representatives of the plan participants in accordance with the plans' regulations. The trustees serve on the board for four years and may be re-elected a number of times. An external auditor performs an audit of the fund on an annual basis and such annual financial statements are submitted to the Registrar of Pension Funds (i.e. to the Financial Sector Conduct Authority). A full actuarial valuation of the pension fund is submitted to the Financial Sector Conduct Authority every three years. The 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 group. The group 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 group 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 group 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 group's ALM objective is to match assets to the pension obligations by investing in long-term fixed-interest securities with maturities that match the benefit payments as they fall due. The group actively monitors how the duration and expected yield of the investments match the expected cash outflows arising from the pension obligations. Investments are well diversified so that the failure of any single investment would not have a material impact on the overall level of assets. The trustees of the fund have adopted an investment strategy in respect of the pensioner liabilities that largely follows an 80% exposure in fixed-interest instruments to immunise against interest rate and inflation risk, and 20% exposure to local and foreign growth assets. An overlay comprising 20% exposure of high-quality corporate credit fixed-income instruments is funded through a repo transaction of a portion of the South African government-issued inflation-linked bonds to improve the probability of achieving the performance objective. The fixed-interest instruments consist mainly of long-dated South African government-issued inflation-linked bonds, while the growth assets are allocated to selected local and foreign asset managers. The trustees receive monthly reports on the funding level of the pensioner liabilities and an in-depth attribution analysis in respect of changes in the pensioner funding level. The trustees of the fund aim to apportion an appropriate level of balanced portfolio, conservative portfolio, and inflation-linked and money market assets to match the maturing defined benefit active member liabilities. It should be noted that this is an approximate matching strategy, as elements such as salary inflation and decrement rates cannot be matched. This is, however, an insignificant liability compared to the total liability of the pension fund.
Risks associated with the plans
Through its defined benefit pension plans and post-employment medical plans, the group is exposed to a number of risks, the most significant of which are detailed below. **Asset volatility** – Assets are held in order to provide a return to back the plans' obligations, therefore any volatility in the value of these assets relative to the value of the liabilities would create a deficit. **Inflation risk** – The plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. Consumer price inflation and healthcare cost inflation form part of the financial assumptions used in the valuation. **Life expectancy** – The plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. **Demographic movements** – The plans' liabilities are determined based on a number of best estimate assumptions based on the demographic movements of participants, including withdrawal and early retirement rates. This is especially relevant to the post-employment medical aid subsidy liabilities. Should fewer eligible employees withdraw and/or should more eligible employees retire earlier than assumed, the post-employment medical aid liabilities could be understated.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Details of the defined benefit plan assets and fund liability are shown below.

		2023			2022		
R million	Notes	Pension	Medical*	Total	Pension	Medical*	Total
Post-employment benefit fund liability							
Present value of funded obligation		**7 784**	**3 135**	**10 919**	8 453	3 159	11 612
Fair value of plan assets		**(8 474)**	**(1 818)**	**(10 292)**	(8 816)	(1 915)	(10 731)
– Listed equity instruments		**(2 036)**	**-**	**(2 036)**	(2 460)	-	(2 460)
– Cash and cash equivalents		**(247)**	**-**	**(247)**	(234)	-	(234)
– Debt instruments		**(2 410)**	**-**	**(2 410)**	(2 561)	-	(2 561)
– Derivatives		**(13)**	**-**	**(13)**	(58)	-	(58)
– Qualifying insurance policy		**-**	**(1 818)**	**(1 818)**	-	(1 915)	(1 915)
– Other		**(3 768)**	**-**	**(3 768)**	(3 503)	-	(3 503)
Total employee (asset)/liability*		**(690)**	**1 317**	**627**	(363)	1 244	881
Limitation imposed by IAS 19 asset ceiling		**683**	**-**	**683**	344	-	344
Other		**-**	**-**	**-**	-	-	-
Total net post-employment (asset)/liability**		**(7)**	**1 317**	**1 310**	(19)	1 244	1 225
Total amount recognised on the income statement (included in staff costs)	3	**(33)**	**170**	**137**	(39)	129	90
Movement in post-employment benefit fund liability							
Present value at the beginning of the year		**(19)**	**1 244**	**1 225**	13	1 198	1 211
Exchange differences		**(6)**	**-**	**(6)**	-	-	-
Current service cost		**4**	**32**	**36**	4	32	36
Net interest		**(37)**	**138**	**101**	(43)	97	54
Remeasurements: recognised in OCI		**53**	**(73)**	**(20)**	23	(82)	(59)
– Actuarial gains from changes in demographic		**-**	**-**	**-**	5	-	5
– Actuarial (losses)/gains from financial assumptions		**(818)**	**(116)**	**(934)**	(105)	46	(59)
– Other remeasurements		**871**	**43**	**914**	123	(128)	(5)
Benefits paid		**-**	**(3)**	**(3)**	(6)	(1)	(7)
Employer contribution		**(1)**	**(21)**	**(22)**	(1)	-	(1)
Employee contribution		**(1)**	**-**	**(1)**	(9)	-	(9)
Closing balance		**(7)**	**1 317**	**1 310**	(19)	1 244	1 225

* *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 subsidiary of the group and are recognised in accounts receivable. FirstRand group's liability is therefore sufficiently funded.*

** *Total net post-employment (asset) of R7 million (2022: R19 million) reflects the net of a post-employment liability of R18 million (2022: R16 million) and a post-employment asset of R25 million (2022: R35 million)*

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	**8 816**	**1 915**	**10 731**	8 823	1 940	10 763
Interest income	**895**	**231**	**1 126**	863	235	1 098
Remeasurements: recognised in OCI	**(571)**	**(117)**	**(688)**	(173)	(51)	(224)
Exchange differences	**44**	**-**	**44**	3	-	3
Employer contributions	**1**	**21**	**22**	1	-	1
Employee contributions	**1**	**-**	**1**	9	-	9
Benefits paid and settlements	**(712)**	**(232)**	**(944)**	(710)	(209)	(919)
Closing balance	**8 474**	**1 818**	**10 292**	8 816	1 915	10 731
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 was	**12%**			11%		
Included in plan assets were the following:						
FirstRand Limited ordinary shares with a fair value of	**31**	**-**	**31**	39	-	39
Total	**31**	**-**	**31**	39	-	39

* *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 group and are recognised as an account receivable. FirstRand group's liability is therefore sufficiently funded.*

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 defined benefit obligation (R million)	**2.6**	**325.4**	3.6	361.0
Effect on the aggregate of the current service cost and interest cost (R million)	**0.5**	**44.3**	0.6	49.6
Decrease of 1%				
Effect on the defined benefit obligation (R million)	**(2.5)**	**(279.0)**	(3.4)	(305.7)
Effect on the aggregate of the current service cost and interest cost (R million)	**(0.6)**	**(37.8)**	(0.6)	(41.8)
The effects of a change in the average life expectancy of a pensioner retiring at age 65:				
Increase in life expectancy by 1 year				
Effect on the defined benefit obligation (R million)	**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	**828**	**3 468**	**52 972**	**57 268**
Post-employment medical benefits	**217**	**1 050**	**22 696**	**23 963**
Total as at 30 June 2023	**1 045**	**4 518**	**75 668**	**81 231**
Pension benefits	792	3 370	40 607	44 769
Post-employment medical benefits	207	999	24 527	25 733
Total as at 30 June 2022	999	4 369	65 134	70 502

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 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 benefit fund is SA 85-90. 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 in years of an employee retiring at age 65 on the reporting date for pension and medical is 17 for males and 21 for females. The average life expectancy of an employee retiring at age 65 in 20 years after the reporting date for pension and medical is 18 for males and 22 for females.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

	2023	2022
Pension		
The number of employees covered by the scheme		
Active members	**2 495**	2 387
Pensioners	**5 212**	5 394
Deferred plan participants	**255**	260
Total employees	**7 962**	8 041
Defined benefit obligation amounts due to		
Benefits vested at the end of the reporting period (R million)	**7 784**	8 452
Conditional benefits (R million)	**257**	207
Amounts attributable to future salary increases (R million)	**64**	69
Other benefits (R million)	**7 462**	8 175
Medical		
The number of employees covered by the scheme		
Active members	**2 318**	2 545
Pensioners	**5 130**	5 199
Total employees	**7 448**	7 744
Defined benefit obligation amounts due to		
Benefits vested at the end of the reporting period (R million)	**2 274**	2 266
Benefits accrued but not vested at the end of the reporting period (R million)	**861**	893
Conditional benefits (R million)	**891**	930
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 members to purchase a pension on retirement. The purchase price for the pension is determined based on the purchasing member's demographic details, the pension structure and economic assumptions at time of purchase. Should a member elect to purchase a pension, the group becomes exposed to longevity and other actuarial risks. However, because of the way that the purchase is priced, the employer is not exposed to any asset return risk prior to the election of this option. On the date of the purchase the defined benefit liability and the plan assets will increase for the purchase amount and thereafter the accounting treatment applicable to defined benefit plans will be applied to the purchased pension. It should be noted that the purchase price for a new retiree would be slightly larger than the liability determined on the accounting valuation, as the purchase price allows for a more conservative mortality assumption based on the solvency reserves of the fund.

22 DEFERRED INCOME TAX

Movement on the deferred income tax account is shown below.

R million	2023	2022
Deferred income tax asset		
Opening balance	**8 028**	6 104
Acquisitions of subsidiaries	**(9)**	1
Exchange rate difference	**27**	40
Release to profit or loss	**220**	555
Deferred income tax on amounts charged directly to other comprehensive income	**394**	1 415
Other	**9**	(87)
Total deferred income tax asset	**8 669**	8 028
Deferred income tax liability		
Opening balance	**(692)**	(887)
Disposals of subsidiaries	**44**	-
Exchange rate difference	**(26)**	(4)
Release to profit or loss	**(60)**	204
Deferred income tax on amounts charged directly to other comprehensive income	**(2)**	(1)
Other	**(16)**	(4)
Total deferred income tax liability	**(752)**	(692)
Net deferred income tax asset	**7 917**	7 336

22 DEFERRED INCOME TAX continued

	As at 30 June		Recognised on income statement	
R million	**2023**	2022	**2023**	2022
Deferred income tax asset				
Tax losses	**33**	16	**9**	(10)
Provision for loan impairment	**4 255**	4 234	**43**	(250)
Provision for post-employment benefits	**350**	328	**29**	18
Other provisions	**1 329**	1 467	**(138)**	591
Cash flow hedges	**1 193**	880	**-**	1
Financial instruments	**33**	16	**17**	31
Instalment credit assets	**(200)**	(186)	**(15)**	(9)
Accruals	**89**	59	**29**	3
Debt instruments designated at FVOCI	**(124)**	(103)	**-**	-
Capital gains tax	**365**	330	**35**	93
Equity instruments designated at FVOCI	**97**	101	**-**	-
Foreign currency translation reserve	**-**	-	**(107)**	(10)
Financial Liabilities classified at FVTPL	**13**	-	**13**	-
Share-based payments	**1 471**	903	**568**	370
Deferred revenue liability	**(276)**	(153)	**(123)**	26
Intangible assets	**61**	109	**(47)**	13
Other	**(20)**	27	**(93)**	(312)
Total deferred income tax asset	**8 669**	8 028	**220**	555
Deferred income tax liability				
Provision for loan impairment	**147**	169	**(22)**	(15)
Provision for post-employment benefits	**11**	13	**1**	-
Other provisions	**(73)**	(76)	**3**	16
Financial instruments	**-**	53	**(54)**	10
Instalment credit assets	**(75)**	(77)	**2**	240
Accruals	**(281)**	(138)	**(143)**	(34)
Capital gains tax	**2**	(59)	**61**	(59)
Equity instruments designated at FVOCI	**5**	3	**-**	-
Intangible assets	**(146)**	(210)	**91**	97
Other	**(342)**	(370)	**1**	(51)
Total deferred income tax liability	**(752)**	(692)	**(60)**	204

Dividends declared by South African entities are subject to shareholders' withholding tax. The group would therefore incur no additional tax if the total reserves of R172 984 million (2022: R156 820 million) were declared as dividends.

The group has not recognised a deferred tax asset amounting to R367 million (2022: R768 million) relating to tax losses because there was insufficient taxable income. None of these losses have an expiry date.

The UK has substantially enacted the global minimum Pillar 2 tax regulation, which would impact the UK operations. The group is assessing the impact of applying Pillar 2 tax rules and has applied the mandatory deferred tax exemption in IAS 12.

23 SHORT TRADING POSITIONS

R million	2023	2022
Government and government-guaranteed stock	**12 480**	14 057
Other dated securities	**230**	553
Undated securities	**43**	13
Total short trading positions	**12 753**	14 623

24 CREDITORS, ACCRUALS AND PROVISIONS

R million	2023	2022*
Accounts payable	**32 291**	21 491
Customer loyalty programme liability**	**2 060**	1 981
Fair value hedge interest asset#	**(504)**	(551)
Withholding tax for employees	**848**	708
Deferred revenue**	**608**	543
Operating lease liability – straight lining of lease payments	**-**	(9)
Payments received in advance	**728**	540
Accrued expenses	**4 180**	3 635
Audit fees accrued	**384**	297
Contract liabilities**	**100**	96
Provisions (including litigations and claims)	**2 694**	2 197
Total creditors, accruals and provisions	**43 389**	30 928

* *The prior year, fair value hedge liability was reflected as R4 282 million. This amount has been restated, refer to accounting policy note 10.1.*

** *These balances meet the definition of contract liabilities and a reconciliation of the balance is provided below. The deferred revenue balance relates to service fees that are earned on value-added products provided to customers. These contracts run over a two-year period and the revenue is recognised over the contract period. The customer loyalty programme liability relates to eBucks, and is determined based on the value of unredeemed eBucks in issue that have not been converted to cash or redeemed by the customer. The timing of the customer's use of these eBucks as reward credits redeemable against future purchases with the group or a loyalty programme strategic partner is purely at the customer's discretion.*

The balance reflected relates to the fair value of the interest rate risk component of the hedged items designated in macro hedge accounting relationships in Aldermore.

Reconciliation of contract liabilities

R million	2023	2022
Opening balance	**2 620**	2 476
Increases due to cash received and other increases in contract liabilities	**2 475**	2 007
Contract modifications	**-**	-
Revenue recognised that was included in the contract liability balance at the beginning of the period	**(2 327)**	(1 863)
Closing balance	**2 768**	2 620

24 CREDITORS, ACCRUALS AND PROVISIONS continued

Reconciliation of provision

R million	2023	2022
Opening balance	**2 197**	1 055
Acquisitions of subsidiaries	**-**	-
Exchange rate differences	**260**	(2)
Charge to profit or loss	**376**	1 280
– Additional provisions created	**975**	1 609
– Unused provisions reversed	**(599)**	(329)
Utilised	**(139)**	(136)
Closing balance	**2 694**	2 197

25 DEPOSITS

R million	2023	2022
Category analysis		
Deposits from customers	**1 620 458**	1 412 975
– Current accounts	**395 075**	356 823
– Call deposits	**440 392**	389 341
– Savings accounts	**44 448**	34 490
– Fixed and notice deposits	**662 525**	547 145
– Other deposits from customers	**78 018**	85 176
Debt securities	**209 379**	164 366
– Negotiable certificates of deposit	**74 522**	40 126
– Fixed-rate and floating-rate notes*	**132 940**	122 825
– Exchange-traded notes	**1 917**	1 415
Asset-backed securities	**34 454**	33 206
– Securitisation issuances	**30 696**	26 193
– Non-recourse deposits	**3 758**	7 013
Other	**58 812**	45 425
– Repurchase agreements	**19 759**	15 183
– Securities lending	**4 331**	1 526
– Cash collateral and credit-linked notes	**32 645**	27 213
– SARB funding facility	**2 077**	1 503
Total deposits	**1 923 103**	1 655 972

* *Included in the 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 is adjusted upwards by 15 bps.*

26 OTHER LIABILITIES

R million	2023	2022
Lease liabilities	**3 026**	2 834
Funding liabilities	**4 007**	5 414
– Preference shares*	**935**	2 869
– Other	**3 072**	2 545
Total other liabilities	**7 033**	8 248

* *The preference shares were cumulative, redeemable and non-participating. These preference shares were issued in October 2019 and were redeemed in the current year.*

26.1 Other liabilities reconciliation

	2023			2022		
R million	**Funding liabilities**	**Lease**	**Total**	Funding liabilities	Lease	Total
Opening balance	**5 414**	**2 834**	**8 248**	4 860	2 881	7 741
Cash flow movements	**(1 219)**	**(1 148)**	**(2 367)**	2	(1 157)	(1 155)
– Proceeds from the issue of other liabilities	**4 614**	**-**	**4 614**	1 067	-	1 067
– Redemption of other liabilities	**(5 114)**	**-**	**(5 114)**	(842)	-	(842)
– Principal payments towards lease liabilities	**-**	**(1 012)**	**(1 012)**	-	(1 030)	(1 030)
– Interest paid	**(719)**	**(136)**	**(855)**	(223)	(127)	(350)
Non-cash flow movements	**(188)**	**1 340**	**1 152**	552	1 110	1 662
– Fair value movement	**21**	**1**	**22**	34	28	62
– Acquisition of subsidiaries	**-**	**-**	**-**	-	106	106
– Transfers to non-current asset and disposal group held for sale	**-**	**(3)**	**(3)**	62	-	62
– Foreign exchange	**(836)**	**173**	**(663)**	(41)	57	16
– New leases recognised during the year	**-**	**1 136**	**1 136**	-	812	812
– Early termination/modification of lease	**-**	**(113)**	**(113)**	-	(36)	(36)
– Interest accrued	**627**	**146**	**773**	497	143	640
Total other liabilities	**4 007**	**3 026**	**7 033**	5 414	2 834	8 248

The group'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 Smartboxes. The rentals have fixed monthly payments. Escalation clauses are based on market-related rates and vary between 5% and 12%.

The leases are usually for a period of one to five years. The leases are non-cancellable and some of the leases have an option to renew for a further leasing period at the end of the original lease term.

Restrictions are more of an exception than the norm and usually relate to the restricted use of the asset for the business purposes specified in the lease contract.

For details on the contractual maturity of lease liabilities, refer to Note 37.2.1 – Liquidity risk.

27 TIER 2 LIABILITIES

R million	Maturity dates	Interest rate	2023	2022
Fixed-rate bonds			**1 521**	12 180
– 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
– Other currencies	15 December 2026	7.20%	**91**	87
Floating-rate bonds			**15 348**	8 757
– ZAR denominated	3 June 2024 to 28 September 2029	3-month JIBAR +188 bps – 234 bps	**14 907**	8 340
– Other currencies	15 December 2026	461 bps – 511 bps above relevant reference rate*	**441**	417
Total Tier 2 liabilities			**16 869**	20 937

* *Monetary policy rate.*

27.1 Tier 2 liabilities reconciliation

R million	2023	2022
Opening balance	**20 937**	20 940
Cash flow movements	**(6 651)**	(835)
– Proceeds from the issue of Tier 2 liabilities	**10 486**	2 742
– Capital and interest repaid on Tier 2 liabilities*	**(17 137)**	(3 577)
Non-cash flow movements	**2 583**	832
– Foreign exchange	**815**	795
– Fair value hedging adjustment	**146**	(466)
– Interest accrued	**1 622**	503
Total Tier 2 liabilities	**16 869**	20 937

* *Capital repaid on Tier 2 liability was R15 579 million, and interest repaid was R1 558 million in the current year.*

28 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

28.1 Share capital and share premium

Authorised shares

	2023	2022
Ordinary shares	**6 001 688 450**	6 001 688 450

Issued shares

	2023			2022		
	Number of shares	**Ordinary share capital R million**	**Share premium R million**	Number of shares	Ordinary share capital R million	Share premium R million
Opening balance	**5 609 488 001**	**56**	**7 905**	5 609 488 001	56	7 973
Shares issued	**-**	**-**	**-**	-	-	-
Total issued ordinary share capital and share premium	**5 609 488 001**	**56**	**7 905**	5 609 488 001	56	7 973
Treasury shares	**(2 900 304)**	**-**	**(45)**	(2 101 326)	-	(68)
Total issued share capital attributable to ordinary equityholders	**5 606 587 697**	**56**	**7 860**	5 607 386 675	56	7 905

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

The shareholding of subsidiaries in FirstRand Limited was 0.05% (2022: 0.04%) of total issued ordinary shares and these shares have been treated as treasury shares.

28.2 Other reserves

Other reserves are made up of the following:

R million	**2023**	2022
Regulatory reserves raised by African subsidiaries*	**1 205**	1 034
General risk reserve raised by African subsidiaries	**60**	54
Insurance contingency reserve	**189**	148
FVOCI reserve – debt instruments	**329**	296
FVOCI reserve – equity instruments	**(334)**	(367)
Other attributable reserves of associates and joint ventures	**101**	104
Reserves arising on acquisition of subsidiaries	**(140)**	(141)
Other reserves	**233**	150
Total	**1 643**	1 278

* *The balance consists of reserves as required by law in certain jurisdictions where the group operates, namely Eswatini, Mozambique, Nigeria and Tanzania.*

29 OTHER EQUITY INSTRUMENTS AND RESERVES

Authorised preference shares

	2023	2022
A preference shares – unlisted variable rate cumulative convertible redeemable*	**198 311 550**	198 311 550
B preference shares – listed variable rate non-cumulative non-redeemable	**100 000 000**	100 000 000
C preference shares – unlisted variable rate convertible non-cumulative redeemable*	**100 000 000**	100 000 000
D preference shares – unlisted variable rate cumulative redeemable*	**100 000 000**	100 000 000

* *Unissued.*

Issued preference shares

	2023		2022	
	Number of shares	**Ordinary equity instruments R million**	Number of shares	Ordinary equity instruments R million
B preference shares	**-**	**-**	45 000 000	4 519
Total issued share capital attributable to preference shareholders of the group	**-**	**-**	45 000 000	4 519

Dividends on the B preference shares were calculated at a rate of 75.56% of the prime lending rate of FNB, a division of FirstRand Bank Limited (FRB).

Additional Tier 1 capital and other reserves

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
Empowerment Fund Reserve*		**2 916**	-
Total other equity instruments and reserves		**12 846**	11 645

* *The empowerment fund reserve includes the impacts of consolidating the fully vested empowerment vehicles. Refer to Note 35 for more information.*

29 OTHER EQUITY INSTRUMENTS AND RESERVES 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 PA, FRB may write off the notes, in whole or in part, with no obligation to pay compensation to the noteholders upon the earlier of:

- the PA giving notice that a write-off is required without which the bank will become non-viable; or
- a decision being made to inject public sector capital, or equivalent support, without which the bank will become non-viable.

The AT1 instruments have been classified as equity, as the terms and conditions do not contain a contractual obligation to pay cash to the noteholders.

The total coupon paid during the financial year was R957 million (2022: R593 million). Current tax of R258 million (2022: R166 million) was recognised in the income statement.

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS

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

The group's operations are conducted through its six significant wholly owned subsidiaries:

Subsidiary	Operation
FirstRand Bank Limited	SA banking activities and foreign branches in London, Guernsey and India
FirstRand EMA Holdings Proprietary Limited	Broader Africa subsidiaries
FirstRand International Limited (Guernsey)	UK banking and hard currency platform
FirstRand Insurance Holdings Proprietary Limited	Insurance
FirstRand Investment Management Holdings Limited	Investment management
FirstRand Investment Holdings Proprietary Limited	Other activities

There are no significant restrictions on the ability to transfer cash or other assets to or from entities within the group.

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

30.1 Acquisitions of subsidiaries

Identifiable assets acquired and liabilities assumed at the acquisition date fair value are set out as listed below.

	Other insignificant acquisitions	
R million	**2023**	2022
ASSETS		
Cash and cash equivalents	**-**	21
Other assets	**-**	14
Property and equipment	**-**	120
Investment property	**-**	58
Deferred income tax asset	**-**	1
Intangible assets	**-**	73
Total assets acquired	**-**	287
LIABILITIES		
Creditors and accruals	**-**	13
Employee liabilities	**-**	1
Other liabilities	**-**	106
Deferred income tax liability	**-**	1
Total liabilities acquired	**-**	121
Net asset value as at date of acquisition	**-**	166
Total goodwill is calculated as follows:		
Total cash consideration transferred	**-**	-
Total non-cash consideration transferred	**-**	168
Less: net identifiable asset value at date of acquisition	**-**	(166)
Goodwill on acquisition	**-**	2

30.1.1 Transactions that do not result in a change of control in subsidiaries

	Other insignificant acquisitions	
R million	**2023**	2022
Carrying amount of non-controlling interest acquired	**67**	412
Consideration paid to non-controlling interest acquired	**(65)**	(776)
– Discharged by cash consideration	**(170)**	(866)
– Non-cash consideration	**105**	90
Gain/(loss) recognised directly in equity	**2**	(364)

In the current and prior year, the group increased its shareholding in various subsidiaries of RMB Private Equity Holdings (Pty) Ltd and RMB Private Equity (Pty) Ltd by purchasing the interest previously held by selected non-controlling interests. The gain/(loss) on the transaction was recognised directly in equity as it was a transaction between the owners of the entities in their capacity as owners.

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

30.2 Disposals of subsidiaries

30.2.1 Disposals of interest in subsidiaries with loss of control

	Private equity subsidiaries	
R million	**2023**	2022
ASSETS		
Cash and cash equivalents	**-**	-
Other assets	**337**	-
Total assets disposed of	**337**	-
LIABILITIES		
Creditors and accruals	**11**	-
Other liabilities	**309**	-
Total liabilities disposed of	**320**	-
Net asset value as at date of disposal	**17**	-
Total gain on disposal is calculated as follows:		
Total consideration	**(42)**	(56)
Total cash consideration received	**(42)**	-
Non-cash consideration	**-**	(56)
Add: non-controlling share of net asset value at disposal date	**-**	-
Less: group's portion of the net asset value on disposal	**-**	-
Gain on disposal of controlling interest in a subsidiary	**(25)**	(56)
Cash flow information		
Discharged by cash consideration	**42**	-
Less: cash and cash equivalents/(overdrafts) disposed of in the subsidiary	**-**	-
Net cash inflow on disposal of subsidiaries	**42**	-

Disposals in 2023

The group, through is subsidiary RMB Investments and Advisory (RMBIA) (Pty) Ltd, disposed of a private equity subsidiary and realised a profit of R25 million.

Disposals in 2022

The group's subsidiary, RMB Australia (Pty) Ltd was deregistered on 12 March 2022. As such the investment in subsidiary was derecognised.

30.2.2 Disposals that do not result in a change of control

The group has not in the current year nor in the prior year disposed of interests in subsidiaries that did not result in a change in control.

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

30.3 Non-controlling interests

The only subsidiaries that give rise to a significant non-controlling interest are FirstRand Namibia Limited and First National Bank of Botswana Holdings Limited.

The group holds 100% of the shares in First National Bank of Botswana Holdings Limited. The non-controlling interests recognised by the group result from First National Bank Holdings Botswana Limited's shareholding in First National Bank Botswana Limited. The non-controlling interests own 30.5% of First National Bank of Botswana Limited.

In addition to the above, the group owns less than 100% of the issued share capital of a number of private equity subsidiaries and other investments in the RMB Investments and Advisory (RMBIA) Proprietary Limited subconsolidation. The non-controlling interests recognised by the group result from RMBIA's shareholding in these subsidiaries. There is no individually significant non-controlling interest.

	FirstRand Namibia Limited		First National Bank of Botswana Limited	
Country of incorporation		**Namibia**		**Botswana**
% ownership held by non-controlling interests		**41.0**		**30.5**
% voting rights by non-controlling interests		**41.0**		**30.5**
R million	**2023**	2022	**2023**	2022
Balances included in the consolidated statement of financial position				
Total assets	**58 326**	52 453	**41 998**	36 536
Balances with central banks*	**537**	462	**719**	584
Total liabilities	**52 342**	46 180	**36 718**	32 088
Balances included in the consolidated statement of comprehensive income				
Interest and similar income	**4 961**	3 327	**2 648**	1 887
Non-interest revenue	**2 278**	2 047	**2 067**	1 881
Profit before tax	**2 262**	1 867	**1 952**	1 614
Total comprehensive income	**1 567**	1 272	**1 732**	1 150
Amounts attributable to non-controlling interests				
Dividends paid to non-controlling interests	**780**	312	**290**	593
Profit attributable to non-controlling interests	**649**	527	**454**	366
Accumulated balance of non-controlling interests	**2 421**	2 550	**1 557**	1 314

** Refer to note 7.*

31 INVESTMENT MANAGEMENT ACTIVITIES

The following table sets out the market value of assets for which the group earns fees as part of providing investment management services but does not recognise on its statement of financial position.

R million	2023	2022
Assets under management	**212 491**	179 905
– Traditional products	**185 299**	134 826
– Alternative products	**27 192**	45 079

Traditional products comprise collective investment schemes, exchange-traded funds and discretionary mandates. Alternative products managed by the group include credit funds, private equity funds, structured products and other unregulated funds and mandates.

32 REMUNERATION SCHEMES

R million	Notes	2023	2022
The charge to profit or loss for share-based payments is as follows:			
Conditional and deferred incentive plan		**2 433**	1 452
Amount included in profit or loss	3	**2 433**	1 452

The purpose of these schemes is to appropriately attract, incentivise and retain managers and employees within the group. 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.

32 REMUNERATION SCHEMES continued

Description of the scheme and vesting conditions:

Conditional and deferred incentive plans (awards)		
IFRS 2 treatment	Cash settled*	Equity settled**
Description	The award is a notional share based on the FirstRand Limited share price.	The award is a notional share based on the FirstRand Limited share price, which must be settled in FirstRand Limited shares.
Vesting conditions	These awards vest up to three years after the 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 repriced at each reporting date.	The awards are valued using the Black Scholes option pricing model. The awards are equity settled and measured using the price at grant date.
Valuation assumptions		
Dividend data	Management's estimates of future discrete dividends	
Market related	Interest rate is the risk-free rate of return as recorded on the last day of the financial year, on a funding curve of a term equal to the remaining expected life of the plan.	
Employee related	The weighted average forfeiture rate used is based on historical forfeiture data observed over all schemes.	

* *The UK conditional award for UK-based employees (including Aldermore) differs from the rest of the group. The scheme is based on an initial sterling amount which varies in response to the FirstRand share price. The scheme has a liability of R250 million (2022: R139 million).*

** *The equity-settled scheme is immaterial, with a SBP reserve of R27 million (2022: R44 million), which all related to Aldermore staff.*

Corporate performance targets

The FirstRand remuneration committee sets the CPTs for each award based on expected macroeconomic conditions, group earnings and returns forecasts over the performance period. These criteria vary from year to year, depending on the expectations for each of the aforementioned variables. For vesting to occur, the criteria must be met or exceeded. If the performance conditions are not met, the award fails. The awards have a graded vesting structure. The level of vesting is correlated to the earnings growth achieved relative to macroeconomic variables or set normalised EPS growth targets and minimum return on equity (ROE) requirements. The vesting outcome is based on the delivery of the performance conditions and this level is finally determined and calculated by the group remuneration committee. The remuneration committee is permitted to adjust the final outcome of the graded vesting level downwards for predetermined 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 conditional incentive plans (CIP). These are 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.

32 REMUNERATION SCHEMES continued

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 EPS growth between targets. If the minimum ROE and normalised EPS growth conditions are met, vesting will commence at 70%. If these are not met the award will lapse.

	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)** FirstRand Limited must achieve growth in normalised EPS 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 EPS growth rate over 3 years of real GDP growth plus CPI
On-target performance	100%	≥20.5%	Cumulative normalised EPS growth rate over 3 years of real GDP growth plus CPI plus 1.5% to <3%
Stretch target	120%	≥21%	Cumulative normalised EPS 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 EPS growth rate over 3 years of real GDP growth plus CPI plus 7% to 10%

* *The ROE calculation is based on net asset value (NAV) taking into consideration adjustments (if required) resulting from, for example, material dividend policy changes, regulatory changes, IFRS changes or changes in volatile reserves.*

** *In the event that the three-year compound annual growth rate (CAGR) of real GDP is negative, CPI will be referenced.*

Linear vesting applies between each vesting level based on the achieved normalised EPS 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 the remuneration committee (Remco) notified qualifying employees that the awards with market vesting conditions would consequently not vest.

32 REMUNERATION SCHEMES continued

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 in September 2023) – The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment of the group. The remaining 50% of the award is subject to 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 maximum target with linear grading correlated to normalised EPS growth between targets. If the minimum conditions are met, vesting will commence at 70% and if these are not met, the award will lapse. Remco has the right to adjust the vesting level downward by as much as 20% if material negative outcomes for the business occur that are within management control.

Examples would include:

- issues that materially damaged the group's businesses, including its reputation;
- material enterprise-wide risk and control issues, as recommended to it by the risk, capital management and compliance committee (RCCC); and
- concerns regarding adherence to the liquidity and capital management strategies in place.

The performance conditions for the 2020 award include prudential targets relating to liquidity and capital ratios, a normalised EPS growth target and an ROE target. The table below further stipulates the performance conditions to be fulfilled by the company and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. To achieve minimum vesting of 70%, the group must exceed the liquidity and capital targets set by the board and measured at 31 March 2023. If the conditions set for 70% vesting are not met, the award lapses and none of the other conditions described below are assessed. For any vesting above 70%, both the ROE and normalised earnings growth targets below must be met.

Vesting level*	Performance conditions	
	Minimum ROE requirement at 30 June 2023**	**Normalised earnings per share growth requirement (3-year CAGR)**
70.1% to 99.9%	For grading above 95%, ROE must be more than cost of equity as at issue date of award, i.e. net income after capital charge (NIACC) positive	Grading based on minimum CAGR of 4.3% up to <13.4%
100%	ROE must be more than cost of equity as at issue date of award, i.e. NIACC positive	Minimum CAGR of 13.4% up to <17.5% (100% vesting only for all growth outcomes in the range above)
100.1% to 119.9%	ROE of at least 18%	Minimum CAGR of 17.5% up to <22%
120%	ROE of at least 20%	Minimum CAGR of 22%
120.1% to 150% (maximum vesting of 150%)	ROE of at least 22%	Minimum CAGR above 22% and up to 28.2% to calculate linear grading up to 150% vesting

* *Linear grading between these vesting levels based on the growth achieved.*

** *In the event that the ROE target is not met for the higher vesting level, the vesting outcome will be constrained to the outcome relative to the ROE target even if the earnings growth outcome could result in higher vesting outcomes.*

32 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 as much as 20% if material negative outcomes for the business occur that are within management control. Examples would include:

- issues that materially damaged the group's businesses, including its reputation;
- material enterprise-wide risk and control issues, as recommended to it by the RCCC;
- concerns regarding adherence to the liquidity and capital management strategies in place; and
- lack of compliance with the group's climate roadmap over the three-year period.

The table below stipulates the performance conditions to be fulfilled by the group and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. If the conditions set for 50% vesting are not met, the award lapses and none of the other conditions described below are assessed. Both performance conditions must be met for vesting to occur.

	Performance conditions		
	Vesting level should both conditions be met*	**ROE target Minimum ROE requirement at 30 June 2024****	**Normalised earnings per share growth requirement (3-year CAGR)** FirstRand Limited must achieve growth in normalised earnings per share relative to the South African CPI plus real GDP growth# on a cumulative basis over the three-year performance period from the base year end, being 30 June 2021, as set out for each vesting level indicated below:
Threshold (minimum vesting, below which the award lapses)	50%	≥17%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 1%
On target performance	100%	≥18%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 3%
Stretch†	120%	≥20%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 5%
Super stretch†	150%	≥20%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 8%

* *Linear grading between these vesting levels based on the growth achieved. The lower of the vesting outcome based on the ROE or the vesting outcome based on earnings growth will apply.*

** *The ROE 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.*

32 REMUNERATION SCHEMES continued

2022 (Vesting date in September 2025) – All CIP awards are subject to performance conditions. For all the awards graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a super stretch target with linear grading correlated to normalised earnings per share growth between targets.

Remco has the right to adjust the vesting level downwards by as much as 20% if material negative outcomes for the business occur that are within management control. Examples would include:

- issues that materially damaged the group's businesses, including its reputation;
- material enterprise-wide risk and control issues, as recommended to it by the risk, capital management and compliance (RCCC) committee;
- concerns regarding adherence to the liquidity and capital management strategies in place; and
- lack of compliance with the group's climate roadmap over the three-year period.

The table below stipulates the performance conditions to be fulfilled by the group and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. If the conditions set for 50% vesting are not met, the award lapses and none of the other conditions described below are assessed. Both performance conditions must be met for vesting to occur.

		Performance conditions (both conditions must be met)	
	Vesting level*	**Minimum ROE requirement****	**Normalised earnings per share growth requirement (3-year CAGR)#** FirstRand Limited must achieve growth in normalised earnings per share relative to the South African CPI plus real GDP growth on a cumulative basis over the three-year performance period from the base year end, being 30 June 2022, as set out for each vesting level indicated below:
Threshold (minimum vesting, below which the award lapses)	50%	≥19%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 1.5%
On-target performance	100%	≥20.5%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 2.5%
Stretch†	120%	≥22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 5%
Super stretch†	150%		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.*

32 REMUNERATION SCHEMES continued

The significant weighted average assumptions used to estimate the fair value of the conditional share awards granted are detailed below.

	Conditional and deferred incentive plans (FirstRand shares)	
	2023	2022
Award life (years)	**1 – 4**	2 – 4
Risk-free rate (%)	**8.58 – 9.45**	5.03 – 8.44

	Conditional and deferred incentive plans	
	(FirstRand shares)	
Share awards outstanding	**2023**	2022
Number of awards in force at the beginning of the year (millions)	**122.1**	103.4
Number of awards granted during the year (millions)	**49.1**	53.7
Number of awards exercised/released during the year (millions)	**(16.6)**	(11.0)
– Market value range at date of exercise/release (cents)*	**6 017 – 6 726**	5 200 – 6 537
– Weighted average (cents)	**6 209**	6 136
Number of awards forfeited during the year (millions)**	**(7.6)**	(24.0)
Number of awards in force at the end of the year (millions)	**147.0**	122.1

	Conditional and deferred incentive plan (FirstRand			
	2023		2022	
Awards outstanding#	**Weighted average remaining life (years)**	**Outstanding awards (millions)**	Weighted average remaining life (years)	Outstanding awards (millions)
Vesting during 2022	**-**	**0.1**	0.27	16.8
Vesting during 2023	**0.26**	**66.5**	1.33	70.0
Vesting during 2024	**1.35**	**43.4**	2.33	35.3
Vesting during 2025	**2.39**	**37.0**	-	-
Total conditional awards		**147.0**	-	122.1
Number of participants		**5 563**		5 395

* *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.*

33 CONTINGENCIES AND COMMITMENTS

R million	2023	2022
Contingencies and commitments		
Guarantees (endorsements and performance guarantees)	**63 894**	59 118
Letters of credit	**14 108**	14 120
Total contingencies	**78 002**	73 238
Irrevocable commitments	**193 026**	172 795
Committed capital expenditure*	**5 164**	5 315
Legal proceedings**	**220**	219
Other	**90**	72
Contingencies and commitments	**276 502**	251 639

* *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 group, 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.*

33.1 Future minimum lease payments receivable under operating leases where the group is the lessor

The group owns various assets that are leased to third parties under non-cancellable operating leases as part of the group's revenue-generating operations.

The minimum future lease payments under non-cancellable operating leases on assets where the group is the lessor are detailed below.

	2023		
R million	Within 1 year	Between 1 and 5 years	More than 5 years
Property	**77**	**270**	**136**
Motor vehicles	**1 151**	**1 927**	**230**
Total operating lease commitments	**1 228**	**2 197**	**366**
	2022		
Property	86	207	9
Motor vehicles	1 002	1 658	250
Total operating lease commitments	1 088	1 865	259

34 FAIR VALUE MEASUREMENTS

34.1 Valuation methodology

The group has established control frameworks and processes at an operating business level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At an operating business level, valuation specialists are responsible for the selection and implementation of the valuation techniques used to determine fair value measurements, as well as any changes required. Valuation committees comprising representatives from key management have been established within each operating business and at an overall group 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.

34.2 Fair value hierarchy and measurements

Measurement of assets and liabilities at level 2 and level 3

The table below sets out the valuation techniques applied by the group 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

34 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				
Advances under repurchase agreements and other advances	Discounted cash flow	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. For advances under repurchase agreements, credit inputs are an insignificant input as the advance is fully collateralised. For some advances under repurchase agreements, the amount repayable is referenced to a listed price of an underlying. In the case where the fair value of the credit is not significant year-on-year but may become significant in future, and where the South African counterparties do not have actively traded or observable credit spreads, the group classifies other loans and advances to customers as level 3 in the fair value hierarchy.	Market interest rates, credit inputs and listed prices of an underlying	Credit inputs and market risk correlation factors
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 in the fair value hierarchy.	Market interest rates	Credit inputs
Investment securities				
Equities listed in an inactive market	Discounted cash flow	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using a market-related interest rate.	Market interest rates	Price earnings (P/E) ratios

34 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				
Unlisted equities	P/E model and discounted cash flow	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings, depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Market transactions and market interest rates	Growth rates and P/E ratios
Unlisted bonds, bonds listed in an inactive market or negotiable certificates of deposit (NCD)	Discounted cash flow	Future cash flows are discounted using a market-related interest rate adjusted for credit inputs over the contractual period. Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate. Where the valuation technique incorporates significant inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Market interest rates, credit inputs and market quotes for NCD instruments	Credit inputs
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

34 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				
Non-recourse investments	Discounted cash flow	Future cash flows are discounted using a discount rate which is determined as a base rate plus a margin. The base rate is determined by legal agreements as either a bond or swap curve. The margin approximates the level of risk attached to the cash flows. When there is a change in the base rate of the market, the valuation is adjusted accordingly. The valuation model is calibrated to reflect transaction price at initial recognition.	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 group places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third-party valuations. 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.	Equity listed prices	Third-party valuations used, minority and marketability adjustments

34 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				
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 group. 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

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs – level 2	Unobservable inputs – level 3
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
Non-recourse deposits and other liabilities	Discounted cash flow	Future cash flows are discounted using market-related interest rates. Fair value incorporates interest rate risk with no valuation adjustment for own credit risk. Valuation adjustments are affected by changes in the applicable credit ratings of the assets. Where the value of a liability is linked to the performance of an underlying and the underlying is observable, these liabilities are classified as level 2.	Market interest rates or performance of underlying	Performance of underlying contracts
Deposits referencing credit-linked instruments and other deposits	Discounted cash flow	The related forecasting curve is adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates	Credit inputs, market risk and correlation factors

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs – level 2	Unobservable inputs – level 3
Policyholder liabilities under investment contracts				
Unit-linked contracts or contracts without fixed benefits	Adjusted value of underlying assets	The underlying assets related to the contracts are recognised by the group. The investment contracts require the group to use these assets to settle the liabilities. The fair value of investment contract liabilities, therefore, is determined with reference to the fair value of the underlying assets. The fair value is determined using the current unit price of the underlying unitised assets linked to the liability and multiplied by the number of units attributed to the policyholders at reporting date. The fair value of the liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.	Spot price of underlying	N/A
Contracts with fixed and guaranteed terms	Discounted cash flow	The liability fair value is the present value of future payments, adjusted using appropriate market-related yield curves to maturity.	Market interest rates	N/A
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

34 FAIR VALUE MEASUREMENTS continued

Non-recurring fair value measurements

A disposal group and investment in associate were classified as a disposal group held for sale at 30 June 2022. The entirety of the disposal group and investment in associate is subject to IFRS 5 measurement criteria. The disposal group was measured at fair value less costs to sell and categorised as level 3 fair value hierarchy. Further details have been provided in note 14.

34.2.1 Fair value hierarchy

The following table presents the fair value hierarchy and applicable measurement basis of assets and liabilities of the group, which are recognised at fair value.

	2023			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	**291**	**84 713**	**952**	**85 956**
Advances	**–**	**63 199**	**66 726**	**129 925**
Investment securities	**122 032**	**62 590**	**4 624**	**189 246**
Non-recourse investments	**888**	**2 870**	**–**	**3 758**
Commodities	**17 252**	**–**	**–**	**17 252**
Investment properties	**–**	**–**	**353**	**353**
Non-recurring fair value measurements				
Disposal groups held for sale – financial assets	**–**	**–**	**–**	**–**
Total fair value assets	**140 463**	**213 372**	**72 655**	**426 490**
Liabilities				
Recurring fair value measurements				
Short trading positions	**12 273**	**480**	**–**	**12 753**
Derivative financial instruments	**149**	**67 728**	**2 477**	**70 354**
Deposits	**1 324**	**47 656**	**6 840**	**55 820**
Non-recourse deposits	**–**	**3 758**	**–**	**3 758**
Other liabilities	**–**	**78**	**6**	**84**
Policyholder liabilities under investment contracts	**–**	**6 383**	**–**	**6 383**
Non-recurring fair value measurements				
Disposal groups held for sale – financial liabilities	**–**	**–**	**–**	**–**
Total fair value liabilities	**13 746**	**126 083**	**9 323**	**149 152**

	2022			
	Level 1	Level 2	Level 3	Total fair value
	476	64 545	646	65 667
	–	48 384	47 299	95 683
	109 998	99 613	3 040	212 651
	822	6 191	–	7 013
	17 580	–	–	17 580
	–	–	698	698
	–	–	–	–
	128 876	218 733	51 683	399 292
	14 614	–	9	14 623
	208	62 132	2 207	64 547
	1 103	39 821	5 621	46 545
	–	7 013	–	7 013
	–	68	3	71
	–	5 396	–	5 396
	–	–	–	–
	15 925	114 430	7 840	138 195

34 FAIR VALUE MEASUREMENTS continued

34.3 Additional disclosures for level 3 financial instruments

34.3.1 Transfers between fair value hierarchy levels

The following represents the significant transfers into levels 1, 2 and 3 and the reasons for these transfers. Transfers between levels of the fair value hierarchy are deemed to occur at the beginning of the reporting period.

	2023		
R million	Transfers in	Transfers out	Reasons for significant transfers in
Level 1	**-**	**(679)**	-
Level 2	**507**	**(22)**	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	**701**	**(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	**1 208**	**(1 208)**	

	2022		
	Transfers in	Transfers out	Reasons for significant transfers in
	689	(41)	The market for certain investment securities has become liquid in the current year which resulted in transfers from level 3 into level 1.
	607	(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 have been observable in a traded market, no longer met the criteria for level 1 and 2, as the market has become illiquid and the fair value was determined using significant unobservable inputs.
	2 742	(2 742)	

34 FAIR VALUE MEASUREMENTS continued

34.3 Additional disclosures for level 3 financial instruments (continued)

34.3.2 Changes in level 3 instruments with recurring fair value measurements

The following table shows a reconciliation of the opening and closing balances for assets and liabilities measured at fair value on a recurring basis classified as level 3 in terms of the fair value hierarchy.

R million	Derivative financial assets	Advances	Investment securities	Investment properties
Balance as at 30 June 2021	1 206	34 218	3 165	659
Gains or losses recognised in profit or loss	(30)	1 971	256	(19)
Losses recognised in other comprehensive income	–	–	8	–
Purchases, sales, issue and settlements	(517)	10 394	340	–
Acquisitions/disposals of subsidiaries	–	–	(15)	58
Net transfer to level 3	(13)	–	(702)	–
Exchange rate differences	–	716	(12)	–
Balance as at 30 June 2022	**646**	**47 299**	**3 040**	**698**
Gains or losses recognised in profit or loss	**1 030**	**6 145**	**401**	**(25)**
Gains recognised in other comprehensive income	**–**	**–**	**38**	**–**
Purchases, sales, issue and settlements	**(334)**	**12 137**	**373**	**–**
Acquisitions/disposals of subsidiaries	**–**	**–**	**15**	**(320)**
Net transfer (to)/ from level 3	**(390)**	**–**	**701**	**–**
Exchange rate differences	**–**	**1 145**	**56**	**–**
Balance as at 30 June 2023	**952**	**66 726**	**4 624**	**353**

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

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

	Short term trading positions	Derivative financial liabilities	Other liabilities	Deposits
	–	1 595	2	4 471
	–	1 341	1	122
	–	–	–	–
	9	(328)	–	(241)
	–	–	–	–
	–	(401)	–	1 266
	–	–	–	3
	9	**2 207**	**3**	**5 621**
	–	**1 553**	**5**	**897**
	–	**–**	**–**	**–**
	(9)	**(1 166)**	**–**	**312**
	–	**–**	**(2)**	**–**
	–	**(117)**	**–**	**–**
	–	**–**	**–**	**10**
	–	**2 477**	**6**	**6 840**

34 FAIR VALUE MEASUREMENTS continued

34.3.2 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*	**5 509**	**–**	1 525	–
Investment securities	**419**	**8**	515	–
Investment properties	**(25)**	**–**	(19)	–
Total	**6 543**	**8**	2 138	–
Liabilities				
Derivative financial instruments	**(1 448)**	**–**	(1 268)	–
Deposits	**(1 053)**	**–**	(109)	–
Other liabilities	**–**	**–**	1	–
Short trading positions	**–**	**–**	(1)	–
Total	**(2 501)**	**–**	(1 377)	–

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

34 FAIR VALUE MEASUREMENTS continued

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

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

<table>
<tr><th>Asset/liability</th><th>Unobservable input to which reasonably possible changes are applied</th><th>Reasonably possible changes applied</th></tr>
<tr><td>Derivative financial instruments</td><td>Volatilities, yields, interest rates, credit spreads</td><td>A 10% relative stress [i.e.: (1 ± 10%) * base input] of the following base inputs:
<table>
<tr><th>Exposure</th><th>Unobservable Input</th></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>
</table></td></tr>
<tr><td>Advances</td><td>Credit migration matrix</td><td>The PD adjusted either upwards or downwards in relation to the base case.</td></tr>
<tr><td>Investment securities</td><td>Credit, growth rates or P/E ratios of unlisted investments</td><td>Increased and decreased by between 7% and 10%, depending on the nature of the instrument.</td></tr>
<tr><td>Investment properties</td><td>Escalation rates applied to rentals and discount rates</td><td>Expected rentals are adjusted for comparable rentals. A range of capitalisation rates was used to assess reasonability of the rate(s) used.</td></tr>
<tr><td>Deposits</td><td>Credit inputs, correlation and devaluation parameters</td><td>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>

34 FAIR VALUE MEASUREMENTS continued

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

	2023			2022		
	Reasonably possible alternative fair value			Reasonably possible alternative fair value		
R million	Fair value	Using more positive assump-tions	Using more negative assump-tions	Fair value	Using more positive assump-tions	Using more negative assump-tions
Assets						
Derivative financial instruments	**952**	**1 029**	**875**	646	703	589
Advances	**66 726**	**66 847**	**66 614**	47 299	47 366	47 231
Investment securities	**4 624**	**4 831**	**4 433**	3 040	3 186	2 908
Investment properties	**353**	**389**	**323**	698	703	520
Total financial assets measured at fair value in level 3	**72 655**	**73 096**	**72 245**	51 683	51 958	51 248
Liabilities						
Derivative financial instruments	**2 477**	**2 394**	**2 542**	2 207	2 114	2 305
Deposits	**6 840**	**6 686**	**6 995**	5 621	5 593	5 648
Short trading positions	**–**	**–**	**–**	9	9	9
Other liabilities	**6**	**5**	**7**	3	3	3
Total financial liabilities measured at fair value in level 3	**9 323**	**9 085**	**9 544**	7 840	7 719	7 965

34 FAIR VALUE MEASUREMENTS continued

34.4 Financial instruments not measured at fair value

The following represents the fair values of financial instruments not carried at fair value in the statement of financial position, but for which fair value is required to be disclosed. For all other financial instruments, the carrying value is equal to or a reasonable approximation of the fair value.

	2023				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	**1 409 450**	**1 410 802**	**-**	**148 220**	**1 262 582**
Investment securities	**226 135**	**219 592**	**133 289**	**74 409**	**11 894**
Total financial assets at amortised cost	**1 635 585**	**1 630 394**	**133 289**	**222 629**	**1 274 476**
Liabilities					
Deposits	**1 863 525**	**1 861 259**	**2 292**	**1 433 571**	**425 396**
Other liabilities	**3 923**	**3 923**	**1 305**	**1 383**	**1 235**
Tier 2 liabilities	**16 869**	**16 953**	**-**	**16 953**	**-**
Total financial liabilities at amortised cost	**1 884 317**	**1 882 135**	**3 597**	**1 451 907**	**426 631**
	2022				
Assets					
Advances	1 238 641	1 246 930	-	148 282	1 098 648
Investment securities	162 485	156 639	107 835	38 550	10 254
Total financial assets at amortised cost	1 401 126	1 403 569	107 835	186 832	1 108 902
Liabilities					
Deposits	1 602 414	1 603 572	567	1 259 157	343 848
Other liabilities	5 343	5 352	-	4 303	1 049
Tier 2 liabilities	20 937	21 111	-	21 111	-
Total financial liabilities at amortised cost	1 628 694	1 630 035	567	1 284 571	344 897

34.5 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**	108
Day 1 profits or losses not initially recognised on financial instruments in the current year	**237**	369
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(369)**	(134)
Closing balance	**211**	343

34 FAIR VALUE MEASUREMENTS continued

34.6 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 group'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 group uses its own annual credit review process to determine if there has been a change in the credit rating or PD of the counterparty. **Investment securities** The change in fair value due to credit risk for investments designated at FVTPL is calculated by stripping out the movements that result from a change in market factors that give rise to market risk. The change in fair value due to credit risk is then calculated as the balancing figure, after deducting the movement due to market risk from the total movement in fair value.
Financial liabilities	Determined with reference to changes in the mark-to-market yields of own issued bonds. The change in fair value of financial liabilities due to changes in credit risk is immaterial.

34 FAIR VALUE MEASUREMENTS continued

34.6.1 Financial assets designated at fair value through profit or loss

The group has designated certain financial assets at FVTPL that would otherwise have been measured at amortised cost or FVOCI. The table below contains details on the change in credit risk attributable to these financial assets. Losses are indicated in brackets.

R million	Fair value	Mitigated credit risk	Change in fair value due to credit risk: Current period	Change in fair value due to credit risk: Cumulative
	2023			
Advances	**13 457**	**772**	**(79)**	**273**
Investment securities	**9 415**	**-**	**-**	**-**
Total	**22 872**	**772**	**(79)**	**273**
	2022			
Advances	10 480	1 080	(88)	236
Investment securities	8 274	-	-	-
Total	18 754	1 080	(88)	236

Losses are included in brackets

34.6.2 Financial liabilities designated at fair value through profit or loss

R million	**2023** Fair value	**2023** Contractually payable at maturity	2022 Fair value	2022 Contractually payable at maturity
Deposits	**6 808**	**6 123**	8 959	8 619
Non-recourse deposits	**3 758**	**2 426**	7 013	5 283
Other liabilities	**84**	**84**	71	71
Policyholder liabilities under investment contracts	**6 383**	**6 383**	5 396	5 396
Total	**17 033**	**15 016**	21 439	19 369

34.7 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*	**8 551**	6 835
Fair value of credit of advances included in impairment of advances	**202**	(541)

* *Refer to note 2.3.*

35 SEGMENT INFORMATION

35.1 Reportable segments

Segment reporting		
Group's chief operating decision maker	Chief Executive Officer (CEO)	
Identification and measurement of operating segments	Aligned to internal reporting provided to the CEO and reflects the risks and rewards related to the segments' specific products and services offered in their specific markets. Operating segments of which total revenue, absolute profit or loss for the period or total assets that constitute 10% or more of all the segments' revenue, profit or loss or total assets are reported separately.	
Major customers	The FirstRand group has no major customer as defined (i.e. revenue from the customer exceeds 10% of total revenue) and is therefore not reliant on revenue from one or more major customers.	
Reportable segments		
RETAIL AND COMMERCIAL		
	Products and services	**Footprint**
FNB	FNB represents FirstRand's activities in the retail and commercial segments in South Africa and broader Africa. FNB offers a diverse set of financial products and services to market segments including retail (personal and private), SMEs, business, agriculture, medium corporate, and public sector entities. FNB's products cover the entire spectrum of financial services – transactional, lending, insurance, investment management and savings. Products include mortgage loans and commercial property finance; credit and debit cards (card issuing); personal loans (including loans offered by DirectAxis); debtor and leveraged finance; securities-based lending; foreign exchange; funeral, credit life, life- and short term insurance policies; and savings and investment products. Services include transactional and deposit taking, card-acquiring, credit facilities, insurance, trust and fiduciary services, rewards programme (eBucks), FNB Connect (a mobile virtual network operator), merchant services (card acquiring)	FNB operates in South Africa, Namibia, Botswana, Lesotho, Eswatini, Zambia, Mozambique and Ghana. The operations of FNB Tanzania were taken over by Exim Bank on 7 July 2022.

35 SEGMENT INFORMATION continued

Reportable segments		
	Products and services	**Footprint**
FNB	and cash management solutions. FNB's distribution channels include the branch network and other physical representation points, ATMs, call centres, an app, cellphone banking (USSD) and online banking.	
WesBank	WesBank represents the group's asset-based finance activities and in the retail, commercial and corporate segments in South Africa. It is a leading providers of vehicle finance and also provides fleet management services. MotoVantage provides VAPS related to vehicle ownership. These include maintenance and service plans, warranties, and credit life and shortfall cover.	WesBank operates in South Africa.
CORPORATE AND INSTITUTIONAL		
RMB	RMB represents the group's activities in the corporate and institutional segments in South Africa and on the broader African continent. In addition it has niche offerings in the UK and India, and a broker-dealer business and representative office in the USA. RMB offers corporate finance, leveraged finance, resource sector solutions, infrastructure sector solutions, real estate finance, debt capital markets, debt trade solutions, sponsor services, corporate broking, loan syndications, coverage, advisory, corporate transactional banking and principal investments. From a markets perspective it offers market making, financial risk management and investment across interest rate, currency, commodity, equity and credit asset classes as well as execution, asset financing, custody and clearing services. The results of Ashburton Investments, the group's asset management business, are also reported as part of RMB.	RMB operates in South Africa, Namibia, Botswana, Eswatini, Lesotho, Mozambique, Zambia, Ghana and Nigeria, and manages FirstRand Bank's representative offices in Kenya, Angola Shanghai and New York. RMB has niche offerings in the UK (London Branch) and India. It has established a broker-dealer business in the USA.

35 SEGMENT INFORMATION continued

ALDERMORE		
Aldermore	The UK operations include Aldermore Bank and MotoNovo (front and back books). The portfolio consists of specialist lending for property finance (individuals and landlords), structured and specialist finance for SMEs, motor finance (provided by MotoNovo), and retail and business savings products. The UK operations are funded mainly by retail deposits from UK savers. With no branch network, Aldermore serves customers and intermediary partners online and telephonically, with motor finance offered through a network of dealerships across the UK.	Aldermore and MotoNovo operate in the UK
CENTRE (INCLUDING GROUP TREASURY)		
Centre (including Group Treasury)	The Centre represents group-wide functions, including Group Treasury, Group Finance, Group Tax, Enterprise Risk Management (ERM), Group Compliance and Group Internal Audit. The reportable segment includes all management accounting and consolidated entries. The total operational performance of MotoNovo's back book (i.e. business written prior to the integration with Aldermore.	

35.2 Description of normalised adjustments

Normalised adjustments
The group presents normalised earnings which take into account non-operational and accounting anomalies. Normalised earnings are the measurement basis used by the chief operating decision maker (CODM) to manage the group. 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 period.

35 SEGMENT INFORMATION continued

Normalised adjustments	
Consolidated private equity subsidiaries	In accordance with IFRS, operating costs of consolidated private equity subsidiaries are included in profit or loss as part of operating expenses. When calculating normalised results, these operating costs are reclassified to NIR, where income earned from these entities is included. This presentation of net income earned from consolidated private equity subsidiaries more accurately reflects the underlying economic substance of the group's relationship with these entities.
FirstRand shares held for client trading activities	The group invests in FirstRand shares to offset its exposure as a result of client trading positions. Depending on the nature of the client trading position and resulting risks, FirstRand shares may be held long or sold short by the group. In terms of IAS 32, FirstRand shares held by the group are deemed to be treasury shares for accounting purposes. For the statement of financial position, the cost price of FirstRand shares held long is deducted from equity and the consideration received from selling FirstRand shares short is added back to equity. All gains and losses on FirstRand shares are reversed to profit or loss. In addition, one of the group's joint ventures also holds FirstRand shares for client trading activities. In terms of IAS 32, profits or losses cannot be recognised on an entity's own equity instruments. The group's portion of the fair value change in the FirstRand shares is, therefore, deducted from equity-accounted earnings and the carrying value of the investment recognised using the equity-accounted method. The shares held by the joint venture are not deducted from equity. Changes in the fair value of FirstRand shares and dividends declared on these shares affect the fair value of client trading positions reflected in the statement of financial position, unless the client trading position is itself an equity instrument. The change in the fair value of client trading positions is recognised in profit or loss. However, because of the rules relating to treasury shares and the elimination of upstream and downstream profits when equity accounting is applied, the corresponding fair value changes (or the group's portion of the fair value changes) in the FirstRand shares held to match client trading positions are reversed or eliminated. This results in a mismatch in the overall equity and profit or loss of the group. For purposes of calculating normalised results, the adjustments described above are reversed and FirstRand shares held for client trading positions are treated as issued to parties external to the group. Where the client trading position is itself an equity instrument, neither gains nor losses on client trading positions, or FirstRand shares held to hedge these, are reflected in profit or loss or in the statement of financial position.

35 SEGMENT INFORMATION continued

Normalised adjustments	
Margin-related items included in fair value income	In terms of IFRS, the group is either required to or has elected to measure certain financial assets and liabilities at FVTPL. In terms of the group's IFRS accounting policies, the gains or losses on these assets and liabilities are included in fair value income within NIR. This results in NIR including gains or losses that are related to lending, borrowing and economic interest rate hedges. In order to reflect the economic substance of these amounts, the amount of fair value income that relates to margin is presented in NII in the normalised results. The amount reclassified from NIR to NII includes the following items: ➢ the margin on the component of the wholesale advances book in RMB that is measured at FVTPL; ➢ fair value gains on derivatives that are used as interest rate hedges but which do not qualify for hedge accounting; and ➢ currency translations and associated costs inherent to the US dollar funding and liquidity pool.
IAS 19 remeasurement of plan assets	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 to the value of the interest on the plan assets and increasing OCI.

35 SEGMENT INFORMATION continued

Normalised adjustments	
Realisations on the sale of private equity subsidiaries	In terms of *Circular 01/2023 Headline Earnings*, gains or losses from the sale of subsidiaries are excluded from headline earnings. The circular includes specific industry rules. Rule 1 allows entities to include in headline earnings gains or losses associated with private equity investments that are associates or joint ventures, which form part of trading or operating activities. This industry rule, however, does not apply to gains or losses associated with private equity investments that are subsidiaries. The group includes gains or losses on the sale of private equity subsidiaries in normalised results to reflect the nature of these investments.
Cash-settled share-based payments and the economic hedge	The group entered into various TRS with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's share schemes. In accordance with IFRS 2, the expense resulting from these share 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 group defers a portion of the recognition of the fair value gain or loss on the hedging instrument for the specific reporting period to the period in which the IFRS 2 impact will manifest in the group's results. This reflects the economic substance of the hedge and associated IFRS 2 impact for the group for the share schemes that are not hedge accounted. In addition, the portion of the SBP expense which relates to the remeasurement of the liability arising from changes in the share price is reclassified from operating expenses into NIR in accordance with the economics of the transaction. The SBP expense included in operating expenses that remains is equal to the grant date fair value of the awards given.
Consolidation of fully vested empowerment vehicles	In terms of IFRS 10, when assessing if a structured entity is controlled by another entity, it must consider whether the sponsoring entity was instrumental in the design and purpose of the mandate and operational parameters of the entity being evaluated, and whether benefits are obtained. Where both these requirements are met, the sponsoring entity is deemed to have control over the entity. FirstRand's BEE transaction is fully vested and distributed to the B-BBEE beneficiaries, which include the empowerment trusts. Although the trustees are empowered and responsible for making investment decisions and disbursements to beneficiaries, as FirstRand was instrumental in the initial design, and obtains non-financial benefits, namely BEE ownership points, in terms of IFRS 10, the group is deemed to have control and therefore consolidates the empowerment trusts. For the purpose of calculating normalised results the consolidation of the trusts is reversed as the assets, liabilities and returns within the trusts are not for the benefit of FirstRand shareholders, either on distribution or dissolution.
Headline earnings adjustments	All adjustments that are 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.

35 SEGMENT INFORMATION continued

	2023			
	Retail and commercial			
	FNB			
R million	FNB SA	FNB Broader Africa	WesBank	
Net interest income before impairment of advances	**39 093**	**5 139**	**5 098**	
Impairment charge	**(6 373)**	**(371)**	**(1 728)**	
Net interest income after impairment of advances	**32 720**	**4 768**	**3 370**	
Non-interest revenue	**33 405**	**4 917**	**3 504**	
Net income from operations	**66 125**	**9 685**	**6 874**	
Operating expenses	**(36 880)**	**(6 578)**	**(4 697)**	
Share of profit of associates and joint ventures after tax	**85**	**-**	**327**	
Income before tax	**29 330**	**3 107**	**2 504**	
Indirect tax	**(809)**	**(205)**	**(53)**	
Profit for the year before tax	**28 521**	**2 902**	**2 451**	
Income tax expense	**(7 700)**	**(1 003)**	**(580)**	
Profit for the year	**20 821**	**1 899**	**1 871**	
The income statement includes				
Staff expenditure*	**(23 601)**	**(3 528)**	**(2 145)**	
Depreciation	**(2 428)**	**(405)**	**(817)**	
Amortisation	**(61)**	**(20)**	**(20)**	
Net impairment charges	**(179)**	**(4)**	**10**	
Non-interest revenue includes the following external revenue from contracts with customers**				
Banking fees and commissions	**29 135**	**4 888**	**737**	
Non-banking fees and commissions	**773**	**113**	**10**	
Insurance income (excluding risk-related income)	**927**	**139**	**395**	
Management, trust and fiduciary fees	**1 290**	**33**	**537**	
Other non-interest revenue from customers	**1 260**	**35**	**550**	
The statement of financial position includes				
Investments in associated companies	**481**	**-**	**2 810**	
Investments in joint ventures	**-**	**-**	**6**	
Total assets	**485 094**	**62 058**	**163 851**	
Total liabilities#	**458 116**	**58 142**	**161 005**	

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

* *Staff expenditure has been presented separately in line with the JSE's report on the proactive monitoring of financial statements recommendation.*

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

\# *Total liabilities are net of interdivisional balances.*

	2023						
		Corporate and institutional					
	Retail and commercial	RMB	Aldermore	Centre (including Group Treasury)	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
	49 330	11 315	13 236	4 735	78 616	(2 179)	76 437
	(8 472)	(551)	(2 415)	489	(10 949)	-	(10 949)
	40 858	10 764	10 821	5 224	67 667	(2 179)	65 488
	41 826	14 745	1 357	(4 558)	53 370	1 944	55 314
	82 684	25 509	12 178	666	121 037	(235)	120 802
	(48 155)	(13 171)	(7 032)	(282)	(68 640)	(109)	(68 749)
	412	520	11	(450)	493	(6)	487
	34 941	12 858	5 157	(66)	52 890	(350)	52 540
	(1 067)	(226)	(383)	44	(1 632)	-	(1 632)
	33 874	12 632	4 774	(22)	51 258	(350)	50 908
	(9 283)	(3 275)	(1 101)	1 466	(12 193)	(3)	(12 196)
	24 591	9 357	3 673	1 444	39 065	(353)	38 712
	(29 274)	(7 221)	(3 562)	(2 553)	(42 610)	274	(42 336)
	(3 650)	(172)	(202)	(21)	(4 045)	-	(4 045)
	(101)	(81)	(4)	(490)	(676)	-	(676)
	(173)	(8)	-	215	34	(403)	(369)
	34 760	4 983	211	(37)	39 917	-	39 917
	896	61	51	58	1 066	-	1 066
	1 461	-	3	7	1 471	-	1 471
	1 860	701	-	(2)	2 559	-	2 559
	1 845	(2 270)	53	2 176	1 804	(36)	1 768
	3 291	4 626	-	2 483	10 400	-	10 400
	6	3 067	-	(16)	3 057	48	3 105
	711 003	720 698	477 424	385 720	2 294 845	2 765	2 297 610
	677 263	706 722	440 574	275 370	2 099 929	-	2 099 929

35 SEGMENT INFORMATION continued

	2022†			
	Retail and commercial			
	FNB			
R million	FNB SA	FNB Broader Africa	WesBank	
Net interest income before impairment of advances	34 511	3 969	4 877	
Impairment charge	(4 770)	(168)	(1 402)	
Net interest income after impairment of advances	29 741	3 801	3 475	
Non-interest revenue	29 971	4 453	3 378	
Net income from operations	59 712	8 254	6 853	
Operating expenses	(32 948)	(5 791)	(5 022)	
Share of profit of associates and joint ventures after tax	59	-	476	
Income before tax	26 823	2 463	2 307	
Indirect tax	(680)	(164)	(37)	
Profit for the year before tax	26 143	2 299	2 270	
Income tax expense	(7 312)	(846)	(636)	
Profit for the year	18 831	1 453	1 634	
The income statement includes				
Staff expenditure*	(20 161)	(3 107)	(2 100)	
Depreciation	(2 381)	(409)	(845)	
Amortisation	(152)	(14)	(31)	
Net impairment charges	(50)	1	(31)	
Non-interest revenue includes the following external revenue from contracts with customers**				
Banking fees and commissions	27 103	4 285	690	
Non-banking fees and commissions	761	91	11	
Insurance income (excluding risk-related income)	871	125	403	
Management, trust and fiduciary fees	1 323	-	537	
Other non-interest revenue from customers	590	21	468	
The statement of financial position includes				
Investments in associated companies	770	-	2 732	
Investments in joint ventures	-	-	16	
Total assets#	449 722	56 045	145 798	
Total liabilities#†	426 894	53 275	144 442	

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

* *Staff expenditure has been presented separately in line with the JSE's report on the proactive monitoring of financial statements recommendation.*

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

\# *Restated.*

† *Total liabilities are net of interdivisional balances.*

	2022†						
		Corporate and institutional					
	Retail and commercial	RMB	Aldermore	Centre (including Group Treasury)	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
	43 357	9 074	10 707	4 718	67 856	(1 481)	66 375
	(6 340)	413	(1 159)	6	(7 080)	-	(7 080)
	37 017	9 487	9 548	4 724	60 776	(1 481)	59 295
	37 802	12 193	702	(3 841)	46 856	1 392	48 248
	74 819	21 680	10 250	883	107 632	(89)	107 543
	(43 761)	(11 329)	(5 852)	(82)	(61 024)	255	(60 769)
	535	1 458	21	(508)	1 506	(15)	1 491
	31 593	11 809	4 419	293	48 114	151	48 265
	(881)	(194)	(285)	(73)	(1 433)	-	(1 433)
	30 712	11 615	4 134	220	46 681	151	46 832
	(8 794)	(3 252)	(939)	858	(12 127)	(66)	(12 193)
	21 918	8 363	3 195	1 078	34 554	85	34 639
	(25 368)	(6 350)	(3 361)	(2 002)	(37 081)	460	(36 621)
	(3 635)	(136)	(214)	(11)	(3 996)	-	(3 996)
	(197)	(154)	(14)	(466)	(831)	-	(831)
	(80)	(5)	-	(30)	(115)	(195)	(310)
	32 078	4 220	154	(32)	36 420	-	36 420
	863	58	31	24	976	-	976
	1 399	-	70	31	1 500	-	1 500
	1 860	713	-	(2)	2 571	-	2 571
	1 079	250	36	(81)	1 284	124	1 408
	3 502	3 669	123	884	8 178	-	8 178
	16	2 564	-	(16)	2 564	54	2 618
	651 565	621 725	365 767	360 588	1 999 645	(76)	1 999 569
	624 611	608 635	338 250	247 364	1 818 860	-	1 818 860

35 SEGMENT INFORMATION continued

Geographical segments

R million	South Africa	Broader Africa	United Kingdom	Other	Total
	2023				
Net interest income after impairment	**45 427**	**8 081**	**11 482**	**498**	**65 488**
Non-interest revenue	**46 664**	**7 295**	**1 803**	**39**	**55 801**
– Non-interest revenue from contracts with customers	**38 818**	**6 136**	**576**	**58**	**45 588**
– Other non-interest revenue	**7 369**	**1 159**	**1 216**	**(18)**	**9 726**
– Share of profits of associates and – joint ventures after tax	**477**	**-**	**11**	**(1)**	**487**
Non-current assets*	**33 259**	**2 757**	**9 272**	**3**	**45 291**
	2022				
Net interest income after impairment	42 609	6 440	9 973	273	59 295
Non-interest revenue	41 854	6 532	1 159	194	49 739
– Non-interest revenue from contracts with customers	37 060	5 323	447	45	42 875
– Other non-interest revenue	3 322	1 209	691	151	5 373
– Share of profits of associates and joint ventures after tax	1 472	-	21	(2)	1 491
Non-current assets*	29 843	2 525	8 309	1	40 678

* *Exclude financial instruments, other assets, deferred income tax assets, current tax assets, post-employment benefit assets and rights arising under insurance contracts.*

36 RELATED PARTIES

36.1 Balances with related parties

R million	2023	2022
Advances		
Associates	**20 053**	17 442
Joint ventures	**7 657**	7 605
Key management personnel	**9**	50
Other assets		
Associates	**786**	583
Joint ventures	**8 596**	18 887
Derivative assets		
Joint ventures	**3**	2
Investment securities		
Associates	**397**	163
Deposits		
Associates	**1 086**	1 572
Joint ventures	**5 451**	5 824
Key management personnel	**92**	120
Accounts payable		
Associates	**6**	4
Derivative liabilities		
Joint ventures	**118**	370
Commitments		
Associates	**186**	1 839
Joint ventures	**5 182**	4 711

Refer to the remuneration disclosures on B254 for details of the compensation payable to KMP.

Transactions with related parties occur in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those for comparable transactions with other external parties. These transactions do not involve more than the normal risk of collectability or present other unfavourable features.

The amounts advanced to KMP consist of mortgages, instalment finance agreements, credit cards and other loans. The amounts deposited by KMP are held in cheque and current accounts, savings accounts and other term accounts. Market-related rates and terms and conditions apply to transactions with related parties, including KMP.

36 RELATED PARTIES continued

36.2 Transactions with related parties appear below

R million	2023	2022
Interest received		
Associates	**965**	1 091
Joint ventures	**1 390**	1 084
Key management personnel	**2**	2
Interest paid		
Associates	**(74)**	(48)
Joint ventures	**(112)**	(95)
Key management personnel	**(7)**	(7)
Non-interest revenue		
Associates	**936**	1 099
Joint ventures	**1 187**	1 498
Key management personnel	**1**	2
Operating expenses		
Associates	**(851)**	(866)
Joint ventures	**-**	-
Dividends received		
Associates	**239**	333
Joint ventures	**3 100**	1 977
Net investment return credited in respect of investments under the co-investment scheme		
Salaries and other employee benefits		
Key management personnel	**278**	250
– Salaries and other short-term benefits	**170**	154
– Share-based payments	**108**	96

Deferred compensation of R51 million (2022: R44 million) is due to key management personnel and settlement value is linked to the FirstRand Limited shares. A list of the board of directors of the group is available in the Corporate governance section of this report.

During the financial year, no contracts were entered into in which directors or officers of the group had an interest and which significantly affected the business of the group.

The directors had no interest in any third party or company responsible for managing any of the business activities of the group.

36 RELATED PARTIES continued

36.3 Post-retirement benefit fund

Details of transactions between the group and the group's post-employment benefit plan are listed below.

R million	2023	2022
Dividend income	**26**	22
Fee expense	**-**	(12)
Deposits held with the group	**737**	478
Interest income	**46**	32

Refer to note 21 for details of the closing balance of the group's post-employment benefit plan.

37 FINANCIAL AND INSURANCE RISKS

Risk governance in the group

FirstRand believes that effective risk, performance and financial resource management is key to its success and underpins the delivery of sustainable returns to shareholders. These disciplines are, therefore, deeply embedded in the 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 is the FirstRand RCCC. It has delegated responsibility for a number of specialist risk types to various subcommittees. Additional risk, audit and compliance committees exist in the operating businesses, segments and subsidiaries, whose governance structures align closely with that of the group.

A detailed overview of the group's risk governance process is provided in the group's unaudited Pillar 3 disclosure on the FirstRand website at www.firstrand.co.za/investors/basel-pillar-3-disclosure.

37 FINANCIAL AND INSURANCE RISKS

Overview of financial and insurance risks

The financial instruments recognised on the group's statement of financial position expose the group to various financial risks.

The information presented in this note represents the information required by IFRS 7 and sets out the group's exposure to these financial and insurance risks. This section also contains details on the group's capital management process.

<table>
<tr><th colspan="3">Overview of financial and insurance risks</th></tr>
<tr><td rowspan="2">Credit risk</td><td colspan="2">The risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads. Credit risk also includes credit default, pre-settlement, country, concentration and securitisation risk.</td></tr>
<tr><td>Credit risk arises primarily from the following instruments:
➢ advances;
➢ certain investment securities; and
➢ off-balance sheet exposures.

Other sources of credit risk are:
➢ reinsurance assets;
➢ cash and cash equivalents;
➢ accounts receivable included in other assets; and
➢ derivative balances.</td><td>The following information is presented for these assets:
➢ credit assets and concentration risk (37.1.1);
➢ information about the quality of credit assets (37.1.2 and 37.1.3); and
➢ credit risk mitigation techniques and collateral held (37.1.5).</td></tr>
<tr><td rowspan="2">Liquidity risk</td><td colspan="2">The risk that the group will not be able to effectively meet current and future cash flow and collateral requirements without negatively affecting the normal course of business, financial position or reputation.</td></tr>
<tr><td>All assets and liabilities with differing maturity profiles expose the group to liquidity risk.</td><td>The following information is presented for these assets and liabilities:
➢ undiscounted cash flow analysis of financial liabilities (37.2.1);
➢ discounted cash flow analysis of total assets and liabilities (37.2.2);
➢ collateral pledged (37.2.3). and
➢ concentration analysis of deposits (37.2.4)</td></tr>
</table>

37 FINANCIAL AND INSURANCE RISKS continued

<table>
<tr><th colspan="3">Overview of financial and insurance risks</th></tr>
<tr><td rowspan="4">Market risk</td><td colspan="2">The group 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 (IRRBB) 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 (37.3.1) emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products, and is taken and managed by RMB.</td><td>10-day 99% VaR analysis has been presented for traded market risk.</td></tr>
<tr><td>Interest rate risk in the banking book (37.4.1) is the sensitivity of a bank's financial position and earnings to unexpected, adverse movements in interest rates. It originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.</td><td>The following information is presented for interest rate risk in the banking book:
➢ projected NII sensitivity to interest rate movements; and
➢ banking book NAV sensitivity to interest rate movements as a percentage of total group capital.</td></tr>
<tr><td>Structural foreign exchange risk (37.4.2) 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 foreign exchange rates impacting balance sheet exposures. It arises from balances denominated in foreign currencies and group entities with functional currencies other than the South African rand.</td><td>Information on the group's net structural foreign exposures and sensitivity of these exposures are presented.</td></tr>
</table>

37 FINANCIAL AND INSURANCE RISKS continued

<table>
<tr><th colspan="3">Overview of financial and insurance risks</th></tr>
<tr><td rowspan="2">Equity investment risk</td><td colspan="2">The risk of an adverse change in the fair value of an investment in a company, fund or listed, unlisted or bespoke financial instruments.</td></tr>
<tr><td>Equity investment risk (37.5) arises primarily from equity exposures from private equity and corporate and investment banking activities in RMB, and strategic investments held by WesBank, FNB, Aldermore and Centre. Ashburton Investments also contributes to equity investment risk through the short-term seeding of new traditional and alternative funds, both locally and offshore, which exposes the group until these investments are taken up by external parties. Long-term seeding is also provided where there is alignment with strategy and the business case meets the internal return hurdle requirements. Any equity investments in any types of funds held in the bank’s banking book, including money market funds, are treated as part of equity investment risk.</td><td>The following information is presented for equity investments:
➢ investment risk exposure, risk-weighted assets (RWA), and sensitivity analysis of investment risk; and
➢ estimated sensitivity of remaining investment balances.</td></tr>
</table>

37 FINANCIAL AND INSURANCE RISKS continued

Insurance risk	Insurance risk arises from the inherent uncertainties of liabilities payable under an insurance contract. These uncertainties can result in the occurrence, amount or timing of the liabilities differing from expectations. Insurance risk can arise throughout the product cycle and is related to product design, pricing, underwriting or claims management.
	The risk arises from the group's third-party insurance operations housed in FirstRand Insurance Holdings Limited. Currently insurance risk arises from the group's long-term insurance operations, underwritten through its subsidiary FirstRand Life Assurance Limited (FirstRand Life), and short-term insurance operations, underwritten through its subsidiary FirstRand Short Term Insurance (FirstRand STI).
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 group's solvency and quality of capital during calm and turbulent periods in the economy and financial markets. The group, therefore, maintains capitalisation ratios aligned with its risk appetite and appropriate for safeguarding operations and stakeholder interests. The key focus areas and considerations of capital management are to ensure an optimal level and mix of capital, effective allocation of resources including capital and risk capacity, and a dividend strategy to provide shareholders with an appropriate, sustainable payout over the long term.

37 FINANCIAL AND INSURANCE RISKS continued

37.1 Credit risk

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 group'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 group'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 group, 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.

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 group 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 group 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.

37 FINANCIAL AND INSURANCE RISKS continued

The group 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 (FR)1 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 Global Ratings. The group currently only uses mapping to S&P rating scales.*

37.1.1 Credit assets and concentration risk

The assets and off-balance sheet amounts included in the table below expose the group to credit risk. For all on-balance sheet exposures, the gross amount disclosed represents the maximum exposure to credit risk, before taking collateral and other credit enhancements into account.

Credit concentration risk is the risk of loss to the group 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.

37 FINANCIAL AND INSURANCE RISKS continued

Geographic concentration of significant credit asset exposure

The following tables provide a breakdown of credit exposure across geographical areas.

	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	64 230	11 431	65 190	10 944	12 415	164 210
Total advances	1 015 147	135 615	394 661	19 841	25 183	1 590 447
Stage 3 advances**	41 454	5 713	10 149	10	106	57 432
Derivatives	35 932	5 231	33 650	10 885	258	85 956
Debt investment securities#	275 553	38 589	26 463	16 694	43 102	400 401
Other assets	6 154	1 239	717	839	266	9 215
Reinsurance assets	521	33	-	-	-	554
Off-balance sheet exposures						
Guarantees, acceptances, and letters of credit	35 819	8 154	24 293	3 401	6 335	78 002
Irrevocable commitments	153 948	13 407	13 466	7 328	4 877	193 026

* *Restated. Previously North and South America, Australia and Asia were presented separately. Refer to Note 38.3 – 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
64 513	9 746	35 585	8 305	13 776	131 925
918 509	106 647	321 624	23 763	11 515	1 382 058
39 416	3 447	7 930	5	88	50 886
35 922	527	23 821	4 869	528	65 667
232 438	32 816	32 992	25 951	38 783	362 980
4 453	945	814	103	229	6 544
569	14	-	-	-	583
39 964	8 721	20 280	1 273	3 000	73 238
141 508	14 728	13 911	667	1 981	172 795

37 FINANCIAL AND INSURANCE RISKS continued

R million	2023	2022
Breakdown of advances per class		
Gross advances	**1 590 447**	1 382 058
– Retail secured	**368 414**	342 111
– Residential mortgages	**259 635**	242 757
– WesBank VAF*	**108 779**	99 354
– 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	**636 668**	533 747
– FNB commercial	**116 448**	107 823
– WesBank corporate	**54 212**	45 128
– RMB corporate and investment banking	**466 008**	380 796
– Broader Africa	**77 059**	67 247
– Centre (including Group Treasury)	**40 937**	47 756
– UK operations	**372 742**	303 846
– Retail	**286 908**	231 437
– Commercial	**85 834**	72 409

* *Includes public sector.*
** *Includes acceptances.*
\# *Restated. Refer to Note 38.2 – Impact due to movements in the classes of advances.*

37 FINANCIAL AND INSURANCE RISKS continued

Sector analysis concentration of advances

Advances expose the group to concentration risk in various industry sectors. The following tables set out the group's exposure to various industry sectors for total advances and credit-impaired advances.

	2023			
		Stage 3		
R million	Total advances	Advances	Security held and expected recoveries	Impairment
Sector analysis				
Agriculture	**59 067**	**2 578**	**1 232**	**1 346**
Banks	**45 654**	**-**	**-**	**-**
Financial institutions	**199 191**	**289**	**77**	**212**
Building and property development	**93 456**	**1 701**	**865**	**836**
Government, Land Bank and public authorities	**31 047**	**2 150**	**1 871**	**279**
Individuals	**727 042**	**41 895**	**23 272**	**18 623**
Manufacturing and commerce	**199 573**	**4 591**	**1 904**	**2 687**
Mining	**14 249**	**158**	**44**	**114**
Transport and communication	**50 786**	**995**	**610**	**385**
Other services	**170 382**	**3 075**	**1 519**	**1 556**
Temporary stress scenario	**-**	**-**	**-**	**-**
Total	**1 590 447**	**57 432**	**31 394**	**26 038**
	2022			
Sector analysis				
Agriculture	52 102	2 473	1 167	1 306
Banks	48 384	-	-	-
Financial institutions	160 606	338	86	252
Building and property development	80 398	1 430	607	823
Government, Land Bank and public authorities	30 027	191	76	115
Individuals	655 802	37 212	20 145	17 067
Manufacturing and commerce	164 324	4 353	1 307	3 046
Mining	8 045	103	25	78
Transport and communication	40 141	880	486	394
Other services	142 229	3 906	1 666	2 240
Temporary stress scenario	-	-	(1)	1
Total	1 382 058	50 886	25 564	25 322

37.1.2 Quality of credit assets

The following table shows the GCA of advances carried at amortised cost and the fair value of advances measured at FVTPL, as well as the exposure to credit risk of loan commitments and financial guarantees per class of advance and per internal credit rating.

The amounts in stage 3 that do not have a 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 group holds a guarantee against a stage 3 advance, the FR rating would reflect the same.

37 FINANCIAL AND INSURANCE RISKS continued

30 June 2023

	Retail secured		Retail unsecured			Retail secured and unsecured
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other	Temporary stress scenario
Total on-balance sheet	259 635	108 779	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	99 430	31 605	34 566	4 612	-
– Stage 1	119 109	90 176	29 350	32 990	4 466	-
– Stage 2	13 546	9 254	2 255	1 576	146	-
– Stage 3	-	-	-	-	-	-
– Purchased or originated credit impaired	-	-	-	-	-	-
FR91-100 on-balance sheet	23 195	9 349	4 998	15 109	1 503	-
– Stage 1	294	134	181	1 714	92	-
– Stage 2	8 828	3 046	760	5 848	493	-
– Stage 3	14 073	6 169	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	-	-	-	-	-
– Purchased or originated credit impaired	-	-	-	-	-	-
Total advances	308 801	108 779	37 149	50 072	7 995	-
– Stage 1	272 165	90 310	30 073	35 024	6 432	-
– Stage 2	22 553	12 300	3 019	7 501	639	-
– Stage 3	14 083	6 169	4 057	7 547	924	-
– Purchased or originated credit impaired	-	-	-	-	-	-

Corporate and commercial						UK operations		
FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Broader Africa	Centre (including Group Treasury)	Retail	Commercial	Total
116 448	-	54 212	466 008	77 059	40 937	286 908	85 834	1 590 447
267	-	9 568	157 951	2 383	5 023	56 711	4 066	341 988
267	-	9 568	157 951	2 262	5 023	56 689	3 977	341 577
-	-	-	-	119	-	22	89	403
-	-	-	-	2	-	-	-	8
108 483	-	43 021	300 840	67 478	35 914	209 932	76 748	1 145 284
102 643	-	39 865	278 486	62 833	35 871	201 755	72 600	1 070 144
5 785	-	3 156	21 738	4 615	43	8 177	4 148	74 439
55	-	-	616	30	-	-	-	701
-	-	-	-	-	-	-	-	-
7 698	-	1 623	7 217	7 198	-	20 265	5 020	103 175
110	-	249	93	1 073	-	1 484	1 203	6 627
2 870	-	308	2 604	2 612	-	10 057	2 399	39 825
4 718	-	1 066	3 738	3 513	-	8 724	1 418	55 941
-	-	-	782	-	-	-	-	782
24 051	-	3 657	146 875	12 134	25 085	2 218	7 252	271 027
-	-	3 657	72 350	1 986	-	-	-	123 148
-	-	3 657	72 350	1 986	-	-	-	123 142
-	-	-	-	-	-	-	-	6
-	-	-	-	-	-	-	-	-
23 891	-	-	73 246	9 170	25 085	2 218	7 252	145 269
23 694	-	-	71 917	8 916	25 085	2 218	7 252	143 424
197	-	-	1 285	254	-	-	-	1 801
-	-	-	-	-	-	-	-	-
-	-	-	44	-	-	-	-	44
160	-	-	1 279	978	-	-	-	2 610
5	-	-	456	809	-	-	-	1 437
71	-	-	771	149	-	-	-	1 007
84	-	-	52	20	-	-	-	166
-	-	-	-	-	-	-	-	-
140 499	-	57 869	612 883	89 193	66 022	289 126	93 086	1 861 474
126 719	-	53 339	581 253	77 879	65 979	262 146	85 032	1 686 351
8 923	-	3 464	26 398	7 749	43	18 256	6 636	117 481
4 857	-	1 066	4 406	3 565	-	8 724	1 418	56 816
-	-	-	826	-	-	-	-	826

37 FINANCIAL AND INSURANCE 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	99 354	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	90 271	28 007	32 511	5 697	-
– Stage 1	110 507	81 900	26 403	30 792	5 580	(2 688)
– Stage 2	12 950	8 371	1 604	1 719	116	2 688
– Stage 3	-	-	-	-	1	-
– Purchased or originated credit impaired	-	-	-	-	-	-
FR91-100 on-balance sheet	18 734	9 083	4 452	13 807	1 817	-
– Stage 1	304	188	150	1 504	76	-
– Stage 2	6 628	2 692	624	5 339	470	-
– Stage 3	11 802	6 203	3 678	6 964	1 271	-
– 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	-	-	-	-	-
– Purchased or originated credit impaired	-	-	-	-	-	-
Total advances	293 208	99 354	32 821	46 623	8 529	-
– Stage 1	261 615	82 088	26 914	32 510	6 667	(2 688)
– Stage 2	19 782	11 063	2 229	7 149	586	2 688
– Stage 3	11 811	6 203	3 678	6 964	1 276	-
– Purchased or originated credit impaired	-	-	-	-	-	-

* *Restated. Refer to Note 38.2 – Impact due to movements in the classes of advances.*

Corporate and commercial						UK operations		
FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Broader Africa	Centre (including Group Treasury)	Retail	Commercial	Total
107 823	-	45 128	380 796	67 247	47 756	231 437	72 409	1 382 058
424	-	10 480	126 919	3 214	4 424	7 424	2 456	256 967
424	-	10 467	126 919	3 101	4 424	7 414	2 429	256 637
-	-	13	-	113	-	10	27	326
-	-	-	-	-	-	-	-	4
100 846	-	32 886	250 874	58 542	43 332	203 522	65 842	1 035 787
95 051	(130)	28 579	225 957	54 394	43 289	195 580	62 009	957 223
5 700	130	4 307	22 862	4 034	43	6 978	3 833	75 335
95	-	-	1 392	114	-	964	-	2 566
-	-	-	663	-	-	-	-	663
6 553	-	1 762	3 003	5 491	-	20 491	4 111	89 304
293	-	371	68	587	-	376	745	4 662
1 728	-	488	803	1 700	-	14 114	2 403	36 989
4 532	-	903	1 979	3 204	-	6 001	963	47 500
-	-	-	153	-	-	-	-	153
21 131	-	1 807	128 085	9 882	21 081	8 635	4 338	246 032
827	-	1 807	63 715	1 346	-	-	-	114 152
827	-	1 807	63 715	1 324	-	-	-	114 088
-	-	-	-	22	-	-	-	64
-	-	-	-	-	-	-	-	-
19 864	-	-	62 711	8 241	21 081	8 635	4 338	129 265
19 568	-	-	61 217	8 182	21 081	8 635	4 338	127 335
296	-	-	1 421	59	-	-	-	1 857
-	-	-	45	-	-	-	-	45
-	-	-	28	-	-	-	-	28
440	-	-	1 659	295	-	-	-	2 615
90	-	-	98	281	-	-	-	671
122	-	-	1 444	7	-	-	-	1 583
228	-	-	117	7	-	-	-	361
-	-	-	-	-	-	-	-	-
128 954	-	46 935	508 881	77 129	68 837	240 072	76 747	1 628 090
116 253	(130)	41 224	477 974	67 869	68 794	212 005	69 521	1 460 616
7 846	130	4 808	26 530	5 935	43	21 102	6 263	116 154
4 855	-	903	3 533	3 325	-	6 965	963	50 476
-	-	-	844	-	-	-	-	844

37 FINANCIAL AND INSURANCE 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 group manages credit risk.

	2023		
R million	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3 by class			
Total retail secured	20 242	14 406	5 836
– Residential mortgages	14 073	11 225	2 848
– WesBank VAF	6 169	3 181	2 988
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	32 770	17 997	14 773
Total corporate and commercial	10 975	5 829	5 146
– FNB commercial	4 773	1 941	2 832
– WesBank corporate	1 066	672	394
– RMB corporate and investment banking	5 136	3 216	1 920
Broader Africa	3 545	1 498	2 047
Centre (including Group Treasury)	-	(19)	19
UK operations	10 142	6 089	4 053
– Retail	8 724	5 119	3 605
– Commercial	1 418	970	448
Total stage 3	57 432	31 394	26 038
Stage 3 by category			
Overdrafts and cash management accounts	3 401	679	2 722
Term loans	1 923	860	1 063
Card loans	4 419	1 238	3 181
Instalment sales and hire purchase agreements	11 001	4 471	6 530
Lease payments receivable	376	214	162
Property finance	23 456	18 520	4 936
– Home loans	21 122	16 990	4 132
– Commercial property finance	2 334	1 530	804
Personal loans	7 873	2 264	5 609
Preference share agreements	276	-	276
Investment bank term loans	3 213	2 649	564
Long-term loans to group associates and joint ventures	196	-	196
Other	1 298	499	799
Total stage 3	57 432	31 394	26 038

* *Restated. Refer to Note 38.2 – Impact due to movements in the classes of advances.*

2022		
Total	Security held and expected recoveries	Stage 3 impairment
18 005	12 219	5 786
11 802	9 266	2 536
6 203	2 953	3 250
11 918	3 365	8 553
3 678	1 067	2 611
6 964	2 075	4 889
1 276	223	1 053
29 923	15 584	14 339
9 717	3 637	6 080
4 627	1 482	3 145
903	487	416
4 187	1 668	2 519
3 318	1 373	1 945
-	-	-
7 928	4 970	2 958
6 965	4 417	2 548
963	553	410
50 886	25 564	25 322
4 082	830	3 252
2 205	794	1 411
4 253	1 108	3 145
9 914	4 033	5 881
190	60	130
19 548	15 198	4 350
17 755	14 153	3 602
1 793	1 045	748
7 290	2 143	5 147
253	-	253
1 212	995	217
655	-	655
1 284	403	881
50 886	25 564	25 322

37 FINANCIAL AND INSURANCE RISKS continued

37.1.3 Quality of credit assets – non-advances

The following table shows the GCA of non-advances carried at amortised cost and the fair value of non-advances measured at FVTPL or through OCI per external credit rating.

	2023		
R million	AAA to BBB	BB+ to B-	CCC
Investment securities at amortised cost			
Stage 1	**33 604**	**182 832**	**9 816**
Stage 3	**-**	**-**	**195**
Purchased or originated credit impaired	**-**	**-**	**468**
Investment securities at fair value through other comprehensive income			
Stage 1	**36 446**	**17 287**	**601**
Investment securities at fair value through profit or loss	**28 167**	**90 651**	**335**
Total investment securities	**98 217**	**290 770**	**11 415**
Other financial assets			
Stage 2	**567**	**8 169**	**328**
Stage 3	**-**	**68**	**83**
Total other financial assets	**567**	**8 237**	**411**
Cash and cash equivalents			
Stage 1	**93 152**	**67 596**	**3 437**
Purchased or originated credit impaired	**25**	**-**	**-**
Total cash and cash equivalents	**93 177**	**67 596**	**3 437**
Derivative assets	**50 480**	**35 444**	**32**
	2022		
Investment securities at amortised cost			
Stage 1	27 766	129 082	5 951
Investment securities at fair value through other comprehensive income			
Stage 1	38 858	12 222	2
Investment securities at fair value through profit or loss	40 522	108 556	21
Total investment securities*	107 146	249 860	5 974
Other financial assets			
Stage 2	803	5 535	167
Stage 3	-	(16)	54
Total other financial assets	803	5 519	221
Cash and cash equivalents			
Stage 1	65 792	62 664	3 470
Total cash and cash equivalents	65 792	62 664	3 470
Derivative assets	29 138	31 228	5 301

* *Total investment securities has been represented to include investment securities at fair value through profit and loss.*

37 FINANCIAL AND INSURANCE RISKS continued

37.1.4 Credit risk mitigation and collateral held

Since taking and managing credit risk is core to its business, the group 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 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 group's lending risk, which result 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, WesBank, MotoNovo and Aldermore are secured by the underlying assets financed.
- FNB and Aldermore 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, insurance against disability, life and retrenchment is 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 Note 37.1.4.
- 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 group employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained over collateral taken over the life of the transaction. Collateral is valued at inception of the credit agreement and subsequently where necessary through physical inspection or index valuation methods. For corporate and commercial counterparties, collateral is reassessed during the annual review of the counterparty's creditworthiness to ensure that proper title is retained. For mortgage portfolios, collateral is revalued on an ongoing basis using an index model, and physical inspection is performed at the beginning of the recovery process. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

Concentrations in credit risk mitigation types, such as property, are monitored and managed at a product and segment level, in line with the requirements of the group credit risk/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.

The following table represents an analysis of the maximum exposure to credit risk for financial assets at amortised cost and debt instruments at FVTPL, as well as a breakdown of collateral, both financial and non-financial, held against the exposure along with any other credit enhancements and netting arrangement.

37 FINANCIAL AND INSURANCE RISKS continued

R million	Gross carrying amount	Off-balance sheet exposure	Loss allowance	Maximum exposure to credit risk
	2023			
Residential mortgages	**259 635**	**49 165**	**(4 356)**	**304 444**
WesBank VAF	**108 779**	**-**	**(5 862)**	**102 917**
FNB card	**37 149**	**-**	**(4 767)**	**32 382**
Personal loans	**50 072**	**-**	**(9 289)**	**40 783**
Retail other	**7 406**	**590**	**(1 248)**	**6 748**
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	**466 008**	**146 875**	**(6 468)**	**606 415**
Broader Africa	**77 059**	**12 134**	**(4 140)**	**85 053**
Centre (including Group Treasury)	**40 937**	**25 085**	**(548)**	**65 474**
UK operations	**372 742**	**9 470**	**(8 658)**	**373 554**
– Retail	**286 908**	**2 218**	**(6 866)**	**282 260**
– Commercial	**85 834**	**7 252**	**(1 792)**	**91 294**
Total advances	**1 590 447**	**271 027**	**(51 072)**	**1 810 402**
Investment securities**	**400 401**	**-**	**(780)**	**399 621**
Cash and cash equivalents	**164 210**	**-**	**-**	**164 210**
Other assets	**9 215**	**-**	**(466)**	**8 749**
Derivatives	**85 956**	**-**	**-**	**85 956**
	2022			
Residential mortgages	242 757	50 451	(4 084)	289 124
WesBank VAF	99 354	-	(5 396)	93 958
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	-	-	(317)	(317)
FNB commercial	107 823	21 131	(5 237)	123 717
Temporary stress scenario − commercial	-	-	(55)	(55)
WesBank corporate	45 128	1 807	(795)	46 140
RMB corporate and investment banking	380 796	128 085	(7 064)	501 817
Broader Africa	67 247	9 882	(3 856)	73 273
Centre (including Group Treasury)	47 756	21 081	(617)	68 220
UK operations	303 846	12 973	(5 686)	311 133
– Retail	231 437	8 635	(4 565)	235 507
– Commercial	72 409	4 338	(1 121)	75 626
Total advances	1 382 058	246 032	(47 734)	1 580 356
Investment securities**	362 980	-	(314)	362 666
Cash and cash equivalents	131 925	-	-	131 925
Other assets	6 544	-	(329)	6 215
Derivatives†	65 667	-	-	65 667

* *Secured represents balances which have non-financial collateral attached to the financial asset.*
** *Includes debt instruments measured at fair value but excludes equity and non-recourse investments.*
\# *Restated. Refer to Note 38 Changes in presentation.*
† *The derivative line has been restated to reflect the netting and financial collateral attached to derivatives. In the prior year, nil values were disclosed in the unsecured column.*

	2023		
	Netting and financial collateral	Unsecured	Secured*
	3 641	-	300 803
	-	-	102 917
	-	32 382	-
	-	40 783	-
	-	4 282	2 466
	-	-	-
	6 724	18 313	110 459
	-	-	-
	-	47	57 089
	3 732	134 141	468 542
	4 256	31 696	49 101
	(10)	54 939	10 545
	-	9 544	364 010
	-	-	282 260
	-	9 544	81 750
	18 343	326 127	1 465 932
	21 249	364 502	13 870
	26 324	137 886	-
	3	8 740	6
	73 593	12 363	-
	2022*		
	3 817	1 351	283 956
	-	48	93 910
	-	28 460	-
	-	37 942	-
	-	4 724	2 220
	-	(129)	(188)
	5 303	17 242	101 172
	-	(55)	-
	-	-	46 140
	1 911	108 595	391 311
	3 796	20 595	48 882
	-	58 521	9 699
	-	9 617	301 516
	-	27	235 480
	-	9 590	66 036
	14 827	286 911	1 278 618
	31 808	318 751	12 107
	29 927	101 998	-
	7	6 199	9
	56 198	9 469	-

37 FINANCIAL AND INSURANCE RISKS continued

37.1.4 Credit risk mitigation and collateral held 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 on 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 recognised 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	**2 795**	15 102

The table below reflects the collateral that the group 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	-
Advances	**79 410**	**28 202**	70 828	24 282
Investment securities	**3 828**	**3 828**	1 402	1 402
Total collateral pledged	**104 123**	**32 030**	87 051	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 group takes possession of collateral that is neither cash nor readily convertible into cash, the group determines a minimum sale amount (pre-set sale amount) and auctions the asset for the pre-set sale amount. Where the group 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 R72 million (2022: R100 million).

37 FINANCIAL AND INSURANCE RISKS continued

The financial collateral included in the previous table is limited to the net statement of financial position exposure in line with the requirements of IFRS 7 and excludes the effect of any over-collateralisation. The collateral amount included in the table for IFRS 7 disclosure purposes has been determined at a business unit level. If these limits were determined on a group-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**		**Other advances/deposits**	
R million	**2023**	2022*	**2023**	2022*	**2023**	2022*
Assets						
Offsetting applied						
Gross amount	**161 374**	109 578	**95 444**	84 620	**1 540 313**	1 263 707
Amount offset**	**(75 418)**	(43 911)	**(16 034)**	(14 003)	**(938)**	-
Net amount reported on the statement of financial position	**85 956**	65 667	**79 410**	70 617	**1 539 375**	1 263 707
Offsetting not applied						
Financial instruments subject to MNAs and similar agreements	**(55 284)**	(49 308)	**(7 455)**	(585)	**-**	-
Financial collateral	**(18 309)**	(6 890)	**-**	(56 358)	**-**	-
Net amount	**12 363**	9 469	**71 955**	13 674	**1 539 375**	1 263 707
Liabilities						
Offsetting applied						
Gross amount	**146 711**	109 473	**40 123**	30 712	**1 899 013**	1 639 263
Amount offset**	**(76 357)**	(44 926)	**(16 033)**	(14 003)	**-**	-
Net amount reported on the statement of financial position	**70 354**	64 547	**24 090**	16 709	**1 899 013**	1 639 263
Offsetting not applied						
Financial instruments subject to MNAs and similar agreements	**(55 284)**	(49 308)	**(7 455)**	(585)	**-**	-
Financial collateral	**(14 869)**	(15 239)	**(13 085)**	(12 125)	**-**	-
Net amount	**201**	-	**3 549**	3 999	**1 899 013**	1 639 263

* *The note has been updated and restated. Refer to Note 38 Change in presentation.*

** *Amounts offset under derivatives are contracts that are set off under netting agreements, such as the ISDA Master Agreement 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.*

37 FINANCIAL AND INSURANCE RISKS continued

37.2 Liquidity risk

Objective

Liquidity risk arises from all assets and liabilities with differing maturity profiles, currencies and behaviour. The group'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 group 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 group's funding strategy, particularly as it seeks to price appropriately for liquidity on a risk-adjusted basis. The group continues to offer innovative and competitive products to further grow its deposit franchise whilst also optimising its institutional funding profile. These initiatives continue to improve the funding and liquidity profile of the group.

Assessment and management

The group 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 group 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 group's approach to liquidity risk management distinguishes between structural, daily and contingency liquidity risk management across all currencies, and various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis, as illustrated in the following table.

Daily liquidity risk	Structural liquidity risk	Contingency liquidity risk
Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations can be met by maintaining a sustainable balance between liquidity inflows and outflows.	Managing the risk that structural, long-term on- and off-balance sheet exposures cannot be funded timeously or at reasonable cost.	Maintaining several contingency funding sources to draw upon in times of economic stress.

37 FINANCIAL AND INSURANCE RISKS continued

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 group.

37.2.1 Undiscounted cash flows

The following table presents the group'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 exposures				
Deposits and current accounts	**2 020 941**	**1 383 200**	**311 869**	**325 872**
Short trading positions	**12 753**	**12 753**	**-**	**-**
Derivative financial instruments	**80 642**	**65 662**	**2 996**	**11 984**
Creditors, accruals and provisions	**43 815**	**34 727**	**878**	**8 210**
Tier 2 liabilities	**23 211**	**-**	**2 117**	**21 094**
Other liabilities	**4 255**	**215**	**894**	**3 146**
Lease liabilities	**3 411**	**240**	**786**	**2 385**
Policyholder liabilities	**8 131**	**1 208**	**1 630**	**5 293**
Off-balance sheet exposures				
Financial and other guarantees	**78 002**	**50 873**	**2 215**	**24 914**
Other contingencies and commitments	**5 254**	**2 039**	**3 067**	**148**
Facilities not drawn	**193 026**	**193 026**	**-**	**-**
	2022*			
On-balance sheet exposures				
Deposits and current accounts	1 740 568	1 233 822	204 092	302 654
Short trading positions	14 623	14 623	-	-
Derivative financial instruments	65 286	55 559	711	9 016
Creditors, accruals and provisions*	32 267	24 745	930	6 592
Tier 2 liabilities	24 453	2 788	10 023	11 642
Other liabilities	5 461	163	3 734	1 564
Lease liabilities	3 261	287	777	2 197
Policyholder liabilities	7 430	1 256	1 351	4 823
Off-balance sheet exposures				
Financial and other guarantees	73 238	49 618	1 920	21 700
Other contingencies and commitments	5 606	2 983	2 245	378
Facilities not drawn	172 795	172 795	-	-

* *Restated refer to accounting policy note 10.1. In the prior year, the undiscounted amount was disclosed as R37 100 million and >12 months and non-contractual was disclosed as R11 425 million.*

37 FINANCIAL AND INSURANCE RISKS continued

37.2.2 Discounted cash flows

The following table represents the group'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 group'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			
		Term to maturity		
R million	Discounted carrying amount	Call to 3 months	4 – 12 months	> 12 months and non-contractual
Total assets	**2 297 610**	**682 421**	**275 944**	**1 339 245**
Total equity and liabilities	**2 297 610**	**1 503 442**	**306 896**	**487 272**
Net liquidity gap	**-**	**(821 021)**	**(30 952)**	**851 973**
Cumulative liquidity gap	**-**	**(821 021)**	**(851 973)**	**-**
	2022*			
Total assets	1 999 569	621 495	253 854	1 124 220
Total equity and liabilities	1 999 569	1 336 299	218 084	445 186
Net liquidity gap	-	(714 804)	35 770	679 034
Cumulative liquidity gap	-	(714 804)	(679 034)	-

* *Restated, refer to accounting policy note 10.1. In the prior year total assets and total equity and liabilities were disclosed as R2 004 402 million, and >12 months and non-contractual for total assets and total equity and liabilities were disclosed as R1 129 053 million and R450 019 million respectively.*

37 FINANCIAL AND INSURANCE RISKS continued

37.2.3 Collateral pledged

The group 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 group 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.

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	**25 444**	29 939
Advances	**62 455**	60 043
Investment securities – held under repurchase agreements	**4 705**	4 893
Investment securities – other	**5 385**	3 658
Total assets pledged	**97 989**	98 533

The following liabilities have been secured by the group 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	**12 753**	14 623
Total deposits	**50 554**	38 144
– Deposits under repurchase agreements	**19 759**	15 183
– Deposits in securities lending transactions*	**4 331**	1 526
– Other secured deposits	**26 464**	21 435
Derivative liabilities**	**22 666**	30 776
Other	**2 069**	4 796
Total	**88 042**	88 339

* *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.*

** *The description has been updated to appropriately reflect the nature of the liability. This line was previously: Other. The total amount reflected in the prior year has not changed.*

37 FINANCIAL AND INSURANCE RISKS continued

37.2.4 Concentration analysis of deposits

R million	2023	2022
Sector analysis		
Deposit current accounts and other loans		
Sovereigns, including central banks	**95 611**	102 054
Public sector entities	**93 640**	89 442
Local authorities	**20 106**	16 322
Banks	**79 862**	49 097
Securities firms	**29 078**	23 945
Corporate customers	**942 095**	804 504
Retail customers	**655 348**	565 888
Other	**7 363**	4 720
Total deposits	**1 923 103**	1 655 972
Geographical analysis		
South Africa	**1 286 374**	1 141 779
Broader Africa	**131 974**	111 571
UK	**451 926**	360 301
Other	**52 829**	42 321
Total deposits	**1 923 103**	1 655 972

37.3 Market risk

37.3.1 Traded market risk

Objective

Traded market risk includes interest rate risk in the trading book, traded equity and credit risk, commodity risk, foreign exchange risk and interest rate risk in the RMB banking book, which is managed as part of the trading book.

37 FINANCIAL AND INSURANCE RISKS continued

37.3.1 Traded market risk continued

Assessment and management

Management and monitoring of IRRBB is split between the RMB banking book and the remaining domestic banking book, (which is covered in the IRRBB section on B286). RMB manages the majority 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. 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). Market volatility continued as a theme throughout the year. The focus remained on central bank interest rates, the inflationary backdrop and geopolitical concerns which affected international and local policy making. The market risk measurement framework continued to perform well during the volatility, and market risk exposures remained within approved limits.

The risk related to market risk-taking activities is measured as the height of the group'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.

37 FINANCIAL AND INSURANCE RISKS continued

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 and subsidiaries, which are reported on in the standardised approach for market risk. The sVaR numbers relate to FirstRand Bank South Africa only.*

** *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

37 FINANCIAL AND INSURANCE RISKS continued

37.4 Non-traded market risk

37.4.1 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 group'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 subsidiaries in broader Africa, Aldermore and the bank's foreign branches is performed by in-country management teams with oversight provided by Group Treasury and Centre Risk Management. For subsidiaries, earnings sensitivity measures are used to monitor and manage interest rate risk in line with the group's appetite. 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 group manages this risk.
2. There is a more effective and transparent measure of the risk associated with specific currency exposures which are exposed to different interest rates, and different possible shocks.
3. There is a more explicit consideration of basis risk and credit spread risk.

37 FINANCIAL AND INSURANCE RISKS continued

Earnings sensitivity

Earnings models are run monthly to provide a measure of the NII sensitivity of the existing banking book balance sheet to shocks in interest rates. The calculation assumes a constant balance sheet size and product mix over the forecast horizon. A pass-through assumption is applied in relation to non-maturing deposits, which reprice at the group's discretion. This assumption is based on historical product behaviour.

The following tables show the 12-month NII sensitivity to a sustained, instantaneous parallel 400 bps downward and upward shock to interest rates.

Most of the group's NII sensitivity relates to the endowment book mismatch. The group's average endowment book using the updated IRRBB methodology was R355 billion, excluding Aldermore, for the year ended 30 June 2023 (2022: R310 billion – reported as R335 billion under the previous IRRBB methodology in 2022).

Projected ZAR NII sensitivity to interest rate movements

	2023		
	Change in projected 12-month NII		
R million	**FirstRand Bank South Africa**	**Subsidiaries in broader Africa and the bank's foreign branches**	**Total FirstRand**
Downward 400 bps	**(2 196)**	**(1 056)**	**(3 252)**
Upward 400 bps	**1 933**	**822**	**2 755**
Downward 200 bps	**(1 279)**	**(537)**	**(1 816)**
Upward 200 bps	**1 160**	**411**	**1 571**
	2022		
Downward 200 bps	(277)	(754)	(1 031)
Upward 200 bps	102	561	663

Assuming no change in the balance sheet and no management action in response to interest rate movements, an instantaneous, sustained parallel 400 bps (2022: 200bps) decrease in interest rates would result in a reduction in projected 12-month NII of R3 252 million (2022: R1 031 million). A similar increase in interest rates would result in an increase in projected 12-month NII of R2 755 million (2022: R663 million).

37 FINANCIAL AND INSURANCE RISK continued

37.4.1 Interest rate risk in the banking book continued

Effect of IBOR reform

The London Interbank Offered Rate (LIBOR) were 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 were a priority for global regulators. The group 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, mitigating operational and conduct risks and possible financial losses.

On 5 March 2021, LIBOR's administrator, the 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 tenors 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.

The group currently has a number of contracts, including derivatives which reference JIBAR and extend beyond 2023. The group's established steering committee, detailed above, that has previously overseen the group'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 group 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 one-week and two-months 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 8, for the impact the IBOR reforms have on hedge accounting.

37 FINANCIAL AND INSURANCE RISKS continued

Financial assets subject to IBOR reform that have not yet transitioned to replacement rates.

	2023	
R million	USD LIBOR	Other LIBOR
Assets recognised on the balance sheet		
Advances	**13 143**	**-**
Total assets recognised on the balance sheet subject to IBOR reform	**13 143**	**-**
Off-balance sheet items		
Irrevocable commitments	**360**	**-**
Total off-balance sheet exposure subject to IBOR reform	**360**	**-**
Total asset exposure subject to IBOR reform	**13 503**	**-**
	2022	
Assets recognised on the balance sheet		
Derivative financial instruments (assets)*	62 865	284
Investment securities	76	-
Advances	28 080	-
Total assets recognised on the balance sheet subject to IBOR reform	91 021	284
Off-balance sheet items		
Irrevocable commitments	7 238	339
Total off-balance sheet exposure subject to IBOR reform	7 238	339
Total asset exposure subject to IBOR reform	98 259	623

* *These balances represent the notional amount directly impacted by the IBOR reform.*

37 FINANCIAL AND INSURANCE RISKS continued

Financial liabilities subject to IBOR reform that have not yet transitioned to replacement rates:

	2023	
R million	USD LIBOR	Other LIBOR
Liabilities recognised on the balance sheet		
Derivative financial instruments (liabilities)*	**-**	**-**
Deposits	**1 916**	**-**
Other liabilities	**-**	**-**
Tier 2 liabilities	**-**	**-**
Total liabilities recognised subject to IBOR reform	**1 916**	**-**
	2022	
Liabilities recognised on the balance sheet		
Derivative financial instruments (liabilities)*	41 282	317
Deposits	20 926	-
Other liabilities	-	-
Tier 2 liabilities	-	-
Total liabilities recognised subject to IBOR reform	62 208	317

* *These balances represent the notional amount directly impacted by the IBOR reform.*

37 FINANCIAL AND INSURANCE RISK continued

37.4.1 Interest rate risk in the banking book continued

Economic value of equity

An EVE sensitivity measure is used to assess the impact on the total NAV of the group 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 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 limits, appetite levels and current economic conditions.

Six EVE shock scenarios are applied based on regulatory guidelines. The most material of the scenarios comprises a sustained, instantaneous parallel downward and upward shock of 400 bps (2022: 200bps) 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 group capital

	2023	2023*	2022*
Downward 400 bps	**9.74**	4.87	3.49
Upward 400 bps	**(8.22)**	(4.11)	(3.11)

* *Calculated using 200 bps.*

37 FINANCIAL AND INSURANCE RISKS continued

37.4.2 Structural foreign exchange risk

Objective

The group is exposed to foreign exchange risk as a result of on-balance sheet transactions in a currency other than the rand, as well as structural foreign exchange risk from the translation of its foreign operations' results into rand.

Group Treasury is responsible for oversight of structural foreign exchange risk and produces reports that are submitted to group ALCCO, a subcommittee of the RCCC. It is also responsible for reporting on and the management of the group's foreign exchange exposure and macroprudential limit utilisation.

Assessment and management

The ability to transact on-balance sheet in a currency other than the home currency (rand) is governed by in-country macroprudential and regulatory limits. In the group, additional board limits and management risk appetite levels are set for this exposure. The impact of any residual on-balance positions is managed as part of the market risk reporting process (see Note 37.3.1 *Traded market risk* section).

Structural foreign exchange risk impacts the current NAV of the group as well as future profitability and earnings potential. Economic hedging is undertaken where viable, given market constraints and within risk appetite levels.

The following table provides an overview of the group'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 group in the current financial year.

37 FINANCIAL AND INSURANCE RISKS continued

Net structural foreign exposures

R million	**2023** Carrying value of net investment	**2023** Pre-tax impact on equity from 15% currency translation shock	2022 Carrying value of net investment	2022 Pre-tax impact on equity from 15% currency translation shock
Functional currency				
Botswana pula	**5 812**	**872**	4 951	743
US dollar	**13 429**	**2 014**	10 592	1 589
Sterling	**44 678**	**6 702**	34 186	5 128
Nigerian naira	**1 777**	**267**	2 433	365
Zambian kwacha	**2 251**	**338**	1 324	199
Mozambican metical	**1 067**	**160**	670	101
Indian rupee	**1 045**	**157**	838	126
Ghanaian cedi	**397**	**60**	1 126	169
Tanzanian shilling	**51**	**8**	(139)	(21)
Common Monetary Area (CMA) countries*	**7 346**	**1 102**	7 539	1 131
Total	**77 853**	**11 680**	63 520	9 530

* *Currently Namibia, Eswatini and Lesotho are part of the CMA. Unless these countries decide to exit the CMA, rand volatility will not impact these countries' rand reporting values.*

37 FINANCIAL AND INSURANCE RISKS continued

37.5 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. Where appropriate, the group seeks to take a number of seats on the company's board and maintains close oversight through monitoring of operations and financial discipline.

The investment thesis, results of the due diligence process and investment structure are discussed at the investment committee before final approval is granted. In addition, normal biannual reviews are performed for 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 including 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 process	**17**	4
Estimated sensitivity of remaining investment balances		
Sensitivity to 10% movement in market value on investment fair value	**311**	215

37 FINANCIAL AND INSURANCE RISKS continued

37.6 Insurance risk

Long-term insurance products

Overview and governance

The risk arises from the group's long-term insurance operations, underwritten through its subsidiary, FirstRand Life Assurance Limited (FirstRand Life).

FirstRand Life currently underwrites a range of insurance products such as life, disability, funeral, credit life (against FNB credit products) and annuity policies. These policies are all originated through the FNB business. FirstRand Life also writes linked-investment policies. There is, however, no insurance risk associated with these policies as these policies do not have guaranteed benefits.

FirstRand Life is exposed to insurance risk from the policies underwritten as indicated in the following table.

		Portfolio	Description	Core product type	Risk
Catastrophe risk	**Lapse risk**	Core life products	Simple, non-underwritten products that are sold in the open market and are subject to simple sales processes.	Funeral policies	Mortality
				Benefit paid upon death of life assured	
				Health cash plans	Hospitalisation
				Benefit paid per day the policyholder is hospitalised	
				Accidental death plans	Mortality
				Benefit paid upon death of policyholder	
				Lifestyle protection plans	Morbidity
				Benefit paid upon death or disability	
				PayProtect policies	Morbidity and retrenchment
				Benefit paid upon disability or retrenchment	

37 FINANCIAL AND INSURANCE RISKS continued

		Portfolio	Description	Core product type	Risk
Catastrophe risk	Lapse risk	Underwritten life products	The underwritten life portfolio comprises Life Simplified and Life Customised. Life Simplified provides death cover up to R1 million after limited underwriting. Life Customised policies provide for more complex needs with cover amounts up to R100 million, R50 million and R5 million on death, disability and critical illness cover respectively.	Life cover combined with disability and critical illness.	○ Mortality ○ Morbidity
		Credit life	Products that are sold in conjunction with FNB's credit products. The current offering includes credit cover across credit products within FNB – which include personal loans (compulsory), home loans (compulsory), housing financing, credit cards, overdrafts and revolving loans (voluntary).	Credit life policies	○ Mortality ○ Morbidity ○ Retrenchment
		Business life products	Products to business customers.	○ Key person policies ○ Grouped funeral policies ○ Business credit protect ○ Simplified group schemes ○ Personal health insurance	○ Mortality ○ Morbidity

37 FINANCIAL AND INSURANCE RISKS continued

As a result of these insurance risk exposures, the group is exposed to catastrophe risk stemming from the possibility of an extreme event linked to any of the above.

For all of the above, the risk is that the decrement rates (e.g. mortality rates and morbidity rates) and associated cash flows are different from those assumed when pricing or reserving. Mortality, morbidity and retrenchment risk can further be broken down into parameter risk, random fluctuations and trend risk, which may result in the parameter value assumed differing from actual experience.

Policies underwritten by FirstRand Life are available through all of FNB's distribution channels. Some of these channels introduce the possibility of anti-selection, which also impacts the level of insurance risk.

These policies also expose FirstRand Life to lapse risk, which is the risk of the loss of future profits and expenses risks. These risks are classified as business risks but are included in this section as they result from insurance products.

The overall responsibility for risk management resides with the board. The board committees of FirstRand Insurance Holdings include an audit and risk committee, which provides oversight over risk management, and the assets, liability and capital committee (ALCCO), which is responsible for:

- providing oversight of the product suite;
- approving new products;
- financial resource management; and
- governance and challenging input models and results of pricing valuations.

These committees are supported by management committees.

Risk management

Ensuring that insurance risk is understood and priced correctly is an important component of managing insurance risk.

37 FINANCIAL AND INSURANCE RISKS continued

This is achieved through:

- Rigorous and proactive risk management processes that ensure sound product design and accurate pricing which include:
  - independent model validation;
  - challenging assumptions, methodologies and results;
  - debating and challenging design, relevance, target market and market competitiveness, and treating customers fairly;
  - identifying potential risks;
  - monitoring business mix and risk of new business; and
  - thoroughly reviewing policy terms and conditions.
- Underwritten life policies. This allows underwriting limits and risk-based pricing to be applied to manage the insurance risk. Where specific channels introduce the risk of anti-selection, mix of business by channel is monitored. On non-underwritten products insurance risk can be controlled through lead selection for outbound sales.
- The design of appropriate reinsurance structures is an important component of the pricing and product design to keep risk exposure within appetite.

The assessment and management of insurance risk of the in-force book use the following methodologies:

- Monitoring and reporting of claims experience by considering incidence rates, claims ratios and business mix.
- The actuarial valuation process involves the long-term projection of in-force policies and the setting up of insurance liabilities. This gives insight into the longer-term evolution of the risks on the portfolio. Adequate reserves are set for future and current claims and expenses.
- Experience investigations are performed annually to understand the actual experience compared to the basis used in valuations and pricing. These investigations are signed off by the head of the actuarial function. Where required, changes are made to bases and product design.
- There are also reinsurance agreements in place to mitigate various insurance risks and manage catastrophe risk.
- Asset/liability management is performed to ensure that assets backing insurance liabilities are appropriate and liquid.
- Stress and scenario analyses are performed and provide insights into the risk profile and future capital position.

The management of insurance risk is governed by a suite of company policies and processes. Tools and systems are available in the business to assess and manage insurance risk.

An own risk and solvency assessment (ORSA) process is performed at least annually. ORSA is defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage and report on short-term and long-term risks that FirstRand Insurance Holdings faces or might face, and to determine the funds necessary to ensure that the overall solvency needs of FirstRand Life are met at all times and are sufficient to achieve its business strategy. An ORSA report is produced annually.

37 FINANCIAL AND INSURANCE RISKS continued

Detailed risk management per risk type:

Mortality risk is the risk that mortality rates and the associated cash flows are different from those assumed. The risk is managed as follows:

- For underwritten products, underwriting is a key control.
- For non-underwritten products the mix of business by various factors is monitored and outbound sales leads are selected to influence the desired mix.
- Reinsurance is used to control exposure to large risks. The retention limits vary by portfolio.
- Validation and fraud checks are performed at claim stage to ensure only valid claims in line with the terms and conditions of the policy are paid.

Morbidity risk is the risk that morbidity rates and the associated cash flows are different from those assumed. The risk is managed as follows:

- Quota share reinsurance on underwritten products where there is limited data.
- Monitoring of trends in experience on credit life business.
- Validation and fraud checks are performed at claim stage to ensure only valid claims in line with the terms and conditions of the policy are paid.

Retrenchment risk is the risk that retrenchment rates and the associated cash flows are different from those assumed. The risk is managed as follows:

- Selection of retrenchment risk is controlled by FNB's credit scoring or internal selection models.
- Additional margins are allowed in pricing assumptions to allow for potential cyclicality in experience.
- Regular monitoring of exposure by industry and employer and feedback into risk selection takes place.
- Validation and fraud checks are performed at the claim stage to ensure only valid claims in line with the terms and conditions of the policy are paid.

Catastrophe risk is the risk that stems from extreme or irregular events contingent on mortality, morbidity or retrenchment the effects of which are not expected.

The risk is managed by catastrophe reinsurance, limiting exposure to mortality and morbidity catastrophes. The entity is, however, not covered for pandemics. The limits are reviewed annually based on the composition of the book and risk appetite.

No cover is in place against retrenchment catastrophe as this is not available at a reasonable cost. Additional capital is held in economic capital to cover a retrenchment catastrophe scenario.

37 FINANCIAL AND INSURANCE RISKS continued

Lapse risk is the risk that lapse rates and the associated cash flows are different from those assumed, as well as the risk of a mass lapse in policies. The risk is managed as follows:

- Collection strategies are regularly reviewed to ensure they are optimal.
- Changes to product lapse rules are made where more lenient lapse rules can benefit both the customer and FirstRand Life.

Expenses risk is the risk that expenses and/or expense inflation is different from that assumed in pricing and valuations. The group has a rigorous budgeting process in place to manage the risk.

Concentration risk

The majority of the portfolio consists of funeral and credit life policies sold to retail customers. There is, therefore, no significant concentration risk, but the mix of portfolios according to various factors impacting different risk types is frequently monitored. Large policies in the underwritten portfolio are reinsured to avoid single large exposures to lives. Catastrophe reinsurance is in place to provide cover against many lives being lost in a single event (excluding pandemics).

The following table demonstrates the concentration risk across insurance products for sums assured at risk before and after reinsurance.

	Before reinsurance						
Retail sums assured at	**Mortality risk**		**Morbidity risk**		**Retrenchment risk**		**Total**
risk	**R million**	**%**	**R million**	**%**	**R million**	**%**	**R million**
2023							
1 – 499 999	**205 397**	**44**	**72 397**	**56**	**20 096**	**100**	**297 890**
500 000 – 999 999	**66 258**	**14**	**18 249**	**14**	**63**	**-**	**84 570**
1 000 000 – 1 999 999	**141 294**	**30**	**10 403**	**8**	**16**	**-**	**151 713**
2 000 000 and above	**57 741**	**12**	**27 581**	**22**	**-**	**-**	**85 322**
Total	**470 690**	**100**	**128 630**	**100**	**20 175**	**100**	**619 495**
2022							
1 – 499 999	183 098	44	61 128	57	18 044	100	262 270
500 000 – 999 999	63 331	15	17 155	16	77	-	80 563
1 000 000 – 1 999 999	131 739	31	7 790	7	17	-	139 546
2 000 000 and above	43 036	10	21 846	20	-	-	64 882
Total	421 204	100	107 919	100	18 138	100	547 261

37 FINANCIAL AND INSURANCE RISKS continued

Retail sums assured at risk	After reinsurance						
	Mortality risk		Morbidity risk		Retrenchment risk		Total
	R million	%	R million	%	R million	%	R million
2023							
1 – 499 999	**187 747**	**57**	**70 179**	**66**	**19 957**	**100**	**277 883**
500 000 – 999 999	**48 004**	**14**	**14 439**	**13**	**13**	**-**	**62 456**
1 000 000 – 1 999 999	**82 660**	**25**	**4 107**	**4**	**4**	**-**	**86 771**
2 000 000 and above	**13 461**	**4**	**18 253**	**17**	**-**	**-**	**31 714**
Total	**331 872**	**100**	**106 978**	**100**	**19 974**	**100**	**458 824**
2022							
1 – 499 999	158 386	54	53 989	64	15 345	100	227 720
500 000 – 999 999	46 887	16	12 323	15	16	-	59 226
1 000 000 – 1 999 999	78 885	27	2 186	3	3	-	81 074
2 000 000 and above	9 376	3	15 479	18	-	-	24 855
Total	293 534	100	83 977	100	15 364	100	392 875

Assessment and management

The assessment and management of insurance risk is influenced by the frequency and severity of claims, especially if actual benefits paid are greater than originally estimated, as well as the subsequent impact thereof on estimated long-term claims.

The group manages the insurance risk of its policies through monitoring incidence rates, claims ratios and business mix, as policies are not underwritten and pricing is flat. Any other risk policies sold to a different target market are underwritten. This allows underwriting limits and risk-based pricing to be applied to manage the insurance risk. Where various channels introduce the risk of anti-selection, mix of business by channel is monitored. There is also a reinsurance agreement in place to manage catastrophe risk.

Insurance risk mitigation

The risk exposure is mitigated by diversification across a portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The group purchases reinsurance as part of its risk mitigation programme. The reinsurance agreements spread the risk of loss and minimise the effect of losses. The risk retention levels depend on the evaluation of specific risk, subject to certain circumstances, to maximum limits based on the characteristics of coverage. For life insurance products reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota share reinsurance, which is taken out to reduce the overall exposure to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the group’s net exposure to catastrophe losses. Amounts recoverable from reinsurers are estimated in a manner consistent with outstanding claims.

37 FINANCIAL AND INSURANCE RISKS continued

Liability before zerorisation

R million	2023	2022*
Liability at the beginning of the year	**(2 290)**	(2 025)
Data and methodology changes	**-**	18
Final liability at the beginning of the year	**(2 290)**	(2 007)
Current period projection relating to in-force policies	**(1 132)**	(1 984)
Experience variance	**(401)**	(106)
Actual in-force liability at the end of the year	**(1 533)**	(2 090)
New business and reinstatements	**(1 006)**	(1 065)
Basis changes	**80**	939
– Economic basis	**(222)**	186
– Mortality basis	**(95)**	92
– Lapse basis	**(121)**	(29)
– Retrenchment basis	**(170)**	-
– Critical illness basis	**-**	17
– Disability basis	**17**	(83)
– New hospital cash basis	**-**	(80)
– Expense basis	**671**	836
Liability post basis changes (as previously reported)	**(2 459)**	(2 216)
Data and modelling changes*	**-**	(74)
Final liability at the end of the year	**(2 459)**	(2 290)

* *The final liability for the prior year has been re-presented from R2 216 million to R2 290 million. Management identified that the incorrect mortality rate was used on the Life Simplified product and discounting has been incorrectly applied to the Funeral product's premium. This resulted in a R74 million increase in the negative liability. As the group does not recognise the liability before zerorisation (i.e. the insurance margin asset), this re-presentation does not affect financial results for the prior year. The sensitivity analysis presented below has been re-presented.*

Sensitivities

An analysis was performed in the current year for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on the liabilities.

R million	2023	2022*	2022 Previously reported
Base reserves	**(2 459)**	(2 290)	(2 216)
Sensitivity to interest rate changes			
– Interest rate decreased by 1%	**(2 277)**	(2 101)	(2 031)
Sensitivity to other changes in assumptions			
– Expenses down by 10%	**(2 876)**	(2 694)	(2 605)
– Lapses down by 10%	**(2 525)**	(2 357)	(2 280)
– Mortality and morbidity down by 5%	**(2 847)**	(2 660)	(2 573)

37 FINANCIAL AND INSURANCE RISKS continued

The table below sets out what the IBNR liability would be if the key inputs were changed as set out below:

IBNR sensitivities

R million	2023	2022
Gross IBNR	**500**	609
Reinsurance asset	**(83)**	(105)
Net IBNR	**417**	504
Gross IBNR with sensitivity*	**543**	667
Reinsurance asset with sensitivity*	**(90)**	(115)
Net IBNR with sensitivity	**453**	552

** Sensitivities added to the IBNR reserve were:*
– 7.5% (2022: 7.5%) on mortality
– 10% (2022: 10%) on morbidity
– 15% (2022: 15%) on retrenchment
– 15% (2022: 15%) on health

Short-term insurance products

The risk arises from the group’s short-term insurance operations.

The terms and conditions of short-term insurance contracts have a material effect on the amount, timing and uncertainty of future cash flows. The key risks associated with general insurance contracts are claims experience. The methodology driving the provisions for these contracts is reviewed at least annually. As claims experience develops, certain claims are settled, further claims are revised and new claims are reported. The reasonableness of the estimation process is assessed by management and reviewed on a regular basis. The group believes that the liability for claims carried at the end of the year is adequate.

The short-term insurance products offered by the group include:
- Liability – provides cover for risks relating to the incurring of a liability other than from risk covered more specifically under another insurance contract.
- Motor – provides indemnity cover relating to the possession, use or ownership of a motor vehicle. The cover includes comprehensive cover, third party, fire and theft, and third-party liabilities.
- Personal accident – provides compensation arising from a death or disability directly caused by an accident occurring anywhere in the world, provided that the death or disability occurs within 12 months of this injury.
- Property – provides indemnity relating to movable and immovable property caused by perils such as fire, explosions, earthquakes, acts of nature, burst geysers and pipes, malicious damage, impact, alterations and additions.

37 FINANCIAL AND INSURANCE RISKS continued

37.7 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 group remains appropriately capitalised under a range of normal and severe stress scenarios. The group aims to back all economic risk with loss-absorbing capital and remains well capitalised in the current environment. The group continues to focus on the quality and mix of capital, as well as optimisation of the group's RWA. The group's capital ratios remain strong and above the regulatory minimums and internal targets. The board-approved internal targets are CET1 of 11.0% – 12.0%; Tier 1 of >12.0% and total capital of >14.75%.

The following diagram defines the main components of qualifying capital and reserves.

Total qualifying capital and reserves = **Tier 1 capital** + **Tier 2 capital**

Tier 1 capital

CET1 capital

- Share capital and premium
- Retained earnings (appropriated)
- Accumulated other comprehensive income
- Non-controlling interests
- Less: Specified regulatory deductions

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AT1 capital

- Additional Tier 1 capital instruments
- Instruments issued out of consolidated subsidiaries to third parties
- Less: Specified regulatory deductions

Tier 2 capital

- Subordinated debt instruments
- General provisions under the standardised approach
- Provisions in excess of expected losses under the AIRB approach
- Instruments issued out of consolidated subsidiaries to third parties
- Less: Specified regulatory deductions

37 FINANCIAL AND INSURANCE RISKS continued

Capital adequacy for the group's regulated subsidiaries and foreign branches

The group's registered banking subsidiaries and foreign branches must comply with PA regulations and those of their respective in-country regulators, with primary focus placed on Tier 1 capital and total capital adequacy ratios. The group's approach is that all entities must be adequately capitalised on a standalone basis.

Adequate controls and processes are in place to ensure that each entity is adequately capitalised to meet in-country regulatory and economic capital requirements. Based on the outcome of detailed stress testing, each entity targets a capital level in excess of in-country regulatory minimums.

Capital generated by subsidiaries in excess of targeted levels is returned to FirstRand, usually in the form of dividends unless retained for organic or inorganic growth. No restrictions were experienced on the repayment of dividends during the year under review. RMB Nigeria declared and paid a dividend to FREMA in May 2023. FREMA is in the process of converting the naira dividend into dollars, and this repatriation is expected to be concluded over an extended period given dollar liquidity constraints in Nigeria.

Capital management for insurance entities

Capital for insurance entities is calculated on a regulatory basis in line with Insurance Act No.18 of 2017 and regulations, as well as on an economic basis. Capital is risk sensitive and is also used to understand the exposure to insurance risk. The insurance group's ORSA assesses the impact of various stresses on the solvency position of the insurance entities and informs the capital targets. Target levels for capital coverage are specified in the insurance risk appetite statement and have been met over the year under review. Insurance entities remain appropriately capitalised.

38 IMPACT DUE TO CHANGES IN PRESENTATION

38.1 Restatement of previously presented information

11.2 Analysis of instalment sales, hire purchase agreements and lease payments receivables

The group 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 11.2.

R million	As previously reported	Movement	Presented in note 11
Within 1 year	69 324	(29 901)	39 423
Between 1 and 2 years	63 832	(28 190)	35 642
Between 2 and 3 years	55 681	(26 639)	29 042
Between 3 and 4 years	41 594	(19 560)	22 034
Between 4 and 5 years	22 159	(15 514)	6 645
More than 5 years	13 253	(11 219)	2 034
Total gross amount	265 843	(131 023)	134 820
Unearned finance charges	(45 208)	26 691	(18 517)
Net amount of hire purchase and lease payments receivable	220 635	(104 332)	116 303
Instalment sales	25 269	104 332	129 601
Total instalment sales, hire purchase agreements and lease payments receivable	245 904	-	245 904

Restatement of other assets and creditors, provisions and accruals

Refer to accounting policy note 10.1

Note 6. Analysis of assets and liabilities

	2022 – Restatement of other assets		
R million	Non-financial instruments	Total carrying value	Non-current and non-contractual
Previously reported	3 382	9 597	4 987
Adjustment	(4 833)	(4 833)	(4 833)
Restated	(1 451)	4 764	154
	2022 – Restatement of creditors, provisions and accruals		
Previously reported	16 282	35 761	11 371
Adjustment	(4 833)	(4 833)	(4 833)
Restated	11 449	30 928	6 538

38 IMPACT DUE TO CHANGES IN PRESENTATION continued

38.1 Restatement of previously presented information continued

Note 13 Other Assets

R million	Previously reported 2022	Restatement	Restate 2022
Items in transit	2 067	-	2 067
Interest and commission accrued	23	-	23
Prepayments	2 246	-	2 246
Properties in possession	99	-	99
Sundry debtors	1 317	-	1 317
Fair value hedge asset	551	(4 833)	(4 282)
Dividends receivable	306	-	306
– Profit share receivable on insurance cells	206	-	206
– Other dividends receivable	100	-	100
Variation margin	807	-	807
Accounts receivable	2 510	-	2 510
Total gross carrying amount of other assets	9 926	(4 833)	5 093
– Financial	6 544	-	6 544
– Loss allowance on other financial assets	(329)	-	(329)
– Non-financial	3 382	(4 833)	(1 451)
Total other assets	9 597	(4 833)	4 764

38 IMPACT DUE TO CHANGES IN PRESENTATION continued

38.1 Restatement of previously presented information continued

Note 37 Financial and insurance risks

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 37
Assets			
Offsetting applied			
Gross amount	113 434	(3 856)	109 578
Amount offset	(43 911)	-	(43 911)
Net amount reported on the statement of financial position	69 523	(3 856)	65 667
Offsetting not applied			
Financial instruments subject to MNAs and similar agreements	(49 308)	-	(49 308)
Financial collateral	(6 890)	-	(6 890)
Net amount	13 325	(3 856)	9 469
Financial instruments not subject to offset or MNAs	(3 856)	3 856	-
Total statement of financial position	65 667	(65 667)	-
Liabilities			
Offsetting applied			
Gross amount	114 776	(5 303)	109 473
Amount offset	(44 926)	-	(44 926)
Net amount reported on the statement of financial position	69 850	(5 303)	64 547
Offsetting not applied			
Financial instruments subject to MNAs and similar agreements	(49 308)	-	(49 308)
Financial collateral	(15 752)	513	(15 239)
Net amount	4 790	(4 790)	-
Financial instruments not subject to offset or MNAs	(5 303)	5 303	-
Total as per statement of financial position	64 547	(64 547)	-

The table has been condensed to reflect movements up to the net amount.

	Structured transactions			Other advances		
	As previously reported	Movement	Presented in note 37	As previously reported	Movement	Presented in note 37
	70 946	13 674	84 620	-	1 263 707	1 263 707
	(14 003)	-	(14 003)	-	-	-
	56 943	13 674	70 617	-	1 263 707	1 263 707
	(585)	-	(585)	-	-	-
	(56 358)	-	(56 358)	-	-	-
	-	13 674	13 674	-	1 263 707	1 263 707
	13 674	(13 674)	-	1 263 707	(1 263 707)	-
	70 617	(70 617)	-	1 263 707	(1 263 707)	-
	26 713	3 999	30 712	-	1 639 263	1 639 263
	(14 003)	-	(14 003)	-	-	-
	12 710	3 999	16 709	-	1 639 263	1 639 263
	(585)	-	(585)	-	-	-
	(12 125)	-	(12 125)	-	-	-
	-	3 999	3 999	-	1 639 263	1 639 263
	3 999	(3 999)	-	1 639 263	(1 639 263)	-
	16 709	(16 709)	-	1 639 263	(1 639 263)	-

38 IMPACT DUE TO CHANGES IN PRESENTATION continued

38.2 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 11 Advances, note 12 Impairments and note 37 Financial and insurance risk have been included below.

38 IMPACT DUE TO CHANGES IN PRESENTATION continued

38.2 Impact due to movements in the classes of advances continued

Note 11 Advances continued

11.5.5 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 11	As previously reported	Move-ment	Presented in note 11
GCA reported as at 1 July 2021	39 709	7 199	46 908	15 712	(7 199)	8 513
– Stage 1	25 176	5 505	30 681	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 year movement	5 575	305	5 880	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	(13 770)	(3 416)	(17 186)	(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	(12 377)	(3 161)	(15 538)	(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
Assets under repurchase agreements	–	–	–	–	–	–
Total GCA of advances at 30 June 2022	40 173	6 450	46 623	14 357	(6 450)	7 907

38 IMPACT DUE TO CHANGES IN PRESENTATION continued

38.2 Impact due to movements in the classes of advances continued

Note 11 Advances continued

11.5.6 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 11	As previously reported	Move-ment	Presented in note 11
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	–	–	–	–	–	–

38 IMPACT DUE TO CHANGES IN PRESENTATION continued

38.2 Impact due to movements in the classes of advances continued

Note 11 Advances continued

11.7 Modified advances measured at amortised cost

	2022			
	Stage 2 and stage 3			
R million	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 11	2 442	(911)	1 531	(462)
Retail other				
Previously reported	429	(169)	260	(104)
Movement	(237)	77	(160)	94
Presented in note 11	192	(92)	100	(10)

38 IMPACT DUE TO CHANGES IN PRESENTATION continued

38.2 Impact due to movements in the classes of advances continued

Note 12 Impairment of advances

12.2.3 Breakdown of ECL created in the current period – Total retail unsecured

	2022				
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*
Previously reported	212	178	(369)	(88)	-
Movement	12	(12)	27	(27)	-
Presented in note 12	224	166	(342)	(115)	(67)

* New sub-total not previously presented.
** Previously presented in gross write-off and other.

Note 37 Financial and insurance risks

Credit assets

R million	Previously reported	Adjustment	Presented in note 37
Breakdown of advances per class			
Gross advances	1 382 058	-	1 382 058
Retail secured	342 111	-	342 111
– Residential mortgages	242 757	-	242 757
– WesBank VAF	99 354	-	99 354
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	533 747	-	533 747
– FNB commercial	107 823	-	107 823
– WesBank corporate	45 128	-	45 128
– RMB corporate and investment banking	380 796	-	380 796
Broader Africa	67 247	-	67 247
Group Treasury and other	47 756	-	47 756
UK operations	303 846	-	303 846
– Retail	231 437	-	231 437
– Commercial	72 409	-	72 409

	2022							
	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)	7 274	-	547	-	(1 653)	4 363
	-	-	1 764	-	-	(1 764)	-	-
	(1 738)	(1 805)	9 038	7 233	547	(1 764)	(1 653)	4 363

38 IMPACT DUE TO CHANGES IN PRESENTATION continued

38.2 Impact due to movements in the classes of advances continued

Note 37 Financial and insurance risks continued

37.1.2 Quality of credit assets

	FNB personal loans								
	Stage 1			Stage 2			Stage 3		
R million	As previously reported	Move-ment	Presented in note 37	As previously reported	Move-ment	Presented in note 37	As previously reported	Move-ment	Presented in note 37
FR 1-25									
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	-	-	-	-	-	-	-	-	-
FR 91-100									
On-balance sheet	1 439	65	1 504	4 768	571	5 339	6 274	690	6 964
Off-balance sheet	-	-	-	-	-	-	-	-	-
	FNB retail other								
FR 1-25									
On-balance sheet	488	(99)	389	1	(1)	-	4	-	4
Off-balance sheet	141	-	141	-	-	-	-	-	-
FR 26-90									
On-balance sheet	10 584	(5 004)	5 580	136	(20)	116	1	-	1
Off-balance sheet	304	-	304	-	-	-	-	-	-
FR 91-100									
On-balance sheet	141	(65)	76	1 041	(571)	470	1 961	(690)	1 271
Off-balance sheet	177	-	177	-	-	-	-	-	-

Analysis of impaired advances (stage 3)

	2022		
R million	Total	Security held and expected recoveries	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 37	6 964	2 075	4 889
Retail other			
As previously reported	1 966	503	1 463
Movement	(690)	(280)	(410)
Presented in note 37	1 276	223	1 053

38 IMPACT DUE TO CHANGES IN PRESENTATION continued

38. Impact due to movements in the classes of advances continued

Note 37 Financial and insurance risks continued

37.1.4 Credit risk mitigation and collateral held

R million	FNB personal loans			FNB retail other		
	As previously reported	Movement	Presented in note 37	As previously reported	Movement	Presented in note 37
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

38 IMPACT DUE TO CHANGES IN PRESENTATION continued

38.3 Voluntary changes in presentation

The group 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 12 Impairment of advances

12.2.3 Breakdown of ECL created in the current period

The group 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	93	(71)	58	303
Total retail unsecured	212	178	(369)	(88)
Temporary stress scenario	130	(105)	137	(136)
Total retail secured and unsecured	435	2	(174)	79
Total FNB commercial	159	(171)	(105)	(266)
– FNB commercial	120	(31)	(113)	(266)
– Temporary stress scenario	39	(140)	8	-
– WesBank corporate	21	(32)	38	(53)
– RMB corporate and investment banking	389	(713)	(226)	(620)
Total corporate and commercial	569	(916)	(293)	(939)
Broader Africa	129	(86)	(124)	59
Centre (including Group Treasury)	(335)	334	(25)	20
UK operations	207	373	439	(484)
Total	1 005	(293)	(177)	(1 265)

	2022					
	Change in stage 3 provisions	Credit provision increase	Modification loss	Gross write-off and other	Post write-off recoveries	Total
	(1 057)	(674)	136	2 414	(415)	1 461
	(1 738)	(1 805)	547	7 274	(1 653)	4 363
	(44)	(18)	-	-	-	(18)
	(2 839)	(2 497)	683	9 688	(2 068)	5 806
	(234)	(617)	(4)	1 089	(114)	354
	(234)	(524)	(4)	1 089	(114)	447
	-	(93)	-	-	-	(93)
	(135)	(161)	-	196	(23)	12
	829	(341)	-	(69)	(10)	(420)
	460	(1 119)	(4)	1 216	(147)	(54)
	(23)	(45)	-	519	(299)	175
	-	(6)	-	(1)	-	(7)
	248	783	-	619	(242)	1 160
	(2 154)	(2 884)	679	12 041	(2 756)	7 080

38 IMPACT DUE TO CHANGES IN PRESENTATION continued

38.3 Voluntary changes in presentation

Note 37 Financial and insurance risks

37.1.1 Credit assets and concentration risk

Geographic concentration of significant credit asset exposure

The group has made voluntary changes to the geographical concentration risk information presented in note 37 Financial and insurance 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	64 513	9 746	35 585	8 305	12 841	302	633	131 925
Total advances	918 509	106 647	321 624	23 763	4 270	88	7 157	1 382 058
Stage 3 advances	39 416	3 447	7 930	5	1	83	4	50 886
Derivatives	35 922	527	23 821	4 869	494	-	34	65 667
Debt investment securities	232 438	32 816	32 992	25 951	35 212	1 170	2 401	362 980
Other assets	4 453	945	814	103	164	10	55	6 544
Reinsurance assets	569	14	-	-	-	-	-	583
Off-balance sheet exposures								
Guarantees, acceptances, and letters of credit	39 964	8 721	20 280	1 273	23	10	2 967	73 238
Irrevocable commitments	141 508	14 728	13 911	667	1 702	-	279	172 795

39 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following new and revised standards and interpretations are applicable to the business of the group. The group will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
IFRS 16	**Lease liability in a sale and lease back – amendments to IFRS 16** The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and lease back transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2024
IFRS 17	**Background and overview** IFRS 17 is the new standard that prescribes the accounting for insurance contracts and will replace the current insurance contracts standard, IFRS 4. The group will apply IFRS 17 from 1 July 2023 and will restate the comparative information in its 30 June 2024 financial statements and adjust its opening balances as at 1 July 2022 i.e. full retrospective application. Appropriate project teams and governance structures have been established for the management and oversight of the group's IFRS 17 project. The project is in the final stages of internal validation with the finalisation of the external audit to follow thereafter. **Types of insurance contracts issued and measurement models applied** The group writes insurance contracts without direct participation features and, where the coverage period is less than one year, the premium allocation approach (PAA) will be applied. Similar treatment will be applied for reinsurance contracts held with a coverage period of less than one year. In all other circumstances, the general measurement model (GMM) will be applied. For more information on the types of insurance contracts that the group issues, refer to note 37.6.	Annual periods commencing on or after 1 January 2023

39 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
IFRS 17 continued	**General measurement model (including reinsurance contracts held)** The insurance asset or liability and the reinsurance asset or liability under IFRS 17 comprise of the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC is a prospective reserve that represents the group's rights and obligations relating to future services not yet provided and comprises of a risk adjustment for non-financial risk ("risk adjustment"), discounted estimates of future cash flows including deferred acquisition cash flows and unearned profit in the form of the contractual service margin (CSM). For groups of insurance contracts that are onerous, a day one loss will be recognised in the income statement instead of the CSM, and a corresponding income will be recognised on the related reinsurance contract held. Under IFRS 4, the group does not recognise any prospective reserves nor the excess of the estimated cash inflows over the estimated cash outflows (referred to as zerorisation i.e effectively not recognising the negative liability). The group furthermore immediately expenses acquisition costs. As a result, the transitional adjustment for contracts measured using the GMM predominately arises due to the differences in the measurement of the LRC. The LIC is similar to the group's IBNR and OCR, which are part of the group's policyholder liabilities for insurance contracts and the reinsurance asset for reinsurance contracts. However, unlike the treatment of these balances under IFRS 4, the LIC is discounted and includes a risk adjustment, which is a margin that captures the uncertainty inherent in the valuation of the insurance liability as a result of non-financial risk. These differences are immaterial for the group. **Premium allocation approach (including reinsurance contracts held)** The LRC for contracts measured using the PAA is based on actual premiums adjusted for revenue recognised (or expenses recognised for reinsurance contracts issued) as the group has elected to immediately expense insurance acquisition cash flows for contracts with a coverage period of one year or less. This is similar to the unearned premium reserve currently recognised by the group as part of policyholder liabilities (reinsurance premium payable for reinsurance contracts held), resulting in a negligible adjustment at transition for contracts under the PAA. The measurement and transitional impact of IFRS 17 on the LIC under the PAA is the same as that described under the GMM.	

39 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
IFRS 17 continued	**<u>Revenue recognition under IFRS 17</u>** Under IFRS 4, insurance income is recognised based on premiums earned during the period, whereas under IFRS 17 insurance revenue will be recognised based on the release of the LRC to the income statement. For contracts measured under the PAA, insurance revenue will be recognised based on the passage of time, resulting in a similar outcome to the current treatment under IFRS 4 due to the short coverage periods. Insurance revenue for contracts measured under the GMM will reflect the even provision of services over the coverage period, resulting in a smoother recognition of revenue for contracts with long coverage periods compared to the revenue that is currently recognised. **<u>Insurance service expenses</u>** Under IFRS 4, the group recognises expenses for incurred claims and claims-related costs as part of claims and benefits paid within insurance income. Insurance service expenses under IFRS 17 will comprise of incurred claims and other directly attributable expenses and changes thereto, the amortisation of deferred insurance acquisition cash flows for GMM contracts, insurance acquisition cash flows immediately expensed on PAA contracts and losses and reversals of losses on onerous contracts. The amount presented as insurance service expenses under IFRS 17 will be different due to onerous losses and reversals and the inclusion of directly attributable costs that are currently reflected as part of operating expenses. **<u>Reinsurance income and expenses</u>** Insurance income under IFRS 17 will comprise of claim recoveries from the reinsurer, similar to the treatment under IFRS 4. Reinsurance expenses will comprise of the amounts released from the reinsurance LRC to the income statement, like the insurance revenue recognised for insurance contracts issued. This will result in a difference for reinsurance contracts with longer coverage periods measured under the GMM. **<u>Insurance and reinsurance finance income and expenses</u>** The group will recognise insurance finance income and expenses separately, as well as reinsurance finance income and expenses under IFRS 17, which represent the effect of the unwinding of the discounting on the LRC and the LIC. The group has chosen to elect the option to present the portion of the insurance and reinsurance finance income and expenses arising from changes in discount rates in OCI for selected portfolios measured under the general measurement model where the effect of changes in discount rates is material.	

39 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
IFRS 17 continued	**<u>Tax implications</u>** Amendments to the tax legislation as a result of IFRS 17 were promulgated in January 2023, and were substantively enacted as at 31 December 2022. The amendments will not impact the group's financial results at 30 June 2023. The change in tax legislation will be effective for the group's financial year commencing on 1 July 2023.	

Standard	Impact assessment	Effective date
IAS 1	**Amendments to classification of liabilities as current or non-current** The IAS 1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically: ➢ The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. ➢ Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. ➢ The amendments clarify the situations that are considered settlement of a liability. The group 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 group does not expect this amendment to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2024
	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 preparers provide useful accounting policy disclosures. The key amendments to IAS 1 include: ➢ requiring companies 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

39 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
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

40 EVENTS AFTER REPORTING PERIOD

There were no significant events that occurred between the end of the reporting period and the issue of the annual financial statements.

Financial statements for the year ended 30 June 2023

FirstRand Limited

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million	Notes	2023	2022
Revenue	2	**33 732**	24 325
Net interest income	3	**23**	15
Interest and similar income	3	**23**	15
Income from operations		**33 755**	24 340
Operating expenses	4	**(220)**	(197)
Income before indirect tax		**33 535**	24 143
Indirect tax	5.1	**(12)**	(9)
Income before income tax		**33 523**	24 134
Income tax expense	5.2	**(19)**	(437)
Profit for the year		**33 504**	23 697
Other comprehensive income		**-**	-
Total comprehensive income for the year		**33 504**	23 697
Attributable to			
Ordinary equityholders		**33 342**	23 452
NCNR preference shareholders		**162**	245
Total comprehensive income for the year		**33 504**	23 697

STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	2023	2022
ASSETS			
Cash and cash equivalents	7	**829**	217
Other assets	8	**13**	194
Investments in subsidiaries	9	**80 475**	80 275
Total assets		**81 317**	80 686
EQUITY AND LIABILITIES			
Liabilities			
Creditors and accruals	10	**224**	174
Current tax liability		**72**	413
Amounts owing to subsidiaries	9	**26**	8
Employee liabilities	11	**270**	198
Total liabilities		**592**	793
Equity			
Ordinary shares	12	**56**	56
Share premium	12	**8 056**	8 056
Reserves		**72 613**	67 262
Capital and reserves attributable to ordinary equityholders		**80 725**	75 374
NCNR preference shares	12	**-**	4 519
Total equity		**80 725**	79 893
Total equity and liabilities		**81 317**	80 686

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

		Ordinary share capital and ordinary equityholders' funds		
R million	Notes	Share capital	Share premium	**Share capital and share premium**
Balance as at 1 July 2021		56	8 056	**8 112**
Ordinary dividends	13	-	-	**-**
Preference dividends	13	-	-	**-**
Total comprehensive income for the year		-	-	**-**
Balance as at 30 June 2022		56	8 056	**8 112**
Buyback of NCNR preference shares		-	-	**-**
Ordinary dividends	13	-	-	**-**
Preference dividends	13	-	-	**-**
Total comprehensive income for the year		-	-	**-**
Balance as at 30 June 2023		56	8 056	**8 112**

	Ordinary share capital and ordinary equityholders' funds				
	Capital redemption reserve	Retained earnings	**Reserves attributable to ordinary equityholders**	**NCNR preference shares**	**Total equity**
	1	61 199	**61 200**	**4 519**	**73 831**
	-	(17 390)	**(17 390)**	**-**	**(17 390)**
	-	-	**-**	**(245)**	**(245)**
	-	23 452	**23 452**	**245**	**23 697**
	1	67 261	**67 262**	**4 519**	**79 893**
	-	-	**-**	**(4 519)**	**(4 519)**
	-	(27 991)	**(27 991)**	**-**	**(27 991)**
	-	-	**-**	**(162)**	**(162)**
	-	33 342	**33 342**	**162**	**33 504**
	1	72 612	**72 613**	**-**	**80 725**

STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Notes	2023	2022
Cash flows from operating activities			
Interest received		**23**	15
Other income received		**104**	-
Other operating expenses paid		**(70)**	(81)
Dividends received		**33 758**	24 428
Dividends paid		**(28 130)**	(17 635)
Taxation paid		**(372)**	(17)
Cash generated from operating activities		**5 313**	6 710
Movement in operating assets and liabilities			
Other assets		**32**	-
Employee liabilities		**(64)**	(53)
Creditors and accruals		**50**	(278)
Net cash generated from operating activities		**5 331**	6 379
Cash flows from investing activities			
Additional investments in subsidiaries		**(200)**	(6 773)
Net cash outflow from investing activities		**(200)**	(6 773)
Cash flows from financing activities			
Redemption of preference shares		(4 519)	-
Net cash outflow from financing activities		**(4 519)**	-
Net increase/(decrease) in cash and cash equivalents		**612**	(394)
Cash and cash equivalents at the beginning of the year	7	**217**	611
Cash and cash equivalents at the end of the year	7	**829**	217

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable. Revenue within the company comprises fees from subsidiaries and dividend income from investments in subsidiaries.

The company recognises revenue from fees when the amount can be reliably measured and it is probable that future economic benefits will flow to the company from it.

Dividends are recognised when the company's right to receive payment is established.

1.2 Other accounting policies

The financial statements of FirstRand Limited Company are prepared according to the same accounting policies used in preparing the consolidated financial statements of the group, other than the accounting policies on consolidation, equity accounting and translation of foreign operations that are specific to group financial statements. For detailed accounting policies refer to page B37 and onwards in the 2023 annual financial statements. The financial statements are prepared on the going concern basis in accordance with IFRS.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Functional and presentation currency of the company	South African rand (R)
Level of rounding	All amounts are presented in millions of rands. The company has a policy of rounding up in increments of R500 000. Therefore, amounts less than R500 000 will round down to Rnil and are presented as a dash.

2 REVENUE

R million	2023	2022
Fee and commission income		
Incremental and directly attributable fee and commission expense	**(149)**	(148)
Recoveries from subsidiaries	**123**	46
Total fee and commission (expense)	**(26)**	(102)
Fair value income		
Translation losses	**-**	(1)
Total fair value income	**-**	(1)
Gains less losses from investing activities		
Dividends received from subsidiaries – unlisted shares		
Ordinary dividends	**33 758**	24 428
Total gains less losses from investing activities	**33 758**	24 428
Total revenue	**33 732**	24 325

3 NET INTEREST INCOME

R million	2023	2022
Interest and similar income		
Cash and cash equivalents	**23**	15
Interest and similar income	**23**	15

4 OPERATING EXPENSES

R million	Notes	2023	2022
Advertising and marketing		**(2)**	-
Directors' fees		**(44)**	(41)
Direct staff costs		**(165)**	(138)
– Salaries,wages and allowances		**(59)**	(53)
– Share-based payment expense	11	**(105)**	(84)
– Social security levies		**(1)**	(1)
Professional fees		**-**	(5)
Corporate memberships		**(4)**	(4)
Other operating expenditure		**(5)**	(9)
Total operating expenses		**(220)**	(197)

5 INDIRECT AND INCOME TAX EXPENSE

	R million	2023	2022
5.1	**Indirect tax**		
	Value-added tax (net)	**(1)**	(9)
	Securities transfer tax	**(11)**	-
	Total indirect tax	**(12)**	(9)
5.2	**Income tax expense**		
	South African income tax		
	Normal tax – current year	**(19)**	(437)
	– Current tax	**(22)**	(9)
	– Prior year adjustment	**3**	(428)
	Total income tax expense	**(19)**	(437)

Tax rate reconciliation – South African normal tax

%	2023	2022
Standard rate of income tax	**27.0**	28.0
Total tax has been affected by:		
Dividends received	**(27.1)**	(28.3)
Other	**0.2**	2.1
Effective rate of tax	**0.1**	1.8

6 ANALYSIS OF ASSETS AND LIABILITIES BY CATEGORY

The principal accounting policies from page B37 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statement of financial position per category of financial instrument to which they are assigned, and therefore by measurement basis and according to when the assets are expected to be realised and liabilities settled.

		2023		
R million	Notes	Financial assets at amortised cost	Financial liabilities at amortised cost	Non-financial instruments
ASSETS				
Cash and cash equivalents	7	**829**	**-**	**-**
Other assets	8	**13**	**-**	**-**
Investment in subsidiaries	9	**-**	**-**	**80 475**
Total assets		**842**	**-**	**80 475**
LIABILITIES				
Creditors and accruals	10	**-**	**149**	**75**
Current tax liability		**-**	**-**	**72**
Amounts owing to subsidiaries	9	**-**	**26**	**-**
Employee liabilities	11	**-**	**-**	**270**
Total liabilities		**-**	**175**	**417**
		2022		
ASSETS				
Cash and cash equivalents	7	217	-	-
Other assets	8	-	-	194
Investment in subsidiaries	9	-	-	80 275
Total assets		217	-	80 469
LIABILITIES				
Creditors and accruals	10	-	126	48
Current tax liability		-	-	413
Amounts owing to subsidiaries	9	-	8	-
Employee liabilities	11	-	-	198
Total liabilities		-	134	659

At the reporting date all other assets are considered to be neither past due nor impaired.

The carrying value of cash and cash equivalents, other assets, creditors and accruals approximates the fair value.

	2023		
	Total carrying value	**Current**	**Non-current**
	829	**829**	**-**
	13	**13**	**-**
	80 475	**-**	**80 475**
	81 317	**842**	**80 475**
	224	**171**	**53**
	72	**72**	**-**
	26	**26**	**-**
	270	**86**	**184**
	592	**355**	**237**
	2022		
	217	217	-
	194	194	-
	80 275	-	80 275
	80 686	411	80 275
	174	129	45
	413	413	-
	8	8	-
	198	63	135
	793	613	180

7 CASH AND CASH EQUIVALENTS

R million	**2023**	2022
Money at call and short notice	**829**	217
Cash and cash equivalents	**829**	217

8 OTHER ASSETS

R million	**2023**	2022
Standby liquidity facility	**-**	149
Accounts receivable	**13**	45
Total other assets	**13**	194

In a prior year the company provided the Bank of England (BoE) with a financial guarantee to support the qualification of Aldermore Bank (a subsidiary of the group) for a collateral upgrade from the BoE. In order to manage the liquidity risk associated with providing this financial guarantee to the BoE, the company procured a standby liquidity facility from an international bank, in the unlikely event that the company were to be called up to honour the financial guarantee contract with the BoE and would require liquidity at short notice. The liquidity facility attracted a fee which was capitalised to the balance sheet and released to the income statement over the period of the liquidity facility.

The following table analyses the financial assets and liabilities in the statement of financial position per category of financial instrument to which they are assigned and therefore by measurement basis and according to when the assets are expected to be realised and liabilities settled.

9 INVESTMENT IN SUBSIDIARIES

	% owner-ship	% voting rights	Nature of business	Shares at cost 2023 R million	Shares at cost 2022 R million
FirstRand EMA Holdings Limited (FREMA)			Financial services		
Ordinary shares	**100**	100		**7 675**	7 675
FirstRand Bank Limited			Banking		
Ordinary shares	**100**	100		**40 194**	40 194
FirstRand Investment Holdings Proprietary Limited			Other activities		
Ordinary shares	**100**	100		**4 038**	4 038
FirstRand Investment Management Holdings Limited			Investment management		
Ordinary shares	**100**	100		**599**	399
FirstRand Insurance Holdings Proprietary Limited			Insurance services		
Ordinary shares	**100**	100		**853**	853
FirstRand International Limited (FRI)			Banking		
Ordinary shares	**100**	100		**26 699**	26 699
Total				**80 058**	79 858
Investment through equity-settled share incentive scheme*			Equity-settled share scheme	**417**	417
Total investments in subsidiaries				**80 475**	80 275
Amounts owing to subsidiaries				**26**	8

* *This related to the share options granted to employees who were employed by companies that remained in the FirstRand Group after the unbundling of a wholly-owned subsidiary transaction.*

With the exception of FREMA and FRI, which offer financial services across Africa and the UK, the principal place of business for all of the company's subsidiaries is South Africa.

Increases in investments in subsidiaries

During the current financial year, the company acquired additional shares in its wholly owned subsidiary FirstRand Investment Management Holdings Limited amounting to R200 million. In the prior year the company acquired additional shares in its wholly owned subsidiaries FirstRand Insurance Holdings Limited and FRI, the cost amounted to R140 million and R6 633 million respectively.

10 CREDITORS AND ACCRUALS

R million	2023	2022
Unclaimed dividends	**136**	113
Accounts payable and accrued liabilities	**41**	15
Audit fee accrual	**7**	7
Financial guarantee liability*	**40**	39
Total creditors and accruals	**224**	174

* *The maximum exposure of the financial guarantee issued to the BoE amounts to R23 954 million (2022: R19 950 million) and FirstRand Short Term Insurance Limited R250 million (2022: R250 million). The full exposures are included in stage 1 ECL. Both guarantees are open-ended until such time as the company cancels the contract and as such the guarantees are long dated. The probability of the guarantees being called upon is considered low and has a credit rating of AA.*

11 EMPLOYEE LIABILITIES

R million	2023	2022
Liability for short-term employee benefits		
Opening balance	**74**	65
Additional provisions created	**31**	27
Utilised during the year	**(22)**	(18)
Total liability for short-term employee benefits	**83**	74
Share-based payment liability		
Opening balance	**124**	75
Share-based payment settlement (cash)	**(42)**	(35)
Charge to profit or loss	**105**	84
Total share-based payment liability	**187**	124
Total employee liabilities	**270**	198
The charge to profit or loss for share-based payments is as follows:		
FirstRand share appreciation rights scheme	**105**	84
Amount included in operating expenses	**105**	84

For a detailed description of share option schemes and trusts in which FirstRand Limited Company participates refer to note 32 of the consolidated annual financial statements.

12 SHARE CAPITAL AND SHARE PREMIUM

12.1 Share capital and share premium classified as equity

Authorised shares

	2023	2022
Ordinary shares	**6 001 688 450**	6 001 688 450
A preference shares – unlisted variable rate cumulative convertible redeemable	**198 311 550**	198 311 550
B preference shares – listed variable rate non-cumulative non-redeemable	**100 000 000**	100 000 000
C preference shares – unlisted variable rate convertible non-cumulative redeemable	**100 000 000**	100 000 000
D preference shares – unlisted variable rate cumulative redeemable	**100 000 000**	100 000 000

Issued shares

	2023			2022		
	Number of shares	**Ordinary share capital R million**	**Share premium R million**	Number of shares	Ordinary share capital R million	Share premium R million
Opening balance	**5 609 488 001**	**56**	**8 056**	5 609 488 001	56	8 056
Shares issued	**-**	**-**	**-**	-	-	-
Total issued ordinary share capital and share premium	**5 609 488 001**	**56**	**8 056**	5 609 488 001	56	8 056
B preference shares	**-**	**-**	**-**	45 000 000	-	4 519
Total issued share capital attributable to ordinary equityholders		**56**	**8 056**		56	12 575

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

Dividends on the B preference shares are calculated at a rate of 75.56% of the prime lending rate of FNB, a division of FirstRand Bank Limited. In the current year, the B preference shares were redeemed by FirstRand Limited.

13 DIVIDENDS

R million	2023	2022
Ordinary dividends		
A final dividend of 195.00 cents* (14 September 2022: 185.00 cents**) per share was declared on 13 September 2023 in respect of the six months ended 30 June 2023.	**17 389**	8 583
A special dividend of 125 cents per share was declared on 14 September 2022**.		
An interim dividend of 189.00 cents** (March 2022: 157.00 cents) per share was declared on 1 March 2023 in respect of the six months ended 31 December 2022.	**10 602**	8 807
Total ordinary dividends paid for the year	**27 991**	17 390
B preference shares		
A final pro rata dividend of 52.2 cents** was paid on 26 September 2022 as part of the process to redeem the B preference shares#.	**24**	
A final dividend of 307.4 cents** (August 2021: 273.90 cents) per share was declared on 29 August 2022 in respect of the six months ended 30 June 2022.	**138**	123
In the prior year an interim dividend of 270.70 cents per share was declared on 28 February 2022 in respect of the six months ended 31 December 2021.	**-**	122
Total preference dividends paid for the year	**162**	245

* *The final dividend is not reflected in the statement of changes in equity as this relates to a dividend declared post year end.*

** *These dividends are reflected in the statement of changes in equity for the current year.*

\# *The B preference shares were redeemed in the current financial year with the final dividend paid on 26 September 2022.*

14 RELATED PARTIES

14.1 Balances and transactions with related parties

R million	Notes	**2023 Subsidiaries**
Net interest income	3	**23**
Non-interest revenue	2	**123**
Dividends received	2	**33 758**
Amounts owing to subsidiaries	9	**26**
Cash and cash equivalents	7	**829**
Other assets	8	**13**
		2022 Subsidiaries
Net interest income	3	15
Non-interest revenue	2	46
Dividends received	2	24 428
Amounts owing to subsidiaries	9	8
Cash and cash equivalents	7	217
Other assets	8	45

Refer to the remuneration disclosures on page B253 for details of the compensation paid to KMP.

During the prior year a financial guarantee was provided to FirstRand Short Term Insurance, as a subsidiary within the FirstRand group, by the company to provide immediate financial support in the event that FirstRand Short Term Insurance solvency capital requirements were to fall below its prudential thresholds. Refer to Note 10.

15 EVENTS AFTER REPORTING PERIOD

Refer to note 40 of the consolidated annual financial statements of the group for further details.

16 RISK MANAGEMENT

FirstRand Limited Company is not exposed to significant risks. For details on how financial risk is managed in the group refer to the summary risk and capital management report. For quantitative information about financial risk refer to note 37 of the consolidated financial statements of the group.

C

shareholders'

and supplementary information

shareholders'
and supplementary information

C

Shareholders' and supplementary information

Analysis of ordinary shareholders

as at 30 June 2023

	Number of shareholders	Shares held (thousands)	%
Major shareholders			
Public Investment Corporation		**905 840**	**16.1**
Royal Bafokeng Holdings		**166 826**	**3.0**
Remgro Limited (Remgro)		**99 467**	**1.8**
BEE partners*		**274 346**	**4.9**
Subtotal		**1 446 479**	**25.8**
Other		**4 163 009**	**74.2**
Total		**5 609 488**	**100.0**
Shareholder type			
Corporates (Royal Bafokeng Holdings and Remgro)		**266 292**	**4.7**
Pension funds		**1 318 731**	**23.5**
Insurance companies and banks		**271 803**	**4.9**
Unit trusts		**1 852 464**	**33.0**
Individuals		**239 146**	**4.3**
BEE partners*		**274 346**	**4.9**
Other		**1 386 706**	**24.7**
Total		**5 609 488**	**100.0**
Public and non-public shareholders			
Public	**95 764**	**5 058 952**	**90.2**
Non-public			
- Corporates** (Royal Bafokeng Holdings and Remgro)	**5**	**266 292**	**4.7**
- Directors and prescribed officers#	**15**	**9 898**	**0.2**
- BEE partners*	**7**	**274 346**	**4.9**
Total	**95 791**	**5 609 488**	**100.0**
Geographic ownership			
South Africa		**2 928 270**	**52.2**
International		**1 928 628**	**34.4**
Unknown/unanalysed		**752 590**	**13.4**
Total		**5 609 488**	**100.0**

* *Include FirstRand Empowerment Trust, FirstRand Staff Assistance Trust, MIC Investment Holdings, Mineworkers Investment Trust, Kagiso Charitable Trust, WDB Trust No 2 and WDB Investment Holdings.*

** *The group has two corporate shareholders (Royal Bafokeng Holdings and Remgro), which hold their FirstRand shares in multiple accounts (four in total).*

Reflect direct beneficial ownership.

Performance on the JSE

	2023	2022
Number of shares in issue (thousands)	**5 609 488**	5 609 488
Market price (cents per share)		
Closing	**6 850**	6 237
High	**7 100**	7 934
Low	**5 680**	5 180
Weighted average	**6 406**	6 283
Closing price/net asset value per share	**2.13**	2.12
Closing price/earnings (headline)	**10.45**	10.66
Volume of shares traded (millions)	**3 356**	3 219
Value of shares traded (millions)	**214 729**	203 812
Market capitalisation (R billion)	**384.25**	349.86

Company information

Directors

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

Company secretary and registered office

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Website: www.firstrand.co.za

JSE sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)
1 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton, 2196
Tel: +27 11 282 8000

Namibian sponsor

Simonis Storm Securities (Pty) Ltd

4 Koch Street
Klein Windhoek
Namibia

Transfer secretaries – South Africa

Computershare Investor Services (Pty) Ltd

1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank, Johannesburg, 2196
Private Bag X9000, Saxonwold, 2132
Tel: +27 11 370 5000
Fax: +27 11 688 5248

Transfer secretaries – Namibia

Transfer Secretaries (Pty) Ltd

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Auditors

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4 Lisbon Lane
Waterfall City
Jukskei View
2090

Deloitte & Touche

Deloitte Place
5 Magwa Crescent
Waterfall City
Johannesburg Gauteng
South Africa
2090

Credit ratings

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

Definitions

Additional Tier 1 capital (AT1)	AT1 capital instruments and qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions
Arrears	A percentage that expresses the current exposure of the loans with one or more months in arrears to the total current book exposure for the reporting period
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA
Common Equity Tier 1 (CET1) capital	Share capital and premium, qualifying reserves and third-party capital, less specified regulatory deductions
Contingent convertible securities	Fixed-rate perpetual subordinated contingent convertible securities issued by Aldermore. These instruments qualify as AT1 capital
Core lending advances	Total advances excluding assets under agreements to resell
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average core lending advances (average between the opening and closing balance for the year)
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures
Dividend cover	Normalised earnings per share divided by dividend per share
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement
Impairment charge	Amortised cost impairment charge and credit fair value adjustments
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares including treasury shares
Normalised net asset value	Normalised equity attributable to ordinary equityholders
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares
Price earnings ratio (times)	Closing price at end of period divided by basic normalised earnings per share
Price-to-book (times)	Closing share price at end of period divided by normalised net asset value per share
Return on assets (ROA)	Normalised earnings divided by average assets
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders' equity
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets, where applicable
Shares in issue	Number of ordinary shares listed on the JSE
Technical cures	Performing accounts that are classified as stage 3/NPL because they have defaulted in the past and do not meet the stringent cure definition of performance for several consecutive months
Tier 1 ratio	Tier 1 capital divided by RWA
Tier 1 capital	CET1 capital plus AT1 capital
Tier 2 capital	Qualifying subordinated debt instruments, capital instruments issued out of fully consolidated subsidiaries to third parties 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

ALCCO	Asset, liability and capital committee
ALM	Asset and liability management
ARR	Alternative reference rate
ASSA	Actuarial Society of South Africa
AT1	Additional Tier 1 capital
BEE	Black economic empowerment
BoE	Bank of England
BSE	Botswana Stock Exchange
CAGR	Compound annual growth rate
CENTRE	FirstRand Corporate Centre
CET1	Common Equity Tier 1 capital
CGU	Cash generating unit
CIP	Conditional incentive plan
CMA	Common Monetary Area
CODM	Chief operating decision maker
COP26	United Nations Climate Change Conference deal
Covid-19	Coronavirus disease
CPI	Consumer price index
CPT	Corporate performance target
CSM	Contractual service margin
DIP	Deferred incentive plan
DM	Developed market
EDC	External debt collection
ECL	Expected credit loss
EAD	Exposure at default
EPS	Earnings per share
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
ETL	Expected tail loss
EVE	Economic value of equity
FLI	Forward-looking information
FNB	First National Bank
FR	FirstRand
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRI	FirstRand International Limited

FRIHL	FirstRand Investment Holdings (Pty) Ltd
FSR	FirstRand Limited
FSV	Financial soundness valuation
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GBP	British pound
GCA	Gross carrying amount
GDP	Gross domestic product
HEPS	Headline earnings per share
HQLA	High-quality liquid assets
IASB	International Accounting Standards Board
IBNR	Incurred but not reported
IBOR	Interbank offered rate
ICE	ICE Benchmark Administration Limited
IRBA	Independent Regulatory Board for Auditors
IRRBB	Interest rate risk in the banking book
ISA	International Standards on Auditing
ISDA	International Swaps and Derivatives Association
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
KMP	Key management personnel
LECL	Lifetime expected credit losses
LGD	Loss given default
LIBOR	London Interbank Offered Rate
LIC	Liability for incurred claims
LRC	Liability for remaining coverage
LSE	London Stock Exchange
MAFR	Mandatory audit firm rotation
MNA	Master netting arrangement
MoPR	Monetary policy rate
MPC	Monetary Policy Committee
MRA	Modified retrospective approach
NAV	Net asset value
NCD	Negotiable certificate of deposit
NCNR	Non-cumulative non-redeemable
NIACC	Net income after capital charge

Abbreviations continued

NII	Net interest income
NIR	Non-interest revenue
NOSIA	Notice of sums in arrears
NPL	Non-performing loan
NSX	Namibian Stock Exchange
OCI	Other comprehensive income
OCR	Outstanding claims reserve
ORSA	Own risk and solvency assessment
PA	Prudential Authority
PAA	Premium allocation approach
PD	Probability of default
P/E	Price/earnings
PwC	PricewaterhouseCoopers Inc.
RCCC	Risk, capital management and compliance committee
RMB	RMB corporate and investment banking division
RMBIA	RMB Investments and Advisory
ROE	Return on equity
ROUA	Right of use asset
RWA	Risk weighted assets
S&P	Standard & Poors Global Ratings
SACU	Southern African Customs Union
SAICA	South African Institute of Chartered Accountants
SAPs	Standards of Actuarial Practice
SARB	South African Reserve Bank
SBP	Share-based payment
SICR	Significant increase in credit risk
SME	Small and medium-sized enterprise
SONIA	Sterling Overnight Index Average
SPPI	Solely payments of principal and interest
SPV	Special purpose vehicles
sVaR	Stressed VaR
TRS	Total return swaps
TTC	Through-the-cycle
UK	United Kingdom
UPS	Unearned premiums reserve
VAF	Vehicle asset finance
VAPS	Value-added products and services
VaR	Value-at-risk
ZARONIA	South African Rand Overnight Index Average

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 19	IAS 19 – Employee Benefits
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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