FirstRand

ANNUAL FINANCIAL STATEMENTS **2020**

for the year ended 30 June

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FirstRand

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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

A

FIVE-YEAR REVIEW AND ECONOMIC IMPACT

FIVE-YEAR REVIEW

R million	2016*	2017	2018	2019*	**2020**	Compound growth %
Statement of financial position						
Total assets	1 149 277	1 217 707	1 532 289	1 669 062	**1 926 539**	14
Average assets	1 104 272	1 183 492	1 374 998	1 600 676	**1 797 801**	13
Advances	851 405	893 106	1 121 227	1 205 752	**1 261 715**	10
Average advances	815 288	872 256	1 007 167	1 163 490	**1 233 734**	11
Impairment and fair value of credit of advances	16 157	16 540	18 835	34 162	**49 380**	32
NPLs	21 282	21 905	26 947	41 349	**57 281**	28
Gross advances before impairments	867 562	909 646	1 140 062	1 239 914	**1 311 095**	11
Deposits	920 074	983 529	1 267 448	1 393 104	**1 535 015**	14
Capital and reserves attributable to equityholders of the group	104 264	113 403	126 794	140 407	**147 774**	9
Treasury shares	43	32	15	(29)	**72**	14
Ordinary dividends	12 608	13 294	14 921	15 931	**16 716**	7
Total equity before dividends and treasury shares	116 915	126 729	141 730	156 309	**164 562**	9
Total ordinary equity	99 745	108 884	121 025	129 673	**137 529**	8
Assets under administration	1 428 356	1 518 934	1 867 270	2 001 400	**2 258 429**	12
Income statement						
Net interest income before impairment of advances	42 041	44 917	49 098	60 457	**62 915**	11
Impairment and fair value of credit of advances	(7 159)	(8 054)	(8 567)	(10 500)	**(24 383)**	36
Non-interest revenue	36 934	40 922	44 193	45 808	**41 691**	3
Share of profit of associates and joint ventures after tax	1 456	1 038	909	1 230	**29**	(62)
Operating expenses	(41 657)	(44 585)	(48 462)	(54 043)	**(55 276)**	7
Earnings attributable to ordinary equityholders	22 563	24 572	26 546	30 211	**17 021**	(7)
Headline earnings	22 387	23 762	26 509	27 887	**17 326**	(6)
Earnings per share (cents)						
- Basic	402.4	438.2	473.3	538.6	**303.5**	(7)
- Diluted	402.4	438.2	473.3	538.6	**303.5**	(7)
Headline earnings per share (cents)						
- Basic	399.2	423.7	472.7	497.3	**308.9**	(6)
- Diluted	399.2	423.7	472.7	497.3	**308.9**	(6)

** Reclassifications of prior year numbers.*

FIVE-YEAR REVIEW continued

R million	2016	2017	2018	2019	**2020**	Compound growth %
Dividend per share (cents)	226.0	255.0	275.0	291.0	**146.0**	
Dividend cover based on headline earnings	1.8	1.7	1.7	1.7	**2.1**	
NCNR preference dividends per share (cents)						
- February	366.5	395.6	386.2	381.7	**374.7**	1
- August	394.7	393.6	378.3	384.2	**306.0**	(6)
Net asset value per ordinary share (cents)	1 778.5	1 941.2	2 157.9	2 311.9	**2 453.1**	8
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)	5 607.7	5 608.0	5 608.1	5 609.0	**5 608.2**	-
Diluted weighted average number of shares in issue (millions)	5 607.7	5 608.0	5 608.1	5 609.0	**5 608.2**	-

FIVE-YEAR REVIEW continued

R million	2016#	2017	2018	2019#	**2020**	Compound growth %
Key ratios						
Return on ordinary equity based on headline earnings (%)	23.5	22.8	23.1	22.2	**13.0**	
Price earnings ratio based on headline earnings (times)	11.2	11.1	13.5	13.8	**12.3**	
Price-to-book ratio (times)	2.5	2.4	3.0	3.0	**1.6**	
Market capitalisation (R million)	251 529	264 487	358 390	384 530	**213 497**	(4)
Closing share price (cents)	4 484	4 715	6 389	6 855	**3 806**	(4)
Cost-to-income ratio (%)	51.8	51.3	51.4	50.3	**52.8**	
Credit loss ratio (%)	0.86	0.91	0.84	0.88	**1.91**	
NPLs as a % of gross advances (%)	2.45	2.41	2.36	3.33	**4.37**	
Non-interest income as a % of total income (%)	47.7	48.3	47.9	43.8	**39.9**	
Return on average total assets based on headline earnings (%)	2.0	2.0	1.9	1.7	**1.0**	
Interest margin on average advances (%)	5.2	5.1	4.9	5.2	**5.1**	
Exchange rates						
Rand/USD						
- Closing	14.66	13.10	13.80	14.13	**17.36**	
- Average	14.51	13.58	12.82	14.17	**15.51**	
Rand/GBP						
- Closing	19.67	17.00	18.18	17.98	**21.43**	
- Average	21.47	17.21	17.27	18.33	**19.57**	
Statement of financial position (USD)*						
Total assets	78 395	92 955	111 035	118 122	**110 976**	9
Advances	58 077	68 176	81 248	85 333	**72 679**	6
Deposits	62 761	75 079	91 844	98 592	**88 423**	9
Equity attributable to ordinary and other equityholders	7 112	8 657	9 188	9 937	**8 512**	5
Assets under administration	97 432	115 949	135 309	141 642	**130 094**	7
Income statement (USD)**						
Earnings attributable to ordinary equityholders	1 555	1 809	2 071	2 132	**1 097**	(8)
Headline earnings	1 543	1 750	2 068	1 968	**1 117**	(8)
Statement of financial position (GBP)*						
Total assets	58 428	71 630	84 284	92 829	**89 899**	11
Advances	43 284	52 536	61 674	67 061	**58 876**	8
Deposits	46 775	57 855	69 717	77 481	**71 629**	11
Total equity	5 301	6 671	6 974	7 809	**6 896**	7
Assets under administration	72 616	89 349	102 710	111 313	**105 386**	10
Income statement (GBP)**						
Earnings attributable to ordinary equityholders	1 051	1 428	1 537	1 648	**870**	(5)
Headline earnings	1 043	1 381	1 535	1 521	**885**	(4)

** The statement of financial position is converted using the closing rates as disclosed.*
***The income statement is converted using the average rate as disclosed.*
 # Reclassification of prior year numbers.

ECONOMIC IMPACT

	2020		2019	
	R million	**%**	R million	%
Value added				
Net interest income after impairment	**97 504**	**70.6**	109 768	70.5
Non-operating revenue	**42 306**	**30.7**	47 220	30.3
Non-operating expenses	**(1 806)**	**(1.3)**	(1 277)	(0.8)
Value added by operations	**138 004**	**100.0**	155 711	100.0
To employees				
Salaries, wages and other benefits	**32 104**	**23.3**	32 337	20.8
To providers of funding	**76 833**	**55.7**	76 502	49.1
Dividends to shareholders	**17 861**		16 691	
Interest paid	**58 972**		59 811	
To suppliers	**17 373**	**12.6**	17 562	11.3
To government	**7 250**	**5.2**	11 848	7.6
Normal tax	**5 925**		10 491	
Value added tax	**1 330**		1 270	
Capital gains tax	**(24)**		77	
Other	**19**		10	
To communities				
CSI spend	**247**	**0.2**	250	0.2
To expansion and growth	**4 197**	**3.0**	17 212	11.0
Retained income	**305**		14 280	
Depreciation and amortisation	**4 946**		3 681	
Deferred income tax	**(1 054)**		(749)	
Total value added	**138 004**	**100.0**	155 711	100.0

B

FIRSTRAND GROUP AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

B

FIRSTRAND GROUP AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

AUDIT COMMITTEE REPORT

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

The committee is constituted as a statutory committee of FirstRand in respect of its duties in terms of section 94(7) of the Companies Act, 71 of 2008; section 64 of the Banks Act of 1990 and as a committee of the FirstRand board concerning all other duties assigned to it by the board. The objectives and functions of the committee are set out in its charter, which was reviewed and updated during the year.

SUMMARY OF RESPONSIBILITIES

- reviews the quality, independence and cost-effectiveness of the statutory audit and non-audit engagements;
- reviews the appointment of the external auditors for recommendation to the board;
- approves the appointment of the audit lead partner after consideration of the enhanced due diligence results;
- oversees internal and external audits, including review and approval of internal and external audit plans, reviews significant audit findings and monitors progress reports on corrective actions required to rectify reported internal control shortcomings;
- assists the board in evaluating the adequacy and effectiveness of FirstRand's system of internal control (including internal financial controls), accounting practices, information systems and auditing processes;
- ensures that a combined assurance model is applied to provide a coordinated approach to assurance activities;
- oversees financial risks, the Banks Act regulatory audit process and internal financial controls, including integrity, accuracy and completeness of the annual financial statements and annual integrated report (both financial and non-financial reporting);
- receives reports on fraud and IT risks as these relate to financial reporting;
- satisfies itself with the expertise, resources and experience of the group financial director and finance function; and
- provides independent oversight of the integrity of the annual integrated report and associated external reports and recommends them to the board for approval.

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

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

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

COMPOSITION		**MEETING**	**NOVEMBER TRILATERAL**
GG Gelink (chairman)	Independent non-executive director	4/4	1/1
JP Burger	Non-executive director	4/4	1/1
RM Loubser	Independent non-executive director	4/4	1/1
EG Matenge-Sebesho (retired 28 November 2019)	Independent non-executive director	2/2	1/1
PJ Makosholo (resigned 30 June 2020)	Independent non-executive director	4/4	1/1
LL von Zeuner	Independent non-executive director	3/4	1/1
T Winterboer	Independent non-executive director	4/4	1/1

ATTENDEES

CEO
COO
Financial director
Chief risk officer
Chief audit executive
Chairmen of the subcommittees
External auditors and other assurance providers
Heads of finance, risk and compliance

The composition of the committee is designed to include members with practical banking expertise in accordance with the Banks Act.

In addition to the audit committee, divisional audit committees have been established. The divisional audit committees are chaired by competent independent non-executives who participate in the audit committee.

The external auditors and chief audit executive meet independently with the non-executive members as and when required.

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

AREAS OF FOCUS

During the year, the committee:

- reviewed the reports on internal financial controls and the going concern aspect of FirstRand, in terms of Regulation 40(4) of the Banks Act regulations;
- considered feedback from the external auditors on the PA bilateral meeting;
- conducted quarterly financial analysis of the group's year-to-date performance;
- considered industry trend updates from the external auditors and from management;
- reviewed and recommended to the to board for approval the interim results and year-end results, together with annual financial statements;
- reviewed and approved the internal audit charter;
- reviewed and approved the audit committee charter;
- attended the trilateral meeting with the PA;
- considered the requirements arising from the Independent Regulatory Board for Auditors' (IRBA's) mandatory audit firm rotation (MAFR) requirements, effective for financial periods ending on or after April 2023, and monitored the project progress to assess and address MAFR;
- reviewed the impact of emerging and current regulatory developments in the group;
- considered BCBS 239 updates and impact assessments;
- approved the key audit matters report;
- reviewed and approved non-audit engagements undertaken by the external auditors during the year in terms of the approved policy of the group;
- reviewed the outcome of the statutory and regulatory audit;
- noted the finding of the report from the JSE on the proactive monitoring of financial statements in 2019, published in 2020;
- noted the final findings of the report from the JSE's thematic review for compliance with IFRS 9 and IFRS 15 published in 2019;
- reviewed the adoption of new and amended accounting standards and interpretations namely IFRS 16, IAS 12 and IFRIC 23;
- noted the update on SAICA's continuing professional development (CPD);
- reviewed compliance with COVID-19 related accounting; and
- received the Banks Act Regulation 39 corporate governance assessment.

EXTERNAL AUDIT

The committee has satisfied itself to the performance and quality of the external audit and that the external auditors and lead partners were independent of the group, as set out in section 94(8) of the Companies Act.

This included consideration of:

- representations made by the external auditors to the audit committee including ISQC1 system of quality control representations;
- independence criteria specified by 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) (iii) and section 22.15(h) of the JSE Listings Requirements;
- previous appointments of the auditors;
- extent of other work undertaken by the auditors for the group;
- chairman closed sessions with the external auditors to discuss any concerns without management present;
- tenure of the auditors and rotation of the lead partners;
- changes to management during the tenure of auditors, which mitigates the attendant risk of familiarity between the external auditor and management;
- monitoring the public conduct of audit firms, for example through media reports with follow up sessions with the external auditors; and
- dual audit firms allowing for cross review and audit area rotation.

- The committee nominated, for re-election at the annual general meeting, Deloitte & Touche and PricewaterhouseCoopers Inc. (PwC) as the external audit firms responsible for performing the functions of auditor for the 2021 financial year.
- The committee ensured that the appointment of the auditors complied with all legislation on appointment of auditors.
- Deloitte & Touche and PwC have been the group's external auditors for ten years, respectively.
- During the year, the committee approved the rotation of the Deloitte & Touche lead partner, Kevin Black, who replaced Darren Shipp in terms of section 92 of the Companies Act, 71 of 2008, which states that the same individual may not serve as the auditor or designated auditor of a company for more than five consecutive financial years. Additional independence assessments of the lead partners, including that of the incoming Deloitte & Touche lead partner, were undertaken.
- The committee chair met with senior leadership of the audit firm to discuss the firm's risk and quality processes independently from what the audit team disclosed to the committee.
- Furthermore, enhanced due diligence (EDD) was performed on all lead partners with their permission, including details of connected parties. Based on the EDD results, the committee was of the view that the individuals do not have any significant investment in FirstRand or unusual and significant transactions with the group and nothing came to their attention that required further investigation.

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 where all non-audit service engagements above a certain threshold must be approved by the financial director, and above a further threshold, pre-approved by the chairman of the audit committee. If a higher threshold is to be applied 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. Quarterly, the cumulative spend for the year-to-date is presented to the committee to keep track of the build of non- audit spend and the nature of services. The 2020 non-audit fees were 10.05% of the audit fees.

INTERNAL AUDIT

The internal audit function's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

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

The function provides assurance to the board on the adequacy and effectiveness of the group's internal control and risk management practices, and the integrity of financial reporting systems. Internal audit assists management by making recommendations for improvements to the control and risk management environment.

During the year the committee received quarterly reports from group internal audit on any weaknesses in controls that were identified, including financial controls, and considered corrective actions to be implemented by management.

The committee has assessed the performance of the chief audit executive and the arrangements of internal audit and is satisfied that the internal audit function is independent and appropriately resourced, and that the chief audit executive has fulfilled the obligations of that position.

The committee can confirm that the financial and risk management information contained in the Annual integrated report accurately reflects information reported to the committee by management and has no reason to believe that the existing internal controls, including internal financial controls, do not form a sound basis for the preparation of reliable financial statements. The committee's opinion is supported by the reports received from the risk, capital management and compliance committee; external audit; internal audit and executive management.

The committee 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 to ensure it remained agile to the changing risk landscape.

The committee reviewed quarterly activity reports from internal audit which covered audit plan progress, insights and opportunities for improvement, significant matters for escalation, cumulative view on internal financial controls and risk management process maturity, and a summary of audit observations with respective status updates on remediation effort.

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 of the internal audit was reliable for the purposes of the external audit.

FINANCIAL STATEMENTS AND FINANCE FUNCTION

Having achieved its objectives for the financial year, the committee recommended the consolidated financial statements, company financial statements and Annual integrated report for the year ended 30 June 2020 for approval to the board. The financial statements will be open for discussion at the forthcoming annual general meeting.

An audit committee process has been established 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, nor to the content or audit of the group's annual financial statements.

Key audit matters identified by the external auditors are included in their report on page B26. These matters have been discussed and agreed 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 and is satisfied with management's treatment and audit response thereof.

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; and
- the experience, effectiveness, expertise and continuous professional development of senior members of the finance function.

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 its own analyses, sustain its conclusions reached for the 2020 financial year.

RELATIONSHIP WITH OTHER GOVERNANCE COMMITTEES

The committee works closely with the group's risk, capital management and compliance committee, the social, ethics and transformation committee and information and technology risk governance committee to identify common risk and control themes, and achieve synergy between combined assurance processes, thereby ensuring that, where appropriate, relevant information is shared, and these functions can leverage off one another.

Based on the reports received, the committee is satisfied that:

- the group has implemented appropriate processes for complying with the spirit and letter of key regulations impacting the group; and
- the group is able to effectively manage its risk, information and technology resources.

COMBINED ASSURANCE

During the year, the committee monitored alignment of all assurance providers to eliminate multiple approaches to risk assessment and reporting. 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 supports the integrity of the group's external reports.

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

The committee encouraged effective communication between the external and internal audit functions.

FUTURE AREAS OF FOCUS

- finalise and address the requirements arising from MAFR, effective for financial periods ending on or after April 2023;
- monitor the group's implementation plan for the adoption of IFRS 17; and
- monitor compliance with COVID-19 related accounting.

GG Gelink
Chairman, audit committee
Sandton

9 September 2020

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 30 June 2020. These annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including interpretations issued by the IFRS Interpretations Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements, Banks Act and the requirements of the Companies Act, no 71 of 2008.

In discharging this responsibility, the directors rely on management to prepare the consolidated and separate annual financial statements and for keeping adequate accounting records in accordance with the group's system of internal control. Simonet Terblanche, CA (SA), supervised the preparation of the annual financial statements for the year.

In preparing the annual financial statements, suitable accounting policies in accordance with IFRS have been applied and reasonable judgements and estimates have been made by management. The financial statements incorporate full and responsible disclosure in line with the group's philosophy on corporate governance. The adoption of the new standard IFRS 16 and the amended IAS 12 had the most significant impact on the group in the current year. Refer to accounting policy 10 for further detail on the impact of these new accounting standards on the group.

The directors are responsible for the group's system of internal control. To enable the directors to meet these responsibilities, the directors set the standards for internal control to reduce the risk of error or loss in a cost-effective manner. The standards include the appropriate delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group.

Effective risk management requires various points of control. The directors and management are the risk owners, assisted by enterprise risk management and internal audit. Enterprise risk management is responsible for independent oversight and monitoring of controls and reports to the risk, capital and compliance committee, which oversees the group's risk governance structures and processes. Internal audit provides independent assurance on the adequacy and effectiveness of controls and report to the audit committee.

Based on the information and explanations provided by management and the internal auditors, nothing has come to the attention of the directors to indicate that the internal controls are inadequate and that the financial records may not be relied on in preparing the consolidated and separate annual financial statements and maintaining accountability for the group's assets and liabilities. Nothing has come to the attention of the directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the group, during the year and up to the date of this report. Based on the effective internal controls implemented by management, the directors are satisfied that the consolidated and separate annual financial statements fairly present the state of affairs of the group and company at the end of the financial year and the net income and cash flows 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, and in light of the current financial position and profitable trading history, the directors are satisfied that it 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. 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 B26.

The consolidated annual financial statements of the group, which appears on pages B36 to B366 and the separate annual financial statements of the company, which appear on pages B367 to B384 were approved by the board of directors on 9 September 2020.

WR Jardine

Chairman

AP Pullinger

Chief executive officer

Sandton

9 September 2020

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

9 September 2020

DIRECTORS' REPORT
for the year ended 30 June 2020

NATURE OF BUSINESS

FirstRand Limited is a public company and registered bank controlling company with a primary listing on the Johannesburg Stock Exchange Limited (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 franchises comprises FNB, RMB, WesBank, Aldermore and Ashburton Investments and provides a universal set of transactional, lending, investment and insurance products and services. The FCC franchise 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, Swaziland, Lesotho and Ghana. The bank has branches in India, London and Guernsey, and representative offices in Kenya, Angola and China.

Refer to section C for a simplified group structure of the group.

The board acknowledges its responsibilities for the integrity of this report. Guidelines as provided by the 2016 King code 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 R 18 780 million (2019: R 31 853 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

In line with *Guidance Note 4 of 2020, Recommendations on the distribution of dividends on ordinary shares and payment of cash bonuses to executive officers and material risk takers, in light of the negative economic impact of the COVID-19 pandemic and the temporary regulatory capital relief provided by the Prudential Authority,* issued on 6 April 2020, the group has not declared a final dividend for the year ended 30 June 2020.

Dividends

ORDINARY SHARES

	Year ended 30 June	
Cents per share	**2020**	2019
Interim (declared 9 March 2020)	**146.0**	139.0
Final	**N/a**	152.0
	146.0	291.0

DISTRIBUTIONS ON OTHER EQUITY INSTRUMENTS

Distributions of R 1 145 million were made on other equity instruments (2019: R760 million). Current tax of R222 million (2019: R93 million) relating to the AT1 instruments was recognised in the income statement.

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

	Preference dividends	
Cents per share	**2020**	2019
Period:		
28 August 2018 – 25 February 2019		381.7
26 February 2019 – 26 August 2019		384.2
27 August 2019 – 24 February 2020	**374.7**	
25 February 2020 – 31 August 2020	**306.0**	

Other distributions on the AT1 instruments and contingent convertible securities totalled R803 million (2019: R325 milion).

SHARE CAPITAL

Details of FirstRand's authorised share capital as at 30 June 2020 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 or issued preference share capital during the year.

SHAREHOLDER ANALYSIS

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

%	**2020**	2019
Public Investment Corporation	**14.1**	9.0
BEE partners	**5.2**	5.2
Royal Bafokeng Holdings	**4.1**	-
Remgro Limited	**3.1**	3.9

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

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.

DIRECTORATE

Details of the board of directors are in section A.

BOARD CHANGES

The following changes to the board of directors have taken place during the 2020 financial year end up to the reporting date.

		EFFECTIVE DATE
Resignations		
JJ Durand	Alternate non-executive director	28 November 2019
HL Bosman	Non-executive director	30 June 2020
PJ Makosholo	Independent non-executive director	30 June 2020
Retirements		
NN Gwagwa	Independent non-executive director	28 November 2019
EG Matenge-Sebesho	Independent non-executive director	28 November 2019
Appointments		
Z Roscherr	Independent non-executive director	1 April 2020

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 cautionary or where participants have knowledge of price sensitive information. All directors' dealings require the prior approval of the chairman, and the company secretary retains a record of all such share dealings 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.

Ordinary shares

	30 June 2020					
	Direct beneficial (thousands)	**Indirect beneficial (thousands)**	**Held by Associates (thousands)**	**Total 2020 (thousands)**	Total 2019 (thousands)	Percentage holding %
Executive directors and prescribed officers						
A Pullinger	5 048	-	108	**5 156**	4 812	0.09
HS Kellan	987	527	115	**1 629**	1 490	0.03
J Celliers	217	176	-	**393**	394	0.01
C de Kock	-	836	-	**836**	836	0.01
JR Formby	711	588	-	**1 299**	1 185	0.02
Non-executive directors						
HL Bosman**	140	-	-	**140**	120	0.00
JP Burger	304	7 617	124	**8 045**	8 291	0.15
GG Gelink	102	-	-	**102**	102	0.00
NN Gwagwa*	256	-	4	**260**	251	0.00
WR Jardine	11	232	-	**243**	243	0.00
RM Loubser	-	1 810	2	**1 812**	1 868	0.04
EG Matenge-Sebesho*	-	77	-	**77**	77	0.00
Z Roscherr***	659	-	-	**659**	-	0.01
T Winterboer	15	-	-	**15**	15	0.00
L von Zeuner	-	3	-	**3**	-	-
Total	8 450	11 866	353	**20 669**	**19 684**	**0.36**

* *Retired November 2019.*
*** Retired June 2020.*
**** Appointed April 2020.*

Directors' interests remained unchanged from the end of the financial year to the date of this report.

WR Jardine
Chairman
9 September 2020

AP Pullinger
CEO

INDEPENDENT AUDITORS' REPORT

To the Shareholders of FirstRand Limited

Report on the audit of the consolidated and separate financial statements

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 2020, 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 (IFRS) 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 B36 to B384 which comprise:

- the consolidated and separate statements of financial position as at 30 June 2020;
- 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 consolidated and separate financial statements, including 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.

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).*

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 communicate the key audit matters that relate to the audit of the consolidated financial statements of the Group for the current period in the table below. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Impairment of advances

Management continues to monitor the impact of the IFRS 9 - Financial Instruments (IFRS 9), Expected Credit Loss (ECL) methodology and to refine inputs and judgements made to ensure that output of the models are aligned to the requirements of the accounting standard and industry developments.

As described in the “Accounting policies, Significant judgements and estimates impacted by COVID-19”, section of the consolidated financial statements, the impact of the COVID-19 pandemic has increased the level of judgement required by management in the measurement of the ECL.

Impairment of advances was considered to be 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,
● The uncertainty related to unprecedented global and local economic stress, and
● The effect that ECL has on the impairment of advances and the group’s credit risk management.

This key audit matter relates to the following advances:
Corporate advances, and
● Retail and commercial advances.

We have set out below the Corporate advances and Retail and commercial advances separately given the unique nature of the products. We also highlight post model adjustments.</td><td>Our audit of the impairment of advances included, amongst others, the following audit procedures performed together with the assistance of our economic, credit and actuarial experts:
• Across all significant portfolios we assessed the associated impairment practices applied by management against the requirements of IFRS 9; and
• We assessed the Group’s probability-weighted macroeconomic scenario estimates and evaluated the outlined methodology, scenario views and associated probabilities in terms of the principles of IFRS 9, including the review of the approval of these macro-economic variables through the appropriate governance structures. We also assessed how management has incorporated the impact of COVID-19 into the macroeconomic scenarios.</td></tr>
</table>

Corporate advances*: Corporate advances are individually significant and the ECL calculations of impairments are inherently judgemental in nature. The areas of significant management judgement include the modelling methodology applied to Stage 1 and Stage 2 exposures, which include: • The judgement involved relating to input assumptions and methodologies applied to estimate the Probability of Default (PD), Exposure At Default (EAD) and Loss Given Default (LGD) within the ECL calculations; • The incorporation of forward-looking information (FLI) and macroeconomic inputs into the Significant Increase in Credit Risk (SICR) assessment and ECL calculations; • The assessment of whether there has been a SICR event since origination date of the exposure to the reporting date (i.e. a trigger event that has caused a deterioration in credit risk and resulted in migration of the loan from Stage 1 to Stage 2), taking the impact of COVID-19 into account; and • Assessing the impact of COVID-19 on the forward-looking economic information incorporated into the respective models. In addition, for Stage 3 exposures: • The assumptions used for estimating the recoverable amounts and timing of future cash flows of individual exposures which have been classified as non performing. ** This applies to corporate advances apparent in RMB corporate banking, RMB investment banking and Rest of Africa, as well as Group Treasury and other.*	**Corporate advances:** We performed the following procedures on the ECL for corporate advances with the assistance of our economic, credit and actuarial experts, taking the impact of COVID-19 into account: • Assessed the design, implementation and operating effectiveness of the relevant financial reporting controls as well as the general and application computer controls relating to the processes used to calculate impairments, and tested controls relating to data and model governance • Tested controls over the credit risk management and governance processes when advancing new facilities or restructuring existing facilities; • Assessed the appropriateness of the ECL methodology, including any refinements against actual experience and industry practice; • Assessed the quality of the data used in credit management, reporting and modelling for completeness and accuracy through data analytics with specific focus on the appropriateness of assumptions made by management in determining the applicable macroeconomic inputs, credit ratings, EAD, PD, LGD and valuation of collateral in the current economic climate; • For a sample of advances, agreed the input data to underlying documentation; • Confirmed that the latest available FLI has been appropriately incorporated within the impairment models by comparing these to our own actuarial statistics and independent market data; • Developed an independent view to quantify the impact of COVID-19 due to the inherent uncertainty in the estimation of this risk by applying our own independent inputs to management's model. We compared the severity to past actual stress events and the ability of the ECL models to capture the full extent of the stress; • Selected a sample of advances with no indicators of SICR and determined if this was reasonable by forming an independent view based on publicly available information on whether there was a significant increase in credit risk; • For a sample of industries, performed top-down industry and bottom-up analyses over individual counterparties based on publicly available

	information as a sense check over the SICR assessment, assumptions applied and post model adjustments raised; and • In respect to Stage 3 advances, tested the key controls around the valuation of collateral (where applicable) for operating effectiveness, including inspecting a sample of legal agreements and underlying documentation to assess the legal right to and existence of collateral and expected timing of future cash flows. Based on the procedures described above, our audit evidence was consistent with the inputs in the ECL on corporate advances which were found to be within an acceptable range in the context of IFRS 9.

Retail and commercial advances**	**Retail and commercial advances:**
Retail and commercial advances are higher volume, lower 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 necessarily observable. 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: • The input assumptions and methodologies applied to estimate the PD, EAD and LGD within the ECL calculations; • The assessment of whether there has been a SICR event since origination date of the exposure to the reporting date (i.e. a trigger event that will cause a deterioration in credit risk and result in migration of the loan from Stage 1 to Stage 2), taking the impact of COVID-19 into account; • Determining the expected value to be realised from collateral in place and the time this collateral will take to realise; • The determination of the write-off point and application of the cure definition; • 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 which incorporated a less favourable outlook as a result of the COVID -19 pandemic and related lockdown with reduced economic activity; and • Assessing the impact of COVID-19 on ECL raised for the relief loans, as SICR in the form of arrears may have been delayed. *** This applies to retail and commercial advances apparent in total retail secured, total retail unsecured, FNB Commercial, Wesbank corporate, UK operations and Rest of Africa.*	We performed the following procedures on the ECL within retail and commercial advances with the assistance of our economic, credit and actuarial experts, at a portfolio level, based on the applicable methodologies and inputs, taking the impact of COVID-19 into account: • Obtained an understanding of the methodologies used by management with reference to actual experience, industry practice and assumptions used in the various ECL model components (PD, EAD, LGD) and how these were calibrated by using historical information to estimate future cash flows; • Tested the design, implementation and, where appropriate, operating effectiveness of relevant controls over model governance and approval; • Tested the design, implementation and, where appropriate, operating effectiveness of relevant controls as well sample testing of data used by the models to calculate impairments, which included the reperformance of the base ECL models; • Independently recalculated the ECL by considering management's ECL calculation, adjusting component inputs based on our independent assessment and compared the result to management's result; • Through applying the assumptions and data included in management's model, including the performance of cured accounts, we assessed the reasonableness of SICR classifications; • Tested the SICR thresholds applied and the resultant transfer into stage 2 for SICR. This included benchmarking of the volume of up to date accounts transferred to stage 2 based on historical data; • To determine the impact of change in SICR thresholds on the ECL recognised, we performed a sensitivity analysis of SICR; • Tested the performance of the client behavioural scores that drive the PD estimates and SICR triggers through calculation of Gini and population stability metrics; • 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 longer mortgage realisations; • Assessed the potential impact on recoveries and cure from default for unsecured exposures by comparing estimates to historic experience of defaulted accounts; • Evaluated management's assessment of historical post write-off recoveries relative to the current volume of accounts written off, to determine the point at which there was no reasonable expectation of further recovery; and • Through recalculation, we tested the application of the write-off policy, including the exclusion of post write-off recoveries from the LGD and the application of the curing rules; • Considered the assumptions used in the forward-looking economic model, the macro-economic variables considered, variables selected and the sensitivity of ECL components to each variable; • Compared these to our own actuarial statistics and independent market data; • Confirmed that the latest available forward-looking information has been appropriately incorporated within the impairment models by comparing these to our own actuarial statistics and independent market data; • Developed an independent view to assess management's quantification of the impact of COVID-19, by considering historic LGD and PD sensitivity to stress and the historic correlation of PDs to lower income and retrenchments as evidenced by changes in inflows into client transactional accounts; and • Tested the performance and sensitivity of the forward-looking model in order to evaluate whether the chosen macro-economic factors and model fit provide a reasonable representation of the impact of macro-economic changes on the ECL results. Based on the procedures described above, our audit evidence was consistent with the inputs in the ECL on retail and commercial advances which were found to be within an acceptable range in the context of IFRS 9.

Post model adjustments: Where there is uncertainty 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 and macroeconomic events, additional provisions via post model adjustments are made. Significant judgement was made by management in determining the COVID-19 macroeconomic adjustment which is discussed above. The related disclosures in the consolidated financial statements are included in: • Accounting policies, Significant, judgement and estimates impacted by COVID-19; • Accounting policies, Critical accounting estimates, assumptions and judgements; and • Note 37 – Financial and Insurance risk - Credit risk.	**Post model adjustments:** We obtained management's post model adjustments and performed the following: • Tested the design, implementation and, where appropriate, operating effectiveness of relevant controls over the governance and approval of post model adjustments; ; • Re-performed management's calculation of the COVID-19 post model adjustment for relief loans to assess mathematical accuracy and that the calculation was in accordance with the documented policy; • Assessed the reasonableness of post model adjustments raised by management (such as adjustments made to coverage held for COVID-19 relief to allow for the impact of delayed arrears recognition), including independent considerations taking into account industry and client/portfolio specific risk; and • Considered the need for any other post model adjustments not considered by management through independent research. Based on the procedures described above, our audit evidence was consistent with the post model adjustments which were found to be within an acceptable range in the context of IFRS 9.
Valuation of complex financial instruments which are subject to significant judgements The valuation of complex financial instruments was considered to be a matter of most significance to the current year audit. Management applied significant judgement relating to the complex valuation methodologies as well as the determination of key assumptions relating to the inputs into the valuations. Significant judgement is required in respect of unobservable inputs and the consideration of developments in valuation methodologies due to the impact of funding costs, bid offer spreads, and counterparty credit spreads as well as the related fair value disclosures. These methodologies are constantly	Our audit procedures over the valuation of these complex financial instruments included, amongst others, the following procedures which were performed with the assistance of our valuation experts: • We 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 application computer controls relating to the relevant IT systems supporting valuations; • We evaluated the technical appropriateness and accuracy of valuation methodologies (including key assumptions made and modelling approaches adopted) applied by management with reference to

changing in line with developing market practices and trends. As described in the "Accounting policies, Significant, judgements and estimates impacted by COVID-19" section of the consolidated financial statements, COVID-19 has increased the level of judgement required by management in the current year largely due to market volatility experienced which impacted the above mentioned inputs. The financial instruments impacted by management's judgements include: • Advances carried at fair value (level 3); • Complex derivative financial instruments (level 2 and 3); and • Investment securities valued with reference to unobservable inputs (level 3). The related disclosures in the consolidated financial statements are included in: • Accounting policies, Significant, judgement and estimates impacted by COVID-19; and • Note 34 – Fair value measurements.	market practice, practical constraints on the ability to apply the methodologies to the instruments being valued and for consistency with prior periods; • In response to the impact of COVID-19, we assessed the appropriateness of the significant inputs into management's valuations, owing to market volatility including funding costs, bid offer spreads and counterparty credit spreads against reasonable factors which impact the reported exit values; • For a sample of complex financial instruments, we independently recalculated the fair values; • We assessed the appropriateness and sensitivity of unobservable market rates, projected cash flows and valuation adjustments with reference to the best available independent information; and • We assessed the appropriateness of the fair value hierarchy disclosures due to lower levels of observability and liquidity with reference to the requirements of IFRS 13, Fair value measurements. Based on the procedures described above, our audit evidence was consistent with management's assumptions used in the valuation of complex financial instruments which are subject to judgement.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "FirstRand Annual Financial Statements '20", which includes 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 auditors' report, and the document titled "FirstRand Annual Integrated Report '20", which is 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 auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the 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.

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche and PricewaterhouseCoopers Inc. have been the joint auditors of FirstRand Limited for 10 years. Prior to the commencement of the joint audit relationship PricewaterhouseCoopers Inc. were the sole auditors of FirstRand Limited for 14 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per partner: Kevin Black
5 Magwa Crescent East
Johannesburg
9 September 2020

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Registered Auditor
Director: Johannes Grosskopf
4 Lisbon Lane
Johannesburg
9 September 2020

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, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements, Banks Act and requirements of the Companies Act no 71 of 2008 (Companies Act).

These financial statements comprise the statements of financial position (also referred to as the balance sheet) as at 30 June 2020, and the statements of comprehensive income, income statements, statements of changes in equity and statements of cash flows for the year ended, as well as the notes comprising a summary of significant accounting policies and other explanatory notes.

The group prepares consolidated financial statements which include the assets, liabilities and results of the operations of FirstRand Limited, its subsidiaries and its share of earnings of associates and joint ventures. To compile the consolidated financial statements the following information is used:

- Audited information about the financial position and results of operations at 30 June each year for all significant subsidiaries in the group. For insignificant private equity subsidiaries that have a year-end that is less than three months different to that of the group, the latest audited financial statements are used.
- The most recent audited annual financial statements of associates and joint ventures. These are not always drawn up to the same date as the financial statements of the group. Where the reporting date is different from that of the group, the group uses the most recently available financial statements of the investee and reviews the investee's management accounts for material transactions during the intervening period. In instances where significant events occurred between the last reporting date of an investee and the reporting date of the group, the effect of such events is adjusted for.

Accounting policies of subsidiaries, associates and joint ventures have been changed at acquisition, where necessary, to ensure consistency with the accounting policies adopted by the group.

The segmental analysis included in the segment report is based on the information reported to the chief operating decision maker 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 chief operating decision maker when assessing the operating segments' performance. In addition, certain normalised adjustments are also processed to the segment results.

Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are outlined in note 9 of the accounting policies.

COVID-19 impact

Due to the coronavirus (COVID-19) pandemic, governments across the world have declared national lockdowns, which have resulted in extensive travel restrictions and quarantine measures being implemented. Businesses globally have had to limit or suspend their operations and as such, the COVID-19 measures implemented by governments globally have severely impacted a wide range of industries, including the financial sector. Due to the global economic downturn, a significant increase in the volatility of the financial and commodities markets worldwide has been noted.

Due to the unprecedented nature of the COVID-19 pandemic, it is not possible to accurately predict the full extent and duration of its economic impact.

While the specific areas of judgement detailed in note 9 of the accounting policies did not change, given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impact of such a pandemic has resulted in, additional judgement within those identified areas, which has resulted in changes to the estimates and assumptions that have been applied in the measurement of some of the group's assets and liabilities from the prior period.

Significant, judgement and estimates impacted by COVID-19

The table below provides an overview of the areas where additional judgement has been applied and includes references to the relevant sections in the notes to the annual financial statements, where additional information has been included.

Description	Additional information
Impairment of goodwill	
In line with the group's accounting policies, the group has assessed its goodwill balances for impairment. The current year assessment incorporated the budgetary information for the next financial period, which contains the punitive impact of COVID-19, as well as the budgets for a period of between three and five years. The disclosures relating to the assumptions and judgements used for assessing goodwill for impairment have been updated to include a sensitivity analysis. This disclosure provides the users of the financial statements with an insight into the reasonable range of possible outcomes.	Accounting policy note 9.2 *Impairment of goodwill.*

Description	Additional information
Impairment provisions on advances	
Incorporating forward-looking information	
Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the group's forward-looking assumptions for the purposes of its expected credit loss (ECL) calculation, has been provided. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of COVID-19, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.	Refer to accounting policy note 9.4 *Impairment of financial assets - Forward-looking information.*
Significant increase in credit risk	
The group has not followed an overall blanket approach to the ECL impact of COVID-19 (where COVID-19 is seen as a significant increase in credit risk (SICR) trigger that will result in the entire portfolio of advances moving into their respective next staging bucket). A more systematic and targeted approach to the impact of COVID-19 on the customer base is being undertaken, which is in line with the group's existing policy documented in the group credit impairment framework.	Accounting policy note 9.4 *Impairment of financial assets.*
Insurance and investment management activities	
The incurred but not reported (IBNR) liability is a retrospective insurance liability, using historical data as the main driver in determining the best estimate for the IBNR. A COVID-19 overlay has been applied to the IBNR for loss of income, retrenchment and mortality cover provided by the group's insurance companies, as the use of historical data is not an appropriate proxy due to the uncertainty of the economy and potential for retrenchments and loss of income suffered by policyholders.	Accounting policy note 9.7 *Insurance and investment management activities.*

The key statement of financial position items and related disclosures that have been impacted by COVID-19

In addition to the key areas where additional judgement has been applied, the following balances and related disclosures have also been impacted by COVID-19.

Description	Additional information
Overall application of the going concern principle	
The directors reviewed the group and company's budgets and flow of funds forecasts for the next three years and considered the group and company's ability to continue as a going concern in light of current and anticipated economic conditions. These budgets and flow of funds forecasts took the impact of the COVID-19 pandemic into consideration, including projections of the impact on the group's capital, funding and liquidity requirements, all of which have remained within internal targets and above regulatory requirements. As part of this assessment, the directors considered the sufficiency of the group's financial resources throughout the pandemic. The management of the group's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of the group's stated growth and return targets and is driven by the group's overall risk appetite. 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.	*Directors' responsibility statement* on page B18 Note 37 *Financial and Insurance Risk* - *Note 37.2 Liquidity risk; and* - Note 37.7 *Capital management*
COVID-19 debt relief measures provided to customers	
Due to the COVID-19 pandemic and its resultant impact on the economy, a liquidity crisis was experienced by a large number of customers across the group. In order to assist customers, the group provided various relief measures to customers. In the retail and commercial segments, these included the following: ➢ new facilities being granted, including the COVID-19 SME scheme guaranteed by the South African Reserve Bank; ➢ restructure of existing exposures with no change in the present value of the estimated future cash flows; and ➢ restructure of existing exposures with a change in the present value of the estimated future cash flows. For wholesale exposures bespoke debt relief measures were provided on a client-by-client basis. In order to determine the appropriate accounting treatment of the restructure of	For the impact on the staging of debt relief measures, refer to accounting policy note 9.4 *Impairment of financial assets - Treatment of financial relief offered in response to the impacts of COVID-19.* Note 12 *Impairment of advances - Modified advances measured at amortised cost* for details of all modifications and

Description	Additional information
existing facilities and related additional disclosures required, the principles set out in accounting policy note 4.3 were applied.	resultant gains or losses recognised in the current year.
Hedge accounting	
An assessment was conducted of the impact of COVID-19 with respect to whether the hedged forecasted cash flows in cash flow hedge relationships remain highly probable on 30 June 2020. Based on available facts as at the reporting date, including announcements from governments and regulators, the modelling of the hedged future cash flows were determined to remain highly probable and hence hedge accounting has continued to be applied.	Note 8 *Derivative financial instruments*.
Financial risks	
The group's robust risk management framework continues to be applied across the various risk areas introduced by financial instruments and the various risk owners continue to monitor the impact of COVID-19 on the group's risk profile. Non-financial risks emerging from global movement restrictions, and remote working by our staff, counterparties, clients and suppliers are being identified, assessed, managed and governed through timely application of the group's risk management framework.	Note 37 *Financial and Insurance risk*
Description	**Additional information**
Fair value measurement	
The valuation techniques for fair value measurement of financial instruments have been assessed by the respective valuation committees at a business unit and group level to determine the impact that the market volatility introduced by COVID-19 has had on the fair value measurements of these instruments. When assessing the fair value measurement of financial instruments for this period, the valuation models have been built to take into consideration inputs that are reflective of market participant input as opposed to group-specific inputs. The appropriateness of the inputs to valuations, which include the use of correlations, price volatilities, funding costs and bid-offer spreads, price earnings multiples, counterparty and own credit spreads, was also considered. Changes in valuation inputs have also been considered in terms of the impact they have on the classification of exposures in the fair value hierarchy, transfers within the fair value hierarchy and the level 3 sensitivity analysis that may be required if applicable.	Note 34 *Fair value measurement.*
Non-financial assets	
Impairment of investment in associates and joint ventures	
The group's investments in associates and joint ventures are diversified, have been acquired over time and cover various sectors and geographic locations. As these associates operate in different industries, many of which are not considered to be essential services, this has impacted their earnings negatively. As a result, the group has tested the carrying amount of its material investments for impairment by comparing the investment's recoverable amount with its carrying	Note 16 *Investments in Associates.*

Description	Additional information
value.	
Lease concessions	
When granting lease concessions as the lessor, the business units within the group that issue lease contracts are providing certain payment holidays to lessees. These payment holidays have been assessed in the context of IFRS 16 and it has been concluded that they do not qualify as new leases. **Where the group is the lessor – operating leases** Modifications to the timing of lease payments of operating leases merely affects the timing of the cash flows to be received under the leasing contract. A receivable is recognised for the lease payments not received during the payment holiday, which in turn would be subject to an ECL provision. **Where the group is the lessor – finance leases** FirstRand continues to apply the group accounting policy on modifications (in terms of the requirements of IFRS 9) for lease receivables arising from finance leases.	Note 13 *Other Assets.* Note 12 *Impairment of advances.*

The group adopts the following significant accounting policies in preparing its financial statements. Except for policies related to IFRS 16 and IAS 12, these policies have been consistently applied to all years presented.

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 de-recognition (section 4.3)	Offset and collateral (section 4.4)	
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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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)		
10	**Restatement and changes in presentation of prior year numbers**	Impact of revised accounting standards – IFRS 16 (section 10.1)	Impact of revised accounting standards – IAS 12 (section 10.2)	Changes in presentation (section 10.3)
		Restated consolidated income statement (section 10.4)	Restated consolidated statement of other comprehensive income (section 10.5)	Restated consolidated statement of financial position (section 10.6)

The following new standards were adopted in the current year:

New / revised IFRS	Description of change	Impact on FirstRand group
IFRS 16	The group adopted IFRS 16 effective 1 July 2019, which replaces IAS 17 and various related interpretations. IFRS 16 introduced a single lease accounting model for lessees, which had an impact on the group's financial results as at 1 July 2019. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents leasing transactions. Under IFRS 16, the accounting treatment of leases by the lessee has changed fundamentally as it eliminates the dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.	The group adopted the modified retrospective approach with no restatement of prior period information on the date of initial application. Where the group is the lessee under an operating lease, the following amounts were recognised on the date of initial application (DIA): ➢ A lease liability included in other liabilities measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate for the remaining period of the lease. ➢ A corresponding right-of-use asset (ROUA) included in a new category within property and equipment. ➢ The group's remaining operating leases fell within the short-term and low value exemption, which resulted in no lease liability or right-of-use asset having to be recognised at DIA. For more details on the group policy for these assets, please refer to accounting policy note 10. The amended disclosure requirements of IFRS 16 and the updated presentation of operating leases, where the group is the lessee, will be prospectively applied by the group. Therefore, all comparative presentations and disclosures relating to operating leases are based on the measurement requirements of IAS 17. The adoption of IFRS 16 did not have an impact on leases where the group is the lessor. For more detail on the amounts recognised on the DIA, refer to accounting policy note 10 *Impact of adopting new and revised standards*.

New / revised IFRS	Description of change	Impact on FirstRand group
Annual improvements 2015 – 2017 cycle	These annual improvements include amendments to: ➢ IFRS 3 and IFRS 11 - the amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. ➢ IAS 23 - the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, and that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. ➢ IAS 12 - the amendments clarify that all income tax consequences of dividends as defined by IFRS 9 (i.e. distribution of profits) should be recognised: ○ at the same time as the liability to pay those dividends is recognised; and ○ in profit or loss, other comprehensive income, or the statement of changes in equity according to where the entity originally recognised the past transactions or events that generated the distributable profits from which the dividends are being paid. It is therefore necessary to link dividends to past transactions in order to determine where the income tax consequences (if any) of dividends should be recognised.	The group noted the amendment to IFRS 3 and IFRS 11 and will take these amendments into consideration regarding future transactions, where applicable. The amendment to IAS 23 is not applicable to the group. The group adopted the amendment to IAS 12 relating to recognising the income tax consequences of dividends. The amendment clarifies that the tax consequences of dividends should be recognised in the income statement, other comprehensive income or equity, according to where the past transactions or events were recognised that gave rise to the distributable reserves from which the dividends were declared. For more details on the impact of adopting the amendment, refer to accounting policy note 10 *Impact of adopting new and revised standards*.

New / revised IFRS	Description of change	Impact on FirstRand group
IFRS 9 amendments	**Prepayment features with negative compensation** The IASB issued a narrow-scope amendment to IFRS 9 to enable companies to measure at amortised cost some prepayable financial assets with negative compensation. The assets affected include some advances and debt securities which would otherwise be measured at fair value through profit or loss (FVTPL).	The amendment will be considered when the group issues instruments with these characteristics.
IAS 28	**Long-term interests in associates (amendments to IAS 28)** The amendments clarify that an entity should apply IFRS 9, including impairment requirements, to long-term interests in associates and joint ventures that in substance form part of the net investment in the associate or joint venture.	The group assessed the impact of this amendment on the annual financial statements as part of the overall adoption of IFRS 9 and confirmed that the group currently complies with this amendment.
IFRIC 23	**Uncertainty over income tax treatments** This interpretation is to be applied to the determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. This interpretation clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. When considering that the filing deadlines for tax returns and financial statement may be months apart, IFRIC 23 may require more rigour when finalising the judgements about the amounts to be included in the tax return before the financial statements are finalised.	The group complied with the guidance issued by the IFRIC and as such there have been no significant changes in the group's treatment of uncertain tax treatment as a result of IFRIC 23.

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, income statement or in the statement of 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 (the foreign currency translation reserve) and are reclassified to profit or loss on disposal or partial disposal of the foreign operation. The net investment in a foreign operation includes any monetary items for which settlement is neither planned nor likely in the foreseeable future.
Foreign currency transactions of the group	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.
Translation and treatment of foreign denominated balances	Translated at the relevant exchange rates, depending on whether it is a monetary item (in which case the closing spot rate is applied) or non-monetary items. For non-monetary item 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 are recognised in other comprehensive income as part of the fair value movement. ➢ Debt instruments are allocated between profit or loss (those that relate to changes in amortised cost) and other comprehensive income (those that relate to changes in the fair value).

2 SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS

2.1 Basis of consolidation and equity accounting

<table>
<tr><th></th><th>Subsidiaries and other structured entities</th><th>Associates</th><th>Joint ventures</th></tr>
<tr><td>Typical shareholding in the assessment of entities that are not structured entities</td><td>Greater than 50%</td><td>Between 20% and 50%</td><td>Between 20% and 50%</td></tr>
<tr><td colspan="4">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.</td></tr>
<tr><td>Nature of the relationship between the group and the investee</td><td>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.</td><td>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.</td><td>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.</td></tr>
</table>

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 disposal 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, the fair value of any existing interest, and 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 that don't impact other comprehensive income are recognised directly in gains less losses from investing activities within non-interest revenue.
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 net asset value and the amount paid (i.e. the purchase consideration) is recorded directly in equity.	

Consolidated financial statements		
	Consolidation	**Equity accounting**
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 group applies the indicators of impairment in IAS 28 to determine whether a loss event exists, which would constitute objective evidence of impairment. Objective evidence of impairment for an investment in the associate or joint venture includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate or joint venture operates. This indicates that the cost of the investment in associate may not be recovered. A significant or prolonged decline in the fair value of an associate investment below its cost is also considered objective evidence of impairment. 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. The value of such loans after any expected credit losses 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. Any resulting impairment losses are recognised as part of the share of profits or losses from associates or joint ventures.

<table>
<tr><th colspan="3">Consolidated financial statements</th></tr>
<tr><th></th><th>Consolidation</th><th>Equity accounting</th></tr>
<tr><td>Goodwill</td><td>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 non-interest revenue.

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.</td><td>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 that the investment’s carrying amount does not exceed the carrying amount that would have been determined if no impairment loss has been recognised.</td></tr>
<tr><td>Non-controlling interest</td><td>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 equity holders. Partial disposals and increases in effective shareholding between 50% and 100% are treated as transactions with equity holders.

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.</td><td>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 non-interest revenue.</td></tr>
</table>

Disposals

In a disposal transaction where the group loses control of the subsidiary, joint control of a joint venture or significant influence over an associate, and the group retains an interest in the entity after disposal, for example an investment in associate or investment security, the group measures any retained investment in the entity at fair value at the time of the disposal. Thereafter the remaining investment is accounted for in accordance with the relevant accounting requirements.

When a foreign operation is sold or partially disposed of, and control, joint control or significant influence is lost, the group's portion of the cumulative amount of the exchange differences relating to the foreign operation which were recognised in the foreign currency translation reserve (FCTR), are reclassified from other comprehensive income to profit or loss when the gain or loss on disposal is recognised. Dividends received that do not constitute a return of capital are not deemed to represent a disposal or partial disposal of a foreign operation.

For partial disposals where control, joint control or significant influence is retained, the group reattributes the proportionate share of the cumulative translation differences recognised in other comprehensive income to the non-controlling interests of the foreign operation.

Gains or losses on all other disposals are recognised in gains less losses from investing activities in non-interest revenue.

The group may lose control of a subsidiary in a transaction where an interest in the investee is retained through an associate or joint venture. The group eliminates the group share of profits on these transactions in accordance with IAS 28.

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

The principal shareholder of the FirstRand Limited group was RMB Holdings Limited, incorporated in South Africa, until 27 June 2020 on which date it unbundled its investment.

Key management personnel of the group are the FirstRand Limited board of directors and prescribed officers, including any entities which provide key management personnel 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.

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 fair value through other comprehensive income, including the effect of qualifying hedges for interest rate risk.
- Interest on financial asset debt instruments measured at fair value through profit or loss that are held by and managed as part of the group's insurance or banking book.
- 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 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 gross carrying amount.
- 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.

Net interest income recognised in profit or loss
Interest expense includes: ➢ Interest on financial liabilities measured at amortised cost; ➢ Interest on financial liabilities measured at fair value through profit or loss that are held by and managed as part of the group's funding or insurance operations; 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 non-interest revenue.

<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, the performance obligation (i.e. the different services) and can determine the transaction price which is required to be allocated to the identifiable performance obligations. The revenue is then recognised as and when the performance obligation is satisfied, which may be over time or at a specific point in time.</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.

Fee and commission income is earned on the execution of a significant performance obligation, which may be when the performance obligation is fulfilled (over time) or when the significant performance obligation has been performed (point in time).

Fees earned on the execution of a significant act typically include 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.

Where the 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>

<table>
<tr><th colspan="2">Non-interest and financial instrument revenue recognised in profit or loss</th></tr>
<tr><th colspan="2">Non-interest revenue from contracts with customers</th></tr>
<tr><td>Fee and commission income</td><td>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. This includes commission earned at the point when sale has been executed from the sale of prepaid airtime, data vouchers, 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. 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 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.</td></tr>
<tr><td>Fee and commission expenses</td><td>Fee and commission expenses are expenses 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.</td></tr>
<tr><td>Insurance income – non-risk related</td><td>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 is 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.</td></tr>
<tr><td>Insurance income – risk related</td><td>Insurance-related income represents the premium 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.</td></tr>
</table>

Other non-interest revenue	The group, through its various subsidiaries in operating businesses, sells value-added products and services to customers, like telecommunication products and services which consist of smart devices, data and airtime contracts and bundled products. The related revenue, net of any finance components of revenue, is recognised as soon as the goods are delivered to the customer.

Non-interest and financial instrument revenue recognised in profit or loss

Fair value gains or losses

Fair value gains or losses of the group recognised in non-interest revenue include the following:

- fair value adjustments and interest on financial instruments at fair value through profit or loss, including derivative instruments that do not qualify for hedge accounting;
- fair value adjustments that are not related to credit risk on advances designated at fair value through profit or loss;
- 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 fair value through profit or loss 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. The change in the fair value of a financial liability designated at fair value through profit or loss attributable to changes in its credit risk is presented in other comprehensive income, 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 is directly linked to fair value movements on the underlying assets;
- ordinary and preference dividends on equity instruments at fair value through profit or loss;
- any difference between the carrying amount of the liability and the consideration paid, when the group repurchases debt instruments that it has issued; and
- fair value gains or losses on policyholder liabilities under investment contracts.

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 fair value through other comprehensive income; ➢ any amounts recycled from other comprehensive income in respect of debt instruments measured at fair value through other comprehensive income; ➢ dividend income on any equity instruments that are considered long-term investments of the group, including non-trading equity instruments measured at fair value through other comprehensive income. In the separate financial statements, this includes dividends from subsidiaries, associates and joint ventures; and ➢ fair value gains or losses on investment property held at fair value through profit or loss.
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 include 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.

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.

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 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. ➢ Cashflow hedges.
Measurement	The liability method under IAS 12 is used, which means applying tax rates and laws applicable at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. For temporary differences arising from the fair value adjustments on investment properties and investment securities, deferred income tax is provided at the rate that would apply to the sale of the assets, i.e. the capital gains tax rate.

Deferred income tax	
Presentation	Deferred income tax is presented in profit or loss unless it relates to items recognised directly in equity or other comprehensive income. Items recognised directly in equity or other comprehensive income relate to: ➢ the issue or buy-back of share capital; ➢ fair value remeasurement of financial assets measured at fair value through other comprehensive income; ➢ 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 other comprehensive income 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.

4 FINANCIAL INSTRUMENTS

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 fair value through profit or loss, 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 expected credit loss allowance is recognised for newly originated financial assets measured at amortised cost or fair value through other comprehensive income debt instruments.

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.

Classification and subsequent measurement of financial assets

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 subportfolio level, depending on the manner in which groups of financial assets are managed in each franchise.

The main consideration in determining the different business models across the 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.

If sales of financial assets are infrequent, the significance of these sales is considered by comparing the carrying amount of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these sales will not impact the conclusion that the business model for holding financial assets is to collect contractual cash flows. In addition, where the issuer initiates a repurchase of the financial assets which was not anticipated in the terms of the financial asset, the repurchase is not seen as a sale for the purposes of assessing the business model of that group of financial assets.

Determining whether sales are significant or frequent requires management to use its judgement. The significance and frequency of sales are assessed on a case-by-case basis at the business model level. The frequency is assessed on an annual basis and sales of assets that take place once or less per annum is considered to be infrequent. If sales take place more than once per annum it doesn’t mean that the business models are not to collect contractual cash flows, but rather that the reasons for the sales need to be more carefully considered. Management will consider both the volume and amount of sales relative to the total assets in the business model to determine whether it is 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 changes 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 fair value through other comprehensive income, 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 fair value through profit or loss 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 method when they are held to collect contractual cash flows which are solely payments of principal and interest, 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 gross carrying amount of the financial asset and incorporates the impact of expected credit losses 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.

Retail advances		
Retail advances	**Business model**	**Cash flow characteristics**
	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 included under this business model include: ➢ residential mortgages; ➢ vehicle and asset finance; ➢ personal loans; ➢ credit cards; and	The cash flows on retail advances are solely payments of principal and interest. 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.

	➢ other retail products such as overdrafts.	
Corporate and commercial advances		
Corporate advances	The business models of FNB Commercial, WesBank Corporate, RMB Corporate and Aldermore are also focused on collecting contractual cash flows on advances and growing these advances within acceptable credit appetite limits. The products included in this business model include: ➢ trade and working capital finance; ➢ specialised finance; ➢ commercial property finance; and ➢ asset-backed finance. These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return. Although the intention is to collect cash flows, not all of the instruments are held to maturity as some financial assets are sold through syndication. These sales are, however, either insignificant in value in relation to the value of advances held to collect cash flows or infrequent, and therefore the held-to-collect business model is still appropriate.	The cash flows on corporate and commercial advances are solely payments of principal and interest. 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.
Corporate advances	Within the RMB's Investment Banking Division (IBD), 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 IBD advances held-to-collect cash flows and therefore the held to collect business model is still appropriate. In other portfolios, RMB IBD originates advances with the intention to distribute. These advances are included under a different business model and are measured at fair value through profit or loss (as is set out further below).	The cash flows on these advances are considered to be solely payments of principal and interest 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 fair value through profit or loss.
	Advances also include marketable advances representing corporate bonds and certain debt investment securities qualifying as high-quality liquid assets that are under the control of the	The cash flows on these advances are solely payments of principal and interest.

	group treasurer, held by RMB IBD. These assets are primarily held to collect the contractual cash flows over the life of the asset.	
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 solely payments of principal and interest.
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 solely payments of principal and interest.
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 solely payments of principal and interest.

<table>
<tr><th colspan="3">Mandatory at fair value through profit or loss</th></tr>
<tr><td colspan="3">Financial assets of the group are mandatorily measured at fair value through profit or loss when they are held for trading, managed on a fair value basis, held to sell/distribute, or are held to collect contractual cash flows which are not solely payments of principal and interest.</td></tr>
<tr><td>Corporate advances</td><td>In certain instances, IBD originates advances with the mandate of distributing an identified portion of the total advances in the secondary market within an approved time frame. The reason for originating these advances is not to collect the contractual cash flows, but rather to realise the cash flows through the sale of the assets.</td><td>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.</td></tr>
<tr><td>Marketable advances</td><td>RMB occasionally invests in notes issued by conduits, with the intention of selling these notes to external parties. These include notes issued by conduits to which it sells a portion of corporate and commercial advances that it originates to distribute (detailed above). The collection of contractual cash flows on these notes are merely incidental.</td><td>Advances which are acquired to distribute are included in this category.</td></tr>
<tr><td rowspan="2">Investment securities</td><td colspan="2">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.</td></tr>
<tr><td colspan="2">All equity investments of the group are managed on a fair value basis, either through profit or loss (FVTPL) or designated at fair value through other comprehensive income.</td></tr>
<tr><th colspan="3">Mandatory at fair value through profit or loss</th></tr>
<tr><td>Derivative assets</td><td colspan="2">Derivatives are either held for trading or to hedge risk. These instruments are managed on a fair value basis.</td></tr>
<tr><th colspan="3">Designated at fair value through profit or loss</th></tr>
<tr><td colspan="3">The group has exercised the option to designate financial assets at fair value through profit or loss, as doing so eliminates or significantly reduces a measurement of recognition inconsistency that would otherwise arise from measuring these assets on a different basis.
The assets that the group are designating at fair value through profit or loss are the following:
➢ advances; and
➢ investment securities.</td></tr>
<tr><td>Advances</td><td colspan="2">Certain advances in RMB with fixed interest rates have been designated at fair value through profit or loss 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 solely payments of principal and interest.</td></tr>
</table>

Investment securities	Group Treasury holds investment securities (typically treasury bills) for liquidity purposes. The portfolio is managed on a fair value basis.	
Debt instruments at fair value through other comprehensive income		
Investment securities	The treasury division of the group hold 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 solely payments of principal and interest.
Equity investments at fair value through other comprehensive income		
Investment securities	The group has elected to designate certain equity investments not held for trading to be measured at fair value through other comprehensive income.	

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 fair value through profit or loss: ➢ deposits; ➢ creditors; ➢ Tier 2 liabilities; and ➢ other funding liabilities.
Financial liabilities measured mandatory at fair value through profit or loss
The following held for trading liabilities are measured at fair value through profit or loss: ➢ derivative liabilities; and ➢ short trading positions. These liabilities are measured at fair value at reporting date as determined under IFRS 13, with fair value gains or losses recognised in profit or loss.
Financial liabilities designated at fair value through profit or loss
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 fair value through profit or loss are the following: ➢ deposits; and ➢ other funding liabilities. Both types of liabilities satisfied the above-mentioned conditions of IFRS 9 for such designation. These financial liabilities are measured at fair value at reporting date as determined under IFRS 13, with any gains/losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a

designated hedge accounting relationship. However, for non-derivative financial liabilities that are designated 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 other comprehensive income (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 fair value through other comprehensive income;
- loan commitments;
- financial guarantees; and
- finance lease debtors where group is the lessor.

Refer to accounting policy note 9.4 where all risk parameters, scenarios and sources of estimation are detailed more extensively.

Expected credit losses			
Loss allowance on financial assets			
Credit risk has not increased significantly since initial recognition (stage 1)	**Credit risk has increased significantly since initial recognition, but asset is not credit impaired (stage 2)**	**Asset has become credit impaired since initial recognition (stage 3)**	**Purchased or originated credit impaired**
12-month expected credit losses	Lifetime expected credit losses (LECL)	LECL	Movement in LECL since initial recognition

Advances	
Significant increase in credit risk since initial recognition (SICR)	In order to determine whether an advance has experienced a significant increase in credit risk, the probability of default (PD) of the asset calculated at the origination date is compared to that calculated at the reporting date. 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 significant increase in credit risk. In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a significant increase in credit risk. One such qualitative consideration is the appearance of wholesale and commercial 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 significant increase in credit risk, 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 significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk 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*.

Advances	
Low credit risk	The group does not use the low credit risk assumption.
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, have more than three unpaid instalments. In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay 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 significant increase in credit risk 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 judgmentally through a committee process.
Purchased or originated credit impaired	Financial assets that meet the above-mentioned definition of credit impaired at initial recognition.
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, with write-offs typically occurring when 12 to 15 cumulative payments have been missed. ➢ Within wholesale portfolios, a judgemental approach to write-off is followed, based on case-by-case assessment by a credit committee.

Advances	
	➢ Partial write-offs are not performed within credit portfolios. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.
Collection and enforcement activities post write-off	For unsecured advances, post write-off collection strategies include outsourcing of the account to external debt collections (EDCs). In addition, settlement campaigns are run to encourage clients to settle their outstanding debt. For secured advances, any residual balance post the realisation of collateral and post write-off is outsourced to EDCs.
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 lifetime ECL being recognised.
Investment securities	Impairment parameters for investment securities (probability of default (PD), loss given default (LGD) and exposure at default (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 significant increase in credit risk and default definitions are then applied and the ECL calculated in the same way as for advances. The significant increase in credit risk thresholds applied for investment securities are the same as those applied within the wholesale credit portfolio, to ensure consistency in the way that a significant increase in credit risk is identified for a particular counterparty and for similar exposures. The group does not use the low credit risk assumption 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).

4.3 Transfers, modifications and derecognition continued

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.

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 any fees paid net of any fees received and discounted using the original effective interest rate, and is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

The following transactions are entered into by the 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 toward 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 securitisation and conduit vehicles 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 toward third party note holders as a separate category of deposits. These deposits are usually measured at amortised cost.

Transaction type	Description	Accounting treatment
Transfers without derecognition		
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 specified future date. The counterparty's only recourse is to the transferred investment securities and advances that are subject to the repurchase 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. Both the transferred assets and corresponding deposits are usually measured at fair value through profit or loss.
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 non-interest revenue.	
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.	Existing asset is not derecognised. The gross carrying amount 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.

Transaction type	Description	Accounting treatment
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.	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 fair value through profit or loss.

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 (MNA) 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 Derivatives Swaps and Dealers Association (ISDA) MNA. 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 MNA. 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 yields 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.

4.5 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 fair value through profit or loss with movements in fair value recognised in fair value gains or losses within non-interest revenue 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 for 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 interbank offered rates (IBORs) and potentially local interbank offered rates with alternative risk-free (ARRs) rates to improve market efficiency and mitigate systemic risk across financial markets. The group is monitoring and evaluating developments in the market and their impact thereof on accounting.

Fair value hedge

Fair value hedge accounting does not change the recording of gains or losses on derivatives but does result in recognising changes in the fair value of the hedged item attributable to the hedged risk that would otherwise not be recognised in the income statement. The change in the fair value of the hedged item is taken to 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.

4.5 Derivative financial instruments and hedge accounting continued

Cash flow hedge

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 other comprehensive income 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 non-interest revenue.

The accumulated gains and losses recognised in other comprehensive income 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 other comprehensive income remains in equity until the hedged item affects the income statement. Where the hedged item or hedging instrument is cancelled, any gain or loss is taken to the income statement immediately.

5 OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement

Classification	Measurement
Property and equipment	
Information regarding land and buildings is kept at the group's registered office and is open for inspection in terms of section 26 of the Companies Act.	
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 over the life of the lease (refer to policy 5.3). Leasehold premises are measured on the shorter of estimated life or period of lease. Freehold property and property held under leasing agreements: - Buildings and structures 50 years - Mechanical and electrical 20 years - Components 20 years - Sundries 3 – 5 years - Computer equipment 3 – 5 years - Other equipment 3 – 10 years

<table>
<tr><th>Classification</th><th>Measurement</th></tr>
<tr><th colspan="2">Investment properties</th></tr>
<tr><td>Properties 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.</td><td>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.</td></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 of resale 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 risk 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 non-interest revenue.</td></tr>
</table>

Classification	Measurement
Commodities	
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.	Fair value through profit or loss.
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 business. The group recognises a provision when a reliable estimate of the outflow required can be made and the outflow is more reliable 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. The assets are impaired if the carrying amount is more than the recoverable amount, which is the higher of the assets' value in use and fair value less cost to sell. The impairment loss is calculated as the difference between the assets' carrying amount and their recoverable amounts.

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 non-interest revenue.

5.2 Non-current assets and disposal groups held for sale

Assets and liabilities are classified and separately presented as held for sale by the group when the specific conditions for classification as held for sale under IFRS 5 are met.

Any impairment losses on classification or ones that arise before sale and after the remeasurement of assets and liabilities in terms of their relevant IFRS', are recognised in profit or loss in operating expenses, or as part of equity accounted earnings in the case of associates. If a disposal group contains assets that are outside of the measurement scope of IFRS 5, any impairment loss is allocated to those non-current assets in the disposal group that are within the measurement scope of IFRS 5. Any increases in fair value less costs to sell are recognised in non-interest revenue when realised.

When there is a change in intention to sell, any non-current assets and disposal groups held for sale are immediately reclassified back to their original line items. They are remeasured in terms of the relevant IFRS, with any adjustment being taken to profit or loss depending on the underlying asset to which it relates e.g. operating expenses for property and equipment or intangible assets and equity accounted earnings for associates.

5.3 Leases

The group leases a variety of properties, equipment and vehicles. 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 a contract.

Qualifying leases are recognised as a ROUA and a corresponding liability at the date at which the leased asset is made available for use by the group.

	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 lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the individual group lessee uses its own incremental borrowing rate, being the rate that it can borrow funds from the Group Treasury function. The ROUAs are measured at cost comprising of the amount of the initial measurement of the lease liability plus any initial direct costs and restoration costs. Where applicable, any lease payments made at or before the commencement date less any lease incentives received is deducted from the cost. Post initial recognition, ROUA's are treated in line with other property and equipment. Variable payments that do not depend on an index or rate are not included in the measurement of the lease liability and the ROUA. The related payments are recognised as an expense in the period in which the	Where the group company is the lessor under a finance 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.

	Group company is the lessee	Group company is the lessor
	event or condition that triggers those payments occurs and are included in the line operating expenses in the consolidated income statement.	
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 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.
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 in the consolidated statement of financial position.
Operating leases	For short-term and low value leases, which the group has defined as all other leases except for property and vehicle leases, the lease payments are recognised as 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 non-interest revenue on a straight-line basis over the lease term.

	Group company is the lessee	Group company is the lessor
Instalment credit sale agreements where the group is the lessor	The group regards instalment credit sale agreements 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 credits finance charges to interest revenue in proportion to capital balances outstanding.	

Contracts where the group is the lessee (IAS 17) - 2019

The group classifies leases of property and equipment where it assumes substantially all the risks and rewards of ownership as finance leases. The group classifies as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset.

	Group company is the lessee
At inception – finance lease	Capitalised as assets and a corresponding lease liability for future lease payments is recognised.
Over the life of the lease – finance lease	The asset is depreciated – refer to accounting policy 5.1.
Operating leases	Recognised as an operating expense in profit or loss on a straight-line basis over the period of the lease. Any difference between the actual lease amount payable and the straight-lined amount calculated is recognised as a liability or asset of the group in creditors and accruals.

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 groups' 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	The liability to distribute non-cash	The carrying amount of the dividend payable is

Transaction	Liability	Equity
non-cash assets to owners	assets is recognised as a dividend to owners at the fair value of the asset to be distributed. The difference between the carrying amount of the assets distributed and the fair value of the assets on the date of distribution is recognised as non-interest revenue in profit or loss for the period.	remeasured at the end of each reporting period and on settlement date. The initial carrying amount and any subsequent changes are recognised in equity.
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.
	Measurement Upon retirement of current defined contribution active members, the fund provides a pension that can be purchased with the member's share. The pension so purchased is determined based on the purchasing member's demographic details (age, gender, age of spouse), the pension structure (guarantee period, spouse's reversion and pension increase target) and the economic assumptions at the time of purchase (inflation-linked bond yields available). 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 purchases pension. It should be noted that the purchase price for the 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. A benefit on withdrawal and retrenchment is determined in terms of the prevailing legislation and is equivalent to the value of the actuarial reserve held in 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.

Defined benefit plans	
Plan assets	The plan assets are carried at fair value. Where the plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits under the plan, the fair value is deemed to be the present value of the related obligation. If the qualifying insurance policy has a limit of indemnity, the fair value of the insurance policy is limited to that amount.
Profit or loss	Included as part of staff costs: ➢ Current and past service costs calculated using the projected unit credit method; ➢ Gains or losses on curtailments and settlements that took place in the current period; ➢ Net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability; and ➢ Actuarial gains or losses on long-term employee benefits.
Other comprehensive income	All other remeasurements in respect of the obligation and plan assets are included in other comprehensive income and never reclassified to profit or loss.
Termination benefits	
The group recognises termination benefits as a liability in the statement of financial position and as an expense, included in staff costs, in profit or loss when it has a present obligation relating to termination. The group has a present obligation at the earlier of the following two occurrences: when the group can no longer withdraw the offer of the termination benefit or when the group recognises any related restructuring costs.	
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.

7.2 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 options over the vesting period of the options. A corresponding credit to a share-based payment reserve in the statement of changes in equity is recognised 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 that 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 53 of 1998 (Short-term Act).

Investment contracts which are linked fund policies which fall 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 fair value through profit or loss.

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	
Definitions	Contracts that transfer significant insurance risk to the group and are within the scope of IFRS 4.
Recognition	Insurance policies are recognised when contracts are concluded between the policyholder and the group.
Premiums	Premiums on insurance contracts are recognised when due. Premiums are recognised gross of commission payable to intermediaries and reinsurance premiums, but net of taxes and levies and are recognised in profit or loss as part of premium income in non-interest revenue.
Claims and benefits paid	Claims and benefits paid consist of claims and claims handling expenses paid during the financial year.
Policyholder liability	In terms of IFRS 4, measurement of policyholder liabilities arising from insurance contracts are measured using existing local practices.

	Short-term insurance contracts	Long-term insurance contracts
Policyholder liability	The group adopted SAICA Circular 2/2007 to determine the measurement of short-term insurance contracts. The provision for the outstanding claims reserve (OCR) comprises the group's estimate of settling all claims reported (notified claims) but unpaid at year-end and claims incurred but not reported (IBNR). 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 claims 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. An IBNR provision is raised for claims incurred but not yet reported based on historical experience. The group determines the IBNR by applying a percentage to premiums written during the period.	The group utilises the Standards of Actuarial Practice (SAPs) and Advisory Practice Notes (APNs) issued by the Actuarial Society of South Africa (ASSA) to determine the policyholder liabilities that are classified as long-term insurance contracts. 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, risk charges, reinsurance costs and expenses at the risk-free rate. These calculations are performed using best estimate assumptions (lapse, expenses, premium collection, mortality, morbidity, retrenchment, inflation, yield curve) adjusted by compulsory margins as specified in SAP 104 and further discretionary margins where appropriate. Where the policyholder liability results in a negative liability, the group elects to zerorise the policyholder liability. As a result, there is no discounted 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. A margin is added to the calculated IBNR. 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. A COVID-19 overlay has been applied to the IBNR for loss of income, retrenchment cover and mortality, as the use of historical data is not an appropriate proxy due to the uncertainty of the economy and potential for retrenchments and loss of income suffered by policyholders.

		OCR is calculated by reviewing individual claims and making allowance for IBNR, 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.
Changes in the policyholder liabilities	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.	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 non-interest revenue 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.
Liability adequacy test	The net liability recognised 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.	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. In respect of the IBNR, tests are performed to ensure that the liability is sufficient to cover historical run-off profiles and growth in the volume of business.
Acquisition costs	Expensed as incurred.	Acquisition costs include all commission and expenses directly related to acquiring new business. Acquisition costs are expensed as they are incurred.
Insurance premium receivables and payables	Amounts due from policyholders relates to insurance premiums receivable from policyholders, whose payments were not received on the due date due to technical collection issues 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. These are measured using existing local practices. 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. 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 using historical information and trends available to the company. The unrecoverable amount is determined on a product level.	

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 in non-interest revenue at the undiscounted amounts due in terms of the contract, when due for payment. Insurance claims recovered from reinsurers are recognised in profit or loss as an offset against claims paid in non-interest revenue in the same period as the related claim at the undiscounted amount receivable in terms of the contract.
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 due in terms of the contract.
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.
Premiums	Premiums received are recorded as an increase in investment contract liabilities.
Claims paid	Claims 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 fair value through profit or loss 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.

Investment contracts	
Income statement impact of movements in policyholder liabilities	The movement in the liability for policyholder liabilities under investment contracts is recognised as part of fair value gains or losses in non-interest revenue.
Acquisition costs	This represents the contractual customer relationship and the right to receive future investment management fees. Incremental costs directly attributable to securing rights to receive policy fees for services sold with investment contracts are recognised as an asset where they meet the definition of an asset under IFRS. These assets are recognised as intangible assets of the group – refer to accounting policy note 5.
Fees on investment contracts	A deferred revenue liability is recognised in respect of upfront fees, directly attributable to a contract, that are charged for securing the investment management service contract. The deferred revenue liability is then released to revenue when the services are provided, over the expected duration of the contract on an appropriate basis. Service fee income is recognised on an accrual basis as and when the services are rendered and is included in management, trust and fiduciary fee income within non-interest revenue.

8.2 Investment management activities

Certain divisions within the group engage in investment management activities that result in the managing of assets on behalf of clients. The group excludes assets related to these activities from the statement of financial position as these are not assets and liabilities 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 non-interest revenue 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 critical accounting estimates, assumptions and judgements made by the group, except those related to fair value measurement, which are included in note 34.

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 key management personnel 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.
➢ To what extent the group is responsible to ensure that the entity operates as intended.</td></tr>
</table>

<table>
<tr><th colspan="2">Subsidiaries</th></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, not available to other shareholders. Benefits could be non-financial in nature, such as employee services etc.</td></tr>
<tr><td>Ability to use power to affect returns</td><td>Factors considered include:
➢ whether the group is acting as an agent or principal;
➢ if 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.</td></tr>
<tr><th>Associates</th><th>Joint arrangements</th></tr>
<tr><td>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.</td><td>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. In order to determine whether the shareholders share in the net assets of the entity the group considers the practical decision-making ability and management control of the activities of the joint arrangement.</td></tr>
<tr><th colspan="2">Structured entities</th></tr>
<tr><td colspan="2">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.</td></tr>
</table>

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 remove the group as fund manager easily 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 remove the fund manager easily 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. 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, 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 investment securities. 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 that it manages, and does not consolidate, the investment is considered to represent a typical customer-supplier relationship. The group does not sponsor investment funds that it manages, as it does not provide financial support to these funds.

Impairment of goodwill

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. 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. However, for the current year, balances at 30 June 2020 were tested.

The goodwill balance as at 30 June is allocated to the following significant CGUs:

R million	Segment the goodwill is allocated to	2020	2019
Aldermore	Aldermore	**7 571**	6 459
WesBank	WesBank	**405**	466
African operations	FNB rest of Africa	**268**	241
Other	Various	**142**	81
Total		**8 386**	7 247

The recoverable amount of CGUs were negatively impacted by declining profitability, aggravated by the effects of COVID-19, resulting in an impairment charge being recognised.

R million	2020	2019
African operations	**212**	-

Value in use

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 (clash flow projections) to its present value using a pre-tax weighted average cost of capital discount rate.

Management's judgement in estimating the value in use 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 internal capital allocation decisions necessary to support the strategy, current market conditions and macroeconomic outlook.

During the current year, the timing of the board's approval of the budgets and forecasts was extended, to allow for the preparation of the budgets and forecasts to reflect the board's estimation of the impact of COVID-19 for all periods to which the budgetary process was applied.

For the 30 June 2020 impairment test, all cash flow projections were based on approved budgets and forecasts, which took into account the risks associated with the impact of COVID-19. Cash flow projections up to June 2025 were prepared for Aldermore, whereas the cash flows projections until the end of June 2023 were considered for other CGUs.

The terminal cash flows is 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.

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	**2020**	2019	**2020**	2019
Aldermore	**11.47**	10.09	**2.00**	2.00
WesBank	**19.44**	19.44	**1.40**	4.50
African operations	**12.35-27.45**	12.30-27.70	**(5.00)-5.60**	(2.00) - 3.00
Other	**19.44**	19.44	**1.40**	3.00

Value in use

Impairment results – other than Aldermore

Other than those CGUs where goodwill has been fully impaired, a reasonably possible change in projected cash flows, the discount rate or growth rate of the above-mentioned CGUs would not result in their recoverable amounts exceeding the carrying values. The recoverable amount is sufficiently in excess of the carrying amount resulting in changes to the assumptions not changing the final outcome of the test.

Sensitivities of assumptions in calculating value in use for Aldermore CGU

In assessing goodwill for impairment, it was noted that goodwill attributable to Aldermore's CGU was sensitive to changes in assumptions supporting the recoverable amount. This is evidenced by the R450 million difference noted between the value in use calculated and the recoverable amount attributable to Aldermore.

The sensitivity analysis performed therefore included stressing certain assumptions to determine the range at which point the value in use would equal the recoverable amount for Aldermore.

If all of the undiscounted cash flows were to be reduced by 2% with all other inputs remaining unchanged, the recoverable amount of Aldermore CGU would equal its carrying amount.

If the cash flows estimated remained unchanged, the recoverable amount of Aldermore CGU would equal its carrying amount if the rates were to change to the following:

	2020	
Input	From	To
Growth rate	**2.00%**	**1.85%**
Discount rate	**11.54%**	**11.58%**

Foreign operations
Management has reviewed the economies of 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, Swaziland, Mozambique, Zambia, Lesotho, Tanzania, Ghana, Nigeria, Mauritius, Wales, United Kingdom, Guernsey and India. The group has representative offices in Kenya, Angola and Shanghai. The office in Angola has no lending and deposit taking activities at this point.

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 based on objective estimates of the amount of tax that may be due. In determining whether an interpretation and/or application of the various tax rules may result in a dispute of which the outcome may not be favourable to the group, the group seeks, where relevant, expert advice to determine whether the unfavourable outcome is probable or possible. 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.

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 observable data indicating 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 adopted the PD/LGD approach to calculate ECL for advances. The ECL is based on an average of three macroeconomic scenarios incorporating a base scenario, an upside scenario and a downside scenario, weighted by the probability of occurrence. Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. This results in the production of models that are used to predict 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 loss estimates through the application of quantitative modelling and expert judgement-based adjustments. Both quantitative models and expert judgment-based adjustments consider a range of forecasted macroeconomic scenarios as inputs. Macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for baseline, downside, upside and stress scenarios. The baseline, downside and upside scenarios are used in the ECL calculations. Development of these scenarios is overseen by the FirstRand macro forum, which is responsible for oversight and is independent from credit and modelling functions. To arrive at the macroeconomic forecasts, teams of economists both locally and within the various subsidiaries assess the micro and macroeconomic developments to formulate the macroeconomic forecasts. A number of 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. 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 applied estimate the impact of forecasted macroeconomic factors on expected credit losses using various techniques dependent on the portfolio within which models will be applied. Within the RMB Corporate Banking and IBD portfolios, macroeconomic stress testing models are applied to estimate the impact of forward-looking information on expected credit losses. These stress testing models are industry-specific and make use of regression techniques, observed macro-economic correlations and expert judgement, depending on the extent of data available in each industry. The outputs from these models are used to determine the level of stress that a particular industry is expected to experience, and through-the-cycle (TTC) impairment parameters are scaled accordingly, with scalars based on historic S&P default data. Within the commercial portfolio, the economic capital model is used to determine credit loss curves per portfolio under various scenarios, taking into account the industries represented in each portfolio. Judgement is applied to select appropriate loss curves for determining forward-looking ECL estimates commensurate with the current economic environment and forward-looking expectations. Within retail portfolios, forward-looking ECL is modelled using regression-based techniques that determine the relationship between key macroeconomic factors and credit risk parameters based on historically observed correlations. Modelled correlations and macro-economic variable weightings are adjusted on the basis of expert judgment 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 Aldermore 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. The forward-looking macro-economic information applied within Aldermore includes six probability-weighted macroeconomic scenarios, ranging from an upside scenario to a severe downside scenario. 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.

Forward-looking information

The table sets out the scenarios and the probabilities assigned to each scenario at 30 June 2020 for the group's South African and African operations:

Scenario	Probability	Description
Baseline regime	56% (2019: 59%)	Assumes that global growth experiences a significant contraction in 2020 before normalising in 2021. Developed market (DM) inflation remains benign and global interest rates remain extremely accommodative. The South African domestic economy experiences a significant contraction in economic activity and inflation remains low. The outlook is characterised by ongoing income weakness and policy uncertainty.
Upside regime	12% (2019: 23%)	Assumes that global growth experiences a significant contraction in 2020 before recovering strongly towards the end of 2020. DM inflation falls lower, and global interest rates remain extremely accommodative. The South African domestic economy experiences a significant short-term contraction in economic activity and inflation remains low. After the initial shock, policy certainty is restored and confidence-boosting economic reforms are implemented.
Downside regime	32% (2019:18%)	Assumes that global growth experiences a significant contraction in 2020, which results in long term damage to global supply chains and weaker long term global economic activity. DM inflation falls and global interest rates remain extremely accommodative. The South African domestic economy experiences a significant short-term contraction in economic activity, which is compounded by policy mistakes and extremely low confidence which prevent the economy from recovering from the COVID-19 induced shock.

There has been a significant change in the assumptions used in each of the scenarios and the probability assigned to upside and downside scenarios, when compared to the prior year. There are a number of factors, including the COVID-19 pandemic, that have contributed to this change. These are discussed in more detail below and have resulted in increases in the provisions recognised in the current year.

Aldermore, including MotoNovo, uses an external firm specialising in economic forecasting to provide forward-looking macroeconomic information. The table sets out the scenarios and the probabilities assigned to each scenario at 30 June 2020, which represents the group's UK operations:

Scenario	Probability
Severe downside	15% (2019:10%)
Downside	10% (219:10%)
Stagnation	10% (2019:10%)
Base	45% (2019:50%)
Mild upside	10% (2019: 10%)
Upside	10% (2019: 10%)

Overview of forward-looking information included in the 30 June 2020 provisions

The forward-looking assumptions set out above were used as inputs used on the date that the ECL provisions for 30 June 2020 were finalised.

Following the initial COVID-19 induced economic shocks the global economy is expected to suffer a significant contraction in gross domestic product (GDP) in 2020 followed by a weak recovery in 2021. This shock is expected to result in low inflation in 2020 with slight pick-up in 2021. The large and coordinated fiscal and monetary policy support that has been provided by global central banks and governments has stabilised financial conditions and has resulted in low global interest rates. At the same time, the social distancing and lockdown regulations have helped a broad base of countries to control and contain the spread of COVID-19 through their populations which is expected to abate towards the end of 2020. This has allowed more people to return to work and is lifting both supply and demand in the global economy. High-frequency manufacturing and services sector GDP measures have started to rise across both developed and emerging market economies. However, it remains clear that the battle against COVID-19 is far from over. The global economy does not yet benefit from a synchronised upswing in GDP or inflation, given how the virus and policy responses thereto are playing out across the world. As such, although more stable, risk appetite remains subdued and demand for commodities remains low. A vast number of economies have been forced to lift their debt levels considerably in order to combat the virus, which is going to leave the global economy with a long-term debt overhang. Such an environment remains supportive of safe-haven assets which should continue to support the US dollar in the near term.

South Africa

After an initial and severe contraction in GDP in the first half of 2020, the gradual recovery in global demand should support South Africa's export sectors which will help the economy marginally lift GDP. Already weak domestic demand and income growth has been amplified by the COVID-19 crisis, which has resulted in lower core and headline inflation. With inflation contained and global interest rates low the South African Reserve Bank (SARB) has been able to reduce the short term interest rate considerably in order to support the economy.

The impact of COVID-19 remains extremely deep, with ongoing uncertainty about the risk of second waves of infection. At 30 June 2020 the view was that the government will continue to implement a focussed approach to lockdown and social distancing measures at a regional and industry level, where restrictions will be tightened within specific industries, individual businesses or geographic areas depending on the spread of the virus. These assumptions have been introduced into the forward-looking macroeconomic information and tie directly into the group's GDP growth forecast. It is increasingly clear that the loss of economic activity, tax revenue, household and corporate income as a result of the virus has left the economy substantially weakened and more vulnerable.

United Kingdom

Following the initial global and domestic shock induced by the COVID-19 pandemic, the outlook for the United Kingdom (UK) remains weak. High-frequency indicators of the UK economy show that activity should lift into the second half of 2020, but their relative weakness also suggest that the recovery will be protracted. The loosening of lockdown restrictions increases the risk of further waves of infection and introduces the likelihood of an even more protracted recovery if further rounds of lockdown and social distancing are ultimately required. This leaves the UK economy in an abnormally stagnant state, which is placing significant strain on household and corporate incomes. Lower GDP, higher unemployment and lower household incomes will leave a gap in UK income statements and balance sheets, which increases the likelihood of further government spending and quantitative easing with interest rates likely to remain lower for longer until GDP and inflation begin to lift.

Other Africa

General

The outlook for the rest of Africa portfolio has come under particular pressure among the Southern African Customs Union (SACU) countries which all are heavy reliant on activity in South Africa. Without exception, the real economies in these countries are extremely weak with increased fiscal risk becoming an important driver of their medium-term outlook.

A second important theme to note for the rest of Africa portfolio is the negative implications that the fall in the oil price will have for the oil and gas producing economies of Nigeria, Ghana and Mozambique. This will add a further measure of fiscal and foreign exchange weakness to the domestic economic outlook, although the oil price is expected to recover into 2021.

Namibia

The Namibian economy has been in a recessionary environment since 2016, with GDP growth lagging far behind population growth. The COVID-19 pandemic and associated lockdown measures are expected to exacerbate this existing contraction in GDP growth. Namibia went into a 21-day lockdown on 28 March 2020, which was further extended to 38 days ending 4 May 2020. The government subsequently embarked on a gradual reopening of the economy where most economic activity has been allowed to resume with some social distancing precautions. While domestic economic activities have been allowed to resume, the economy still faces a number of COVID-19 related pressures. Firstly, a global slowdown and falling external demand will weigh on exports and export-dependent industries. This is further worsened by restrictions on the movement of goods and people, which will disrupt supply chains in various industries such as wholesale and retail trade, manufacturing and construction. Secondly, domestic demand is unlikely to rebound to significantly higher levels as consumer and investor confidence remains low due to the uncertainties surrounding COVID-19 in an already weak economic environment. Finally, the government faces significant funding constraints and is unable to provide enough fiscal support to lift activity meaningfully.

This backdrop is expected to result in a significant contraction in GDP growth in 2020 followed by an extremely weak recovery after the initial shock. Inflation is expected to remain low due to low domestic demand, with some upward pressure arising in 2021 through expected higher global oil prices. Similar to South Africa, interest rates are expected to remain low given the low global interest rate environment, low inflation and the interest rate cuts implemented by the SARB.

Botswana

Botswana is expected to experience a significant contraction in GDP in 2020 followed by a weak recovery in 2021. Weaker global demand has resulted in lower global diamond prices and weaker local production. At the same time the tourism sector will continue to be severely affected by the pandemic, with travel bans limiting anticipated growth within the local hospitality and aviation industries. Botswana's trade sector, which has been a key driver of growth in recent years, is also expected to contract significantly as a result of disruptions in global trade patterns due to lockdown measures implemented globally. The spill-over effect of these disruptions will be evident in manufacturing and construction, as local businesses continue to face difficulties procuring critical inputs for their production processes.

In order to mitigate the impact of COVID-19 on the economy, the government has drafted an economic recovery and transformation plan aimed at supporting businesses and the economy through this pandemic. The fiscal package proposes several interventions and projects that span most industries with the hope of transforming Botswana from a mineral-led, public-sector dominated economy to a more diversified, export-oriented economy. Although Botswana has the fiscal resources to embark on such a plan, there have been challenges with the implementation of development plans in the past, and as such the group's baseline view assumes only partial success. Given the expected weakness in consumer demand and GDP growth, inflation is expected to remain low. This, together with lower global oil prices, low global inflation and low global interest rates is expected to allow the central bank to maintain low interest rates, through the forecast horizon.

Significant macroeconomic factors

The table below sets out the most significant macroeconomic factors used to estimate the forward-looking information on the ECL provisions. The information is forecast over a period of three years, per major economic region that the group operates in.

30 June 2020

South Africa*	Upside scenario			Baseline expectation			Downside scenario		
(%)	2021	2022	2023	2021	2022	2023	2021	2022	2023
	Applicable across all portfolios								
Real GDP growth	(0.6)	4.2	4.0	(0.6)	2.4	0.9	(2.0)	0.0	0.0
CPI inflation	3.3	3.0	3.0	3.0	3.8	4.5	4.7	5.9	7.6
Repo rate	2.8	2.8	2.8	3.3	3.3	3.3	6.0	6.3	6.5
	Retail specific								
Retail income growth	1.0	4.2	4.9	(1.8)	1.6	0.4	(0.9)	(0.2)	(0.3)
House price index growth**	6.3	17.9	17.8	(1.0)	6.4	3.8	(12.5)	(8.3)	(10.1)
Household debt income	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5
Employment growth	(0.2)	1.3	1.2	(0.2)	0.7	(0.3)	(2.2)	(1.3)	(1.7)
	Wholesale specific								
Fixed capital formation	1.8	9.1	12.0	(12.3)	1.0	(1.0)	(2.1)	(1.9)	(1.6)
Foreign exchange rate (USD/ZAR)	12.3	11.8	12.0	15.4	15.9	16.7	17.3	19.7	22.0

** The comparative period information has not been updated in line with the information presented for 30 June 2020. As IFRS 9 is refined and embedded in the group's reporting process, additional disclosure is included.*

***Applicable to the secured portfolio.*

Significant macroeconomic factors

UK* (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Real GDP growth	5.52	7.06	3.00	1.04	7.31	2.35	(11.73)	10.95	3.17
CPI inflation	2.23	2.27	1.94	0.49	1.65	1.76	(1.78)	(0.26)	2.24
House price index growth**	0.16	5.03	13.95	(4.99)	(0.26)	6.03	(14.17)	(13.68)	(7.09)
Employment growth	2.60	0.80	(1.96)	1.87	0.51	(6.04)	2.08	1.34	(1.45)

** The comparative period information has not been updated in line with the information presented for 30 June 2020. As IFRS 9 is refined and embedded in the group's reporting process, additional disclosure is included.*

***Applicable to the secured portfolio.*

Other Africa

Namibia* (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Real GDP growth	-	1.50	2.50	(3.70)	1.20	1.70	(6.50)	(3.00)	(1.50)
CPI inflation	2.75	3.00	3.00	3.00	3.50	4.00	4.90	5.92	6.75
Repo rate	3.00	2.75	2.75	3.50	3.50	3.50	6.00	6.25	6.50

** The comparative period information has not been updated in line with the information presented for 30 June 2020. As IFRS 9 is refined and embedded in the group's reporting process, additional disclosure is included.*

Significant macroeconomic factors

Other Africa continued

Botswana* (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Real GDP growth	(0.30)	4.90	6.00	(2.10)	3.30	3.50	(6.91)	0.25	0.85
CPI inflation	2.00	2.20	2.20	2.20	3.10	3.20	3.35	4.78	5.63
Repo rate	3.25	3.25	3.00	3.50	3.50	3.50	4.50	5.25	6.00

* *The comparative period information has not been updated in line with the information presented for 30 June 2020. As IFRS 9 is refined and embedded in the group's reporting process, additional disclosure is included.*

30 June 2019

South Africa	Upside scenario	Baseline expectation	Downside scenario
Real GDP growth (%)	2.83	1.05	0.31
CPI inflation (%)	3.99	4.89	6.89
Policy interest rate (%)	6.19	6.75	8.19
Foreign exchange rate (USD/ZAR)	12.60	14.50	16.45

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

	R million	% change on total IFRS 9 provision
IFRS 9 impairment provision at 30 June 2020	**23 903**	
Scenarios		
Baseline	**23 766**	(1)
Upside	**21 626**	(10)
Downside	**26 505**	11

The analysis only reflects the impact of changing the probability assigned to each scenario to a 100% and does not include any changes to post-model adjustments, including those needed to cater for the impact of COVID-19.

Post-model adjustments
In addition to forward-looking macroeconomic information, other types of forward-looking information, such as specific event risk, is taken into account in ECL estimates when required. Furthermore, where there is uncertainty 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 and macroeconomic events, additional provisions via post-model adjustments are made. The following table summarises the reasons for the material post-model adjustments made.

Post-model adjustment	Description	Portfolios impacted
COVID-19 macroeconomic adjustment	Post-model adjustment made on the basis of constrained expert judgement to allow for macroeconomic impacts not adequately captured by existing statistical models. Adjustment calculated through application of expert judgement-based weightings to macroeconomic factors within the existing FLI methodology.	Retail and commercial credit portfolios across all geographies.
Adjustment for COVID-19 relief	Adjustments made to coverage held for COVID-19 relief to allow for impact of delayed arrears recognition, which results from an inability to observe normal arrears behaviour and to provide accordingly where payment relief is offered.	Retail and commercial credit portfolios across all geographies.

<table>
<tr><th>Judgement</th><th>Retail and retail SME</th><th>Wholesale and commercial SME</th></tr>
<tr><td rowspan="2">Measurement of the 12-month and lifetime ECL</td><td>Parameters are determined on a pooled basis, with exposures pooled on 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 and historical draw-down and payment behaviour.

LGDs are determined by estimating expected future cash flows and are adjusted for forward-looking information 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 the historical data will continue to be relevant in the future.</td><td>Parameters are determined based on the application of statistical models that produce estimates based on counterparty-specific financial information and transaction characteristics. These characteristics include the nature of available collateral.

Due to the specialised nature of these exposures, parameters produced by models are taken through a robust review and challenge process before being applied to calculate expected credit losses, and are required to be signed off by a committee of wholesale and commercial credit experts who can motivate adjustments to modelled parameters.</td></tr>
<tr><td colspan="2">Parameters are calibrated for the calculation of 12-month and lifetime ECL using term structures that consider borrower risk, account age, historical behaviour, transaction characteristics and correlations between parameters.

Term structures have been developed over the entire remaining contractual 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 term 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.

Expected credit losses on open accounts are 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>
</table>

<table>
<tr><th>Judgement</th><th>Retail and retail SME</th><th>Wholesale and commercial SME</th></tr>
<tr><td>Determination of whether the credit risk of financial instruments have increased significantly since initial recognition</td><td colspan="2">Although COVID-19 has had a negative impact on the economies in which the group operates, in isolation COVID-19 initially reflected a liquidity constraint more than an inherent increase in credit risk for the entire portfolio of advances held by the group. As such the group did not impose a blanket downgrade on all ECL stages.

A more systematic and targeted approach to the impact of COVID-19 on the group’s customer base was undertaken, following the group’s existing credit framework, which allowed for well-balanced and consistent decision-making that considered not only the impact of COVID-19, but existing economic trends as well. As such, the group did not view requests for payment deferrals and liquidity assistance as the sole indicator that SICR had occurred for performing advances.

IFRS 9 contains a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. This means that where payments are 30 days past due, the financial asset needs to migrate from stage 1 to stage 2. Instead of rebutting this presumption, the group views that where the customer and the group have agreed to a deferral of payment for a specified period, that such an extension will not trigger the counting of days past due.</td></tr>
<tr><td>SICR assessment of COVID-19 relief exposures</td><td>In accordance with IFRS 9, all exposures are assessed to determine whether there has been a SICR at each reporting date (monthly), in which case the expected credit loss is calculated on a lifetime basis.

SICR triggers are based on client behaviour, client-based behaviour scores and judgemental factors. These triggers are portfolio specific and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk with reference to historic default rates within that portfolio.

The group uses a relative movement in probability of default between reporting date and origination date to determine if there was a significant increase in credit risk. These levels are monitored and validated on a continuous basis. Management also considers other judgemental triggers, for example behaviour on other products. Additional judgemental triggers, such as employment in industries in distress, have also been considered in the context of COVID-19 and its financial impacts.</td><td>In accordance with IFRS 9, all exposures are assessed to determine whether there has been a significant increase in credit risk at each reporting date (monthly), in which case the expected credit loss is calculated on a lifetime basis.

SICR triggers are determined based on client behaviour, client internal FirstRand rating or risk score, as well as judgemental factors which may result 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 significant increase in credit risk. Additional judgmental triggers, such as belonging to an industry in distress, are considered in the context of the financial impact of COVID-19.The group uses a relative movement in probability of default between reporting date and origination date to determine if there was a significant increase in credit risk, and the client’s watch list status at a point in time. These levels are monitored and validated on a continuous basis.</td></tr>
</table>

Sensitivity staging

As outlined above, when there is a SICR since initial recognition, the exposure is moved from stage 1 to stage 2 and the ECL is calculated based on lifetime expected credit losses.

The move from 12-month expected credit loss to lifetime expected credit loss can result in a substantial increase in ECL. The sensitivity information provided in the table below details the additional ECL charge to the income statement that the group would need to recognise if 5% of the gross carrying amount of advances suffered a SICR and were moved from stage 1 to stage 2 as at 30 June 2020. A 5% increase in advances categorised as stage 2 can be viewed as a reasonably possible alternative based on the current economic conditions.

	30 June 2020*	
R million	**5% increase in gross carrying amount of exposure**	**Increase in ECL due to 5% increase in SICR**
Retail	30 010	2 529
Wholesale, commercial and other (including Group Treasury)	26 565	3 069
Total increase in stage 2 advances and ECL	56 575	5 598

**Comparative information has not been provided. As IFRS 9 is refined and embedded in the group's reporting process, additional disclosure is included. This information was not produced in the prior year.*

As indicated, the group applied two specific judgements in determining the ECL for the current year, namely:

- the group did not apply a blanket downgrade to all ECL stages to advances that qualified and received a form of COVID-19 relief; and
- the group applied a post-model adjustment against advances where COVID-19 relief had been provided, so as to allow for the impact of delayed arrears recognition, which results from an inability to observe normal arrears behaviour.

The following table sets out the additional ECL charge to the income statement if all advances which were subject to a form of COVID-19 relief were deemed to have suffered a SICR and were moved from stage 1 to stage 2, or where the COVID-19 relief was deemed to be an indicator of impairment and the advance was moved from stage 2 to stage 3 as at 30 June 2020.

The increase in the loss allowance is calculated as the difference between the impairment that would have been raised in either stage 2 or stage 3 and the impairment recognised as at 30 June 2020. The impairment recognised as at 30 June 2020 already includes the post-model adjustment for COVID-19 relief detailed in the post-model adjustment section in this note.

The impact on the income statement impairment charge is set out below:

R million	30 June 2020	
	Stage 2	Stage 3
Additional impairment charge recognised if the exposures reported in stage 1 at year end had moved into stage 2	4 697	-
Additional impairment charge if the exposures reported in stage 2 at year end moved into stage 3	-	4 346

The table below sets out the additional ECL charge to the income statement if the post-model adjustment for COVID-19 was stressed and increased by 10%. A 10% increase in post-model adjustment can be viewed as a reasonably possible alternative based on the current economic conditions.

R million	30 June 2020		
	Stage 1	Stage 2	Stage 3
Additional provisions	123	71	73

Treatment of financial relief offered in response to the impacts of COVID-19 – retail and commercial exposures (excluding SME Loan Guarantee Scheme)

The group offered financial relief through various mechanisms in response to COVID-19. These included the following:

- additional facilities or new loans being granted;
- restructure of existing exposures with no change in the present value of the estimated future cash flows; and
- restructure of existing exposures with a change in the present value of the estimated future cash flows.

Prior to COVID-19 relief being granted, the customer was assessed against eligibility for relief criteria. In doing so, the group was able to identify customers who were in good standing but were facing financial distress due to the impact of COVID-19 directly or indirectly. The COVID-19 relief provided to these customers were deemed to be temporary and cash flow in nature. Where a customer was already experiencing financial distress and was in arrears prior to 29 February 2020, any restructuring of the customer's facilities was deemed to be permanent in nature.

Where relief is expected to be temporary in nature and as such qualifies as a non-distressed restructure, the staging of the exposure as at 29 February 2020 has been maintained, and adjustments have been made to coverage to allow for incremental credit risk and potential masking of normal arrears. Where the relief is expected to be permanent in nature, the exposure has been treated as a distressed restructure, and staging and coverage have been adjusted in line with the group's normal practice.

Where relief has been enacted through the issuance of a new loan as part of a non-distressed restructure, the loan has been treated at initial recognition as a new exposure and coverage has been calculated on the basis of historical behaviour in similar

	products, including a post-model adjustment to allow for incremental credit risk attributable to COVID-19 relief provided. The terms of the new loan are distinct from other facilities granted to the customer previously, as the new loan is unsecured and its repayment terms differ from the terms of the customers other facilities with the group. Where the relief provided as an emergency facility (as defined under the National Credit Act) is part of a distressed restructure, the staging of the emergency facility has been aligned to the staging of the underlying exposures. Where there are multiple underlying exposures with different stages, the worst of these stages has been applied. The ECL for all exposures on which relief has been offered and for all emergency facilities has been adjusted to reflect the impact of forward-looking macroeconomic information in line with the rest of the portfolio.
Treatment of financial relief offered in response to the impacts of COVID-19 – wholesale exposures	Debt relief measures for wholesale clients have been undertaken on a case-by-case basis within the boundaries of existing credit risk management processes. Treatment of financial relief offered to wholesale customers remains the same as for other wholesale restructures.
Treatment of SME Loan Guarantee Scheme	An arrangement facilitated by the Banking Association of South Africa (BASA), between the SARB and participating banks in South Africa was concluded during the current year. In terms of the arrangement, the SARB committed to provide dedicated funding at the repo rate to the banks who elected to participate in the SME Loan Guaranteed Scheme (the scheme). The group is a participant in the scheme. In terms of the scheme, the group will utilise the dedicated funding obtained from the SARB to on lend to qualifying SME customers who would be charged the prime interest rate on the advance (ring-fenced portfolio). The loans are repayable up to a maximum of seven years, with no early settlement penalties applied. As part of the scheme, the group would share up to a maximum loss of 6% suffered if the advances in the portfolio were to default. The SARB would compensate the group for all other credit losses suffer (limited guarantee) on the ring-fenced portfolio. The SARB is compensated for accepting such credit risk exposure by receiving a credit loss protection premium from the group, the terms of which are identical for all participants in the scheme. The group is acting as principal in the overall structure and as such has recognised loans advanced to customers (note 11). The limited guaranteed arrangement entered into with the SARB is viewed as a credit enhancement integral to the loans advanced, and the cost of the limited guarantee is adjusted to the effective interest rate of the loans advanced under the scheme. The group considers credit enhancements that are obtained from a third party at approximately the same time as the loan agreement is entered into with the customer, so as to mitigate the credit risk associated specifically with customers as integral to the loan agreement. The ECL on the loans advanced under this scheme factor in the maximum credit loss.
Determination of whether a financial asset is credit impaired	Exposures are classified as stage 3 if there are qualitative indicators that the obligor is unlikely to repay their credit obligations in full without any recourse action by the group, such as the realisation of security. Distressed restructures of accounts in stage 2 are also considered to be default events. For a retail account to cure from stage 3 to either stage 2 or stage 1, the account needs

	to meet a stringent cure definition. Cure definitions are determined on a portfolio level with reference to suitable analysis and are set such that the probability of a previously cured account re-defaulting is equivalent to the probability of default for an account that has not defaulted in the past. In most retail portfolios curing is set at 12 consecutive payments. For wholesale exposures, cures are assessed on a case-by-case basis, subsequent to an analysis by the relevant debt restructuring credit committee. A default event is a separate default event only if an account has met the portfolio-specific cure definition prior to the second or subsequent default. Default events that are not separate are treated as a single default event when developing LGD models and the associated term structures.

Fair value movement due to the credit risk of financial liabilities
The fair value movement on financial liabilities designated at fair value through profit or loss that is attributable to changes in the credit risk of the liability is considered and where applicable is accounted for in other comprehensive income. If this fair value movement is due to changes in credit risk, which is offset by a corresponding movement in the fair value of a linked asset measured at fair value, this movement is included in profit or loss rather than other comprehensive income.

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 are linked to the ranking of legal risk of potential litigation on the bank's litigation database.

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% 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.

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	The liability 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 is used; and ➢ staff turnover and historical forfeiture rates are used as indicators of future conditions.
Equity-settled share-based payment plans	
Determination of fair value	The total value of the services received is calculated with reference to the fair value of the options on grant date. The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest.

9.7 Insurance and investment management activities

Short-term insurance contracts	
Determination of policyholder liability for short-term insurance contracts	OCRs are derived from actual claims submitted and repudiation factor is applied when calculating the reserve based on historical claim repudiation rates. Intimated claims 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. IBNR represent claims incurred but not yet reported or paid. The liability is estimated by assuming that the final settled claims for a cohort of policies will emerge as assumed in the pricing basis (the prior loss ratio). This loss ratio is applied to gross earned insurance premiums to obtain the ultimate view of claims to which the OCR at year end date and paid claims to date are subtracted to obtain the IBNR reserve.
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.
Best estimate of future cash flows	The best estimate of future cash flows takes into account current and expected future experience as well as revised expectations of future income, claims and expenditure. The assumptions are applied to the whole policy book. Differences between the assumptions used at the start and end of the period give rise to revised liability quantification. The expected level of early terminations is incorporated into the liabilities, irrespective of whether this leads to an increase or a decrease in the liabilities.
Discretionary margins	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 claims experience turns out to be worse than expected; and ➢ where the present value of expected future inflows are greater than the present value of the expected future outflows, the resulting asset at a portfolio level is set to zero.

Long-term insurance contracts	
Liabilities for claims	Intimated claims 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 based on historical claim repudiation rates. Unintimated claims represent 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 historic 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 not to be complete.

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 continuous basis to ensure realistic and reasonable valuations. The key assumptions to which the estimation of liabilities are particularly sensitive are as follows:	
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 territory in which the insured person resides. 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 improvements. 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 and reduce profits for the 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 is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in expenses would result in a reduction of 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 trends. 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 calculated as the sum of the discounted value of the expected benefits 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 for the calculation of SAM returns. A decrease in the discount rate will increase the asset.
Since the policyholder liabilities are retrospective in nature, there is no sensitivity as a result of changes in assumptions. Due to the zeroisation of negative reserves, sensitivities are absorbed in the margins. Therefore, if inputs listed above were to increase or decrease by 10%, the impact on the prospective reserve post zeroisation would remain zero.	

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.

10 RESTATEMENT AND CHANGES IN PRESENTATION OF PRIOR YEAR NUMBERS

10.1 Impact of new accounting standards – IFRS 16

The group adopted IFRS 16 during the current period, with the most significant impact on the accounting treatment of leases where the group is the lessee. The standard requires lessees to recognise a ROUA and corresponding lease liability in respect of all leases that were previously classified as operating leases under IAS 17. The standard does allow for certain exemptions from this treatment for short-term leases and leases where the underlying asset is considered to be of low value.

As permitted by IFRS 16, the group did not restate comparative information and elected to apply the modified retrospective approach on the date of initial application (DIA) being 1 July 2019. On the DIA, a lease liability, measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at DIA was recognised. The group elected to measure the ROUA at a value equal to the lease liability as calculated at the DIA, adjusted for any lease prepayments that were made as well as any operating lease liabilities from the straight lining of lease liabilities, that were raised under IAS 17.

The table below reconciles the operating lease commitments recognised under IAS 17 to the lease liabilities recognised on the statement of financial position as at 1 July 2019:

R million	Note	Amount
Operating lease commitments disclosed as at 30 June 2019 under IAS 17	1	3 390
Less: Short term leases	2	(292)
Less: Low value leases	3	(46)
Less: Variable rate leases (payments not based on a rate or index)	4	(47)
Add: Adjusted for treatment of extension and termination options	5	264
Total qualifying operating leases subject to IFRS 16		**3 269**
Less: Discontinued using the group's incremental borrowing rate	6	(435)
Additional lease liabilities recognised as at 1 July 2019 (included in other liabilities)		**2 834**

10.1 Impact of new accounting standards – IFRS 16 continued

The table below sets out a breakdown of the total amount of ROUA recognised as at 1 July 2019:

R million	Note	Amount
ROUA recognised on DIA (equal to the present value of lease liability)	**1**	**2 834**
Add: Prepayments	7	39
Less: Operating lease straight lining liability	7	(103)
Less: FCTR and profit or loss impact for subsidiaries with December year ends	8	(15)
ROUA recognised after adjustments		**2 755**
Property held under finance leases under IAS 17	9	998
Total ROUA as at 1 July 2019 (included in PPE)		**3 753**

The ROUA recognised is accounted for as property and equipment (PPE). The recognition of additional assets of R 2 755 million on the statement of financial position leads to additional capital requirements on the transition to IFRS 16.

The recognition of the lease liability and ROUA impacted the amounts recognised in the group's income statement from the DIA. Under IAS 17 a straight-lined operating lease charge was recognised in operating expenses.

From DIA, the following amounts will be recognised in the income statement under IFRS 16:

- interest expense on the lease liability;
- depreciation charge on the ROUA recognised over the lease term; and
- rental charge recognised for variable rate leases and assets classified as short-term or low-value in terms of the group's policy.

The adoption of IFRS 16 had no impact on the amount of the net deferred tax recognised.

Notes

Note	Adjustment	Description of policy
1	Operating lease commitments under IAS 17	The group applied the practical expedient in IFRS 16 C3 and did not reassess the definition of a lease on its current lease contracts but applied the requirements of IFRS 16 to all leases recognised as operating leases previously under IAS 17.
2	Short term leases	IFRS 16 provides an exemption for leases that are short-term in nature. The exemption allows a lessee to not recognise a ROUA or lease liability. The exemption is applied per class of leases (i.e. leases of property, leases of vehicles, etc.). The group applied this exemption to all classes of leases at DIA and for new leases entered into after the DIA that meets the definition. The group defines short term leases as any lease that has a lease term of 12 months or less and where the terms of the lease contain: ➢ no extension periods that the group is reasonably certain to exercise which would result in the lease term being longer than 12 months; and ➢ no purchase option.
3	Low-value leases	IFRS 16 provides an exemption for leases of assets that are low-value in nature. The exemption allows a lessee to not recognise a ROUA or lease liability. The exemption is applied on an asset-by-asset basis and is at the election of the lessee. This exemption has been applied to all classes of leases, excluding property, at DIA and to new leases entered into after the DIA that meets the group's definition of a low value lease.
4	Variable rate leases (payments not based on a rate or index)	Under IAS 17, certain service agreements with variable payments where included in the amount of operating lease commitments disclosed in the annual financial statements. Under IFRS 16 variable lease payments that are not linked to a rate or an index are not capitalised and are expensed when incurred.
5	Extension and termination options	The group's policy is to include extension and termination operations for certain property leases where there is a reasonably certain expectation that the lease will be renewed and as such the value of these extension and termination options are taken into consideration in the determination of the lease liability. In assessing whether it is reasonably certain that the option will be exercised, past practices observed for similar types of leases and the economic reasons for electing those options are used to conclude whether it is reasonably certain that the option will be exercised or not.

<table>
<tr><th>Note</th><th>Adjustment</th><th>Description of policy</th></tr>
<tr><td>6</td><td>Discounting using the group’s incremental borrowing rate</td><td>IFRS 16 requires that the lease payments are discounted. The discounted amount is calculated using the incremental borrowing rate at DIA. The group used the practical expedient in IFRS 16 that allows the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

The range of incremental borrowing rates is indicative of:
➢ duration of the lease;
➢ credit risk of the business that is the lessee; and
➢ currency of the lease for the subsidiaries and branches outside of South Africa.
The range of incremental borrowing rates can be broken down as follows based on the currency of the lease :
<table>
<tr><th>Currency</th><th>Range</th></tr>
<tr><td>Rand</td><td>7.87% - 8.62%</td></tr>
<tr><td>Pound</td><td>2.13% - 2.89%</td></tr>
<tr><td>US dollar</td><td>4.44% - 4.46%</td></tr>
<tr><td>Namibian dollar</td><td>8.16% - 10.23%</td></tr>
<tr><td>Pula</td><td>4.25% - 6.32%</td></tr>
<tr><td>Kwacha</td><td>15.61% - 17.36%</td></tr>
</table></td></tr>
<tr><td>7</td><td>Prepayments and operating lease straight lining liability</td><td>The group adjusted the lease prepayments and operating lease liabilities from the straight lining of lease liabilities, that were raised under IAS 17 against the ROUA recognised on DIA.</td></tr>
<tr><td>8</td><td>FCTR and profit or loss impact for subsidiaries with December year ends</td><td>This amount relates to the subsidiaries with December year ends that transitioned to IFRS 16 at 1 January 2019. Given the immateriality of the impact, only the balance sheet impact was reversed for consolidation at 30 June 2019. The equity impact therefore relates to the foreign exchange movements on the income statement impact of IFRS 16 that were not reversed for consolidation purposes.</td></tr>
<tr><td>9</td><td>Property held under finance leases under IAS 17</td><td>The group previously had property held under finance leases that was included in property and equipment within the leasehold premises category. No lease liabilities relating to the finance lease were recognised, as the lease was prepaid. At transition to IFRS 16, the measurement was retained and the property held under finance lease was reclassified to ROUA.</td></tr>
</table>

10.2 Impact of revised accounting standards – IAS 12

The group also adopted the amendments that were made to IAS 12 in the current financial year. The amendment clarifies that the tax consequences of dividends should be recognised in the income statement, other comprehensive income or equity, according to where the past transactions or events were recognised that gave rise to the distributable reserves from which the dividends were declared. Therefore, if the dividends are declared from retained income arising from profits previously recognised in the income statement, the income tax consequences of the dividend distribution should be recognised in the income statement. The amendment to IAS 12 is required to be applied retrospectively and comparative information has been restated.

The amendment affects the recognition of the income tax deduction on the group's contingent convertible and AT1 instruments included within other equity instruments. The tax impact of the dividends on these instruments were previously recognised directly in equity and is now required to be recognised in the income statement. The amendment resulted in a restatement of income tax and profit attributable to other equity holders in the income statement, as well as the distributions on other equity instruments in the statement of changes in equity.

Dividends on the group's contingent convertible securities are payable annually during April and quarterly on the AT1 non-cumulative non-redeemable instruments. The group's AT1 instruments were issued during 2018 and 2019. The implementation of the amended requirements impacted the amounts previously published at 30 June 2019.

The impact on the group's financial results as at 30 June 2019 and 1 July 2019 (DIA for IFRS 16), as well as the impact of the amendment to IAS 12 are set out below.

10.3 Change in presentation

During the current financial period the nature of various expenses incurred by FNB relating to its customer loyalty programme was reassessed. This resulted in expenses of R240 million relating to operating lease expenses incurred on SLOW lounges being reclassified from operating expenses to fee and commission expenses, so as to align with the treatment of other direct and incremental customer loyalty related expenses.

This change in presentation had no impact on the profit or loss and only affected the presentation of items within non-interest revenue and operating expenses.

10.4 RESTATED CONSOLIDATED INCOME STATEMENT

R million	As reported at 30 June	Restatement for IAS 12 amendments	Change in presentation	Restated 30 June
Net interest income before impairment of advances	**60 457**	**-**	**-**	**60 457**
Impairment and fair value of credit on advances	(10 500)	-	-	(10 500)
Net interest income after impairment of advances	**49 957**	**-**	**-**	**49 957**
Non-interest revenue	46 048	-	(240)	45 808
- net fee and commission income	30 971	-	(240)	30 731
- fee and commission income	36 533	-	-	36 533
- fee and commission expense	(5 562)	-	(240)	(5 802)
- insurance income	4 128	-	-	4 128
- fair value income	4 587	-	-	4 587
- fair value gains or losses	9 338	-	-	9 338
- interest expense on fair value activities	(4 751)	-	-	(4 751)
- gains less losses from investing activities	3 610	-	-	3 610
- other non-interest income	2 752	-	-	2 752
Income from operations	**96 005**	**-**	**(240)**	**95 765**
Operating expenses	(54 283)	-	240	(54 043)
Net income from operations	**41 722**	**-**	**-**	**41 722**
Share of profit of associates after tax	946	-	-	946
Share of profit of joint ventures after tax	284	-	-	284
Income before indirect tax	**42 952**	**-**	**-**	**42 952**
Indirect tax	(1 280)	-	-	(1 280)
Profit before income tax	**41 672**	**-**	**-**	**41 672**
Income tax expense	(9 912)	93	-	(9 819)
Profit for the year	**31 760**	**93**	**-**	**31 853**
Attributable to				
Ordinary equityholders	30 211	-	-	30 211
Other equity instrument holders	667	93	-	760
Equityholders of the group	**30 878**	93	-	**30 971**
Non-controlling interests	882	-	-	882
Profit for the year	**31 760**	93	-	**31 853**

10.5 RESTATED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

R million	As reported at 30 June 2019	Restatement for IAS 12 amendments	Restated 30 June 2019
Profit for the year	**31 760**	**93**	**31 853**
Items that may be reclassified to profit or loss			
Cash flow hedges	**498**	**-**	**498**
Gains arising during the year	829	-	829
Reclassification adjustments for amounts included in profit or loss	(137)	-	(137)
Deferred income tax	(194)	-	(194)
FVOCI debt reserve	**(4)**	**-**	**(4)**
Losses arising during the year	(2)	-	(2)
Reclassification adjustments for amounts included in profit or loss	(4)	-	(4)
Deferred income tax	2	-	2
Exchange differences on translating foreign operations	**(444)**	**-**	**(444)**
Losses arising during the year	(428)	-	(428)
Deferred income tax	(16)	-	(16)
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**45**	**-**	**45**
Items that may not subsequently be reclassified to profit loss			
FVOCI equity reserve	**(2)**	**-**	**(2)**
Losses arising during the year	(2)	-	(2)
Remeasurement on defined benefit post-employment plans	**(229)**	**-**	**(229)**
Losses arising during the year	(307)	-	(307)
Deferred income tax	78	-	78
Other comprehensive loss for the year	**(136)**	**-**	**(136)**
Total comprehensive income for the year	**31 624**	**93**	**31 717**
Attributable to			-
Ordinary equityholders	30 068	-	30 068
Other equity instrument holders	667	93	760
Equityholders of the group	**30 735**	**93**	**30 828**
Non-controlling interests	889	-	889
Total comprehensive income for the year	**31 624**	**93**	**31 717**

10.6 RESTATED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R million	As previously reported at 30 June 2019	Restatement for IFRS 16	Restated 1 July 2019
Assets			
Accounts receivable	8 578	(39)	8 539
Property and equipment	17 800	2 755	20 555
Other assets	1 642 684	-	1 642 684
Total assets	**1 669 062**	**2 716**	**1 671 778**
EQUITY AND LIABILITIES			
Liabilities			
Creditors, accruals and provision (operating lease straight-lining liability)	21 922	(103)	21 819
Current tax liability	1 643	-	1 643
Tier 2 liabilities	24 191	-	24 191
Other liabilities	1 476 713	2 834	1 479 547
Total liabilities	**1 524 469**	**2 731**	**1 527 200**
Equity			-
Ordinary shares	56	-	56
Share premium	8 023	-	8 023
Reserves	121 594	(15)	121 579
Capital and reserves attributable to ordinary equityholders of the group	**129 673**	**(15)**	**129 658**
Other equity instruments	10 734	-	10 734
Non-controlling interests	4 186	-	4 186
Total equity	**144 593**	**(15)**	**144 578**
Total equity and liabilities	**1 669 062**	**2 716**	**1 671 778**

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June

R million	Notes	2020	2019
Interest income calculated using effective interest rate		**121 046**	119 797
Interest on other financial instruments and similar income		**841**	471
Interest and similar income	1.1	**121 887**	120 268
Interest expense and similar charges	1.2	**(58 972)**	(59 811)
Net interest income before impairment of advances		**62 915**	60 457
Impairment and fair value of credit on advances		**(24 383)**	(10 500)
- Impairment on amortised cost advances	12	**(23 823)**	(10 431)
- Fair value of credit on advances	12	**(560)**	(69)
Net interest income after impairment of advances		**38 532**	49 957
Non-interest revenue	2	**41 691**	45 808
- net fee and commission income	2.1	**30 058**	30 731
- fee and commission income		**36 244**	36 533
- fee and commission expense*		**(6 186)**	(5 802)
- insurance income	2.2	**3 941**	4 128
- fair value income	2.3	**4 084**	4 587
- fair value gains and losses		**8 869**	9 338
- interest expense on fair value activities		**(4 785)**	(4 751)
- gains less losses from investing activities	2.4	**561**	3 610
- other non-interest income	2.5	**3 047**	2 752
Income from operations		**80 223**	95 765
Operating expenses*	3	**(55 276)**	(54 043)
Net income from operations		**24 947**	41 722
Share of profit of associates after tax	16	**24**	946
Share of profit of joint ventures after tax	17	**5**	284
Income before indirect tax		**24 976**	42 952
Indirect tax	4.1	**(1 348)**	(1 280)
Profit before income tax		**23 628**	41 672
Income tax expense	4.2	**(4 848)**	(9 819)
Profit for the year		**18 780**	31 853
Attributable to			
Ordinary equityholders		**17 021**	30 211
Other equity instrument holders*		**1 145**	760
Equityholders of the group		**18 166**	30 971
Non-controlling interests		**614**	882
Profit for the year		**18 780**	31 853
Earnings per share (cents)			
- Basic	5	**303.5**	538.6
- Diluted	5	**303.5**	538.6

** Restated following the adoption of IAS 12 amendments (see accounting policy note 10) and reclassification of customer loyalty expenses. In the prior period R240 million relating to operating lease expenses incurred on SLOW lounges were reclassified from operating expenses to fee and commission expenses, so as to better reflect the nature of the expense.*

The group elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis. Refer to accounting policy note 10 for details.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June

R million	2020	2019
Profit for the year*	**18 780**	31 853
Items that may subsequently be reclassified to profit or loss		
Cash flow hedges	**1 154**	498
Gains arising during the year	**592**	829
Reclassification adjustments for amounts included in profit or loss	**1 036**	(137)
Deferred income tax	**(474)**	(194)
FVOCI debt reserve	**(61)**	(4)
Losses arising during the year	**(91)**	(2)
Reclassification adjustments for amounts included in profit or loss	**3**	(4)
Deferred income tax	**27**	2
Exchange differences on translating foreign operations	**6 208**	(444)
Gains/(losses) arising during the year	**6 170**	(428)
Deferred income tax	**38**	(16)
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interest	**33**	45
Items that may not subsequently be reclassified to profit or loss		
FVOCI equity reserve	**(157)**	(2)
Losses arising during the year	**(202)**	(2)
Deferred income tax	**45**	-
Remeasurements on defined benefit post-employment plans	**532**	(229)
Gains/(losses) arising during the year	**744**	(307)
Deferred income tax	**(212)**	78
Other comprehensive income/(loss) for the year	**7 709**	(136)
Total comprehensive income for the year	**26 489**	31 717
Attributable to		
Ordinary equityholders	**24 634**	30 068
Other equity instrument holders*	**1 145**	760
Equityholders of the group	**25 779**	30 828
Non-controlling interests	**710**	889
Total comprehensive income for the year	**26 489**	31 717

** Restated prior year following the adoption of IAS 12 amendments. Refer to accounting policy note 10 for details.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June

R million	Notes	**2020**	2019
ASSETS			
Cash and cash equivalents	7	**136 002**	102 518
Derivative financial instruments	8	**147 515**	47 104
Commodities	9	**21 344**	21 176
Investment securities	10	**297 469**	241 726
Advances	11	**1 261 715**	1 205 752
- Advances to customers		**1 191 281**	1 142 845
- Marketable advances		**70 434**	62 907
Other assets*	13	**11 256**	8 578
Current tax asset		**598**	267
Non-current assets and disposal groups held for sale	14	**3 065**	-
Reinsurance assets	15	**240**	196
Investments in associates	16	**6 882**	6 369
Investments in joint ventures	17	**1 749**	1 769
Property and equipment**	18	**21 369**	17 800
Intangible assets	19	**11 638**	10 491
Investment properties	20	**722**	689
Defined benefit post-employment asset	21	**-**	6
Deferred income tax asset	22	**4 975**	4 621
Total assets		**1 926 539**	1 669 062
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	23	**5 062**	5 374
Derivative financial instruments	8	**162 193**	52 597
Creditors, accruals and provisions	24	**21 038**	21 922
Current tax liability		**499**	1 643
Liabilities directly associated with disposal groups held for sale	14	**1 427**	-
Deposits	25	**1 535 015**	1 393 104
Employee liabilities	21	**8 820**	13 042
Other liabilities**	26	**8 203**	5 974
Policyholder liabilities	15	**6 430**	5 263
Tier 2 liabilities	27	**24 614**	24 191
Deferred income tax liability	22	**1 318**	1 359
Total liabilities		**1 774 619**	1 524 469
Equity			
Ordinary shares	28	**56**	56
Share premium	28	**8 008**	8 023
Reserves		**129 465**	121 594
Capital and reserves attributable to equityholders of the group		**137 529**	129 673
Other equity instruments	29	**10 245**	10 734
Non-controlling interests		**4 146**	4 186
Total equity		**151 920**	144 593
Total equity and liabilities		**1 926 539**	1 669 062

**In the prior year, these amounts were described as accounts receivable. The description as other assets is more appropriate, based on the nature of the assets included in this line item and is in line with industry practice.*

***The group elected not to restate comparative information, as permitted by IFRS 16. Comparability will not be achieved, as comparative information has been prepared on an IAS 17 basis. Refer to accounting policy note 10 for details.*

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 2018	56	7 994	**8 050**	(723)	343
Net proceeds of issue of share capital	-	-	**-**	-	-
Acquisition of subsidiaries	-	-	**-**	-	-
Additional Tier 1 capital issued during the year	-	-	**-**	-	-
Movement in other reserves	-	-	**-**	-	-
Ordinary dividends	-	-	**-**	-	-
Distributions to other equity instruments	-	-	**-**	-	-
Transfer from/(to) general risk reserves	-	-	**-**	-	-
Changes in ownership interest of subsidiaries	-	-	**-**	-	-
Movement in treasury shares	-	29	**29**	-	-
Total comprehensive income for the year	-	-	**-**	(229)	498
Vesting of share-based payments	-	-	**-**	-	-
Balance as at 30 June 2019	56	8 023	**8 079**	(952)	841
Adjustment for adoption of IFRS 16	-	-	**-**	-	-
Restated balance as at 1 July 2019	56	8 023	**8 079**	(952)	841
Net proceeds of issue of share capital	-	-	**-**	-	-
Acquisition of subsidiaries	-	-	**-**	-	-
Additional Tier 1 capital issued during the year	-	-	**-**	-	-
Additional Tier 1 capital redeemed during 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	-	(15)	**(15)**	-	-
Total comprehensive income for the year	-	-	**-**	532	1 154
Vesting of share-based payments	-	-	**-**	-	-
Balance as at 30 June 2020	56	8 008	**8 064**	(420)	1 995

**Other reserves include the FVOCI reserve.*

*** Other equity instruments at 30 June 2020 include R4 519 million of non-cumulative, non-redeemable preference shares and R5 726 million of AT1 instruments.*

 # Restated prior year following the adoption of IAS 12 amendments. Refer to accounting policy note 10 for details.

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 instru-ments** **	**Non-controlling interests**	**Total equity**
4	2 832	686	104 348	**107 490**	**5 769**	**3 906**	**125 215**
-	-	-	-	**-**	**-**	**(4)**	**(4)**
-	1	-	-	**1**	**-**	**4**	**5**
-	-	-	-	**-**	**4 965**	**-**	**4 965**
3	-	109	(128)	**(16)**	**-**	**7**	**(9)**
-	-	-	(15 931)	**(15 931)**	**-**	**(584)**	**(16 515)**
-	-	-	-	**-**	**(760)** #	**-**	**(760)**
-	-	(123)	123	**-**	**-**	**-**	**-**
-	-	-	(32)	**(32)**	**-**	**(32)**	**(64)**
-	-	-	14	**14**	**-**	**-**	**43**
-	(447)	35	30 211	**30 068**	**760** #	**889**	**31 717**
(6)	-	-	6	**-**	**-**	**-**	**-**
1	2 386	707	118 611	**121 594**	**10 734**	**4 186**	**144 593**
-	(20)	-	5	**(15)**	**-**	**-**	**(15)**
1	2 366	707	118 616	**121 579**	**10 734**	**4 186**	**144 578** -
-	-	-	-	**-**	**-**	**(9)**	**(9)**
-	-	-	-	**-**	**-**	**-**	**-**
-	-	-	-	**-**	**761**	**-**	**761**
-	-	-	-	**-**	**(1 250)**	**-**	**(1 250)**
26	-	278	(303)	**1**	**-**	**(9)**	**(8)**
-	-	-	(16 716)	**(16 716)**	**-**	**(736)**	**(17 452)**
-	-	-	-	**-**	**(1 145)**	**-**	**(1 145)**
-	-	(2)	2	**-**	**-**	**-**	**-**
-	-	-	(12)	**(12)**	**-**	**4**	**(8)**
-	-	-	(20)	**(20)**	**-**	**-**	**(35)**
-	6 120	(193)	17 021	**24 634**	**1 145**	**710**	**26 489**
(3)	-	-	2	**(1)**	**-**	**-**	**(1)**
24	8 486	790	118 590	**129 465**	**10 245**	**4 146**	**151 920**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Notes	2020	2019
Cash flows from operating activities			
Interest and fee commission receipts*		**153 420**	153 134
Trading and other income		**3 340**	3 033
Interest payments**		**(57 696)**	(58 428)
Other operating expenses*,**		**(45 895)**	(43 278)
Dividends received		**2 208**	3 816
Dividends paid		**(17 861)**	(16 598)
Dividends paid to non-controlling interest		**(736)**	(584)
Taxation paid		**(8 669)**	(10 621)
Cash generated from operating activities		**28 111**	30 474
Movements in operating assets and liabilities		**11 741**	(22 745)
- Liquid assets and trading securities		**(45 030)**	(30 463)
- Advances		**(17 961)**	(95 933)
- Deposits		**74 964**	120 674
- Other assets#		**(763)**	660
- Creditors#		**(1 357)**	2 263
- Employee liabilities		**(7 033)**	(5 906)
- Other liabilities**		**8 921**	(14 040)
Net cash generated from operating activities		**39 852**	7 729
Cash flows from investing activities			
Acquisition of investments in associates	16	**(551)**	(418)
Proceeds on disposal of investments in associates	16	**594**	1 278
Acquisition of investment in joint ventures	17	**(257)**	(45)
Proceeds on disposal of investment in joint ventures	17	**109**	22
Acquisition of investment in subsidiaries	30.1	**(366)**	-
Proceeds on disposal of subsidiaries	30.2	**-**	(2)
Acquisition of property and equipment	18	**(5 510)**	(3 503)
Proceeds on disposal of property and equipment	18	**752**	749
Acquisition of intangible assets and investment properties	19,20	**(454)**	(684)
Proceeds on disposal of non-current assets held for sale	14	**-**	331
Net cash outflow from investing activities		**(5 683)**	(2 272)
Cash flows from financing activities			
Proceeds on the issue of other liabilities	26.1	**4 583**	1 637
Redemption of other liabilities	26.1	**(5 174)**	(541)
Principal payments towards lease liabilities**	26.1	**(884)**	-
Proceeds from issue of Tier 2 liabilities	27.1	**275**	2 625
Capital repaid on Tier 2 liabilities	27.1	**(2 186)**	(7 579)
Acquisition of additional interest in subsidiaries from non-controlling interest	30.1.1	**(6)**	(23)
Disposal of additional interest in subsidiaries to non-controlling interest	30.2.2	**6**	-
Redemption of AT1 equity instruments	29	**(1 250)**	-
Proceeds from issue of AT1 equity instruments	29	**761**	4 965
Net cash inflow from financing activities		**(3 875)**	1 084
Net increase in cash and cash equivalents		**30 294**	6 541
Cash and cash equivalents at the beginning of the year		**102 518**	96 024
Effect of exchange rate changes on cash and cash equivalents		**3 604**	(47)
Transfer to non-current assets held for sale		**(414)**	-
Cash and cash equivalents at the end of the year	7	**136 002**	102 518

* *Reclassification in the prior period of R240 million relating to operating lease expenses incurred on SLOW lounges from other operating expenses to interest and fee commission receipts, so as to better reflect the nature of the item.*

** *The group elected not to restate comparative information, as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis. Refer to accounting policy note 10 for details.*

\# *In the prior year, movement of R2 923 million in other assets and creditors were presented as a net movement. Due to the different underlying nature of these cash flows, these items have been disclosed separately in the current period and the prior period has been expanded in a similar way to achieve appropriate comparability.*

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	2020	2019
Analysis of interest and similar income		
Debt instruments at fair value through other comprehensive income	**522**	332
Instruments at fair value through profit and loss	**829**	431
Instruments at amortised cost*	**120 524**	118 586
Non-financial instruments	**12**	40
Interest and similar income	**121 887**	120 268
Advances	**106 675**	106 998
- Overdrafts and cash management accounts	**8 524**	8 946
- Term loans	**5 710**	5 578
- Card loans	**5 002**	4 889
- Instalment sales and hire purchase agreements	**20 333**	20 439
- Lease payments receivable	**919**	962
- Property finance	**31 520**	30 941
- Home loans	**26 903**	27 022
- Commercial property finance	**4 617**	3 919
- Personal loans	**11 749**	11 101
- Preference share agreements	**3 510**	3 455
- Assets under agreement to resell	**412**	582
- Investment bank term loans	**11 121**	12 183
- Long-term loans to group associates and joint ventures	**84**	87
- Other customer advances	**2 410**	2 515
- Invoice finance	**516**	435
- Marketable advances	**4 865**	4 885
Cash and cash equivalents	**2 028**	2 241
Investment securities	**11 246**	10 102
Accrued on off-market advances	**43**	27
Other	**1 895**	900
Interest and similar income	**121 887**	120 268

**Interest cash flows on hedging instruments of R879 million disclosed separately in the prior year, has now been incorporated into instruments at amortised cost to align with the classification of the hedged item.*

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE continued

1.2 Interest expense and similar charges

R million	2020	2019
Analysis of interest expense and similar charges		
Instruments at fair value through profit or loss	**(61)**	(11)
Instruments at amortised cost*	**(58 737)**	(59 693)
Non-financial instruments	**(174)**	(107)
Interest expense and similar charges	**(58 972)**	(59 811)
Deposits	**(59 710)**	(60 766)
Deposits from customers	**(39 399)**	(39 467)
- Current accounts	**(5 190)**	(5 299)
- Savings deposits	**(737)**	(616)
- Call deposits	**(13 281)**	(12 965)
- Fixed and notice deposits	**(19 487)**	(19 942)
- Other deposits	**(704)**	(645)
Debt securities	**(17 773)**	(18 703)
- Negotiable certificates of deposit	**(4 313)**	(5 235)
- Fixed and floating rate notes	**(13 460)**	(13 468)
Asset-backed securities	**(1 021)**	(887)
- Securitisation issuances	**(1 021)**	(887)
Other	**(1 517)**	(1 709)
- Repurchase agreements	**(854)**	(974)
- Securities lending	**(175)**	(217)
- Cash collateral and credit-linked notes	**(488)**	(518)
Other funding liabilities	**(160)**	(418)
Lease liabilities**	**(181)**	(4)
Tier 2 liabilities	**(2 097)**	(2 364)
Other	**(1 609)**	(1 014)
Gross interest expense and similar charges	**(63 757)**	(64 562)
Less: interest expense on fair value activities reallocated	**4 785**	4 751
Interest expense and similar charges	**(58 972)**	(59 811)

**Interest cash flows on hedging instruments of R742 million which was disclosed separately in the prior year, has now been incorporated into instruments at amortised cost to align with the classification of the hedged item.*

***The group elected not to restate comparative information, as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis. Refer to accounting policy note 10 for details.*

2 NON-INTEREST REVENUE

R million	Notes	2020	2019
Analysis of non-interest revenue			
Fee and commission income		**36 244**	36 533
- Instruments at amortised cost		**29 646**	30 032
- Instruments at fair value through profit or loss		**14**	41
- Instruments at fair value through other comprehensive income		**-**	-
- Non-financial instruments		**6 584**	6 460
Fee and commission expenses*		**(6 186)**	(5 802)
Net fee and commission income	2.1	**30 058**	30 731
Insurance income	2.2	**3 941**	4 128
- Instruments mandatory at fair value through profit or loss		**2 908**	5 663
- Instruments designated at fair value through profit or loss		**(1 412)**	166
'- Translation gains or losses on instruments not held at fair value through profit or loss		**2 588**	(1 029)
- Non-financial instruments		**-**	(213)
Fair value income	2.3	**4 084**	4 587
- Instruments at fair value through profit or loss		**(96)**	2 080
- Designated FVTPL**		**69**	1 994
- Mandatory FVTPL**		**(165)**	86
- Instruments at amortised cost**		**48**	(19)
- Instruments at fair value through other comprehensive income**		**5**	11
- Non-financial instruments**		**604**	1 538
Gains less losses from investing activities	2.4	**561**	3 610
Other non-interest revenue	2.5	**3 047**	2 752
Total non-interest revenue		**41 691**	45 808

** Reclassification in the prior period of R240 million relating to operating lease expenses incurred on SLOW lounges from operating expenses to fee and commission expenses, so as to better reflect the nature of the expense.*

*** Gains less losses from investing activities has been presented differently than in the prior year.*
In the current year gains less losses from investment activities is disclosed by IFRS 9 classification and non-financial.
The comparative information has been reclassified in line with the new presentation.

2 NON-INTEREST REVENUE continued

2.1 Net fee and commission income

R million	2020	2019
Banking fee and commission income	**31 696**	32 043
- Card commissions	**4 943**	5 061
- Cash deposit fees	**1 720**	1 910
- Commitment fees	**1 466**	1 523
- Commissions: bills, drafts and cheques	**905**	951
- Exchange commissions	**1 912**	1 947
- Brokerage income	**145**	184
- Bank charges	**20 605**	20 467
- Transaction and service fees	**6 679**	6 801
- Documentation and administration fees	**10 013**	9 302
- Cash handling fees	**2 859**	3 385
- Other	**1 054**	979
Knowledge-based fee and commission income	**1 161**	1 184
Management, trust and fiduciary fees	**2 472**	2 402
Fee and commission income from service providers	**521**	542
Other non-banking fee and commission income	**394**	362
Fee and commission income	**36 244**	36 533
Transaction processing fees	**(1 230)**	(1 263)
Transaction-based fees	**(200)**	(196)
Commission paid	**(262)**	(262)
Customer loyalty programmes*	**(2 160)**	(1 982)
Cash sorting, handling and transportation charges	**(1 074)**	(955)
Card and cheque book related	**(445)**	(488)
ATM commissions paid	**(58)**	(56)
Other	**(757)**	(600)
Fee and commission expenses	**(6 186)**	(5 802)
Net fee and commission income	**30 058**	30 731

** Reclassification in the prior period of R240 million relating to operating lease expenses incurred on SLOW lounges from operating expenses to fee and commission expenses, so as to better reflect the nature of the expense.*

2.2 Insurance income

R million	2020	2019
Commissions, brokerage and profit share from third-party cells	**1 626**	1 755
Insurance risk related income	**2 315**	2 373
- Insurance premiums received	**4 411**	3 744
- Reinsurance expenses	**(206)**	(153)
- Insurance benefits and claims paid	**(1 404)**	(1 095)
- Reinsurance recoveries	**100**	59
- Transfers to policyholder liabilities (gross)	**(640)**	(295)
- Transfers from policyholder liabilities (reinsurance)	**54**	113
Insurance income	**3 941**	4 128

2 NON-INTEREST REVENUE continued

2.3 Fair value gains or losses

R million	2020	2019
Dividend income on preference shares held	**982**	1 071
Other fair value income	**3 102**	3 516
Fair value gains or losses	**4 084**	4 587

2.4 Gains less losses from investing activities

R million	Notes	2020	2019
Gain on disposal of investment activities		**108**	1 957
- Gains on disposal of debt instruments at amortised cost		**108**	29
- Gain on investment activities of a capital nature*		**-**	1 928
Impairment/(reversal of impairment) of debt investment securities at amortised cost		**7**	(20)
Reclassification from other comprehensive income on the derecognition/sale of assets FVOCI		**(3)**	4
Preference share dividends from unlisted investments		**49**	54
Other dividends received		**37**	39
Gain on the disposal of investments in subsidiaries		**-**	6
Gain on disposal of investments in associates		**461**	1 217
Gain on partial disposal of investments in joint ventures		**23**	(2)
Fair value remeasurements on investment properties	20	**26**	-
Rental income from investment properties		**110**	100
Other (losses)/gains from investing activities		**(257)**	255
Gains less losses from investing activities		**561**	3 610

**The impact of the gain on the Discovery transaction in the prior year, gross of tax of R448 million.*

2.5 Other non-interest revenue

R million	2020	2019
Gain on disposal of property and equipment	**(14)**	52
Gain on disposal of non-current assets held for sale	**-**	219
Rental income	**1 848**	1 573
Income from sales transactions to customers	**624**	591
- Sales	**1 941**	1 966
- Cost of sales	**(1 468)**	(1 525)
- Other operating lease transactions	**151**	150
Other income	**589**	317
Other non-interest revenue	**3 047**	2 752

3 OPERATING EXPENSES

R million	Notes	2020	2019
Auditors' remuneration		**(480)**	(436)
- Audit fees		**(435)**	(397)
- Fees for other services		**(43)**	(35)
- Prior year under accrual		**(2)**	(4)
Non-capitalised lease charges *		**(530)**	-
- Short-term leases charge		**(357)**	-
- Low-value lease charge		**(117)**	-
- Variable lease charge		**(56)**	-
Operating lease charges**		**-**	(1 484)
Staff costs		**(32 104)**	(32 337)
- Salaries, wages and allowances#		**(25 331)**	(22 997)
- Contributions to employee benefit funds		**(459)**	(392)
- Defined contribution schemes		**(325)**	(239)
- Defined benefit schemes	21.1	**(134)**	(153)
- Social security levies		**(561)**	(558)
- Share-based payments	32	**(556)**	(1 966)
- Movement in short-term employee benefit liabilities		**(4 010)**	(5 165)
- Other staff costs		**(1 187)**	(1 259)
Other operating costs		**(22 162)**	(19 786)
- Amortisation of intangible assets	19	**(836)**	(794)
- Depreciation of property and equipment*	18	**(4 110)**	(2 887)
- Impairments incurred		**(617)**	(229)
- Impairments reversed		**11**	16
- Insurance		**(91)**	(140)
- Advertising and marketing		**(1 871)**	(2 126)
- Maintenance		**(1 320)**	(1 405)
- Property		**(1 146)**	(1 060)
- Computer		**(3 334)**	(2 935)
- Stationery, storage and delivery		**(331)**	(399)
- Telecommunications		**(569)**	(509)
- Professional fees		**(2 421)**	(2 316)
- Donations		**(309)**	(271)
- Assets costing less than R7 000		**(346)**	(345)
- Business travel		**(414)**	(546)
- Profit share expenses		**(508)**	(644)
- Bank charges		**(465)**	(495)
- Legal fee expenses		**(618)**	(467)
- Entertainment		**(219)**	(303)
- Subscriptions and memberships		**(244)**	(205)
- Training expenses		**(367)**	(396)
- Other operating expenditure		**(2 037)**	(1 330)
Total operating expenses		**(55 276)**	(54 043)

**The group elected not to restate comparative information, as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis. Refer to accounting policy note 10 for details.*

*** Reclassification in the prior period of R240 million relating to operating lease expenses incurred on SLOW lounges from operating expenses to fee and commission expenses, so as to better reflect the nature of the expense.*

 # Certain staff expenses to the value of R1 496 million have been reclassified from defined contribution scheme expenses salaries, wages and allowances as it more accurately reflects the nature of the expenses. The comparative information has been restated.

3 OPERATING EXPENSES continued

Impairment incurred during 2020

Goodwill

The carrying amount of the two CGUs within the African Operations have been reduced to its recoverable amount through the recognition of an impairment against goodwill of R212 million. The impairment is included in the FNB Africa reportable segment.

Property and equipment

During the current year, equipment held under leasing arrangements was impaired by R122 million, to its recoverable amount of R39 million. The recoverable amount is based on fair value less cost of to sell and the impairment is as a result of the current economic environment and COVID-19 related trade restrictions. The fair value less cost to sell was determined by an independent valuation done by aviation experts and is a valuation within level 3 of the fair value hierarchy. The impairment is included in the RMB reportable segment.

Other

Various individually immaterial assets were impaired to their recoverable amount based on either value in use or fair value less costs to sell.

Impairment of R202 million was recognised on the Tanzania disposal group. Refer to note 14.

Included within impairments is an amount of R70 million relating to ECL raised on non-advances.

Impairment incurred during 2019

Intangible assets

FNB South Africa impaired software with a carrying value of R56 million to a value in use of Rnil as management determined that it would no longer meet their future needs. The rest of the impairments relate to individually immaterial intangible assets within the group.

Other

Included in the impairment cost is an amount of R106 million relating to ECL raised on non-advances. The rest of the impairments relate to individually immaterial non-advances within the group.

3 OPERATING EXPENSES continued

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Information relating to each director's and prescribed officer's remuneration for the year under review and details of share options and dealings in FirstRand shares are set out below.

Non-executive directors' remuneration

	2020			2019		
	Services as directors			Services as directors		
R thousand	**FirstRand**	**Group**	**Total**	FirstRand	Group	Total
Independent non-executive directors						
WR Jardine	**6 282**	**273**	**6 555**	6 326	252	6 578
MS Bomela	**1 142**	**-**	**1 142**	1 075	-	1 075
G Gelink	**2 690**	**1 595**	**4 285**	2 424	1 729	4 153
NN Gwagwa (resigned at 2019 AGM)	**672**	**-**	**672**	1 108	-	1 108
RM Loubser	**2 670**	**1 892**	**4 562**	2 611	2 183	4 794
PJ Makosholo (resigned 30 June 2020)	**1 407**	**541**	**1 948**	1 291	509	1 800
TS Mashego	**1 064**	**133**	**1 197**	954	126	1 080
EG Matenge-Sebesho (resigned at 2019 AGM)	**632**	**663**	**1 295**	1 075	628	1 703
AT Nzimande	**1 369**	**-**	**1 369**	1 285	-	1 285
L Von Zeuner (appointed 1 February 2019)	**1 533**	**173**	**1 706**	539	-	539
T Winterboer	**1 451**	**490**	**1 941**	1 451	-	1 451
Z Roscherr (appointed 1 April 2020)	**763**	**750**	**1 513**	-	-	-
Non-executive directors						
HL Bosman (resigned 30 June 2020)	**1 262**	**33**	**1 295**	943	125	1 068
JP Burger (appointed 1 September 2018)	**2 105**	**1 007**	**3 112**	1 431	725	2 156
JJ Durand (resigned at 2019 AGM)	**277**	**-**	**277**	394	-	394
F Knoetze	**1 272**	**749**	**2 021**	1 291	1 199	2 490
Total non-executive directors	**26 591**	**8 299**	**34 890**	24 198	7 476	31 674

3 OPERATING EXPENSES continued

Directors' and prescribed officers' emoluments

Single figure

Cash package, retirement contributions and other allowances reflect what was paid to the prescribed officers during the year ended 30 June 2020 with the FirstRand annual remuneration cycle running from 1 August to 31 July.

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. King IV requires a specific single figure reporting, which is different to prior years' disclosure. This difference in reporting relates only to the disclosure of the LTI. Previous reporting reflected the LTI allocated in the financial year at original award value. For King IV single figure reporting, the value presented is the LTI settled in the financial year at original award value. As part of the reporting transition, both views have been provided.

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

3 OPERATING EXPENSES continued

R thousand	2020	2019
AP Pullinger (group CEO)[1]		
Cash package paid during the year	**8 971**	8 493
Retirement contributions paid during the year	**179**	167
Other allowances	**264**	205
Guaranteed package	**9 414**	8 865
Performance-related STI:		
Cash	**5 825**	12 200
- Within 6 months[2]	**-**	8 350
- Within 1 year	**5 825**	3 850
Share linked- deferred 2 and 3 years (BCIP)[3]	**3 825**	10 200
Variable pay	**9 650**	22 400
Total guaranteed and variable pay	**19 064**	31 265
Value of LTI awards allocated during the financial year under the CIP[4]	**20 046**	18 500
Total reward including LTIs	**39 110**	49 765
Single figure reporting		
Total guaranteed and variable pay	**19 064**	31 265
Value of LTI awards settled during the financial year under the CIP[5]	**14 630**	10 000
Total reward including LTIs (Single figure)	**33 694**	41 265
M Vilakazi (group COO)[1, 6]		
Cash package paid during the year	**6 816**	6 468
Retirement contributions paid during the year	**132**	125
Other allowances	**173**	157
Guaranteed package	**7 121**	6 750
Performance-related STI:		
Cash	**4 025**	5 875
- Within 6 months[2]	**-**	4 133
- Within 1 year	**4 025**	1 742
Share linked- deferred 2 and 3 years (BCIP)[3]	**2 025**	3 875
Variable pay	**6 050**	9 750
Total guaranteed and variable pay	**13 171**	16 500
Value of LTI awards allocated during the financial year under the CIP[4]	**10 775**	8 500
Total reward including LTIs	**23 946**	25 000
Appointment award		
Sign-on cash bonus	**-**	7 500
Sign-on CIP allocation	**-**	14 000
Total appointment award	**-**	21 500
Single figure reporting		
Total guaranteed and variable pay	**13 171**	16 500
Sign-on cash bonus	**-**	7 500
Value of LTI awards settled during the financial year under the CIP[5]	**-**	-
Total reward including LTIs (Single figure)	**13 171**	24 000

3 OPERATING EXPENSES continued

R thousand	2020	2019
HS Kellan (group financial director)[1]		
Cash package paid during the year	**7 526**	7 175
Retirement contributions paid during the year	**61**	54
Other allowances	**173**	156
Guaranteed package	**7 760**	7 385
Performance-related STI:		
Cash	**4 300**	6 167
- Within 6 months[2]	**-**	4 328
- Within 1 year	**4 300**	1 839
Share linked- deferred 2 and 3 years (BCIP)[3]	**2 300**	4 167
Variable pay	**6 600**	10 334
Total guaranteed and variable pay	**14 360**	17 719
Value of LTI awards allocated during the financial year under the CIP[4]	**13 440**	12 000
Total reward including LTIs	**27 800**	29 719
Single figure reporting		
Total guaranteed and variable pay	**14 360**	17 719
Value of LTI awards settled during the financial year under the CIP[5]	**8 600**	7 000
Total reward including LTI (Single figure)	**22 960**	24 719
J Celliers (CEO FNB)[1]		
Cash package paid during the year	**7 742**	7 364
Retirement contributions paid during the year	**138**	131
Other allowances	**173**	156
Guaranteed package	**8 053**	7 651
Performance-related STI:		
Cash	**6 150**	8 287
- Within 6 months[2]	**-**	5 741
- Within 1 year	**6 150**	2 546
Share linked- deferred 2 and 3 years (BCIP)[3]	**4 150**	6 287
Variable pay	**10 300**	14 574
Total guaranteed and variable pay	**18 353**	22 225
Value of LTI awards allocated during the financial year under the CIP[4]	**15 515**	14 500
Total reward including LTIs	**33 868**	36 725
Single figure reporting		
Total guaranteed and variable pay	**18 353**	22 225
Value of LTI awards settled during the financial year under the CIP[5]	**11 943**	10 000
Total reward including LTI (Single figure)	**30 296**	32 225

3 OPERATING EXPENSES continued

R thousand	2020	2019
C de Kock (CEO WesBank)[1]		
Cash package paid during the year	**5 331**	5 046
Retirement contributions paid during the year	**43**	39
Other allowances	**169**	190
Guaranteed package	**5 543**	5 275
Performance-related STI:		
Cash	**3 062**	4 750
- Within 6 months[2]	**-**	3 383
- Within 1 year	**3 062**	1 367
Share linked- deferred 2 and 3 years (BCIP)[3]	**1 063**	2 750
Variable pay	**4 125**	7 500
Total guaranteed and variable pay	**9 668**	12 775
Value of LTI awards allocated during the financial year under the CIP[4]	**10 435**	9 844
Total reward including LTIs	**20 103**	22 619
Single figure reporting		
Total guaranteed and variable pay	**9 668**	12 775
Value of LTI awards settled during the financial year under the CIP[5]	**9 200**	7 500
Total reward including LTIs (Single figure)	**18 868**	20 275
J Formby (CEO RMB)[1]		
Cash package paid during the year	**4 644**	3 607
Retirement contributions paid during the year	**74**	60
Other allowances	**190**	194
Guaranteed package	**4 908**	3 861
Performance-related STI:		
Cash	**8 375**	13 000
- Within 6 months[2]	**-**	8 883
- Within 1 year	**8 375**	4 117
Share linked- deferred 2 and 3 years (BCIP)[3]	**6 375**	11 000
Variable pay	**14 750**	24 000
Total guaranteed and variable pay	**19 658**	27 861
Value of LTI awards allocated during the financial year under the CIP[4]	**9 100**	8 300
Total reward including LTIs	**28 758**	36 161
Single figure reporting		
Total guaranteed and variable pay	**19 658**	27 861
Value of LTI awards settled during the financial year under the CIP[5]	**7 500**	5 000
Total reward including LTIs (Single figure)	**27 158**	32 861

3 OPERATING EXPENSES continued

£ thousand	2020	2019
P Monks[1, 7]		
Cash package paid during the year	**831**	754
Retirement contributions paid during the year	**48**	43
Other allowances	**24**	18
Guaranteed package	**903**	815
Performance-related STI:		
Cash	**-**	382
- Within 6 months[8]	**-**	382
Share linked- deferred over 3 years[9]	**-**	188
Variable pay	**-**	570
Total guaranteed and variable pay	**903**	1 385
Value of LTI awards allocated during the financial year under the CIP[5, 11]	**649**	633
Total reward including LTIs	**1 552**	2 018
Single figure reporting		
Total guaranteed and variable pay	**903**	1 385
Pre-acquisition cash deferral settled during the financial year[10]	**679**	296
Total reward including LTIs (Single figure)	**1 582**	1 681

R thousand	2020	2019
JP Burger[1, 12]		
Cash package paid during the year	**-**	1 645
Retirement contributions paid during the year	**-**	28
Other allowances	**-**	39
Guaranteed package	**-**	1 712
Performance-related STI:		
Cash	**-**	-
- Within 6 months[2]	**-**	-
- Within 1 year	**-**	-
Share linked- deferred 2 and 3 years (BCIP)[3]		
Variable pay	**-**	-
Total guaranteed and variable pay	**-**	1 712
Value of LTI awards allocated during the financial year under the CIP[4]	**-**	-
Total reward including LTIs	**-**	1 712
Single figure reporting		
Total guaranteed and variable pay	**-**	1 712
Value of LTI awards settled during the financial year under the CIP[5]	**18 350**	15 630
Total reward including LTIs (Single figure)	**18 350**	17 342

3 OPERATING EXPENSES continued

1. *FirstRand defines its prescribed officers as the group CEO, group COO, financial director and the CEOs of the group's operating businesses (FNB, RMB, WesBank and Aldermore) that contribute materially to group performance. All of these officers are members of the group strategic executive committee and attend board meetings.*
2. *Variable compensation paid in cash in respect of the year ended June 2020, will be paid (with an interest factor) in one tranche in June 2021. In prior years, variable compensation paid in cash in respect of the year ended June, was paid (with an interest factor) in three tranches, during the following year ending on 30 June. i.e. August, December and June.*
3. *Variable compensation for performance in the current year deferred as share-linked awards, which vest over two periods, 50% after two years and 50% after three years from grant date, based on continued employment and good standing. Referred to as BCIP (bonus conditional incentive plan). Extended vesting was introduced in 2019, in prior years full BCIP vesting occurred after two years.*
4. *Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate targets being met 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. *Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate targets being met on a cumulative basis over three years. For King IV single figure reporting, the value presented in the table is the LTI settled in the financial year at original award value.*
6. *Prescribed officer (M Vilakazi) appointed effective 1 July 2018.*
7. *Prescribed officer (P Monks) appointed effective 1 July 2018.*
8. *The Aldermore performance related STI cash component is paid in full in August.*
9. *The Aldermore performance related STI share linked component is released in equal annual tranches over three years from grant date.*
10. *Aldermore pre-acquisition cash award deferred and settled in the financial year.*
11. *Aldermore LTIP allocated amount is the on- target value assumed at 67% of maximum.*
12. *JP Burger was an executive director for two months in the prior financial year, and became a non-executive director effective 1 September 2018.*

3 OPERATING EXPENSES continued

All executive directors and prescribed officers have a notice period of one month. 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

FirstRand Bank Limited is a wholly-owned subsidiary of FirstRand Limited.

COVID-19 Instrument for senior managers

The COVID-19 health crisis and the resulting economic impact will be evident in FirstRand's results in 2020 and the foreseeable future. This impact has resulted in the 2017 LTI not vesting and increases the risk of the 2018 and 2019 LTIs not vesting. This requires that the group's remuneration approach caters for the retention of employees considered critical to the ongoing sustainability of the business.

For senior employees, including the FirstRand executive directors and prescribed officers, the retention condition is for three years (rolling every 12 months) in the form of an LTI with only time-based vesting and no performance conditions:

- This retention instrument will be awarded in September 2020. This value will be converted to share-linked instruments on the award date and will vest in equal proportions (tranches) over the next three years (September 2021, 2022, 2023).
- 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 up to a four year retention period.
- The award purpose is retention and not to additionally benefit an employee. As such, in the event that the 2018 and 2019 LTI awards do vest, only the higher of the COVID-19 vesting tranche or the outstanding LTI awards will vest (not both).

More detail on the retention awards is outlined in the annual integrated report.

COVID-19 instrument

R thousand	**2020**
AP Pullinger	**19 273**
M Vilakazi	**16 638**
HS Kellan	**12 720**
J Celliers	**15 008**
C De Kock	**10 139**
J Formby	**8 700**
P Monks (£ thousand)	**689**

Co-investment scheme

In addition to contractual and performance remuneration, previously eligible prescribed officers were entitled to participate in the co-investment scheme. Profit share, as shown in the table below, is based on a capital contribution placed at risk by participants. There is no cost to the group associated with the co-investment scheme as all capital invested and all risk related are for the account of the individuals.

3 OPERATING EXPENSES continued

R thousand	2020	2019
JR Formby	**2 011**	2 873
AP Pullinger	**1 160**	1 774
JP Burger	**-**	847

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
C de Kock	938
J Formby	938
Non-executive directors	
JP Burger	188

1. *In addition to the group's existing long-term incentive plan, and in order to better align executive interest with those of the group's shareholders, the group introduced a long-term executive management retention scheme ("LTEMRS") in December 2016. The scheme is a five-year scheme, where members of the group's strategic committee are eligible to participate, on a voluntary basis, by purchasing a predetermined fixed amount of participation awards. Participants paid an upfront cash deposit of ten percent for their predetermined fixed amount of participation awards, with the balance being funded through a facilitated mechanism by the group. The fixed amount 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, ensures 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 carry 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. There is no cost to the group associated with the LTEMRS as the scheme is economically hedged.

   During the year, Remco approved the extension of the scheme for two years from 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. 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 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 annual integrated report.

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
AP Pullinger				
Deferred share-linked STI awards				
2017	September 2017	9 600	September 2019	
2018	September 2018	10 200	September 2020	
2019 (2-year deferral)	September 2019	5 100	September 2021	
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	
Balance deferred share-linked STIs		**33 825**		
LTI awards under the CIP				
2016	September 2016	14 630	September 2019	
2017	September 2017	15 550	September 2020	
2018	September 2018	18 500	September 2021	
2019	September 2019	20 046	September 2022	
Balance LTIs		**68 726**		
Total outstanding incentives				
M Vilakazi				
Deferred share-linked STI awards				
2019 (2-year deferral)	September 2019	1 937	September 2021	
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	
Balance deferred share-linked STIs		**5 900**		
LTI awards under the CIP				
2018 (appointment award)	September 2018	14 000	September 2020	
2018 (annual allocation)	September 2018	8 500	September 2021	
2019	September 2019	10 775	September 2022	
Balance LTIs		**33 275**		
Total outstanding incentives				

	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] 30 Jun 2020	Value on settlement in 2020[3] R thousand
	178 671	-	(178 671)	-	-	13 034
	153 103	-	-	-	153 103	-
	78 221	-	-	-	78 221	-
	78 221	-	-	-	78 221	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	488 216	-	(178 671)	-	309 545	13 034
	309 274	-	(309 274)	-	-	20 165
	289 410	-	-	(289 410)	-	-
	277 688	-	-	-	277 688	-
	-	307 455	-	-	307 455	-
	876 372	307 455	(309 274)	(289 410)	585 143	20 165
	1 364 588	307 455	(487 945)	(289 410)	894 688	33 199
	29 716	-	-	-	29 716	-
	29 716	-	-	-	29 716	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	59 432	-	-	-	59 432	-
	210 142	-	-	(210 142)	-	-
	127 586	-	-	-	127 586	-
	-	165 261	-	-	165 261	-
	337 728	165 261	-	(210 142)	292 847	-
	397 160	165 261	-	(210 142)	352 279	-

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
HS Kellan				
Deferred share-linked STI awards				
2017	September 2017	3 250	September 2019	
2018	September 2018	4 000	September 2020	
2019 (2-year deferral)	September 2019	2 083	September 2021	
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	
Balance deferred share-linked STIs		**13 717**		
LTI awards under the CIP				
2016	September 2016	8 600	September 2019	
2017	September 2017	9 500	September 2020	
2018	September 2018	12 000	September 2021	
2019	September 2019	13 440	September 2022	
Balance LTIs		**43 540**		
Total outstanding incentives				
J Celliers				
Deferred share-linked STI awards				
2017	September 2017	5 000	September 2019	
2018	September 2018	6 000	September 2020	
2019 (2-year deferral)	September 2019	3 143	September 2021	
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	
Balance deferred share-linked STIs		**21 437**		
LTI awards under the CIP				
2016	September 2016	11 943	September 2019	
2017	September 2017	12 850	September 2020	
2018	September 2018	14 500	September 2021	
2019	September 2019	15 515	September 2022	
Balance LTIs		**54 808**		
Total outstanding incentives				

	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] 30 Jun 2020	Value on settlement in 2020[3] R thousand
	60 487	-	(60 487)	-	-	4 413
	60 041	-	-	-	60 041	-
	31 959	-	-	-	31 959	-
	31 959	-	-	-	31 959	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	184 446	-	(60 487)	-	123 959	4 413
	181 802	-	(181 802)	-	-	11 853
	176 809	-	-	(176 809)	-	-
	180 122	-	-	-	180 122	-
	-	206 136	-	-	206 136	-
	538 733	206 136	(181 802)	(176 809)	386 258	11 853
	723 179	206 136	(242 289)	(176 809)	510 217	16 266
	93 057	-	(93 057)	-	-	6 789
	90 061	-	-	-	90 061	-
	48 217	-	-	-	48 217	-
	48 217	-	-	-	48 217	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	279 552	-	(93 057)	-	186 495	6 789
	252 472	-	(252 472)	-	-	16 461
	239 158	-	-	(239 158)	-	-
	217 647	-	-	-	217 647	-
	-	237 961	-	-	237 961	-
	709 277	237 961	(252 472)	(239 158)	455 608	16 461
	988 829	237 961	(345 529)	(239 158)	642 103	23 250

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
C De Kock				
Deferred share-linked STI awards				
2017	September 2017	3 250	September 2019	
2018	September 2018	2 750	September 2020	
2019 (2-year deferral)	September 2019	1 375	September 2021	
2019 (3-year deferral)	September 2019	1 375	September 2022	
2020 (2-year deferral)	September 2020	531	September 2022	
2020 (3-year deferral)	September 2020	532	September 2023	
Balance deferred share-linked STIs		**9 813**		
LTI awards under the CIP				
2016	September 2016	9 200	September 2019	
2017	September 2017	9 844	September 2020	
2018	September 2018	9 844	September 2021	
2019	September 2019	10 435	September 2022	
Balance LTIs		**39 323**		
Total outstanding incentives				
J Formby				
Deferred share-linked STI awards				
2017	September 2017	10 250	September 2019	
2018	September 2018	11 000	September 2020	
2019 (2-year deferral)	September 2019	5 500	September 2021	
2019 (3-year deferral)	September 2019	5 500	September 2022	
2020 (2-year deferral)	September 2020	3 187	September 2022	
2020 (3-year deferral)	September 2020	3 188	September 2023	
Balance deferred share-linked STIs		**38 625**		
LTI awards under the CIP				
2016	September 2016	7 500	September 2019	
2017	September 2017	7 900	September 2020	
2018	September 2018	8 300	September 2021	
2019	September 2019	9 100	September 2022	
Balance LTIs		**32 800**		
Total outstanding incentives				

	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] 30 Jun 2020	Value on settlement in 2020[3] R thousand
	60 487	-	(60 487)	-	-	4 413
	41 278	-	-	-	41 278	-
	21 089	-	-	-	21 089	-
	21 089	-	-	-	21 089	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	143 943	-	(60 487)	-	83 456	4 413
	194 486	-	(194 486)	-	-	12 680
	183 212	-	-	(183 212)	-	-
	147 760	-	-	-	147 760	-
	-	160 041	-	-	160 041	-
	525 458	160 041	(194 486)	(183 212)	307 801	12 680
	669 401	160 041	(254 973)	(183 212)	391 257	17 093
	190 768	-	(190 768)	-	-	13 917
	165 112	-	-	-	165 112	-
	84 356	-	-	-	84 356	-
	84 356	-	-	-	84 356	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	524 592	-	(190 768)	-	333 824	13 917
	158 548	-	(158 548)	-	-	10 337
	147 031	-	-	(147 031)	-	-
	124 584	-	-	-	124 584	-
	-	139 571	-	-	139 571	-
	430 163	139 571	(158 548)	(147 031)	264 155	10 337
	954 755	139 571	(349 316)	(147 031)	597 979	24 254

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
P Monks (£ thousand)				
Deferred share-linked STI awards				
2018 (1-year deferral) [4, 5]	September 2018	38	September 2019	
2018 (2-year deferral)	September 2018	38	September 2020	
2018 (3-year deferral)	September 2018	38	September 2021	
2019 (1-year deferral) [4]	September 2019	62	September 2020	
2019 (2-year deferral)	September 2019	63	September 2021	
2019 (3-year deferral)	September 2019	63	September 2022	
2020 (1-year deferral) [4]	September 2020	-	September 2021	
2020 (2-year deferral)	September 2020	-	September 2022	
2020 (3-year deferral)	September 2020	-	September 2023	
Balance deferred share-linked STIs		**302**		
LTI awards under the CIP				
2018	September 2018	633	September 2021	
2019	September 2019	649	September 2022	
Balance LTIs		**1 282**		
Total outstanding incentives				
JP Burger (R thousand)				
Deferred share-linked STI awards				
2017	September 2017	11 900	September 2019	
2018	September 2018	12 674	September 2020	
Balance deferred share-linked STIs		**24 574**		
LTI awards under the CIP				
2016	September 2016	18 350	September 2019	
2017	September 2017	19 500	September 2020	
Balance LTIs		**37 850**		
Total outstanding incentives				

	Units[6]					
	Opening balance	Awards made during year[1]	Number of awards settled in year	Number of awards forfeited in year	Closing number of awards[2] 30 Jun 2020	Value on settlement in 2020[3] R thousand
	-	-	-	-	-	38
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	38
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	38
	221 477	-	(221 477)	-	-	16 157
	190 329	-	-	-	190 329	-
	411 806	-	(221 477)	-	190 329	16 157
	387 914	-	(387 914)	-	-	25 292
	362 925	-	-	(362 925)	-	-
	750 839	-	(387 914)	(362 925)	-	25 292
	1 162 645	-	(609 391)	(362 925)	190 329	41 449

3 OPERATING EXPENSES continued

1. *FirstRand share-linked schemes are determined on a monetary value and not on the number of shares. The deferred shared-linked STI awards allocation is determined after year end, using the average three-day volume weighted average price (VWAP) eight days after results announcement, therefore the number of deferred shared-linked STI award units allocated in 2020, cannot be calculated at the time the annual financial statements are issued.*
2. *Deferred share-linked STI awards vesting depends on continued employment over two years. From 2019 vesting occurs over two (50%) and three (50%) years. FirstRand does not apply graded vesting to LTI awards allocated before September 2019. For these incentive schemes, LTI vesting depends on certain corporate performance targets being met on a cumulative basis over three years. However, for pre-2019 LTI vesting the remuneration committee can apply judgement on vesting. As such a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until the final remuneration committee decision. FirstRand applies graded vesting to LTI awards allocated from September 2019, given the current environment the probability of vesting is lower but it is too early to quantify. For information purposes, the maximum possible value of the unvested awards as at June 2020 is the market value of the total number of shares at R38.06 per share on the last trading day of the financial year (30 June 2020).*
3. *The values at settlement date include share price growth and interest earned (Deferred share-linked STI awards) from grant date. This does not apply to the Aldermore STI shared linked awards, which earn no interest or share price growth.*
4. *The Aldermore performance related STI share linked component is released in equal annual tranches over three years from grant date.*
5. *This award was incorrectly excluded from the prior year unvested table.*
6. *Aldermore incentive awards are not convertible into units.*

4 INDIRECT AND INCOME TAX EXPENSE

R million	**2020**	2019
4.1 Indirect tax		
Value-added tax (net)	**(1 330)**	(1 270)
Securities transfer tax	**(15)**	(9)
Other	**(3)**	(1)
Total indirect tax	**(1 348)**	(1 280)
4.2 Income tax expense		
South African income tax		
Current	**(4 622)**	(8 705)
- Current year*	**(4 627)**	(8 049)
- Prior year adjustment	**5**	(656)
Deferred income tax	**923**	947
- Current year	**1 005**	205
- Prior year adjustment	**(82)**	742
Total South African income tax	**(3 699)**	(7 758)
Foreign company and withholding tax		
Current	**(1 303)**	(1 786)
- Current year	**(1 283)**	(1 795)
- Prior year adjustment	**(20)**	9
Deferred income tax	**180**	(57)
- Current year	**209**	(60)
- Prior year adjustment	**(29)**	3
Total foreign company and withholding tax	**(1 123)**	(1 843)
South African capital gains tax	**(25)**	(218)
- Current	**24**	(77)
- Deferred capital gains tax	**(49)**	(141)
Total capital gains tax	**(25)**	(218)
Customer tax adjustment account	**(27)**	-
Deferred tax rate adjustment	**26**	-
Withholding tax on dividends	**-**	-
Total income tax expense	**(4 848)**	**(9 819)**

** Restated following the adoption of IAS 12 amendments.*

4 INDIRECT AND INCOME TAX EXPENSE continued

Tax rate reconciliation

%	2020	2019*
Standard rate of income tax	**28.0**	28.0
Total tax has been affected by:		
Dividend and other exempt income	**(5.6)**	(3.1)
Other non-taxable income**	**(2.5)**	0.1
Rate difference	**(0.9)**	(1.0)
Prior year adjustments	**0.6**	(0.2)
Effect of capital gains tax rate	**(0.5)**	0.5
Tax difference on associates	**(0.5)**	(0.6)
Tax difference on joint ventures	**(0.2)**	(0.2)
Disallowed expenditure#	**2.1**	1.0
Other	**-**	(0.9)
Effective rate of tax	**20.5**	23.6

** Restated following the adoption of IAS 12 amendments. This resulted in a change in the prior year effective tax rate. In addition, other non-taxable income amounts that were previously disclosed in Other have been moved out of this line item and separately disclosed.*

*** Non-taxable translation gains on preference shares.*

#The majority of the disallowed expense relates non-deductible translation losses.

5 HEADLINE EARNINGS, EARNINGS AND DIVIDENDS PER SHARE

		Earnings attributable R million		Cents per share	
	Notes	**2020**	2019	**2020**	2019
Headline earnings					
- Basic	5.2	**17 326**	27 887	**308.9**	497.2
- Diluted	5.2	**17 326**	27 887	**308.9**	497.2
Earnings attributable to ordinary equityholders					
- Basic	5.2	**17 021**	30 211	**303.5**	538.6
- Diluted	5.2	**17 021**	30 211	**303.5**	538.6
Dividends – ordinary					
- Interim				**146.0**	139.0
- Final declared/paid				**-**	152.0
Dividends – preference					
- Interim				**374.7**	381.7
- Final declared/paid				**306.0**	384.2

5 HEADLINE EARNINGS,EARNINGS AND DIVIDENDS PER SHARE continued

5.1 Weighted average number of shares

	2020	2019
Weighted average number of shares before treasury shares	**5 609 488 001**	5 609 488 001
Less: treasury shares	**(1 327 218)**	(445 105)
- Shares for client trading	**(1 327 218)**	(445 105)
Weighted average number of shares in issue	**5 608 160 783**	5 609 042 896
Diluted weighted average number of shares in issue	**5 608 160 783**	5 609 042 896

The same weighted average number of shares was used for the basic and diluted headline earnings per share (HEPS) and basic and diluted EPS as there are no potential dilutive ordinary shares in issue.

5.2 Headline earnings reconciliation

	2020		2019	
R million	**Gross**	**Net**	Gross	Net
Earnings attributable to ordinary equityholders	**-**	**17 021**	-	30 211
Adjusted for:				
Gain on investment activities of a capital nature*	**-**	**-**	(1 928)	(1 497)
Transfer(to)/ from foreign currency translation reserve	**(17)**	**(15)**	(70)	(72)
Gain on disposal of non-private equity associates*	**-**	**-**	(1 083)	(840)
Impairment of non-private equity associates	**66**	**47**	31	31
Gain on disposal of investments in joint ventures	**1**	**1**	-	-
Gain on disposal of investments in subsidiaries	**-**	**-**	(6)	(5)
Gain on disposal of property and equipment	**14**	**11**	(52)	(37)
Impairment of goodwill	**212**	**190**	-	-
Fair value movement of investment properties	**(26)**	**(19)**	-	-
Impairment of assets in terms of IAS 36	**129**	**91**	123	96
Other	**(1)**	**(1)**	-	-
Headline earnings attributable to ordinary equityholders		**17 326**		27 887

** Includes the impact of the gain on the Discovery transaction of c.R3 billion (c.R2.3 billion after tax) in the prior year.*

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.

		2020			
			At fair value through profit or loss		
	Notes	**Amortised cost**	**Mandatory**	**Designated**	
ASSETS					
Cash and cash equivalents	7	**136 002**	**-**	**-**	
Derivative financial instruments	8	**-**	**135 059**	**-**	
Investment securities*	10	**134 921**	**106 589**	**8 441**	
Advances	11	**1 192 212**	**62 055**	**7 448**	
Other assets	13	**6 943**	**-**	**-**	
Non-current assets and disposal groups held for sale	14	**3 007**	**58**	**-**	
Non-financial assets		**-**	**-**	**-**	
Total assets		**1 473 085**	**303 761**	**15 889**	

**All non-recourse investments are included in the investment securities balance held at mandatory fair value through profit or loss.*

		2019			
			At fair value through profit or loss		
	Notes	Amortised cost	Mandatory	Designated	
ASSETS					
Cash and cash equivalents	7	102 518	-	-	
Derivative financial instruments	8	-	42 128	-	
Investment securities*	10	118 950	90 462	8 517	
Advances	11	1 126 028	70 524	9 200	
Other assets	13	5 442	-	-	
Non-financial assets		-	-	-	
Total assets		1 352 938	203 114	17 717	

**All non-recourse investments are included in the investment securities balance held at mandatory fair value through profit or loss.*

2020						
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**					
-	**-**	**-**	**-**	**136 002**	**136 002**	**-**
-	**-**	**12 456**	**-**	**147 515**	**135 728**	**11 787**
46 823	**695**	**-**	**-**	**297 469**	**147 185**	**150 284**
-	**-**	**-**	**-**	**1 261 715**	**382 931**	**878 784**
	-	**-**	**4 313**	**11 256**	**6 646**	**4 610**
-	**-**	**-**	**-**	**3 065**	**3 065**	**-**
-	**-**	**-**	**69 517**	**69 517**	**22 030**	**47 487**
46 823	**695**	**12 456**	**73 830**	**1 926 539**	**833 587**	**1 092 952**

2019						
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					
-	-	-	-	102 518	102 518	-
-	-	4 976	-	47 104	43 283	3 821
22 946	851	-	-	241 726	113 195	128 531
-	-	-	-	1 205 752	373 626	832 126
-	-	-	3 121	8 563	5 641	2 922
-	-	-	63 384	63 384	21 520	41 864
22 946	851	4 976	66 505	1 669 047	659 783	1 009 264

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.

		2020			
			At fair value through profit or loss		
	Notes	**Amortised cost**	**Mandatory**	**Designated**	
LIABILITIES					
Short trading positions	23	**-**	**5 062**	**-**	
Derivative financial instruments	8	**-**	**149 660**	**-**	
Creditors, accruals and provisions	24	**12 196**	**-**	**-**	
Liabilities directly associated with disposal groups held for sale	14	**1 393**	**2**	**-**	
Deposits	25	**1 480 124**	**37 693**	**17 198**	
Other liabilities	26	**7 901**	**-**	**302**	
Policyholder liabilities	15	**-**	**-**	**4 960**	
Tier 2 liabilities	27	**24 614**	**-**	**-**	
Non-financial liabilities		**-**	**-**	**-**	
Total liabilities		**1 526 228**	**192 417**	**22 460**	

		2019			
			At fair value through profit or loss		
	Notes	Amortised cost	Mandatory	Designated	
LIABILITIES					
Short trading positions	23	-	5 374	-	
Derivative financial instruments	8	-	49 475	-	
Creditors, accruals and provisions	24	12 626	-	-	
Deposits	25	1 324 426	47 479	21 199	
Other liabilities	26	5 398	-	576	
Policyholder liabilities	15	-	-	4 415	
Tier 2 liabilities	27	24 191	-		
Non-financial liabilities		-	-	-	
Total liabilities		1 366 641	102 328	26 190	

	2020				
	Derivatives designated as hedging instruments	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current and non-contractual**
	-	**-**	**5 062**	**5 062**	**-**
	12 533	**-**	**162 193**	**150 451**	**11 742**
	-	**8 842**	**21 038**	**16 362**	**4 676**
	-	**32**	**1 427**	**1 427**	**-**
	-	**-**	**1 535 015**	**1 281 809**	**253 206**
	-	**-**	**8 203**	**1 786**	**6 417**
	-	**1 470**	**6 430**	**2 144**	**4 286**
	-	**-**	**24 614**	**4 783**	**19 831**
	-	**10 637**	**10 637**	**5 530**	**5 107**
	12 533	**20 981**	**1 774 619**	**1 469 354**	**305 265**

	2019				
	Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current and non-contractual
	-	-	5 374	5 374	-
	3 122	-	52 597	50 222	2 375
	-	9 296	21 922	14 991	6 931
	-	-	1 393 104	1 132 098	261 006
	-	-	5 974	3 488	2 486
	-	848	5 263	636	4 627
	-	-	24 191	2 017	22 174
	-	16 044	16 044	9 522	6 522
	3 122	26 188	1 524 469	1 218 348	306 121

7 CASH AND CASH EQUIVALENTS

R million	**2020**	2019
Coins and bank notes	**10 231**	9 252
Money at call and short notice	**79 930**	53 283
Balances with central banks	**45 841**	39 983
Total cash and cash equivalents*	**136 002**	102 518
Mandatory reserve balances included above	**31 193**	29 191

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

Banks are required to deposit a minimum average balance, calculated monthly, with the 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.

For further details on the valuation of derivatives refer to note 34.

Qualifying for hedging 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 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 risk is managed by Group Treasury and the FirstRand asset, liability and capital committee (ALCCO) under approved policies. Aldermore manages its own interest rate risk through their own treasury department and ALCCO. For further details on the group's approach to managing interest rate risk and market risk, refer to note 38.

IRRBB is expected within a banking operation and can be an important source of profitability and shareholder value and 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.

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

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 value 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.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Derivative financial instruments – assets

	2020		2019	
R million	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting	**379 717**	**12 456**	344 681	4 976
Fair Value hedge accounting	**52 471**	**671**	79 681	509
- Interest rate derivatives	**52 471**	**671**	79 681	509
Cash Flow hedge accounting	**327 246**	**11 785**	197 907	4 467
- Interest rate derivatives	**327 109**	**11 783**	194 799	2 674
- Equity derivatives	**137**	**2**	3 108	1 793
Held for trading	**10 491 528**	**135 059**	7 421 126	42 128
- Currency derivatives	**313 793**	**18 449**	395 935	10 544
- Interest rate derivatives	**10 078 237**	**113 283**	6 943 567	29 515
- Equity derivatives	**66 445**	**2 251**	28 523	1 758
- Commodity derivatives	**18 039**	**754**	38 546	228
- Energy derivatives	**799**	**175**	760	30
- Credit derivatives	**14 215**	**147**	13 795	53
Total derivative assets	**10 871 245**	**147 515**	7 765 807	47 104
Exchange traded	**80 609**	**50**	48 229	77
Over the counter	**10 790 636**	**147 465**	7 717 578	47 027
Total derivative assets	**10 871 245**	**147 515**	7 765 807	47 104

Derivative financial instruments – liabilities

	2020		2019	
R million	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting	**356 233**	**12 533**	347 996	3 122
Fair Value hedge accounting	**143 320**	**3 201**	81 753	910
- Interest rate derivatives	**143 320**	**3 201**	81 753	910
Cash Flow hedge accounting	**212 913**	**9 332**	266 243	2 212
- Interest rate derivatives	**210 317**	**8 047**	266 243	2 212
- Equity derivatives	**2 596**	**1 285**	-	-
Held for trading	**10 628 778**	**149 660**	7 683 945	49 475
- Currency derivatives	**305 008**	**28 469**	398 099	15 560
- Interest rate derivatives	**10 224 155**	**114 470**	7 201 738	28 893
- Equity derivatives	**65 899**	**4 198**	50 029	3 425
- Commodity derivatives	**27 423**	**2 017**	29 321	1 470
- Energy derivatives	**477**	**114**	647	35
- Credit derivatives	**5 816**	**392**	4 111	92
Total derivative liabilities	**10 985 011**	**162 193**	8 031 941	52 597
Exchange traded	**21 353**	**292**	20 784	27
Over the counter	**10 963 658**	**161 901**	8 011 157	52 570
Total derivative liabilities	**10 985 011**	**162 193**	8 031 941	52 597

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Fair value hedges

Interest rate risk

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

- mismatching of re-pricing assets and liabilities;
- increase or decrease 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.

The hedged risk is the risk of changes in the hedged item's fair value attributable to changes in the benchmark interest rate embedded in the hedged item. This risk component comprises the majority of the hedged items fair value risk.

For fair value hedge accounting purposes in certain instances, only the benchmark interest rate component of the hedged items' total interest rate exposure is designated as the hedged risk. The credit spread component above the benchmark interest rate is therefore excluded from hedge risk designated. The benchmark interest rate is determined with reference to the swap curve, which is regarded as the best indicator of interest rate risk.

In all other instances, the total interest rate exposure on the hedged item is designated, 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:

- Specified long-term fixed rate investment securities as well as other funding liabilities. To manage the interest rate risk associated with such risk exposure, the group uses a variety of cash collateralised vanilla fixed-for-floating interest rate swaps for which the critical terms such as the nominal and duration of the underlying risk exposure are matched.
- Interest rate exposure on portfolios of fixed rate advances, whereby the group has entered into interest rate swaps on a monthly basis. The exposure from this portfolio frequently changes due to new advances originated, contractual repayments and early repayments made by customers in each period as well as sales to securitisation vehicles. As a result, the group 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 group recognises the fair value movements related to changes in the interest rate risk in the advances portfolio in NIR, reducing the NIR volatility that would otherwise arise from changes in the fair value of the interest rate swaps alone. In the current year, not all macro-hedge relationships qualified for hedge accounting. The group continually assesses whether macro-hedge accounting can be applied to failed macro-hedges, which could result in these macro-hedges being reinstated for hedge accounting purposes.
- Interest rate exposure on a portfolio of fixed rate high quality liquid assets (HQLA), loans and deposits in Aldermore, whereby Aldermore enters into interest rate swaps on a monthly basis. The exposure from these portfolios frequently changes due to new loans, deposits and HQLA being originated, as well as contractual repayments and early repayments made by or to customers. As a result, the group employs macro-hedging, to hedge the exposure profile by de-designating and re-designated new interest rate swap agreements at each month end.

The designated hedged items attract fixed interest cash flows which exposes 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.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

The interest rate swaps entered into pay fixed interest and receive floating interest cash flows.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.

Due to the some of the critical terms such as the denominated currency and the fixed interest rates of the hedging item and the interest rate swap being matched, an economic relationship is present.

In most instances, a 1:1 hedge ratio is maintained throughout the duration of the hedge relationship. Some hedge relationships do not have 1:1 hedge ratios as the nominals are matched based on the PVO1 associated with the hedged item and hedging instrument.

The group uses the regression analysis approach to assess the effectiveness of the hedge relationship in achieving an economic relationship prospectively.

One of the parameters used to test effectiveness is to evaluate whether the effectiveness ranges between 80%-125%. Even though this quantitative measure is not required under IFRS 9, the group believes this is a benchmark which has been extensively used in the past and is a prudent approach to determine the effectiveness of the hedge relationship in line with the group's risk management strategy.

In the fair value hedge relationships for interest rate risk, the main sources of ineffectiveness are:

- the designated fixed interest rate on the hedged item differs to 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, the designated hedged item does not have a fair value of zero; and
- differences in maturities of the interest rate swap and the hedged item.

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

	2020	2019
	Interest rate risk	Interest rate risk
R million	**Notional amount**	Notional amount
Derivative assets		
4 – 12 months	**-**	7 067
> 12 months	**9 997**	7 133
Total	**9 997**	14 200
Derivative liabilities		
4 – 12 months	**-**	396
> 12 months	**17 694**	7 549
Total	**17 694**	7 945

The following table discloses the average interest rate which the hedging instrument included in the fair value hedging relationships are based on, according to their respective maturity buckets, excluding macro hedging portfolios.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

	2020 Average Interest rate risk (%)	2019 Average Interest rate risk (%)
Derivative asset		
4 — 12 months	**-**	2
> 12 months	**5**	5
Derivative liability		
4 — 12 months	**-**	3
> 12 months	**5**	2

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

	2020		
R million	**Advances***	**Investment securities**	**Funding liabilities****
Interest rate risk - hedged items			
Carrying amount excluding fair value hedge adjustments	**134 134**	**36 462**	**45 790**
Accumulated fair value hedge adjustments for instruments that actively hedged	**1 244**	**1 700**	**607**
Total carrying amount of hedged items	**135 378**	**38 162**	**46 397**
Accumulated fair value hedge adjustments for items that have ceased to be adjusted for fair value hedge gains and losses	**-**	**-**	**(11)**

* *All amounts related in advances relate to the macro hedging portfolio to which a dynamic hedging strategy is applied. In the current year, a portion of the fair value macro hedges failed to qualify for hedge accounting. The on-balance sheet fair value adjustment related to these failed macro-hedges is R9 million and is disclosed in other assets.*

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

	2019		
R million	Advances*	Investment securities	Funding liabilities**
Interest rate risk - hedged items			
Carrying amount excluding fair value hedge adjustments	99 108	19 447	(17 348)
Accumulated fair value hedge adjustments for instruments that actively hedged	328	267	275
Total carrying amount of hedged items	99 436	19 714	(17 073)
Accumulated fair value hedge adjustments for items that have ceased to be adjusted for fair value hedge gains and losses	-	-	(12)

* *All amounts related in advances relate to the macro hedging portfolio to which a dynamic hedging strategy is applied*

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

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

The following amounts were recognised in NIR for the year in respect of fair value hedging relationships.

R million	2020*	2019*
Interest rate risk		
Changes in fair value for the year arising on hedging instruments		
- Interest rate derivatives	**(2 045)**	(834)
Changes in fair value on the hedge items attributable to the hedged risk	**2 177**	884
- Advances	**1 047**	538
- Investment securities	**1 436**	437
- Funding liabilities**	**(306)**	(91)
Ineffectiveness recognised in NIR	**132**	50

* *All amounts included relate to single hedge relationships and macro hedging portfolios to which a dynamic strategy is applied.*

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

Cash flow hedges

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

- variable Johannesburg interbank average rate (JIBAR) linked advances (cash flow interest rate risk);
- variable overnight financial liabilities (cash flow interest rate risk); and
- the group's share incentive scheme (cash flow equity 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. This variability in cash flows is hedged by interest rate swaps, fixing the hedged cash flows.

The variable interest rate on JIBAR 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 utilises cash collateralised pay-fixed receive-floating vanilla interest rate swaps that exhibit the same nominal and duration as the underlying risk exposure. The change in the interest cash flows attributable to the change in benchmark rate is designated as the hedged risk for hedge accounting purposes.

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 pay variable receive fixed interest rate swaps, and variable rate liabilities are hedged with receive variable 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, thereby 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.

The group uses the regression analysis approach (utilising a hypothetical derivative as a proxy for the hedged item) to assess the effectiveness of the hedge relationship in achieving an economic relationship prospectively.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

One of the parameters used to test effectiveness is to evaluate whether the effectiveness ranges between 80%-125%. Even though this quantitative measure is not required under IFRS 9, the group believes this is a benchmark which has been extensively used in the past and is a prudent approach to determine the effectiveness of the hedge relationship in line with the group's risk management strategy.

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 arising from the use of JIBAR-linked swaps to hedge fixed rate overnight financial liabilities valued using the benchmark interest rate obtained from the interest rate swap curve; and
- designation of JIBAR-linked advances between JIBAR fixing dates.

Equity risk

Equity risk exists within the group's employee share incentive schemes that enable key management personnel 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 share-based payments in terms of IFRS 2, expose the group to cash equity risk due to the volatility in the share price of FirstRand.

The share price movement of the share incentive scheme is economically hedged with a total return swap (TRS). When the share price increases, the share-based payment (SBP) expense increases in line with the share price movement. Conversely, the fair value of the TRS will increase for the share price component of the derivative in line with the increase in share price. The inverse would apply if the share price decreases. Critical terms such as notional amounts and maturity dates are matched, thus changes in the cash flows between the hedged item and the hedging derivative instrument offset each other, resulting in an economic relationship being present between the SBP expense in the share incentive scheme and the TRS.

The group uses the regression analysis approach (utilising a hypothetical derivative as a proxy for the hedged item) to assess the effectiveness of the hedge relationship in achieving an economic relationship prospectively. Even though a quantitative measure is not required by IFRS 9, the group still uses the regression analysis as a method to investigate the extent to which changes in the hedged item and the hedging instrument are highly and negatively correlated.

One of the parameters used to test effectiveness is to evaluate whether the effectiveness ranges between 80%-125%. Even though this quantitative measure is not required under IFRS 9, the group believes this is a benchmark which has been extensively used in the past and is a prudent approach to determine the effectiveness of the hedge relationship in line with the group's risk management strategy.

In cash flow hedging for equity 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 share-based payment;
- funding costs in the TRS derivatives; and
- 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 not vesting in the current year, the hedging relationship for this scheme no longer qualified for hedge accounting. 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 cashflow hedge reserve which related to this hedge relationship was released to profit or loss.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

	2020		2019	
	Notional amount		Notional amount	
R million	**Interest rate**	**Equity risk**	Interest rate	Equity risk
Derivative assets				
1 — 3 months	**19 274**	**-**	548	1 279
4 — 12 months	**126 079**	**-**	36 074	-
>12 months	**181 756**	**137**	158 177	1 829
Total	**327 109**	**137**	194 799	3 108
Derivative liabilities				
1 — 3 months	**11 630**	**-**	19 747	-
4 — 12 months	**56 686**	**-**	100 818	-
>12 months	**142 001**	**2 596**	145 678	-
Total	**210 317**	**2 596**	266 243	-

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.

	2020		2019	
	Average rate/share price		Average rate/share price	
	Interest rate (%)	**Equity risk (ZAR)**	Interest rate (%)	Equity risk (ZAR)
Derivative assets				
1 — 3 months	**7**	**-**	7	47
4 — 12 months	**6**	**-**	7	-
>12 months	**7**	**34**	8	42
Derivative liabilities				
1 — 3 months	**7**	**-**	7	-
4 — 12 months	**7**	**-**	7	-
>12 months	**8**	**59**	8	-

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

The following table represents the hedge ineffectiveness recorded in NIR and operating expenses for the year in respect of cash flow hedging relationships.

	2020			2019		
R million	**Interest rate risk**	**Equity risk**	**Total**	Interest rate risk	Equity risk*	Total
Changes in fair value for the year						
On the hedging instruments:	**2 346**	**1 014**	**3 360**	1 229	(485)	1 229
- Interest rate derivative	**2 346**	**-**	**2 346**	1 229	-	1 229
- Equity derivatives	**-**	**1 014**	**1 014**	-	(485)	-
On the hedging item subject to the hedged risk	**(2 333)**	**(1 405)**	**(3 738)**	(1 096)	674	(1 096)
- Advances	**(2 333)**	**-**	**(2 333)**	(1 096)	-	(1 096)
- Investment securities	**-**	**-**	**-**	-	-	-
- Other funding liabilities	**-**	**-**	**-**	-	-	-
- Share based payment	**-**	**(1 405)**	**(1 405)**	-	674	-
Ineffectiveness in NIR and operating expenses	**13**	**(391)**	**(378)**	133	-	133

** The equity risk in the 2019 financial year is zero due to the group over hedging the position.*

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

	2020		
R million	**Interest rate risk**	**Equity risk**	**Total**
Cash flow hedge reserve – opening balance	**568**	**274**	**842**
Gains/(losses) recognised in reserves in the current year	**2 961**	**(2 369)**	**592**
Deferred tax on reserve movement	**(802)**	**328**	**(474)**
Transfers to NII and operating staff costs	**(98)**	**1 134**	**1 036**
- Hedged item affects profit or loss	**144**	**1 128**	**1 272**
- Hedged future cash flows no longer expected to occur	**(242)**	**6**	**(236)**
Cash flow hedge reserve – closing balance	**2 629**	**(633)**	**1 996**
Cash flow hedge reserve relating to continuing hedges	**2 631**	**(634)**	**1 997**
Cash flow hedge reserve relating to discontinued hedges	**(2)**	**-**	**(2)**
Cash flow hedge reserve – closing balance	**2 629**	**(634)**	**1 995**

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

	2019		
R million	Interest rate risk	Equity risk	Total
Cash flow hedge reserve – opening balance	35	308	343
Gains/(losses) recognised in reserves in the current year	638	563	1 201
Deferred tax on reserve movement	(207)	13	(194)
Transfers to NII and operating staff costs	102	(610)	(508)
- Hedged item affects profit or loss	33	(610)	(577)
- Hedged future cash flows no longer expected to occur	69	-	69
Cash flow hedge reserve – closing balance	568	274	842
Cash flow hedge reserve relating to continuing hedges	514	274	788
Cash flow hedge reserve relating to discontinued hedges	54	-	54
Cash flow hedge reserve – closing balance	568	274	842

9 COMMODITIES

R million	**2020**	2019
Agricultural commodities	**1 553**	2 197
Gold	**19 695**	18 910
Platinum group metals	**96**	69
Total commodities	**21 344**	21 176

10 INVESTMENT SECURITIES

R million	2020	2019
Negotiable certificates of deposit	**558**	427
Treasury bills	**51 755**	51 619
Other government and government guaranteed stock	**194 026**	137 294
Other dated securities	**25 682**	21 917
Other undated securities	**420**	533
Non-recourse investments	**8 611**	12 253
Equities	**12 502**	13 696
Other	**4 034**	4 113
Total gross carrying amount of investment securities	**297 588**	241 852
Loss allowance on investment securities	**(119)**	(126)
Total investment securities	**297 469**	241 726

Analysis of impairment stages on investment securities

	2020			
	Amortised cost		**FVOCI (debt)**	
R million	**Carrying amount**	**ECL allowance**	**Carrying amount**	**ECL allowance**
Stage 1	**133 724**	**95**	**46 823**	**-**
Stage 2	**1 316**	**24**	**-**	**-**
Total investment securities	**135 040**	**119**	**46 823**	**-**

There were no movements between impairment stages during the current financial year.

	2019			
	Amortised cost		FVOCI (debt)	
R million	Carrying amount	ECL allowance	Carrying amount	ECL allowance
Stage 1	117 752	101	22 945	1
Stage 2	1 324	25	-	-
Total investment securities	119 076	126	22 945	1

10 INVESTMENT SECURITIES continued

Non-recourse investments at fair value through profit or loss

The group entered into the following conduit transactions with its consolidated structured entities over the course of many years.

Entity	Type of conduit	Underlying investment
iNdwa Investment Limited*	Asset-backed	Short-dated investment grade
iNkotha Investment Limited	Fixed income fund	Callable investment grade
iVuzi Investment Limited	Asset-backed	Short-dated investment grade
iNguza Investments Limited	Secured	Debentures linked to specific underlying credit exposure

* *Currently being liquidated*.

The performance on the commercial paper is directly linked to the performance and risk of the underlying portfolio of the conduit. The group has no obligations toward other investors beyond the amount already invested. Information regarding other investments is kept at the group's registered offices.

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 and securities lending transactions.

	Investment securities (carrying amount)		Associated liabilities recognised in deposits (carrying amount)	
R million	**2020**	2019*	**2020**	2019*
Repurchase agreements	**19 894**	21 918	**19 500**	22 066

** The amount disclosed for securities lending in the comparative period was restated to nil to reflect that there were no investment securities held under securities lending arrangements in the prior year. An amount of R193 million was previously included.*

Both the transferred investments and related deposits under repurchase agreements are either measured at amortised cost or fair value through profit or loss.

The fair value of the investment securities transferred under repurchase agreements is R19 931 million (2019: R21 942 million) and the associated liabilities is R19 575 million (2019: R22 084 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 R695 million (2019: R851 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. The fair value movement of these investments declined, mainly as a result of the impact of COVID-19 on the fair value determination, in particular the group's investment in African Bank Holdings Limited.

11 ADVANCES

R million	Notes	2020	2019
Category analysis			
Overdrafts and cash management accounts		**81 129**	82 642
Term loans		**73 658**	67 926
Card loans		**33 106**	35 516
Instalment sales, hire purchase agreements and lease payments receivable		**246 989**	232 103
Property finance		**461 876**	408 078
Personal loans		**56 658**	53 569
Preference share agreements		**48 739**	49 576
Assets under agreement to resell		**26 964**	45 315
Investment bank term loans		**164 792**	155 780
Long-term loans to group associates and joint ventures		**2 975**	2 473
Other		**43 775**	44 029
Total customer advances		**1 240 661**	1 177 007
Marketable advances		**70 434**	62 907
Gross value of advances		**1 311 095**	1 239 914
Impairment and fair value of credit of advances	12	**(49 380)**	(34 162)
Net advances		**1 261 715**	1 205 752

11 ADVANCES continued

Analysis of instalment sale, hire purchase and lease payments receivable

	2020			2019		
	Instalment sale, hire purchase and lease payments receivable	**Less: unearned finance charges**	**Net**	Instalment sale, hire purchase and lease payments receivable	Less: unearned finance charges	Net
Within 1 year	**78 724**	**(9 568)**	**69 156**	70 570	(11 161)	59 409
Between 1 and 5 years	**190 732**	**(22 319)**	**168 413**	192 135	(29 007)	163 128
More than 5 years	**11 264**	**(1 844)**	**9 420**	12 379	(2 813)	9 566
Total	**280 720**	**(33 731)**	**246 989**	275 084	(42 981)	232 103

Under the terms of the lease agreements, no contingent rentals are payable. These agreements relate to motor vehicles and equipment. The accumulated allowance for uncollectible minimum lease payments receivable included in the allowance for impairments at the reporting date is R52 million (2019: R35 million).

11 ADVANCES continued

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 5, Nitro 6, Nitro Programme and FAST) and for MotoNovo retail hire purchase advances (Turbo Finance 5, 6, 7, 8, MotoFirst, MotoPark, MotoMore and MotoWay) and for Aldermore residential mortgage advances (Oak 1, 2 and 3). These structured entities are consolidated by the FirstRand group. The table below discloses the carrying amount of advances held by the structured entities at 30 June as well as the financial liabilities incurred to fund the initial acquisitions. Some structured entities' financial assets have early settled and the cash held by the structured entities will be utlilised 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	
			2020	2019	**2020**	2019
Nitro 5	June 2015	R2.4 billion	**-**	5	**-**	5
Turbo Finance 6	February 2016	£392 million	**-**	1 256	**-**	1 165
FAST	July 2016	R6.8 billion	**10 727**	9 608	**10 251**	9 266
Turbo Finance 7	November 2016	£568 million	**-**	2 662	**-**	2 507
MotoFirst	October 2017	£400 million	**11 766**	14 436	**11 781**	14 515
MotoPark	January 2018	£540 million	**7 555**	10 893	**7 620**	10 872
Nitro 6	April 2018	R2 billion	**745**	1 262	**677**	1 214
Oak 2	October 2018	£390 million	**2 744**	4 985	**2 989**	4 756
Turbo Finance 8	November 2018	£400 million	**3 665**	5 696	**3 705**	5 702
Nitro Programme	May 2019	R2 billion	**1 391**	2 090	**1 362**	2 095
Oak 3	September 2019	£344million	**6 507**	-	**6 956**	-
Motomore	September 2019	£117 million	**5 225**	-	**5 362**	-
Motoway	September 2019	£583 million	**12 622**	-	**12 779**	-

11 ADVANCES continued

Analysis of advances per class

R million	2020 Total	Amortised cost	Fair value through profit or loss	Loss allowance
Residential mortgages	220 488	224 404	-	(3 916)
WesBank VAF	98 153	104 014	-	(5 861)
Total retail secured	318 641	328 418	-	(9 777)
FNB card	26 009	30 210	-	(4 201)
Personal loans	33 177	41 874	-	(8 697)
Retail other	13 593	16 732	-	(3 139)
Total retail unsecured	72 779	88 816	-	(16 037)
FNB commercial	101 888	107 889	27	(6 028)
- FNB commercial excluding scheme	101 591	107 544	27	(5 980)
- Government guaranteed scheme	297	345	-	(48)
WesBank corporate	26 608	27 114	-	(506)
RMB corporate banking	67 242	68 318	127	(1 203)
RMB investment banking	275 445	211 763	68 984	(5 302)
Total corporate and commercial	471 183	415 084	69 138	(13 039)
Rest of Africa	61 747	66 070	310	(4 633)
Group Treasury and other	36 114	36 025	988	(899)
UK operations	301 251	306 246	-	(4 995)
- Retail*	231 076	234 529	-	(3 453)
- Commercial	70 175	71 717	-	(1 542)
Total advances	1 261 715	1 240 659	70 436	(49 380)

** Includes total MotoNovo of R76 843 million (£3 586 million).*

11 ADVANCES continued

Analysis of advances per class

	2019			
R million	Total	Amortised cost	Fair value through profit or loss	Loss allowance
Residential mortgages	214 623	217 164	-	(2 541)
WesBank VAF	101 786	106 142	-	(4 356)
Total retail secured	316 409	323 306	-	(6 897)
FNB card	25 465	28 115	-	(2 650)
Personal loans	32 554	39 369	-	(6 815)
Retail other	15 183	17 908	-	(2 725)
Total retail unsecured	73 202	85 392	-	(12 190)
FNB commercial	101 319	105 057	74	(3 812)
- FNB commercial excluding scheme	101 319	105 057	74	(3 812)
- Government guaranteed scheme	-	-	-	-
WesBank corporate	27 607	27 945	-	(338)
RMB corporate banking	57 244	57 827	105	(688)
RMB investment banking	282 665	206 751	79 147	(3 233)
Total corporate and commercial	468 835	397 580	79 326	(8 071)
Rest of Africa	60 594	64 188	369	(3 963)
Group Treasury and other	42 176	42 547	577	(948)
UK operations	244 536	246 629	-	(2 093)
- Retail*	182 700	184 211	-	(1 511)
- Commercial	61 836	62 418	-	(582)
Total advances	1 205 752	1 159 642	80 272	(34 162)

** Includes total MotoNovo of R61 778 million (£3 435 million).*

11 ADVANCES continued

Reconciliation of the gross advances and loss allowance on total advances as at 30 June 2020

	2020*				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Amortised cost	1 159 642	1 033 119	85 547	40 976	-
Fair value	80 272	79 100	799	268	105
Amount as at 1 July 2019	1 239 914	1 112 219	86 346	41 244	105
Current year movement in the back book**					
Stage 1	(238 154)	(214 475)	(22 832)	(847)	-
Transfer from stage 2 to stage 1	-	22 832	(22 832)	-	-
Transfer from stage 3 to stage 1	-	847	-	(847)	-
Current year change in exposure and net movement on GCA and ECL provided/(released)#	(238 154)	(238 154)	-	-	-
Stage 2	(18 804)	(60 473)	44 303	(2 634)	-
Transfer from stage 1 to stage 2	-	(60 473)	60 473	-	-
Transfer from stage 3 to stage 2	-	-	2 634	(2 634)	-
Current year change in exposure and net movement on GCA and ECL provided/(released)#	(18 804)	-	(18 804)	-	-
- Exposures with a change in measurement basis from 12 months to lifetime ECL	(1 434)	-	(1 434)	-	-
Other changes in stage 2 exposures and ECL	(17 370)	-	(17 370)	-	-
Stage 3	(2 409)	(16 267)	(13 063)	26 921	-
Transfer from stage 1 to stage 3	-	(16 267)	-	16 267	-
Transfer from stage 2 to stage 3	-	-	(13 063)	13 063	-
Current year change in exposure and net movement on GCA and ECL provided/(released)#	(2 409)	-	-	(2 409)	-
Purchased or originated credit-impaired	22	-	-	-	22
Current year change in exposure and net movement on GCA and ECL provided/(released)#	22	-	-	-	22
New business†	292 001	264 750	20 640	5 710	901
Current year change in exposure and net movement on GCA and ECL provided/(released)#	292 001	264 750	20 640	5 710	901
Other movements applicable to new business and back book					
Acquisition/(disposal) of advances±	(2 832)	(2 586)	-	(246)	-
Acquisition/(disposal) of subsidiaries	1 608	1 608	-	-	-
Transfers (to)/from non current assets or disposal groups held for sale	(2 646)	(2 150)	(259)	(237)	-
Modifications that did not give rise to derecognition	(1 007)	(189)	(121)	(697)	-
Exchange rate differences	57 764	49 076	7 287	1 401	-
Bad debts written off^	(14 362)	-	-	(14 362)	-
Amount as at 30 June 2020	1 311 095	1 131 513	122 301	56 253	1 028
Amortised cost	1 240 659	1 065 670	117 896	56 192	901
Fair value	70 436	65 843	4 405	61	127

	2020				
	Loss allowance				
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
	33 614	7 614	7 702	18 298	-
	548	302	49	197	-
	34 162	7 916	7 751	18 495	-
	(391)	1 193	(1 422)	(162)	-
	-	1 422	(1 422)	-	-
	-	162	-	(162)	-
	(391)	(391)	-	-	-
	5 433	(615)	6 720	(672)	-
	-	(615)	615	-	-
	-	-	672	(672)	-
	5 433	-	5 433	-	-
	1 990	-	1 990	-	-
	3 443	-	3 443	-	-
	15 277	(470)	(2 103)	17 850	-
	-	(470)	-	470	-
	-	-	(2 103)	2 103	-
	15 277	-	-	15 277	-
	120	-	-	-	120
	120	-	-	-	120
	8 436	3 052	2 210	3 174	-
	8 436	3 052	2 210	3 174	-
	(100)	(10)	-	(90)	-
	-	-	-	-	-
	(265)	(36)	(54)	(175)	-
	-	-	-	-	-
	1 070	305	270	495	-
	(14 362)	-	-	(14 362)	-
	49 380	11 335	13 372	24 553	120
	48 447	10 943	12 961	24 543	-
	933	392	411	10	120

11 ADVANCES continued

* *The reconciliation for the year ended 30 June 2020 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. This is consistent with the prior year, except for Aldermore. The disclosure for Aldermore is now aligned with the rest of the group. In the current year it was concluded that providing disclosure which distinguished between the back book and new business provided more meaningful information to the user in gaining an understanding of the performance of advances overall. The current year movement is therefore split between new business and back book. In the prior year, this was presented as a single line. However, comparative information could not be restated without undue cost due to the nature of the underlying systems which collate the ECL information at a point in time, and as such the information presented in the loss allowance and gross carrying amount reconciliations will not be comparable to the information presented for 30 June 2019 except on a total level.*

** *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 is transferred to the impairment stage at 30 June in the transfers section and the current year movements in the back book (changes in exposure and net movement on GCA and ECL provided/(released) are reflected separately in the reconciliation. The current year movement for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime ECL and changes in other risk parameters.*

\# *The movement on GCA is the net amount of:*

- *additional amounts advanced on the back book and any settlements. Transfers on the back book is 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. In the prior year it was separately presented.*

† *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 change in exposure due to new business in the current year based on the exposures' 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.*

± *In the prior year, this line included disposals by RMB related to loan syndications whereby the full exposure was recognised in new business and changes in exposure and the sell-down to other external parties recognised as disposals. During the current year the net amount of the syndication is included in the "net movement on GCA due to new business in the current year" section. Management believes this provides a more accurate view of the new business originated in the current year.*

^ *Decrease in the advance as a result of write-off is equal to the decrease in ECL, as exposures are 100% provided for before being written off. The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is R12 935 million.*

The growth in gross advances of 6%, coupled with the increase in levels of total ECL provisions of 45% in the current year should be analysed in the context of an existing strained macroeconomic environment which has been further weakened by the COVID-19 pandemic and resulting lockdown.

11 ADVANCES continued

Changes in the gross carrying amount of advances

The following changes in the gross carrying amount of advances contributed in part to the change in ECL in the current financial year:

- Residential mortgages increased by R7 240 million reflecting a 3% increase from the prior year. This mainly relates to growth in premium residential mortgages, benefiting from new client acquisition, up-sell initiatives and strong demand in private bank mortgage lending.
- WesBank VAF declined in the current year by R2 128 million, reflecting the impact of the lockdown on motor vehicle sales, in addition to the lengthening of customer's vehicle replacement cycles, further risk cuts in origination and increased competition.
- FNB card advances increased by R2 095 million, as a result of targeted client acquisition, client migration and the shift to card transactional accounts (Fusion product) away from more traditional transactional products included in retail other.
- Personal loans increased by R2 505 million driven by the COVID-19 emergency relief loan offering. Excluding the emergency loans, personal loan growth was negatively impacted by reduced risk appetite and lower customer demand.
- The decline in retail other advances of R1 176 million reflects the lower usage of transactional banking accounts (primarily overdrafts) and the move to card transactional accounts (Fusion product).
- The increase in FNB commercial advances of R 2 785 million was largely driven by targeted new client acquisition in the business segment. R345 million of the growth in advances relates to loans granted under the SME government guaranteed scheme.
- RMB corporate bank grew advances by R10 513 million, largely driven by higher corporate bank utilisation. Included in the RMB corporate bank growth was originated credit impaired advances of R127 million following a distressed restructure.
- RMB investment bank experienced a net decrease of R5 151 million, reflecting an increase of amortised cost advances of R 5 012 million and a decrease in fair value advances of R10 163 million. The decrease in fair value advances is mainly driven by a decrease in advances under reverse repurchase agreements, which carry no ECL, as well as the decrease in investment bank term loans at fair value. RMB investment bank originated credit impaired assets of R901 million following distressed restructures, which did not result in ECL being recognised as these amounts are initially recognised net of impairments. In the current year and additional impairments of R120 million was recognised on credit impaired advances originated in the previous financial year.
- Advances in the rest of Africa portfolio experienced a net increase of R 1 823 million. The growth in this portfolio was muted due to modest economic growth in many jurisdictions, with growth mainly attributable to Nigeria. The acquisition of Ghana Homeloans Bank resulted in an increase of advances of R1 611 million. This increase however offset by advances of R1 708 million being reclassified out of the portfolio as these advances are held for sale at 30 June 2020.
- The UK operations portfolio growth of 24% (4% in pound terms) is as a result of strong new business levels in owner-occupied mortgages and targeted invoice and asset finance origination. Pre-pandemic and resulting lockdown, new business volumes in MotoNovo asset-based finance business experienced growth due to more competitive funding rates obtained from the Aldermore platform.

11 ADVANCES continued

Change in total ECL

The charge to the income statement relating to total ECL before post-write-off recoveries and modification gains or losses amounted to R25 750 million, of which R25 190 million was raised on amortised cost advances and R560 million was raised on fair value advances. The increase in ECL was only partially due to the increase in the gross carrying amount of advances. The main drivers for the substantial increase in the total level of ECL provisions recognised in the current year were:

- the materially weakened macroeconomic outlook and the associated impact on forward-looking macroeconomic information that was incorporated into the ECL by way of post-model adjustments; and
- the application of COVID-19-related scalars to advances on which relief was provided. These adjustments were made to the coverage held on advances where COVID-19 relief was provided, to compensate for the impact of delayed arrears recognition, which results from an inability to observe normal arrears behaviour.

The increase in the overall level of ECL provisions was marginally offset by:

- The impact of a high proportion of technically cured customers (customers who are fewer than three payments in arrears, but do not yet meet the group's stringent curing definition of 12 consecutive payments), which carry lower coverage ratios specifically in the retail unsecured and VAF advances books,
- an increase in highly-collateralised NPLs in commercial, specifically agriculture and commercial property finance; and
- the restructure and positive credit migration of certain highly collateralised corporate exposures during the year and new stage 3 migrations that were fully guaranteed or collateralised.

At the end of the financial year ended 30 June 2020, loans where collateral held exceeded the carrying amount of the advance (i.e. where no coverage was calculated) amounted to R28 320 million for both advances carried at amortised cost and fair value.

Increase in stage 3 advances

Included in the total ECL before post-write off recoveries and modification gains or losses of R25 750 million is an amount of R15 326 million which relates to stage 3 exposures. Included in the R15 326 million is R9 million attributable to fair value advances.

The growth in the gross carrying amount and ECL of stage 3 exposures is mainly driven by the group's retail portfolios and is mainly due to:

- the deteriorating macroeconomic environment, aggravated by COVID-19, resulting in higher numbers of retail customer defaults;
- the stressed environment causing a number of commercial and corporate default and business rescue; and
- the lengthening of the write-off point.

Upon the adoption of IFRS 9 in the prior period, new curing and write-off rules were implemented, which continued to be refined in the current period. In particular, the write-off point for unsecured lending changed from six to 12 months and a 12-consecutive payments curing rule was implemented, which both resulted in an increase in stage 3 advances during the current year.

11 ADVANCES continued

Cured exposures

During the current year, the retail segment refined the curing rules applied to performing debt review clients, resulting in an increase in qualifying clients migrating from stage 3 to stage 2. Exposures in the retail segment that moved from stage 2 to stage 1 was as a result of the counterparty's accounts being up to date and therefore no longer meeting the SICR criteria.

Post-write-off recoveries

Post-write-off recoveries of R2 374 million (June 2019: R2 548 million) remained stable, however impacted by the later write-off point. Post-write-off recoveries were driven by the unsecured retail lending and WesBank VAF portfolios, as well as continued focus on the collections processes.

Breakdown of ECL created in the current reporting period

	2020				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Current year ECL provided	28 875	2 661	7 643	18 451	120
Interest on stage 3 advances*	(3 125)	-	-	(3 125)	-
Current year change in ECL provided after interest on stage 3 advances	**25 750**	**2 661**	**7 643**	**15 326**	**120**
Post write-off recoveries	(2 374)	-	-	(2 374)	-
Modification losses	1 007	189	121	697	-
Impairment recognised in the income statement	**24 383**	**2 850**	**7 764**	**13 649**	**120**

** Interest on stage 3 advances was included in the total ECL provided in the current year for stage 3 exposures in the back book and new business. In the prior year interest on stage 3 advances was a separate reconciling items in the ECL reconciliation.*

11 ADVANCES continued

Reconciliation of the gross advances and loss allowance on total advances as at 30 June 2019

	2019				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment*
Amortised cost	1 088 679	970 895	84 685	33 099	-
Fair value	53 797	51 544	1 838	415	-
Amount as at 1 July 2018	1 142 476	1 022 439	86 523	33 514	-
Transfer between stages**	-	(25 342)	7 137	18 205	-
Stage 1	-	54 424	(52 510)	(1 914)	-
Stage 2	-	(68 546)	71 765	(3 219)	-
Stage 3	-	(11 220)	(12 118)	23 338	-
Disposal of advances#	(4 285)	(4 285)	-	-	-
Exchange rate differences	(3 060)	(2 408)	(418)	(234)	-
Bad debts written off†	(8 922)	-	-	(8 922)	-
Changes due to modification that did not result in derecognition	(633)	-	(33)	(600)	-
Current period provision created/(released)	-	-	-	-	-
Net changes in exposure±	114 338	121 815	(6 863)	(719)	105
Interest on stage 3 advances	-	-	-	-	-
Amount as at 30 June 2019	1 239 914	1 112 219	86 346	41 244	105
Amortised cost	1 159 642	1 033 119	85 547	40 976	-
Fair value	80 272	79 100	799	268	105

2019				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
28 589	6 719	7 732	14 138	-
489	269	15	205	-
29 078	6 988	7 747	14 343	-
-	1 422	(3 020)	1 598	-
-	2 485	(2 189)	(296)	-
-	(701)	1 466	(765)	-
-	(362)	(2 297)	2 659	-
(3)	(3)	-	-	-
(171)	6	(144)	(33)	-
(8 922)	-	-	(8 922)	-
-	-	-	-	-
12 415	(497)	3 168	9 744	-
-	-	-	-	-
1 765	-	-	1 765	-
34 162	7 916	7 751	18 495	-
33 614	7 614	7 702	18 298	-
548	302	49	197	-

11 ADVANCES continued

- * *The total gross carrying amount of undiscounted expected credit losses at initial recognition on purchased or originated credit impaired financial assets recognised during the reporting period is Rnil*
- ** *Transfers between stages reflect opening balances based on the advances stage at the end of the financial year for all businesses other than Aldermore. Exposures can be transferred directly from stage 3 to stage 1 if the curing requirements are satisfied at the end of the financial year. The new exposures originated during the financial year (which are not included in the opening balance) and any other change in the advance balance not addressed in one of the specific reconciliation lines, are included in net new business and changes in exposure based on the stage at the end of the financial year.*
- \# *The majority of disposals relates to RMB and is due to loan syndications whereby the full exposure is recognised in new business and changes in exposure and the sell down to other external parties are recognised as disposals.*
- † *Decrease in the advance as a result of write-off is equal to the decrease ECL as exposures are 100% provided for before being written off. The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is R6 936 million.*
- ± *Net changes in exposure reflects the net of the following items:*
  - *Net settlements and other changes in exposures of advances included in the opening balance, which occurred during the financial year.*
  - *New business originated during the financial year and the transfers between stages of the new origination.*

11 ADVANCES continued

At 30 June 2019, loans where collateral held exceeded the carrying amount of the advance (i.e. where no coverage was calculated) amounted to R2 730 million.

The change in ECL in the current financial year amounted to R12 415 million, the majority of which relates to growth in the gross carrying amount from the restated opening balance at 1 July 2018 in the following significant classes of advances

- Credit card – R5 288 million driven by client acquisition, upsell and facility utilisation;
- Personal loans – R6 725 million driven by client acquisition and displacement of other credit providers to main banked clients;
- FNB commercial – R10 573 million following strong growth in agric and commercial property finance;
- RMB corporate bank – R11 296 million due to client acquisition and increased working capital utilisation and
- RMB investment bank – R26 528 million driven by strong growth in the cross-border advances book and reverse repurchase advances, which have no ECL.

The change in stage 3 ECL was impacted by the increase in operational stage 3/NPLs in the credit card, personal loans and other retail portfolios in FNB and vehicle asset finance in WesBank. In addition, the stringent 12-month curing and extended write off period extends the length of time advances remain in stage 3, impacting the stage 3 ECL.

The ECL charge for the year was also impacted by changes in models and recalibrations and changes to the forward-looking macroeconomic inputs. These increased the impairment provision for the year by R1 668 million and R391 million respectively. The impact of forward-looking macroeconomic inputs is more negative in the nearer term, with the most significant impact on stage 1 ECL. The longer term outlook improves resulting in a muted impact on stage 2 and 3 ECL.

11 ADVANCES continued

Analysis of the gross advances and loss allowance on total advances as at 30 June 2020 per class

	2020				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
Residential mortgages	**224 404**	**197 845**	**14 897**	**11 662**	**-**
WesBank VAF	**104 014**	**82 179**	**11 581**	**10 254**	**-**
Total retail secured	**328 418**	**280 024**	**26 478**	**21 916**	**-**
FNB card	**30 210**	**24 352**	**2 183**	**3 675**	**-**
Personal loans	**41 874**	**28 371**	**6 079**	**7 424**	**-**
Retail other	**16 732**	**12 879**	**1 646**	**2 207**	**-**
Total retail unsecured	**88 816**	**65 602**	**9 908**	**13 306**	**-**
FNB commercial	**107 916**	**92 641**	**8 245**	**7 030**	**-**
WesBank corporate	**27 114**	**24 385**	**1 855**	**874**	**-**
RMB corporate banking	**68 445**	**59 847**	**7 745**	**726**	**127**
RMB investment banking	**280 747**	**249 832**	**28 633**	**1 381**	**901**
Total corporate and commercial	**484 222**	**426 705**	**46 478**	**10 011**	**1 028**
Rest of Africa	**66 380**	**57 210**	**4 973**	**4 197**	**-**
Group Treasury and other	**37 013**	**36 825**	**45**	**143**	**-**
UK operations	**306 246**	**265 147**	**34 419**	**6 680**	**-**
Retail	**234 529**	**206 982**	**22 429**	**5 118**	**-**
Commercial	**71 717**	**58 165**	**11 990**	**1 562**	**-**
Total advances	**1 311 095**	**1 131 513**	**122 301**	**56 253**	**1 028**

2020				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
3 916	731	777	2 408	-
5 861	575	1 308	3 978	-
9 777	1 306	2 085	6 386	-
4 201	917	562	2 722	-
8 697	1 812	1 653	5 232	-
3 139	782	701	1 656	-
16 037	3 511	2 916	9 610	-
6 028	1 394	1 339	3 295	-
506	114	111	281	-
1 203	323	647	113	120
5 302	1 435	3 522	345	-
13 039	3 266	5 619	4 034	120
4 633	1 007	981	2 645	-
899	565	152	182	-
4 995	1 680	1 619	1 696	-
3 453	1 116	1 148	1 189	-
1 542	564	471	507	-
49 380	11 335	13 372	24 553	120

11 ADVANCES continued

Analysis of the gross advances and loss allowance on total advances as at 30 June 2019 per class

	2019				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
Residential mortgages	217 164	198 373	10 153	8 638	-
WesBank VAF	106 142	89 060	9 939	7 143	-
Total retail secured	323 306	287 433	20 092	15 781	-
FNB card	28 115	24 321	1 522	2 272	-
Personal loans	39 369	30 244	3 282	5 843	-
Retail other	17 908	14 903	1 023	1 982	-
Total retail unsecured	85 392	69 468	5 827	10 097	-
FNB commercial	105 131	92 092	8 483	4 556	-
WesBank corporate	27 945	25 875	1 546	524	-
RMB corporate banking	57 932	50 757	6 834	236	105
RMB investment banking	285 898	266 708	16 646	2 544	-
Total corporate and commercial	476 906	435 432	33 509	7 860	105
Rest of Africa	64 557	56 847	3 746	3 964	-
Group Treasury and other	43 124	42 778	209	137	-
UK operations	246 629	220 261	22 963	3 405	-
Retail	184 211	163 667	18 038	2 506	-
Commercial	62 418	56 594	4 925	899	-
Total advances	1 239 914	1 112 219	86 346	41 244	105

2019				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
2 541	360	510	1 671	-
4 356	632	1 307	2 417	-
6 897	992	1 817	4 088	-
2 650	555	347	1 748	-
6 815	1 415	971	4 429	-
2 725	724	464	1 537	-
12 190	2 694	1 782	7 714	-
3 812	733	776	2 303	-
338	92	67	179	-
688	231	364	93	-
3 233	1 048	1 466	719	-
8 071	2 104	2 673	3 294	-
3 963	807	804	2 352	-
948	574	188	186	-
2 093	745	487	861	-
1 511	532	378	601	-
582	213	109	260	-
34 162	7 916	7 751	18 495	-

11 ADVANCES continued

Voluntary changes to the classes previously reported at 30 June 2019

R million	Gross advances As previously reported	Movement	Updated amount
Residential mortgages	217 164	-	217 164
WesBank VAF*	160 703	(54 561)	106 142
Total retail secured	377 867	(54 561)	323 306
FNB card**	32 443	(4 328)	28 115
Personal loans*	39 947	(578)	39 369
Retail other	17 908	-	17 908
Total retail unsecured	90 298	(4 906)	85 392
FNB commercial	105 131	-	105 131
WesBank corporate	27 945	-	27 945
RMB corporate banking	57 932	-	57 932
RMB investment banking	285 898	-	285 898
Total corporate and commercial	476 906	-	476 906
Rest of Africa#	65 610	(1 053)	64 557
Group Treasury and other	37 743	5 381	43 124
UK operations	191 490	55 139	246 629
Retail	129 072	55 139	184 211
Commercial	62 418	-	62 418
Total advances	1 239 914	-	1 239 914

The group defines a class firstly by the nature of the customer relationship, in other words, whether the ultimate customer is retail, corporate and commercial or within the UK operations. Within the main classes identified, the group then further categorises the main class into sub-classes that are appropriate to the nature of the credit risk management information and which reflects similar characteristics of the financial instrument.

During the current year, the group reclassified the following advances between classes, resulting in the comparative information being restated.

* *In line with the intergroup sale of the MotoNovo business from FirstRand Bank to Aldermore in the prior period, all advances previously originated by MotoNovo which had been classed as retail secured and retail unsecured have been reclassified to the UK operations, so as to provide better comparability year on year of the UK operations class of advances.*

** *Discovery Card was reclassified to non-current assets held for sale and disposal groups. This resulted in the advances categorised in FNB Card (Discovery Card) no longer being reflected in the current year advances balance due to the reclassification under IFRS 5. In considering the nature of the ultimate customer used by the group to define its classes, at 30 June 2020, the ultimate customer for Discovery card is no longer the underlying retail customer but rather a single buyer. The group reclassified Discovery card into Group Treasury, to better reflect the customer relationship relating to the advance.*

\# *A decision was taken to align the advances included in Rest of Africa more closely to the nature of the customer relationship. It was therefore concluded that the group treasury activities included in the Rest of Africa class should be presented in the Group Treasury class, so as to better reflect the nature of the customer relationship, namely institutional customer versus retail and commercial customer and to ensure consistency with similar items.*

The group reclassified advances between classes, and elected to voluntarily restate its comparative information both in Note 11 Advances, Note 12 Impairment of Advances and Note 37 Financial and Insurance Risk Management. To allow the user to compare the restated comparatives provided in these notes to the information previously presented, the affected notes included in the 2019 annual financial statements have included in Note 38 Impact due to movement in the classes of advances.

Loss allowance		
As previously reported	Movement	Updated amount
2 541	-	2 541
5 443	(1 087)	4 356
7 984	(1 087)	6 897
2 883	(233)	2 650
6 853	(38)	6 815
2 725	-	2 725
12 461	(271)	12 190
3 812	-	3 812
338	-	338
688	-	688
3 233	-	3 233
8 071	-	8 071
3 963	-	3 963
715	233	948
968	1 125	2 093
386	1 125	1 511
582	-	582
34 162	-	34 162

12 IMPAIRMENT OF ADVANCES

Analysis of the loss allowance closing balance

	2020				
	Loss allowance				
R million	Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
Amount as at 30 June	**49 380**	**11 335**	**13 372**	**24 553**	**120**
Included in the total loss allowance					
- On and off-balance sheet exposure*	**48 931**	**11 129**	**13 217**	**24 465**	**120**
- Letters of credit and guarantees	**449**	**206**	**155**	**88**	**-**
Components of total loss Allowance as at 30 June 2020					
- Forward looking information**	**5 479**	**2 557**	**2 202**	**720**	**-**
- Changes in models†	**368**	**86**	**451**	**(169)**	**-**
- Interest on stage 3 advances±	**2 754**	**-**	**-**	**2 754**	**-**

* *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 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.*

\# *Comparative information for the components of total loss allowance as at 30 June was not collected in the prior period and could not be provided.*

† *This represents the total ECL closing balance as at 30 June that is attributable to significant model changes, such as model recalibrations or changes 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 change was implemented.*

± *Cumulative balance of interest on stage 3 advances as at 30 June.*

Breakdown of impairment charge recognised in the income statement

	2020			2019		
R million	Total	Amortised cost	Fair value	Total	Amortised cost	Fair value
Increase in loss allowance	**(25 750)**	**(25 190)**	**(560)**	(12 415)	(12 346)	(69)
Recoveries of bad debts	**2 374**	**2 374**	**-**	2 548	2 548	-
Modification loss	**(1 007)**	**(1 007)**	**-**	(633)	(633)	-
Impairment of advances recognised in the income statement	**(24 383)**	**(23 823)**	**(560)**	(10 500)	(10 431)	(69)

2019				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
34 162	7 916	7 751	18 495	-
				-
208	75	65	68	-
33 954	7 841	7 686	18 427	-
				-
#	#	#	#	#
#	#	#	#	#
1 765	-	-	1 765	-

12 IMPAIRMENT OF ADVANCES continued

Reconciliation of the loss allowance on total advances per class

Amortised cost

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
Amount as at 1 July 2018	2 362	4 120	1 569	4 598	2 023
- Stage 1	269	677	458	1 221	637
- Stage 2	378	1 240	241	961	546
- Stage 3	1 715	2 203	870	2 416	840
Acquisition/(disposal) of advances	-	-	-	-	-
Exchange rate differences	120	-	-	-	(120)
Bad debts written off	(362)	(2 201)	(437)	(1 495)	(885)
Current period provision created/(released)*	318	2 110	1 371	3 392	1 455
- Stage 1	(95)	(288)	31	198	20
- Stage 2	322	571	296	448	273
- Stage 3	91	1 827	1 044	2 746	1 162
Interest on stage 3 advances	103	327	147	320	252
Amount as at 30 June 2019	2 541	4 356	2 650	6 815	2 725
Stage 1	360	632	555	1 415	724
Stage 2	510	1 307	347	971	464
Stage 3	1 671	2 417	1 748	4 429	1 537
Acquisition/(disposal) of advances	**-**	**-**	**-**	**(90)**	**-**
Transfers from/(to) non-current assets or disposal groups held for sale	**-**	**-**	**-**	**-**	**-**
Exchange rate differences	**-**	**-**	**-**	**-**	**-**
Bad debts written off	**(259)**	**(1 907)**	**(1 114)**	**(4 351)**	**(1 754)**
Current period provision created/(released)†	**1 634**	**3 412**	**2 665**	**6 323**	**2 168**
- Stage 1	**275**	**(265)**	**349**	**627**	**(13)**
- Stage 2	**423**	**564**	**458**	**966**	**415**
- Stage 3	**936**	**3 113**	**1 858**	**4 730**	**1 766**
Amount as at 30 June 2020	**3 916**	**5 861**	**4 201**	**8 697**	**3 139**
Stage 1	**731**	**575**	**917**	**1 812**	**782**
Stage 2	**777**	**1 308**	**562**	**1 653**	**701**
Stage 3	**2 408**	**3 978**	**2 722**	**5 232**	**1 656**

** Current period provision created/(released) reflects the net of the following items:*

- *Flow on ECL impact of net settlements and changes in exposures of advances included in the opening balance, including changes in ECL on amended off-balances sheet facilities.*
- *The increase or decrease of the opening balance ECL due to transfers between the stages, for example the release of ECL on transfer from stage 2 to stage 1 or the increase in ECL on transfer from stage 1 to stage 2.*
- *ECL on new business originated during the financial year and the transfers between stages of the new origination.*
- *Impact of changes in models and risk parameters, including forward looking macroeconomic information.*

Corporate and commercial						UK operations		
FNB commercial	WesBank corporate	RMB corporate banking	RMB investment banking	Rest of Africa	Group Treasury and other	Retail	Commercial	Total
3 457	333	945	2 876	3 598	712	1 544	452	28 589
680	93	163	570	726	403	629	193	6 719
879	91	723	1 330	685	183	372	103	7 732
1 898	149	59	976	2 187	126	543	156	14 138
-	-	-	(3)	-	-	-	-	(3)
(7)	1	2	4	(155)	6	(15)	(7)	(171)
(751)	(104)	(322)	(358)	(638)	(174)	(974)	(211)	(8 912)
836	99	25	317	959	222	901	341	12 346
(214)	(36)	(51)	69	(62)	(27)	(62)	160	(357)
448	4	(77)	54	363	31	40	186	2 959
602	131	153	194	658	218	923	(5)	9 744
277	9	38	29	197	4	55	7	1 765
3 812	338	688	2 865	3 961	770	1 511	582	33 614
733	92	231	924	805	398	532	213	7 614
776	67	364	1 419	804	186	378	109	7 702
2 303	179	93	522	2 352	186	601	260	18 298
-	**-**	**-**	**(10)**	**-**	**-**	**-**	**-**	**(100)**
-	**-**	**-**	**-**	**(223)**	**(42)**	**-**	**-**	**(265)**
-	**-**	**10**	**113**	**208**	**-**	**504**	**216**	**1 051**
(1 286)	**(114)**	**(141)**	**(572)**	**(1 282)**	**(196)**	**(842)**	**(350)**	**(14 168)**
3 502	**282**	**526**	**2 338**	**1 969**	**122**	**2 280**	**1 094**	**28 315**
489	**10**	**71**	**151**	**212**	**(58)**	**453**	**249**	**2 550**
1 070	**64**	**347**	**1 803**	**182**	**(14)**	**699**	**346**	**7 323**
1 943	**208**	**108**	**384**	**1 575**	**194**	**1 128**	**499**	**18 442**
6 028	**506**	**1 083**	**4 734**	**4 633**	**654**	**3 453**	**1 542**	**48 447**
1 394	**114**	**323**	**1 288**	**1 007**	**320**	**1 116**	**564**	**10 943**
1 339	**111**	**647**	**3 111**	**981**	**152**	**1 148**	**471**	**12 961**
3 295	**281**	**113**	**335**	**2 645**	**182**	**1 189**	**507**	**24 543**

12 IMPAIRMENT OF ADVANCES continued

Reconciliation of the loss allowance on total advances per class

Fair value

R million	RMB corporate banking	RMB investment banking	Rest of Africa	Group Treasury and other	Total
Amount as at 1 July 2018	-	312	4	173	489
- Stage 1	-	92	4	173	269
- Stage 2	-	15	-	-	15
- Stage 3	-	205	-	-	205
Bad debts written off	-	(10)	-	-	(10)
Current period provision created/(released)†	-	66	(2)	5	69
- Stage 1	-	(120)	(2)	(18)	(140)
- Stage 2	-	186	-	23	209
- Stage 3	-	-	-	-	-
Amount as at 30 June 2019	-	368	2	178	548
Stage 1	-	124	2	176	302
Stage 2	-	47	-	2	49
Stage 3	-	197	-	-	197
Exchange rate differences	**-**	**19**	**-**	**-**	**19**
Bad debts written off	**-**	**(194)**	**-**	**-**	**(194)**
Current period provision created/(released)†	**120**	**375**	**(2)**	**67**	**560**
- Stage 1	**-**	**46**	**(2)**	**67**	**111**
- Stage 2	**-**	**320**	**-**	**-**	**320**
- Stage 3	**120**	**9**	**-**	**-**	**129**
Amount as at 30 June 2020	**120**	**568**	**-**	**245**	**933**
Stage 1	**-**	**147**	**-**	**245**	**392**
Stage 2	**-**	**411**	**-**	**-**	**411**
Stage 3	**120**	**10**	**-**	**-**	**130**

12 IMPAIRMENT OF ADVANCES continued

COVID-19 relief

The group offered financial relief to its customers through various mechanisms in response to COVID-19. These relief measures were granted to eligible customers whose accounts were up-to-date as at 29 February 2020 and included the following:

- additional facilities or new loans being granted, in particular the cash flow relief account;
- restructure of instalment products (payment relief) including extension of contractual terms;
- payment and interest relief; and
- extension of balloon repayment terms.

The cash flow relief account was offered to eligible FNB retail customers, where instead of offering customers a payment holiday with a term extension, customers were offered a cash flow relief loan, whereby payments due by the customer to the group on a variety of the group's products could be drawn from the cash flow relief account for a period of three months. The cash flow relief account bears interest at prime, has a flexible repayment period as negotiated and the customer has the ability to settle the amount earlier without incurring penalties and repayment only commenced once the three-month relief period was over. In some instances, the relief period has been extended by a further three months. Amounts advanced to customers under the cash flow relief scheme is included in the retail unsecured class of advances. As the cash flow relief account is treated as a new advance to the customer, no modification loss was recognised on the underlying advances as the payments due were settled from the cash flow relief account.

Wesbank customers that bank with FNB were able to utilise the cash flow relief loan to make payment under their credit agreements. Customers with balloon payments due could elect to convert their balloon payment into an extended repayment term agreement, on terms similar to those in the original credit agreement.

Other financial relief mechanisms employed by the group included customers being offered payment holidays between three and six-months. During the payment holiday interest accrued at the contractual rate and at the end of the relief period, customers had the option to adjust their instalment, extend the term of the facilities or elect to repay the full amount at the end of the deferral period.

Relief granted by RMB was in the form of short-term debt repayment moratoriums, increase in credit limits, short-term bridge financing and covenant waivers.

The debt relief measures discussed above resulted in the group not suffering a modification loss as the present value of the original cash flows and the present value of the revised cash flows were equivalent.

Within Aldermore, financial relief mechanisms included in addition to those described above, payment holidays with no interest charged to the customer during the payment holiday. The customer's instalment were unaltered, but the term of the credit agreement was extended by the payment holiday period, or the credit agreement was not extended, and the final three instalments of the agreement were increased.

Other financial relief mechanisms employed by the group included reducing the interest charged during the payment holiday period, or in some instances suspended penalty interest during the payment holiday period.

Other debt relief measures resulted in the group suffering a modification loss as the present value of the original cash flows and the present value of the revised cash flows were not equivalent.

12 IMPAIRMENT OF ADVANCES continued

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 lifetime expected credit losses and the modification resulted in a modification gain or loss being recognised.

Where the modification did not result in a modification gain or loss being recognised, as is the case with various of the COVID-19 debt relief mechanisms described above, these modifications are not disclosed below.

	2020			
	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	1 676	(109)	1 567	(40)
WesBank VAF	1 269	(364)	905	3
Total retail secured	2 945	(473)	2 472	(37)
FNB card	460	(274)	186	(90)
Personal loans	2 714	(1 379)	1 335	(486)
Retail other	817	(489)	328	(143)
Total retail unsecured	3 991	(2 142)	1 849	(719)
FNB commercial	338	(24)	314	-
Total corporate and commercial	338	(24)	314	-
Rest of Africa	89	(21)	68	(19)
Group Treasury and other	-	-	-	-
UK operations	5 076	(692)	4 384	(43)
- Retail*	2 194	(647)	1 547	(5)
- Commercial	2 882	(45)	2 837	(38)
Total	12 439	(3 352)	9 087	(818)

** Gross carrying amount before modification includes total MotoNovo of R1 586 million (£74 million).*

12 IMPAIRMENT OF ADVANCES continued

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 lifetime expected credit losses and the modification resulted in a modification gain or loss being recognised.

	2019			
	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	569	(55)	514	(24)
WesBank VAF	918	(244)	674	(140)
Total retail secured	1 487	(299)	1 188	(164)
FNB Card	264	(178)	86	(58)
Personal loans	1 057	(336)	721	(363)
Retail other	40	(29)	11	(46)
Total retail unsecured	1 361	(543)	818	(467)
FNB commercial	202	(17)	185	7
Total corporate and commercial	202	(17)	185	7
Rest of Africa	-	-	-	-
Group Treasury and other	19	(12)	7	(9)
UK operations	-	-	-	-
- Retail	-	-	-	-
- Commercial	-	-	-	-
Total	3 069	(871)	2 198	(633)

13 OTHER ASSETS

R million	Notes	2020	2019
Items in transit		**1 051**	2 140
Interest and commission accrued		**44**	21
Prepayments		**2 171**	1 619
Properties in possession	37.1.4	**61**	54
Sundry debtors		**1 097**	1 017
Fair value hedge asset*		**1 253**	322
Dividends receivable		**319**	292
- Profit share receivable on insurance cells		**319**	283
- Other dividends receivable		**-**	9
Variation Margin		**2 614**	536
Other accounts receivable**		**2 803**	2 668
Total gross carrying amount of other assets		**11 413**	8 669
- Financial		**7 100**	5 533
- Non-financial		**4 313**	3 136
Loss allowance on other financial assets[#]		**(157)**	(91)
Total other assets		**11 256**	8 578

* *The balance reflected relates to the fair value of the interest rate risk component of the hedged items previously designated in a fair value macro-hedge accounting relationships in South Africa, as well as the active macro-hedge relationships in Aldermore. The balance is being amortised over the remaining expected life of the previously designated hedged item in line with IAS 39.*

** *The group as a lessor has granted lease concessions on operating leases to its customers in the form of payment holidays. The lease payments amounting to R82 million are deferred and included in other accounts receivable and are tested for ECL.*

[#] *No further information is provided on the loss allowance on other assets, as it is insignificant.*

14 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

R million	Total June 2020	Tanzania June 2020	Discovery June 2020
ASSETS			
Cash and cash equivalents*	**414**	**414**	**-**
Derivative financial instruments*	**-**	**-**	**-**
Investment securities*	**225**	**225**	**-**
Advances*	**2 394**	**836**	**1 558**
Other assets	**32**	**32**	**-**
Current tax assets	**-**	**-**	**-**
Property and equipment	**-**	**-**	**-**
Intangible assets	**-**	**-**	**-**
Deferred income tax asset	**-**	**-**	**-**
Total assets classified as a disposal group held for sale	**3 065**	**1 507**	**1 558**
LIABILITIES			
Derivative financial instruments*	**2**	**2**	**-**
Creditors, accruals and provisions*	**29**	**29**	**-**
Current tax liability	**11**	**11**	**-**
Deposits*	**1 243**	**1 158**	**85**
Other liabilities*	**142**	**142**	**-**
Deferred tax liability	**-**	**-**	**-**
Total liabilities classified as a disposal group held for sale	**1 427**	**1 342**	**85**
Net assets of disposal group held for sale	**1 638**	**165**	**1 473**

** Carrying amount approximates fair value.*

14.1 Tanzania disposal group held for sale

During the current financial year, the group took a decision to dispose of its operations in Tanzania, which are conducted through FNB Tanzania and form part of the Other Africa geographical segment. The group is in the process of assessing the non-binding expressions of interest it has received and negotiations with qualifying buyers will commence at the beginning of the 2021 financial year. The disposal is expected to qualify for recognition as a sale by 30 June 2021.

14.2 Discovery disposal group held for sale

During the current year, advances, facilities and related deposits that were previously originated by the group relating to Discovery branded credit cards were disposed of as part of the Discovery card transaction. These advances and facilities were transferred at their net book value, resulting in no gain or loss being recognised. The remaining disposal group of advances with a gross carrying amount of R1 600 million and an impairment allowance of R42 million at 30 June 2020, as well as deposits with a carrying amount of R85 million, was transferred during July 2020 and is included in the segment report under FCC and other.

15 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS

R million	Notes	2020	2019
Policyholder liabilities under insurance contracts	15.1	**1 470**	848
Policyholder liabilities under investment contracts	15.2	**4 960**	4 415
Total gross policyholder liabilities		**6 430**	5 263
Reinsurance assets		**(240)**	(196)
Total net policyholder liabilities		**6 190**	5 067

15.1 Policyholder liabilities under insurance contracts and reinsurance assets

		2020		
R million	Notes	**Gross**	**Reinsurance asset**	**Net**
Short-term insurance contracts		**411**	**(86)**	**325**
Claims outstanding and claims incurred but not reported	15.1.1	**377**	**(86)**	**291**
Unearned premiums	15.1.2	**34**	**-**	**34**
Long-term insurance contracts	15.1.3	**1 059**	**(154)**	**905**
Total policyholder liabilities under insurance contracts and reinsurance assets		**1 470**	**(240)**	**1 230**

		2019		
R million	Notes	Gross	Reinsurance asset	Net
Short-term insurance contracts		347	(123)	224
Claims outstanding and claims incurred but not reported	15.1.1	318	(123)	195
Unearned premiums	15.1.2	29	-	29
Long-term insurance contracts	15.1.3	501	(73)	428
Total policyholder liabilities under insurance contracts and reinsurance assets		848	(196)	652

15 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS continued

15.1.1 Reconciliation of outstanding claims, claims incurred but not reported and similar items

	2020		
R million	Gross	Reinsurance asset	Net
Opening balance	318	(123)	195
Increase in current year claims outstanding	146	3	149
Decrease from prior year claims outstanding	(66)	24	(42)
Claims settled in the year	(46)	10	(36)
Acquisition/(disposal) of portfolios	25	-	25
Closing balance	377	(86)	291

	2019		
R million	Gross	Reinsurance asset	Net
Opening balance	331	(52)	279
Increase in current year claims outstanding	196	41	237
Decrease from prior year claims outstanding	(45)	(112)	(157)
Claims settled in the year	(164)	-	(164)
Acquisition/(disposal) of subsidiaries	-	-	-
Closing balance	318	(123)	195

15.1.2 Reconciliation of unearned premiums and similar items

	2020		
R million	Gross	Reinsurance asset	Net
Opening balance	29	-	29
Increase in unearned premiums and similar items	2	-	2
Acquisition/(disposal) of portfolios	3	-	3
Closing balance	34	-	34

	2019		
R million	Gross	Reinsurance asset	Net
Opening balance	26	-	26
Increase in unearned premiums and similar items	3	-	3
Acquisition/(disposal) of portfolios	-	-	-
Closing balance	29	-	29

15 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS continued

15.1.3 Reconciliation of gross long-term insurance contracts

	2020		
R million	Gross	Reinsurance asset	Net
Opening balance	**501**	**(73)**	**428**
Transfer to policyholder liabilities	**558**	**(81)**	**477**
- Claims incurred but not yet reported	**340**	**-**	**340**
- Outstanding claims	**218**	**-**	**218**
- Reinsurance	**-**	**(81)**	**(81)**
Closing balance	**1 059**	**(154)**	**905**

	2019		
R million	Gross	Reinsurance asset	Net
Opening balance	359	(32)	327
Transfer to policyholder liabilities	142	(41)	101
- Claims incurred but not yet reported	56	-	56
- Outstanding claims	86	-	86
- Reinsurance	-	(41)	(41)
Closing balance	501	(73)	428

15.2 Policyholder liabilities under investment contracts

R million	2020	2019
Opening balance	**4 415**	3 877
Premiums received	**931**	945
Fees deducted from account balances	**(43)**	(36)
Policyholder benefits on investment contracts	**(491)**	(489)
Fair value adjustments recognised in fair value	**148**	118
Closing balance	**4 960**	4 415

16 INVESTMENTS IN ASSOCIATES

R million	2020	2019
Analysis of the carrying value of associates		
Shares at cost less impairment	**3 971**	3 746
Share of post-acquisition reserves	**2 911**	2 623
Total investments in associates	**6 882**	6 369
Movement in the carrying value of associates		
Opening balance	**6 369**	5 345
Share of profit of associates after tax	**24**	946
- Income before tax for the year	**765**	1 225
- Impairments of associates (incurred)/reversed	**(466)**	34
- Tax for the year	**(275)**	(313)
Net movement resulting from acquisitions, disposals and transfers	**855**	463
- Acquisition of associates	**987**	524
- Cash consideration	**551**	418
- Non-cash consideration	**436**	106
- Disposal of associates	**(132)**	(61)
Movement in other reserves	**9**	39
Exchange rate differences	**21**	(1)
Dividends received for the year	**(396)**	(423)
Closing balance	**6 882**	6 369

During the current year R101 million (2019: R18 million) in losses were not recognised. The cumulative share of losses from associates not recognised is R127 million (2019: R15 million).

The group has no exposure to contingent liabilities as a result of its relationships with associates (2019: R85 million).

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	**2020**	2019	**2020**	2019	**2020**	2019
Amounts recognised in profit or loss and other comprehensive income of the investee						
Dividends received	**80**	-	**-**	116	**-**	-
Revenue	**5 018**	5 312	1 839	2 067	4 512	4 319
Profit or loss from continuing operations after tax	**397**	557	**(49)**	7	**126**	179
Total comprehensive income	**397**	557	**(49)**	7	**126**	179
Amounts recognised on the statement of financial position of the investee						
Total assets	**43 351**	40 622	**5 706**	6 000	**37 367**	36 162
- Current assets	**13 809**	11 977	**636**	683	**16 196**	14 851
- Non-current assets	**29 542**	28 645	**5 070**	5 317	**21 171**	21 311
Total liabilities	**(39 457)**	(36 883)	**(3 127)**	(3 283)	**(35 262)**	(34 481)
- Current liabilities	**(10 715)**	(12 290)	**(427)**	(451)	**(13 953)**	(4 809)
- Non-current liabilities	**(28 742)**	(24 593)	**(2 700)**	(2 832)	**(21 309)**	(29 672)
Net asset value	**3 894**	3 739	**2 579**	2 717	**2 105**	1 681
Group's share of net asset value	**1 285**	1 234	**567**	598	**1 031**	824
Other adjustments to net asset value	**(77)**	64	**(295)**	(24)	**(48)**	231
Carrying value of investments	**1 208**	1 298	**272**	574	**983**	1 055
Acquisitions of associates						
Total consideration transferred	**-**	-	**-**	-	**-**	172
- Discharged by cash	**-**	-	**-**	-	**-**	172

Volkswagen Financial Services SA Proprietary Limited

No additional capital injection of Rnil million (2019: R172 million) was provided to Volkswagen Financial Services SA Proprietary Limited (2019: R172 million). This did not result in a change in shareholding.

16 INVESTMENTS IN ASSOCIATES continued

Financial information of individually immaterial associates

R million	RMB private equity associates* 2020	RMB private equity associates* 2019	Other individually immaterial associates* 2020	Other individually immaterial associates* 2019
Carrying amount	**3 305**	2 322	**1 114**	1 120
Group's share of profit or loss after tax from continuing operations	**520**	588	**(132)**	110
Group's share of other comprehensive income/(loss)	**35**	24	**(5)**	4
Group's share of total comprehensive income	**555**	612	**(137)**	114
Acquisitions of associates				
Acquisition date	**Various**	Various	**Various**	Various
Interest acquired (%)	**Various**	Various	**Various**	Various
Total consideration transferred	**780**	98	**207**	254
- Discharged by cash	**551**	98	**-**	148
- Non-cash consideration and other purchases	**229**	-	**207**	106
Disposal of associates				
Disposal date	**Various**	Various	**Various**	Various
Interest disposed (%)	**Various**	Various	**Various**	Various
Total consideration received	**580**	195	**14**	1 083
- Discharged by cash	**580**	195	**14**	1 083
Carrying value of the associate on disposal	**(119)**	(60)	**(14)**	(1)
Gains/(loss) on disposal of associates	**461**	135	**-**	1 082

** Certain associate balances have been moved from private equity associates to other individually immaterial associates, as it more accurately reflects the nature of these investments. The prior year amounts for other individually immaterial associates have been restated to increase the carrying amount by R110 million and the group's share of other comprehensive income as well as the group's share of total comprehensive income by R4 million with a decrease in the corresponding amounts for private equity associates.*

Acquisition and disposal of associates 2020

Private equity associates

In the current year, additional capital injections were made to private equity associates. These capital injections were made in cash and did not result in a change in shareholding.

In the current year, the group disposed of 22.36% shareholding in a private equity associate. The group has retained significant influence and recognised a gain of R366 million on dilution. The remaining disposal gains relates to the disposals of various individually immaterial private equity associates.

Impairment of associates

The impairment of the investment in Primedia and other individually immaterial associates arose primarily due to depressed market spending as a result of the adverse economic impact of COVID-19. The carrying value of the investments is based on their fair value less costs to sell and was determined using earnings multiples, with the key assumptions being the earnings multiples. The fair value less costs to sell is a level 3 of the fair value hierarchy.

17 INVESTMENTS IN JOINT VENTURES

R million	**2020**	2019
Analysis of carrying value of joint ventures		
Shares at cost less impairment	**449**	372
Share of post-acquisition reserves	**1 300**	1 397
Carrying value of investments in joint ventures	**1 749**	1 769
Movement in the carrying value of joint ventures		
Opening balance	**1 769**	1 726
Share of profit of joint ventures after tax	**5**	284
- Income before tax for the year	**198**	466
- Impairments of joint ventures (incurred)/reversed	**(94)**	(101)
- Tax for the year	**(99)**	(81)
Net movement resulting from acquisitions and disposals	**171**	21
- Acquisition of joint ventures	**257**	45
- Disposal of joint ventures	**(86)**	(24)
Movement in other reserves	**24**	6
Exchange rate differences	**3**	9
Dividends received for the year	**(223)**	(277)
Closing balance	**1 749**	1 769

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	**2020**	2019
Amounts recognised in profit or loss and other comprehensive income of the investee		
Dividends received	**73**	68
Revenue	**811**	757
Profit or loss from continuing operations after tax	**214**	192
Total comprehensive income	**214**	192
Amounts recognised in the statement of financial position of the investee		
Total assets	**17 537**	26 360
- Current assets	**17 212**	26 028
- Non-current assets	**325**	332
Total liabilities	**(16 394)**	(25 286)
- Current financial liabilities	**(14 399)**	(23 887)
- Current non-financial liabilities	**(1 659)**	(1 054)
- Non-current financial liabilities	**(279)**	(345)
- Non-current non-financial liabilities	**(57)**	-
Net asset value	**1 143**	1 074
Group's share of net asset value	**572**	537
Other adjustments to net asset value	**(80)**	33
Carrying value of investment	**492**	570
Included in total assets, liabilities and comprehensive income		
Cash and cash equivalents	**(1 441)**	(970)
Depreciation and amortisation	**-**	(1)
Interest income	**29**	58
Interest expense	**(875)**	(531)
Income tax	**(83)**	(73)

17 INVESTMENTS IN JOINT VENTURES continued

Financial information of individually immaterial joint ventures

	RMB private equity joint ventures		Other	
R million	**2020**	2019	**2020**	2019
Carrying amount	**1 178**	914	**79**	285
Group's share of profit or loss after tax from continuing operations	**231**	167	**(221)**	16
Group's share of other comprehensive income	**26**	7	**-**	-
Group's share of total comprehensive income/(loss)	**257**	174	**(221)**	16
Acquisition of joint ventures				
Acquisition date	**Various**	Various	**Various**	Various
Interest acquired (%)	**Various**	Various	**Various**	Various
Total consideration transferred	**226**	25	**31**	20
- Discharged by cash	**226**	25	**31**	20
Disposal of joint ventures				
Disposal date	**Various**	Various	**Various**	Various
Interest disposed of (%)	**Various**	Various	**Various**	Various
Total consideration received	**109**	21	**-**	1
- Discharged by cash	**109**	21	**-**	1
Carrying value of the joint venture on disposal date	**(86)**	(21)	**-**	(3)
Gain/(loss) on disposal of joint ventures	**23**	-	**-**	(2)
Loss on disposal of joint ventures	**23**	-	**-**	(2)

During the current year losses of R211 million (2019: R65 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 R402 million (2019: R192 million).

The group has exposure to contingent liabilities of R175 million (2019: R175 million) as a result of its relationships with its joint ventures.

Impairment of joint ventures

The impairment of private equity joint ventures and other joint ventures was mainly due to a primary customer of one of the joint ventures being placed into business rescue as well as depressed spending and suspended trading due to COVID-19.

The recoverable amount of private equity joint ventures was based on fair value less costs to sell and was determined using earnings multiples, with the key assumptions being the earnings multiples. The recoverable amount of other joint ventures was based on fair value less costs to sell and was determined using quoted prices adjusted for illiquidity as well as net asset values, with the key assumptions being liquidity assumptions and the net realisable values of the assets of the joint ventures. The fair value less costs to sell is a level 3 of the fair value hierarchy.

18 PROPERTY AND EQUIPMENT

R million	Freehold property	Right of use property*	Right of use equip-ment	Assets held under leasing agree-ments	Computer equipment	Other equip-ment	Total
Net book value at 1 July 2018	8 173	2 064	-	209	2 885	4 605	17 936
Cost	10 679	4 234	-	407	8 509	8 516	32 345
Accumulated depreciation	(2 506)	(2 170)	-	(198)	(5 624)	(3 911)	(14 409)
Movement for the year	128	(133)	-	8	(33)	(106)	(136)
Acquisitions	463	207	-	20	1 161	1 652	3 503
Disposals	(53)	(15)	-	(5)	(39)	(585)	(697)
Exchange rate difference	2	(13)	-	-	(7)	(18)	(36)
Depreciation charge for the year	(284)	(312)	-	(7)	(1 129)	(1 155)	(2 887)
Impairments recognised	-	-	-	-	(19)	-	(19)
Impairments reversed	-	-	-	-	-	-	-
Transfer to non-current assets disposal groups held for sale	-	-	-	-	-	-	-
Net book value at 30 June 2019	**8 301**	**1 931**	**-**	**217**	**2 852**	**4 499**	**17 800**
Cost	**11 019**	**4 224**	**-**	**416**	**8 521**	**8 820**	**33 000**
Accumulated depreciation	**(2 718)**	**(2 293)**	**-**	**(199)**	**(5 669)**	**(4 321)**	**(15 200)**
IFRS 16 opening balance adjustment	**(998)**	**3 223**	**535**	**-**	**-**	**(5)**	**2 755**
Reclassificaton of property held under finance lease	**(998)**	**998**	**-**	**-**	**-**	**-**	**-**
ROUA recognized on transition	**-**	**2 225**	**535**	**-**	**-**	**(5)**	**2 755**
Movement for the year	**(109)**	**183**	**(35)**	**(114)**	**210**	**679**	**814**
Acquisitions	**121**	**1 072**	**136**	**33**	**1 551**	**2 597**	**5 510**
Disposals	**(16)**	**(12)**	**-**	**(1)**	**(143)**	**(594)**	**(766)**
Acquisitions of subsidiaries	**-**	**71**	**-**	**-**	**25**	**15**	**111**
Exchange rate difference	**57**	**185**	**(1)**	**(6)**	**16**	**4**	**255**
Depreciation charge for the year	**(271)**	**(1 092)**	**(176)**	**(18)**	**(1 221)**	**(1 332)**	**(4 110)**
Impairments recognised	**-**	**-**	**-**	**(122)**	**-**	**-**	**(122)**
Early terminations/modification of leases	**-**	**(14)**	**6**	**-**	**-**	**-**	**(8)**
Impairments reversed	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to non-current assets disposal groups held for sale	**-**	**(27)**	**-**	**-**	**(18)**	**(11)**	**(56)**
Net book value at 30 June 2020	**7 194**	**5 337**	**500**	**103**	**3 062**	**5 173**	**21 369**
Cost	**9 807**	**9 033**	**671**	**448**	**9 583**	**10 111**	**39 653**
Accumulated depreciation	**(2 613)**	**(3 696)**	**(171)**	**(345)**	**(6 521)**	**(4 938)**	**(18 284)**

**The right of use property includes the IFRS 16 assets as well as leases previously classified as finance leases.*

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 2018	7 312	2 313	753	134	335	10 847
Cost	7 943	2 399	2 223	360	454	13 379
Accumulated amortisation and impairment	(631)	(86)	(1 470)	(226)	(119)	(2 532)
Movement for the year	(65)	(364)	212	(36)	(103)	(356)
Acquisitions and capitalisations	-	-	623	-	2	625
Disposals	-	-	-	-	-	-
Transfer to non-current assets disposal						
Exchange rate differences	(65)	(18)	-	-	-	(83)
Amortisation for the year	-	(346)	(325)	(36)	(87)	(794)
Impairments recognised	-	-	(86)	-	(18)	(104)
Net book value as at 30 June 2019	**7 247**	**1 949**	**965**	**98**	**232**	**10 491**
Cost	**7 810**	**2 373**	**1 985**	**324**	**412**	**12 904**
Accumulated amortisation and impairment	**(563)**	**(424)**	**(1 020)**	**(226)**	**(180)**	**(2 413)**
Movement for the year	**1 140**	**(31)**	**68**	**(30)**	**-**	**1 147**
Acquisitions and capitalisations	**-**	**-**	**417**	**-**	**30**	**447**
Acquisitions of subsidiaries	**238**	**-**	**-**	**-**	**39**	**277**
Transfer to non-current assets disposal						
Exchange rate differences	**1 114**	**338**	**21**	**1**	**4**	**1 478**
Amortisation for the year	**-**	**(369)**	**(363)**	**(31)**	**(73)**	**(836)**
Impairments recognised	**(212)**	**-**	**(7)**	**-**	**-**	**(219)**
Impairments reversed	**-**	**-**	**-**	**-**	**-**	**-**
Net book value as at 30 June 2020	**8 387**	**1 918**	**1 033**	**68**	**232**	**11 638**
Cost	**9 165**	**2 827**	**2 354**	**264**	**480**	**15 090**
Accumulated amortisation and impairment	**(778)**	**(909)**	**(1 321)**	**(196)**	**(248)**	**(3 452)**

Acquisitions in 2020

Intangible assets acquired as part of acquisitions of subsidiaries results from the acquisition of GHL Bank, disclosed in note 30.1.

20 INVESTMENT PROPERTIES

R million	Notes	2020	2019
Opening balance		**689**	754
Fair value remeasurements	2.4	**26**	-
Additions		**7**	59
Acquisition of subsidiaries		**-**	-
Disposal of subsidiaries		**-**	(124)
Disposals		**-**	-
Closing balance		**722**	689

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

R million	Notes	2020	2019
Rental income from investment property		**110**	100
Direct operating expenses on investment property that generated rental income		**(43)**	(36)
Direct operating expenses on investment property that did not generate rental income		**-**	-

As at 30 June 2020, FirstRand has contractual obligations to purchase, construct or develop investment property to the value of R29 million (2019: R3 million). Cost incurred for repairs, maintenance and enhancements of investment property are Rnil million (2019: R4 million).

The latest valuation was performed during the 2020 year. Valuations are performed every two years, the next valuation is scheduled to be performed during the 2022 financial year or in the event that there has been 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	2020	2019
Liability for short-term employee benefits		**6 703**	7 514
Share-based payment liability		**1 055**	3 840
Defined benefit post-employment liability	21.1	**1 018**	1 659
Other long-term employee benefit liability		**44**	29
Defined contribution post-employment liability	21.2	**-**	-
Total employee liabilities		**8 820**	13 042
Defined benefit post-employment asset	21.1	**-**	(6)
Net amount due to employees		**8 820**	13 036

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 the small number of defined benefit contributing members (16 members) in the pension plan, 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 health care liability consists of a commitment to pay a portion of the members' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member. Members employed on or after 1 December 1998 do not qualify for a post-employment medical subsidy.

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 ringfenced 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 plan' 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 for submission to the Financial Sector Conduct Authority is performed every three years, with the last valuation in 2017. 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 FirstRand group Financial Resources management executive committee and FirstRand Group Asset liability and capital committee. 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 investments 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 the 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 a 80% exposure in fixed interest instruments to immunise against the interest rate and inflation risk, and 20% exposure to local and foreign growth assets. An overlay comprising of 20% exposure of high-quality corporate credit fixed-income instruments is funded through a repo transaction of a portion of the South Africa 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, 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 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 would create a deficit. **Inflation risk** – The plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. Consumer price inflation and health care cost inflation form part of the financial assumptions used in the valuation. **Life expectancy** – The plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. **Demographic movements** – The plans' liabilities are determined based on a number of best estimate assumptions on demographic movements of participants, including withdrawal and early retirement rates. This is especially relevant to the post-employment medical aid subsidy liabilities. Should fewer eligible employees withdraw and/or should more eligible employees retire earlier than assumed, the liabilities could be understated.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Details of the defined benefit plan assets and fund liability are below.

		2020			2019		
R million	Notes	**Pension**	**Medical**	**Total**	Pension	Medical	Total
Post-employment benefit fund liability							
Present value of funded obligation		**8 092**	**2 748**	**10 840**	8 692	3 502	12 194
Fair value of plan assets		**(8 168)**	**(1 760)**	**(9 928)**	(8 944)	(1 877)	(10 821)
- Listed equity instruments		**(1 865)**	**-**	**(1 865)**	(2 397)	-	(2 397)
- Cash and cash equivalents		**(350)**	**-**	**(350)**	(404)	-	(404)
- Debt instruments		**(2 795)**	**-**	**(2 795)**	(2 912)	-	(2 912)
- Derivatives		**(8)**	**-**	**(8)**	(45)	-	(45)
- Qualifying insurance policy		**-**	**(1 760)**	**(1 760)**	-	(1 877)	(1 877)
- Other		**(3 150)**	**-**	**(3 150)**	(3 186)	-	(3 186)
Total employee (asset)/liability*		**(76)**	**988**	**912**	(252)	1 625	1 373
Limitation imposed by IAS19 asset ceiling		**106**	**-**	**106**	280	-	280
Total post-employment liability		**30**	**988**	**1 018**	28	1 625	1 653
Total net amount recognised on the income statement (included in staff costs)	3	**(4)**	**138**	**134**	(12)	165	153
Movement in post-employment benefit fund liability							
Present value at the beginning of the year		**28**	**1 625**	**1 653**	(2)	1 198	1 196
Exchange differences		**-**	**(1)**	**(1)**	2	(1)	1
Current service cost		**18**	**42**	**60**	4	39	43
Net interest		**(22)**	**96**	**74**	(16)	126	110
Remeasurements: recognised in OCI		**26**	**(770)**	**(744)**	42	265	307
Employer contribution		**(19)**	**(4)**	**(23)**	(1)	(2)	(3)
Employee contribution		**(1)**	**-**	**(1)**	(1)	-	(1)
Closing balance		**30**	**988**	**1 018**	28	1 625	1 653

* *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 investment securities. FirstRand group's liability is therefore sufficiently funded.*

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

	2020			2019		
R million	**Pension**	**Medical***	**Total**	Pension	Medical*	Total
Movement in the fair value of plan assets:						
Opening balance	**8 944**	**1 877**	**10 821**	9 339	1 934	11 273
Interest income	**832**	**227**	**1 059**	806	182	988
Remeasurements: recognised in OCI	**(962)**	**(151)**	**(1 113)**	(486)	(59)	(545)
Exchange differences	**50**	**-**	**50**	-	-	-
Employer contributions	**27**	**-**	**27**	1	-	1
Employee contributions	**14**	**-**	**14**	1	-	1
Benefits paid and settlements	**(737)**	**(193)**	**(930)**	(717)	(180)	(897)
Closing balance	**8 168**	**1 760**	**9 928**	8 944	1 877	10 821
Reconciliation of limitation imposed by IAS 19 asset ceiling						
Opening balance	**280**	**-**	**280**	160	-	160
Interest income	**27**	**-**	**27**	15	-	15
Change in the asset ceiling, excluding amounts included in interest	**(201)**	**-**	**(201)**	105	-	105
Closing balance	**106**	**-**	**106**	280	-	280
The actual return on plan assets was:	**11%**			10%		
Included in plan assets were the following:						
FirstRand Limited ordinary shares with fair value of	**20**	**-**	**20**	56	-	56
Total	**20**	**-**	**20**	56	-	56

* *The medical plan asset is an insurance policy with a limit of indemnity. The insurance policy is backed by assets held through an insurance cell captive. The excess assets of the cell captive belong to a fellow subsidiary of the bank and are recognised as an account receivable. 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.

	2020		2019	
%	Pension	Medical	Pension	Medical
The principal actuarial assumptions used for accounting purposes were:				
Expected rates of salary increases	**7.3**	**-**	7.6	-
Long-term increase in health costs	**-**	**8.2**	-	8.3
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)	**3.7**	**298.8**	3.7	456.0
Effect on the aggregate of the current service cost and interest cost (R million)	**0.7**	**40.8**	0.5	51.7
Decrease of 1%				
Effect on the defined benefit obligation (R million)	**(3.5)**	**(255.3)**	(3.4)	(379.6)
Effect on the aggregate of the current service cost and interest cost (R million)	**(0.7)**	**(34.6)**	(0.5)	(42.7)
The effects of a change in the average life expectancy of a pensioner retiring at age 65:				
Increase in life expectancy by 1 year				
Effect on the defined benefit obligation (R million)	**250.8**	**81.5**	291.9	120.5
Effect on the aggregate of the current service cost and interest cost (R million)	**49.0**	**10.2**	28.3	12.5
Decrease in life expectancy by 1 year				
Effect on the defined benefit obligation (R million)	**(249.6)**	**(81.5)**	(289.4)	(119.4)
Effect on the aggregate of the current service cost and interest cost (R million)	**(48.8)**	**(10.3)**	(28.1)	(12.4)
Estimated contributions expected to be paid to the plan in the next annual period (R million)	**2**	**-**	3	-
Net increase in rate used to value pensions, allowing for pension increases (%)	**4.3**	**3.5**	3.2	1.1
The weighted average duration of the defined benefit obligation (years)	**7.8**	**13.0**	8.7	13.0

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	**753**	**2 940**	**34 526**	**38 219**
Post-employment medical benefits	**201**	**971**	**17 855**	**19 027**
Total as at 30 June 2020	**954**	**3 911**	**52 381**	**57 246**

R million	Within 1 year	Between 1-5 years	More than 5 years	Total
Pension benefits	780	3 194	26 147	30 121
Post-employment medical benefits	190	928	19 662	20 780
Total as at 30 June 2019	970	4 122	45 809	50 901

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 60.

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 a pensioner 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 a pensioner retiring at age 65 is 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

	2020	2019
Pension		
The number of employees covered by the scheme		
Active members	**2 230**	2 272
Pensioners	**5 763**	5 882
Deferred plan participants	**267**	268
Total employees	**8 260**	8 422
Defined benefit obligation amounts due to		
Benefits vested at the end of the reporting period (R million)	**7 926**	8 573
Benefits accrued but not vested at the end of the reporting period (R million)	**165**	119
Conditional benefits (R million)	**25**	35
Amounts attributable to future salary increases (R million)	**57**	69
Other benefits (R million)	**8 009**	8 588
Medical		
The number of employees covered by the scheme		
Active members	**3 100**	3 384
Pensioners	**5 292**	5 258
Total employees	**8 392**	8 642
Defined benefit obligation amounts due to		
Benefits vested at the end of the reporting period (R million)	**2 007**	2 394
Benefits accrued but not vested at the end of the reporting period (R million)	**741**	1 108
Conditional benefits (R million)	**773**	1 142
Other benefits (R million)	**1 975**	2 360

21.2 Defined contribution post-employment liability

R million	2020	2019
Post-employment defined contribution plan		
Present value of obligation	**19 974**	20 022
Present value of assets	**(19 974)**	(20 022)
Net defined contribution liability	**-**	-

The defined contribution scheme allows active members to purchase a pension from the defined benefit plan 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	2020	2019
Deferred income tax asset		
Opening balance	**4 621**	4 015
(Disposals)/acquisitions of subsidiaries	**-**	(11)
Exchange rate difference	**26**	(36)
Release to profit or loss	**925**	637
Deferred income tax on amounts charged directly to other comprehensive income	**(576)**	(129)
Other	**(21)**	145
Total deferred income tax asset	**4 975**	4 621
Deferred income tax liability		
Opening balance	**(1 359)**	(1 466)
(Acquisitions)/disposals of subsidiaries	**(18)**	5
Exchange rate difference	**(99)**	(8)
Creation/(release) to profit or loss	**155**	112
Deferred income tax on amounts charged directly to other comprehensive income	**-**	(1)
Other	**3**	(1)
Total deferred income tax liability	**(1 318)**	(1 359)
Net deferred income tax asset	**3 657**	3 262

22 DEFERRED INCOME TAX continued

Deferred income tax assets and liabilities arise from:

	As at 30 June		Recognised on income statement	
R million	**2020**	2019	**2020**	2019
Deferred income tax asset				
Tax losses	**19**	41	**(24)**	(59)
Provision for loan impairment	**4 469**	3 246	**1 229**	478
Provision for post-employment benefits	**270**	453	**29**	41
Other provisions	**561**	706	**(124)**	901
Cash flow hedges	**(802)**	(327)	**(1)**	-
Financial instruments	**(10)**	(11)	**1**	(37)
Instalment credit assets	**(167)**	(154)	**(13)**	(22)
Accruals	**45**	-	**45**	45
Debt instruments designated at FVOCI	**12**	(22)	**25**	(16)
Capital gains tax	**216**	246	**(33)**	(99)
Equity instruments designated at FVOCI	**35**	(2)	**(25)**	-
Foreign currency translation reserve	**-**	-	**(38)**	16
Insurance contracts	**-**	-	**-**	16
Share-based payments	**255**	934	**(679)**	117
Deferred revenue liability	**(214)**	(548)	**364**	(569)
Other	**275**	41	**175**	(176)
Intangible assets	**11**	18	**(6)**	1
Total deferred income tax asset	**4 975**	4 621	**925**	637
Deferred income tax liability				
Provision for loan impairment	**176**	110	**66**	9
Provision for post-employment benefits	**11**	13	**-**	1
Other provisions	**(111)**	(97)	**1**	(14)
Financial instruments	**26**	25	**1**	3
Instalment credit assets	**(301)**	(355)	**(11)**	1
Accruals	**(203)**	(279)	**76**	(86)
Capital gains tax	**(28)**	(21)	**(6)**	-
Intangible assets	**(430)**	(460)	**106**	146
Other	**(458)**	(295)	**(78)**	52
Total deferred income tax liability	**(1 318)**	(1 359)	**155**	112

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 R129 465 million (2019: R121 594 million) were declared as dividends.

The group has not recognised a deferred tax asset amounting to R894 million (2019: R1 168 million) relating to tax losses because there was insufficient taxable income. R2 million (2019: R260 million) of these losses has a 3 year expiry date. The rest of the losses have no expiry date.

23 SHORT TRADING POSITIONS

R million	2020	2019
Government and government guaranteed stock	**4 707**	5 246
Other dated securities	**79**	109
Undated securities	**276**	19
Total short trading positions	**5 062**	5 374

24 CREDITORS, ACCRUALS AND PROVISIONS

R million	2020	2019
Other accounts payable	**14 184**	15 051
Customer loyalty programme liability*	**1 878**	1 820
Fair value hedge interest liability**	**46**	23
Withholding tax for employees	**653**	628
Deferred revenue*	**569**	641
Operating lease liability - straight lining of lease payments	**6**	128
Payments received in advance	**603**	524
Accrued expenses	**2 451**	2 575
Audit fees accrued	**222**	216
Provisions (including litigations and claims)	**426**	316
Total creditors, accruals and provisions	**21 038**	21 922

* *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.*

***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	2020	2019
Opening balance	**2 461**	2 291
Increases due to cash received and other increases in contract liabilities	**2 195**	2 234
Increases/(decreases) as a result of changes in the estimate of the transaction price	**(38)**	(27)
Contract modifications	**11**	-
Revenue recognised that was included in the contract liability balance at the beginning of the period	**(2 182)**	(2 037)
Closing balance	**2 447**	2 461

Reconciliation of provisions

R million	2020	2019
Opening balance	**316**	331
Exchange rate differences	**21**	-
Charge to profit or loss	**146**	34
- Additional provisions created	**210**	79
- Unused provisions reversed	**(64)**	(45)
Utilised	**(57)**	(49)
Closing balance	**426**	316

25 DEPOSITS

R million	2020	2019
Category analysis		
Deposits from customers	**1 223 730**	1 029 845
- Current accounts	**315 959**	241 368
- Call deposits	**312 409**	275 266
- Savings accounts	**23 693**	16 984
- Fixed and notice deposits	**486 082**	416 427
- Other deposits from customers	**85 587**	79 800
Debt securities	**210 329**	254 238
- Negotiable certificates of deposit	**44 041**	67 934
- Fixed and floating rate notes	**164 989**	184 926
- Exchange-traded notes	**1 299**	1 378
Asset-backed securities	**54 255**	46 816
- Securitisation issuances	**45 644**	34 563
- Non-recourse deposits	**8 611**	12 253
Other	**46 701**	62 205
- Repurchase agreements	**23 559**	40 897
- Securities lending	**3 905**	1 803
- Cash collateral and credit-linked notes	**19 237**	19 505
Total deposits	**1 535 015**	1 393 104

26 OTHER LIABILITIES

R million	Notes	2020	2019
Lease liabilities*		**3 166**	-
Funding liabilities		**5 037**	5 974
- Preference shares**		**3 198**	2 961
- Other		**1 839**	3 013
Total other liabilities		**8 203**	5 974

** The group elected not to restate comparative information, as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis. Refer to accounting policy note 10 for details.*

*** The preference shares in issue have variable interest rates that are linked to prime. Their maturity dates range between 2020 and 2023.*

26.1 Other liabilities reconciliation

	2020			2019		
R million	Other	Lease	Total	Other	Lease	Total
Opening balance	**5 974**	**-**	**5 974**	6 989	-	6 989
IFRS 16 adjustment	**-**	**2 834**	**2 834**	-	-	-
Cash flow movements	**(2 076)**	**(71)**	**(2 147)**	691	-	691
- Proceeds on the issue of other liabilities	**3 614**	**969**	**4 583**	1 637	-	1 637
- Redemption of other liabilities	**(5 174)**	**-**	**(5 174)**	(541)	-	(541)
- Principal payments towards lease liabilities	**-**	**(884)**	**(884)**	-	-	-
- Interest paid	**(516)**	**(156)**	**(672)**	(405)	-	(405)
Non-cash flow movements	**1 137**	**405**	**1 542**	(1 706)	-	(1 706)
- Fair value movement	**(187)**	**11**	**(176)**	(1 922)	-	(1 922)
- Acquisition/disposal of subsidiaries	**1 308**	**40**	**1 348**	-	-	-
- Transfers to non-current asset and disposal group held for sale	**(108)**	**(13)**	**(121)**	-	-	-
- Foreign exchange	**(76)**	**203**	**127**	(181)	-	(181)
- Early termination / modification of lease	**-**	**(17)**	**(17)**	-	-	-
- Interest accrued	**200**	**181**	**381**	397	-	397
Total other liabilities	**5 035**	**3 168**	**8 203**	5 974	-	5 974

The group's significant operating leases relate to property rentals of office premises and the various branch network channels represented by full service branches, agencies, mini branches and ATM lobbies. 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

The Prudential Authority's (PA) Regulations relating to banks, require qualifying Tier 2 instruments to have a loss absorbency feature in the form of either a write-off or conversion to ordinary shareholder equity at the point of non-viability. These apply to any subordinated bonds issued on or after 1 January 2013.

R million	Maturity dates	Interest rate	2020	2019
Fixed rate bonds			**12 108**	9 955
- ZAR denominated	14 April 2021 to 3 June 2026	10% - 12.35%	**1 359**	1 359
- USD denominated	23 April 2023	6.25%	**9 287**	7 350
- GBP denominated	28 October 2021	8.50%	**1 300**	1 090
- Other currencies	1 December 2021 and 29 March 2022	7.48% - 10.36%	**162**	156
Floating rate bonds			**12 506**	14 236
- ZAR denominated	13 April 2021 to 3 June 2024	Three-month JIBAR +239 bps to 400 bps	**11 676**	13 719
- Other currencies	1 December 2021 and 29 March 2022	Three-month JIBAR +250 bps and bank rate + 180 bps	**830**	517
Total Tier 2 liabilities			**24 614**	24 191

27.1 Tier 2 liabilities reconciliation

R million	2020	2019
Opening balance	**24 191**	28 439
Cash flow movements	**(1 911)**	(4 954)
- Proceeds from the issue of Tier 2 liabilities	**275**	2 625
- Capital repaid on Tier 2 liabilities	**(2 186)**	(7 579)
Non-cash flow movements	**2 334**	706
- Foreign exchange*	**1 394**	(212)
- Fair value movement*	**305**	252
- Interest accrued	**635**	666
Total Tier 2 liabilities	**24 614**	24 191

**Presentation of the movement on the Tier 2 liability for the comparative period has been expanded to reflect the non-cash movements attributable to the basis adjustment as a result of fair value hedge accounting (fair value movement) separate from foreign exchange movements.*

28 SHARE CAPITAL AND SHARE PREMIUM

Share capital and share premium

Authorised shares

	2020	2019
Ordinary shares	**6 001 688 450**	6 001 688 450

Issued shares

	2020			2019		
	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**	**8 023**	5 609 488 001	56	8 056
Shares issued	**-**	**-**	**-**	-	-	-
Total issued ordinary share capital and share premium	**5 609 488 001**	**56**	**8 023**	5 609 488 001	56	8 056
Treasury shares	**(3 239 594)**	**-**	**(15)**	(385 962)	-	(33)
Total issued share capital attributable to ordinary equityholders	**5 606 248 407**	**56**	**8 008**	5 609 102 039	56	8 023

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 0.06% (2019: 0.01%) of total issued ordinary shares and these shares have been treated as treasury shares.

29 OTHER EQUITY INSTRUMENTS

Authorised preference shares

	2020	2019
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 shares

	2020		2019	
	Number of shares	**Ordinary equity instruments R million**	Number of shares	Ordinary equity instruments R million
B preference shares	**45 000 000**	**4 519**	45 000 000	4 519
Total issued share capital attributable to preference shareholders of the group	**45 000 000**	**4 519**	45 000 000	4 519

Dividends on the B preference shares are calculated at a rate of 75.5% of the prime lending rate of FNB, a division of FirstRand Bank Limited.

Additional Tier 1 capital

R million	Rate	2020	2019
FRB24	3-month JIBAR plus 440 basis points	**2 265**	2 265
FRB25*	3-month JIBAR plus 440 basis points	**3 461**	2 700
Contingent convertible securities	11.875% per annum	**-**	1 250
Total additional Tier 1 capital		**5 726**	6 215
Total other equity instruments		**10 245**	10 734

** Includes a tap issuance of R761 million in the current year.*

29 OTHER EQUITY INSTRUMENTS continued

FRB24 and FRB25

To date, FirstRand Bank, a wholly-owned subsidiary of FirstRand Limited, issued Basel III compliant Additional Tier 1 (AT1) instruments which are perpetual and pay non-cumulative, discretionary coupons on a quarterly basis. The terms and conditions provide for an issuer call option after 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 notes 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 R629 million (2019: R255 million). Current tax of R176 million (2019: R58 million) relating to the AT1 capital note was recognised in the income statement.

Contingent convertible securities

On 9 December 2014, the group's subsidiary Aldermore Group plc issued R1 250 million (£75 million) fixed-rate Additional Tier 1 perpetual subordinated contingent convertible securities.

The securities are perpetual and have no fixed redemption date. Redemption of the securities is at the discretion of Aldermore on 30 April 2020 and annually thereafter. The securities bear interest at an initial rate of 11.875% per annum until 30 April 2020 and thereafter at the relevant reset interest rate as provided in the information memorandum. Interest is payable, annually, in arrears on each interest payment date commencing 30 April 2015, and is non-cumulative. The borrower has the full discretion to cancel any interest scheduled to be paid on the securities. The contingent convertible securities were redeemed on 30 April 2020.

These securities are convertible into ordinary shares of Aldermore in the event of Aldermore's common equity ratio falling below 7%. Although there are a number of additional terms relating to events such as acquisition and wind-up, there are no circumstances in which Aldermore has an unavoidable obligation to issue a variable number of its own shares.

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS

The group has a portfolio of integrated financial services businesses comprising FNB, RMB, WesBank, Aldermore and Ashburton Investments. The group operates in South Africa, certain markets in sub-Saharan Africa, the United Kingdom and India, 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	Rest of Africa subsidiaries
FirstRand Investment Management Holdings Limited	Investment management
FirstRand Investment Holdings Proprietary Limited	Other activities
FirstRand International Limited (Guernsey)	UK banking and hard currency platform
FirstRand Insurance Holdings Proprietary Limited	Insurance

There are no significant restrictions on the ability to transfer cash or other assets to or from entities within the group. Refer to section C of the annual financial statements for a simplified group structure.

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.

	GHL Bank		Other insignificant acquisitions	
R million	**2020**	2019	**2020**	2019
ASSETS				
Cash and cash equivalents	**143**	-	**1**	-
Other assets	**26**	-	**6**	-
Current tax asset	**8**	-	**-**	-
Advances	**1 611**	-	**-**	-
Investment securities	**193**	-	**-**	-
Property and equipment	**111**	-	**-**	-
Intangible assets	**39**	-	**-**	-
Total assets acquired	**2 131**	-	**7**	-
LIABILITIES				
Creditors and accruals	**263**	-	**7**	-
Deposits	**268**	-	**-**	-
Employee liabilities	**2**	-	**-**	-
Other liabilities	**1 309**	-	**-**	-
Deferred income tax liability	**18**	-	**-**	-
Total liabilities acquired	**1 860**	-	**7**	-
Net asset value as at date of acquisition	**271**	-	**-**	-
Total goodwill is calculated as follows:				
Total cash consideration transferred	**509**	-	**-**	-
Total non-cash consideration transferred	**-**	-	**-**	-
Less: net identifiable asset value at date of acquisition	**(271)**	-	**-**	-
Goodwill on acquisition	**238**	-	**-**	-

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

30.1 Significant acquisitions in 2020

The group regards Ghana as an attractive market with long-term potential. On 4 May 2020, the group acquired the entire issued share capital of Ghana Homeloans Bank (GHL) through First National Bank Ghana Limited. GHL is a Ghana-based bank that primarily provides mortgages to customers. The acquisition of GHL provides First National Bank Ghana with the foundation for a broader retail strategy going forward.

GHL and First National Bank Ghana are included in the FNB Africa reportable segment of the group. On 30 June 2020, GHL was merged with First National Bank Ghana and ceased to exist as a separate legal entity.

The accounting for the GHL business combination is provisional at 30 June 2020 due to the inherent complexity and judgement associated with identifying intangible assets and determining the fair value of identifiable intangible assets and certain on-balance sheet items.

The acquired receivables consisted of advances, accounts receivable and debt investment securities. The fair value of these receivables was R1 878 million, the gross carrying value was R1 871 million and the ECL was R68 million at the acquisition date. Acquisition-related expenditure of R4 million has been disclosed as operating expenditure in the consolidated income statement.

From the date of acquisition, GHL contributed R27 million of revenue (NII and NIR) and R3 million to profit before tax of the group. If the acquisition had taken place at the beginning of the current period, group revenue and profit before tax would not have been materially impacted.

Significant acquisitions in 2019

There were no significant acquisitions in 2019.

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

30.1.1 Acquisitions that do not result in a change of control

	Other insignificant acquisitions	
R million	**2020**	2019
Carrying amount of non-controlling interest acquired	**(3)**	9
Consideration paid to non-controlling interest acquired	**(14)**	(23)
- Discharged by cash consideration	**(6)**	(23)
- Non-cash consideration	**(8)**	-
Loss recognised directly in equity	**(17)**	(14)

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

30.2 Disposals of subsidiaries

30.2.1 Disposals of interest in subsidiaries with loss of control

	RMB private equity	
R million	**2020**	2019
ASSETS		
Cash and cash equivalents	-	7
Other assets	-	4
Investment properties	-	124
Deferred income tax asset	-	11
Total assets disposed of	-	146
LIABILITIES		
Current tax liability	-	4
Other liabilities	-	142
Deferred income tax liability	-	5
Total liabilities disposed of	-	151
Net asset value as at date of disposal	-	(5)
Total gain on disposal is calculated as follows:		
Total consideration received	-	5
Total cash consideration received	-	5
Add: non-controlling share of net asset value at disposal date	-	(4)
Less: group's portion of the net asset value on disposal	-	5
Gain on disposal of controlling interest in a subsidiary	-	6
Cash flow information		
Discharged by cash consideration	-	5
Less: cash and cash equivalents/(overdrafts) disposed of in the subsidiary	-	(7)
Net cash (outflow) on disposal of subsidiaries	-	(2)

Disposals in 2020

RMB Private Equity

There were no disposals of private equity subsidiaries.

Disposals in 2019

RMB Private Equity

FirstRand Investment Holdings Proprietary Limited disposed of several immaterial private equity subsidiaries. The net gain on the disposals was R6 million.

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

30.2.2 Disposals that do not result in a change of control

	RMB private equity	
R million	**2020**	2019
Carrying amount of non-controlling interest acquired	**(1)**	-
Consideration received from non-controlling interest disposed of	**6**	-
- Discharged by cash consideration	**6**	-
Gain recognised directly in equity	**5**	-

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 First National Bank of Namibia Holdings 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 results 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 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 RMBIA Proprietary Limited sub-consolidation. The non-controlling interests recognised by the group result from RMBIA's shareholding in these subsidiaries. There is no individually significant non-controlling interest.

	First National Bank of Namibia Holdings Limited		First National Bank of Botswana Limited	
Country of incorporation		**Namibia**		**Botswana**
% ownership held by non-controlling interests		**40.1**		**30.5**
% voting rights by non-controlling interests		**40.1**		**30.5**
R million	**2020**	2019	**2020**	2019
Balances included in the consolidated statement of financial position				
Total assets	**45 893**	44 180	**44 150**	34 773
Balances with central banks*	**409**	431	**676**	1 123
Total liabilities	**40 893**	38 766	**38 923**	30 395
Balances included in the consolidated statement of comprehensive income				
Interest and similar income	**3 857**	3 865	**2 296**	2 133
Non-interest revenue	**2 002**	1 913	**1 777**	1 533
Profit or loss before tax	**1 210**	1 585	**1 260**	1 259
Total comprehensive income	**833**	1 086	**1 420**	989
Amounts attributable to non-controlling interests				
Dividends paid to non-controlling interests	**508**	239	**181**	153
Profit or loss attributable to non-controlling interests	**423**	445	**291**	293
Accumulated balance of non-controlling interests	**2 039**	2 202	**1 541**	1 290

** These balances are not available to the group for day-to-day operational use.*

31 INVESTMENT MANAGEMENT ACTIVITIES

The following table sets out the market value of assets for which the group provides investment management services, but does not recognise on its statement of financial position.

R million	2020	2019
Assets under management	**150 657**	145 471
- Traditional products	**118 747**	102 478
- Alternative products	**31 910**	42 993

Traditional products usually comprisecollective investment schemes, ETFs and segregated mandates. Alternative products managed by the group include RMB Westport joint ventures, credit funds, private equity funds, structured products and other unregulated funds and mandates.

32 REMUNERATION SCHEMES

R million	Notes	2020	2019
The charge to profit or loss for share-based payments are as follows:			
Conditional incentive plan		**551**	1 928
Other subsidiary schemes		**5**	38
Amount included in profit or loss	3	**556**	1 966

The purpose of these schemes is to appropriately attract, incentivise and retain managers and employees within the group. The performance vesting conditions attached to the 2017 scheme were not met and the full obligation raised in the prior periods was therefore reversed in the current year.

32 REMUNERATION SCHEMES continued

Description of the scheme and vesting conditions:

Conditional incentive plan		
IFRS 2 treatment	Cash settled*	Equity settled**
Description	The conditional award is a notional share based on the FirstRand Limited share price.	The conditional 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 after three years. The awards vest if the employment and, where applicable, performance conditions are met. Conditional awards are issued annually and vesting is 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 conditional incentive plan (CIP) is valued using the Black Scholes option pricing model. The scheme is cash settled and is therefore repriced at each reporting date.	The conditional incentive plan CIP is valued using the Black Scholes option pricing model. The scheme is equity settled and is 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 to 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 R60 million at 30 June 2020 (2019: R105 million).*

*** The equity-settled scheme is immaterial with a share-based payment reserve of R25 million at 30 June 2020 (2019: R2 million), which all related to Aldermore staff.*

Corporate performance targets

The FirstRand Limited group remuneration committee sets the CPTs for each award based on the expected macroeconomic conditions and group earnings forecast 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. For the 2017 and 2018 award schemes, the scheme rules allowed the remuneration committee the discretion to determine whether the conditional awards would vest, in full or partially, in circumstances where the performance conditions were not fulfilled. The application of this discretion is limited. For the 2019 award, this discretion is removed and if the performance conditions are not met the award fails. The 2019 scheme introduced graded vesting, the level of vesting is correlated to the earnings growth achieved relative to macroeconomic variables and minimum ROE requirements. For certain non-senior employees eligible for a CIP a portion of the award is not subject to the performance conditions, and only requires continued employment. 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. In terms of the scheme rules, participants are not entitled to dividends on their conditional share awards during the vesting period.

32 REMUNERATION SCHEMES continued

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

Expired schemes

2016 (Vested in 2019) – FirstRand Limited must achieve growth in normalised EPS which equals or exceeds South African nominal GDP growth, on a cumulative basis, over the performance period from the base year-end being 30 June 2016, to the financial year end immediately preceding the vesting date. and the company must deliver a ROE of at least 18% over the performance period. Nominal GDP is advised by Group Treasury, macro strategy unit. For vesting to occur, the criteria had to be met or exceeded. The award vested in September 2019 based on the earnings growth and ROE delivered over the three-year period ended 30 June 2019.

Currently open

2017 (Not vesting at the expected vesting date of September 2020) – FirstRand Limited must achieve growth in normalised EPS, adjusted for CPI, which equals or exceeds the South African real GDP growth, on a cumulative basis, over the performance period from the base year-end, being 30 June 2017, to the year-end immediately preceding the vesting date, and the company must deliver a ROE of at least 18% over the performance period. Real GDP and CPI are advised by the Group Treasury macro strategy unit. For vesting to occur, the criteria must be met or exceeded. However, the scheme rules allow the remuneration committee the discretion to determine whether the conditional awards will vest in full or partially in circumstances where the performance conditions were not fulfilled. During the current year, the company failed to achieve the targets set for the cumulative growth in normalised earnings per share and Remco notified qualifying employees that the scheme would consequently not vest.

2018 (Vesting date in 2021) – FirstRand Limited must achieve growth in normalised earnings per share which equals or exceeds the South African CPI plus GDP growth, on a cumulative basis, over the performance period from the base year end, being 30 June 2018, to the year-end immediately preceding the vesting date, and the company must deliver a ROE of at least 18% over the performance period. If real gross domestic product is negative, then growth in normalised earnings should equal or exceed CPI over the same period. Real GDP and CPI are advised by the Group Treasury macro strategy unit. For vesting to occur, the criteria must be met or exceeded. However, the scheme rules allow the remuneration committee the discretion to determine whether the conditional awards will vest in full or partially in circumstances where the performance conditions were not fulfilled.

2019 (Vesting date in 2022) – 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 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 between targets. If the minimum ROE and earnings growth conditions are met, vesting will commence at 70% and if these are not met the award will lapse.

32 REMUNERATION SCHEMES continued

Performance conditions			
	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 earnings per share relative to the South African 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:	**Vesting level should both conditions be met**
Minimum vesting, below which the award lapses	≥ 20%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >0% or CPI where real GDP growth is negative.	70%
On target performance	≥ 20.5%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 1.5% to 3%.	100%
Stretch target	≥ 21%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >5% to 7%.	120%
Super stretch target	≥ 22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >7% to 10%.	150% (maximum vesting)

Linear vesting applies between each vesting level based on the achieved normalised earnings per share growth rate. The ROE is based on NAV without material adjustments resulting from dividend policy changes, regulatory changes, IFRS changes or volatile reserves. Under the new structure, Remco cannot apply upward vesting judgement if performance criteria are not met.

Impact of COVID-19 on existing schemes

As noted, due to the impact of COVID-19, the 2017 scheme has failed and will not vest. As such Remco is considering mechanism to mitigate the increased retention risk resulting from the COVID-19 impact.

32 REMUNERATION SCHEMES continued

The significant weighted average assumptions used to estimate the fair value of the conditional share awards granted are detailed below.

	2020		2019	
	Conditional incentive plan	**FNB Namibia**	Conditional incentive plan	FNB Namibia
Award life (years)	**2 - 3**	**-**	2 - 3	5
Risk-free rate (%)	**3.91 - 5.32**	**-**	7.08 - 7.78	5.81 - 7.69
Expected dividend yield (%)	**-**	**-**	-	4.52
Expected dividend growth (%)	**-**	**-**	-	-

	Conditional incentive plan (FirstRand shares)	
Share awards outstanding	**2020**	2019
Number of awards in force at the beginning of the year (millions)	**93.5**	93.2
Number of awards granted during the year (millions)	**36.5**	32.7
Number of awards exercised/released during the year (millions)	**(33.8)**	(28.1)
- Market value range at date of exercise/release (cents)*	**3 893 - 6 637**	4 337 - 6 990
- Weighted average (cents)	**6 511**	6 648
Number of awards forfeited during the year (millions)	**(32.1)**	(4.3)
Number of awards in force at the end of the year (millions)	**64.0**	93.5

	Conditional incentive plan (FirstRand shares)			
	2020		2019	
Conditional outstanding**	**Weighted average remaining life (years)**	**Outstanding awards (millions)**	Weighted average remaining life (years)	Outstanding awards (millions)
Vested during 2019			0.32	33.9
Vesting during 2020#	**0.30**	**4.8**	1.30	33.8
Vesting during 2021	**1.30**	**29.9**	2.30	25.8
Vesting during 2022	**2.30**	**29.3**		
Total conditional awards		**64.0**		93.5
Number of participants		**4 743**		4 637

* *Market values indicated above include those instances where a probability of vesting is applied to accelerated share award vesting prices due to a no-fault termination, as per the rules of the scheme.*

** *Years referenced in the rows relate to calendar years and not financial years.*

Scheme vesting during 2020 failed to vest due to not achieving the performance conditions attached to the scheme.

33 CONTINGENCIES AND COMMITMENTS

R million	2020	2019
Contingencies and commitments		
Guarantees (endorsements and performance guarantees)	**33 609**	38 273
Letters of credit	**8 511**	8 733
Total contingencies	**42 120**	47 006
Irrevocable commitments*	**127 65**	129 186
Committed capital expenditure	**3 584**	4 034
Operating lease commitments**	**-**	3 390
Other	**50**	136
Contingencies and commitments	**173 41**	183 752
Legal proceedings		
There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. 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 taken for claims that are expected to materialise.	**426**	192
Commitments		
Commitments in respect of capital expenditure and long-term investments approved by the directors	**3 584**	4 034

** Irrevocable commitments have been restated following an investigation which identified an amount of R7 394 million that had been included in irrevocable commitments in 2019 relating to contracts that provide the group with sole discretion to grant to the respective facilities. The ECL on these commitments are immaterial.*

*** The group elected not to restate comparative information, as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis. Refer to accounting policy note 10 for details.*

33 CONTINGENCIES AND COMMITMENTS continued

33.1 Commitments under operating leases where the group is the lessee

With the adoption of IFRS 16 in the current year, leases where the group is the lessee are recognised on the statement of financial position and as such the table presented below represents disclosure as required under IAS 17. For more details on the contractual maturity of lease liabilities recognised under IFRS 16, refer to note 37.2.1 Liquidity risk.

	2019		
R million	Within 1 year	Between 1 and 5 years	More than 5 years
Office premises	998	1 357	205
Recoverable under subleases	-	-	-
Net office premises	998	1 357	205
Equipment and motor vehicles	264	347	219
Total operating lease commitments	1 262	1 704	424

33 CONTINGENCIES AND COMMITMENTS continued

33.2 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 operating leases have various lease terms ranging from 2 to 15 years.

The minimum future lease payments under non-cancellable operating leases on assets where the group is the lessor are detailed below.

	2020		
R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**
Property	**95**	**297**	**30**
Motor vehicles	**1 421**	**2 177**	**218**
Total operating lease commitments	**1 516**	**2 474**	**248**

	2019		
R million	Within 1 year	Between 1 and 5 years	More than 5 years
Property	41	142	28
Motor vehicles	1 172	1 551	-
Total operating lease commitments	1 213	1 693	28

34 FAIR VALUE MEASUREMENTS

34.1 Valuation methodology

In terms of IFRS, the group is required to or elects to measure certain assets and liabilities at fair value. 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 and any changes to the valuation techniques used to determine fair value measurements. 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.

Fair value measurements are determined by the group on both a recurring and non-recurring basis.

Non-recurring fair value measurements

Non-recurring fair value measurements are those triggered by particular circumstances and include:

- the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where the standard requires that the asset be held at the lower of its carrying amount and its fair value less costs to sell; and
- IAS 36 where the recoverable amount is based on the fair value less costs to sell.

These fair value measurements are determined on a case-by-case basis as they occur within each reporting period.

Financial instruments

When determining the fair value of a financial instrument, where the financial instrument has a bid or ask price (e.g. in a dealer market), the group uses a price within the bid-ask spread that is most representative of fair value in the circumstances.

Where the group has a financial liability with a demand feature, such as demand deposits, the fair value is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid where the time value of money is significant.

Financial instruments not measured at fair value

This category includes assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS, e.g. financial instruments at amortised cost. Except for the amounts included under section 34.4, for all other financial instruments at amortised cost, the carrying value is equal to or a reasonable approximation of the fair value.

34 FAIR VALUE MEASUREMENTS continued

34.2 Fair value hierarchy and measurements

The group classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. Fair value may be determined using unadjusted quoted prices in active markets for identical assets or liabilities, where this is readily available, and the price represents actual and regularly occurring market transactions. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

Where a valuation model is applied and the group cannot mark-to-market, it applies a mark-to-model approach, subject to valuation adjustments. Mark-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. In assessing whether a mark-to-model valuation is appropriate, the group will consider whether:

- as far as possible, market inputs are sourced in line with market prices;
- generally accepted valuation methodologies are consistently used for particular products unless deemed inappropriate by the relevant governance forums;
- an in-house-developed model is based on appropriate assumptions which have been assessed and challenged by suitably qualified parties independent of the development process;
- formal change control procedures are in place;
- awareness exists of the weaknesses of the models used, which is appropriately reflected in the valuation output;
- the model is subject to periodic review to determine the accuracy of its performance; and
- valuation adjustments are only made when appropriate, for example, to cover the uncertainty of the model valuation. The group considers factors such as counterparty and own credit risk when making appropriate valuation adjustments.

34 FAIR VALUE MEASUREMENTS continued

Measurement of assets and liabilities at level 2

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.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Derivative financial instruments			
Forward rate agreements	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rate curves and credit spreads
Swaps	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date of each cash flow is determined in terms of legal documents.	Market interest rate curves, credit and currency basis curves
Options	Option pricing model	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 applying extrapolation techniques to match the appropriate risk profile.	Strike price of the option, market-related discount rate, spot or forward rate, and the volatility of the underlying
Forwards	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market-projected forward value.	Spot price of underlying instrument, market interest rate curves and dividend yield
Equity derivatives	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 applying extrapolation techniques to match the appropriate risk profile.	Market interest rate curves, volatilities, dividends and share prices

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Advances to customers			
Other advances	Discounted cash flows	Future cash flows are discounted using a market-related interest rate adjusted for credit inputs over the contractual period. In the event that credit spreads for a counterparty are observable or are an insignificant input, advances to customers are classified as level 2 of the fair value hierarchy.	Market interest rate curves
Investment securities			
Equities listed in an inactive market	Discounted cash flows	For listed equities and bonds, 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. 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.	Market interest rate curves
Unlisted equities	Price earnings (P/E) model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings, depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount 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, in which case level 2 classifications are used.	Market transactions
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds listed in an inactive market are valued similarly to advances measured at fair value. 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.	Market interest rate curves

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Investment securities continued			
Negotiable certificates of deposit	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rate curves
Treasury bills and other government and government-guaranteed stock	JSE debt market bond pricing model	The JSE debt market bond pricing model uses the JSE debt market mark-to-market bond yield.	Market interest rate curves
Non-recourse investments	Discounted cash flows	Future cash flows are discounted using a discount rate which is determined as a base rate plus a spread. The base rate is determined by legal agreements as either a bond or swap curve. The spread 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 rate curves
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' 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.	Market transactions (listed)

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Deposits			
Call and non-term deposits	None – the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. These deposits are financial liabilities with a demand feature. The fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	None – the undiscounted amount approximates fair value and no valuation is performed
Non-recourse deposits	Discounted cash flows	Fair value for interest rate and foreign exchange risk with no valuation adjustment for own credit risk. Valuation adjustments are affected by changes in the applicable credit ratings of the assets.	Market interest rate curves and foreign exchange rates
Other deposits	Discounted cash flows	The forward 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 rate curves
Other liabilities	Discounted cash flows	Future cash flows are discounted using market-related interest rates. 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 rate curves or performance of underlying
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

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Policyholder liabilities under investment contracts continued			
Contracts with fixed and guaranteed terms	Discounted cash flows	The liability fair value is the present value of future payments, adjusted using appropriate market-related yield curves to maturity.	Market interest rate curves
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rate curves

Measurement of assets and liabilities at 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 3.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Derivative financial instruments			
Option	Option pricing model	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 applying extrapolation techniques to match the appropriate risk profile.	Volatilities
Equity derivatives	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 applying extrapolation techniques to match the appropriate risk profile.	Volatilities and unlisted share prices

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Advances to customers			
Investment banking book	Discounted cash flows	Certain of the group's investment banking advances do not meet the requirements to be carried at amortised cost and are measured at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances. As such, these advances are classified as level 3 on the fair value hierarchy. Future cash flows are discounted using a market -related interest rate, adjusted for credit inputs.	Credit inputs
Other advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs, over the contractual period. 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.	Credit inputs
Advances under repurchase agreements	Discounted cash flow	The valuation entails accounting for the default of the counterparty and the sovereign entity. The effect of these defaults on the exchange rate is also included. Wrong-way risk is incorporated by factoring in the correlation between the Foreign exchange rate and the default risk of the counterparty, as well as the default risk of the sovereign entity.	Credit input and market risk correlation factors

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Investment securities			
Equities listed in an inactive market	Discounted cash flows	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 market-related interest rates.	Unobservable P/E ratios
Unlisted equities	P/E model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings, depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. 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.	Growth rates and P/E ratios
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Investment securities continued			
Investments in funds and unit trusts	Third-party valuations	In the case of 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' investment committee on a regular basis. Where these underlying investments are unlisted, the group has classified them as level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third-party valuations to.	Third-party valuations used, minority and marketability adjustments
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 latest valuation was performed during the current year. The fair value is based on unobservable income capitalisation rate inputs. These rates are impacted predominantly by expected market rental growth, contract tenure, occupancy rates and vacant periods that arise on expiry of existing contracts. The fair value of these properties will change favourably with increases in the expected market rental growth, contract tenure and occupancy rates and decreases in the average vacant period; and unfavourably if the inverse occurs.	Expected rentals, capitalisation and exit/terminal rates

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Deposits			
Deposits that represent collateral on credit-linked notes	Discounted cash flows	These deposits represent the collateral leg of credit-linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs on related advances
Other deposits	Discounted cash flows	The forward curve is adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs, market risk and correlation factors
Other liabilities	Discounted cash flows	For preference shares which require the group to share a portion of profits of underlying contracts with a third party, the value of the liability is linked to the performance of the underlying. Where the underlying is not observable, these liabilities are classified as level 3. Future cash flows are discounted using market-related interest rates, adjusted for the performance of the underlying contracts.	Performance of underlying contracts
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Credit inputs

Non-recurring fair value measurements

For non-recurring fair value measurements, the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required, as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table

There were no assets or liabilities measured at fair value on a non-recurring basis in the prior year. However, there were non-recurring fair value transactions in the current year.

An investment in a subsidiary was classified as a disposal group held for sale at 30 June 2020. Assets and liabilities in the disposal group which are subject to the IFRS 5 measurement criteria were measured at fair value less costs to sell and classified as level 2 on the fair value hierarchy, depending on the nature of the specific underlying asset and liability. Further details have been provided in note 14.

34 FAIR VALUE MEASUREMENTS continued

34.2.1 Fair value hierarchy

The following table presents the fair value measurements and fair value hierarchy of assets and liabilities of the group which are recognised at fair value.

	2020			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	50	146 540	925	147 515
Advances	-	20 871	48 633	69 504
Investment securities	106 433	43 618	3 886	153 937
Non-recourse investments	-	8 611	-	8 611
Commodities	21 344	-	-	21 344
Investment properties	-	-	722	722
Non-recurring fair value measurements				
Disposal groups held for sale - financial assets	-	58	-	58
Total fair value assets	127 827	219 698	54 166	401 691
Liabilities				
Recurring fair value measurements				
Short trading positions	5 062	-	-	5 062
Derivative financial instruments	292	160 045	1 856	162 193
Deposits	1 299	39 918	5 063	46 280
Non-recourse deposits	-	8 611	-	8 611
Other liabilities	-	2	300	302
Policyholder liabilities under investment contracts	-	4 960	-	4 960
Non-recurring fair value measurements				
Disposal groups held for sale - financial liabilities	-	2	-	2
Total fair value liabilities	6 653	213 538	7 219	227 410

34 FAIR VALUE MEASUREMENTS continued

	2019			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	140	46 162	802	47 104
Advances	-	43 583	36 141	79 724
Investment securities	66 826	40 005	3 692	110 523
Non-recourse investments	-	12 253	-	12 253
Commodities	21 176	-	-	21 176
Investment properties	-	-	689	689
Total fair value assets – recurring	88 142	142 003	41 324	271 469
Liabilities				
Recurring fair value measurements				
Short trading positions	5 352	22	-	5 374
Derivative financial instruments	91	51 664	842	52 597
Deposits	1 378	53 809	1 238	56 425
Non-recourse deposits	-	12 253	-	12 253
Other liabilities	-	189	387	576
Policyholder liabilities under investment contracts*	-	4 415	-	4 415
Total fair value liabilities – recurring	6 821	122 352	2 467	131 640

** The policyholder liabilities under investment contracts were incorrectly classified as level 1 in the prior year and was restated to correctly reflect as a level 2 instrument.*

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.

	2020		
R million	**Transfers in**	**Transfers out**	**Reasons for significant transfers in**
Level 1	**-**	**-**	There were no transfers into level 1.
Level 2	**-**	**(911)**	There were no transfers into level 2.
Level 3	**911**	**-**	Due to market disruption as a result of COVID-19, the market for certain investment securities became illiquid with the assets transferred from level 2 to level 3. In addition, certain inputs used valuing derivative instruments are no longer observable, their transfer from level 2 to level 3.
Total transfers	**911**	**(911)**	

	2019		
R million	Transfers in	Transfers out	Reasons for significant transfers in
Level 1	-	-	There were no transfers to level 1.
Level 2	128	(151)	During the year, the inputs into the yield curves used to fair value derivative trades become observable warranting a transfer from level 3 to level 2 for these instruments
Level 3	151	(128)	Derivatives linked to the Botswana pula were valued on an created curve, whose inputs are no longer observable. These changes in inputs resulted in a transfer out of level 2 to level 3.
Total transfers	279	(279)	

34 FAIR VALUE MEASUREMENTS continued

34.3 Additional disclosures for level 3 financial instruments

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 2018	563	51 318	2 159	754
Gains/(losses) recognised in profit or loss	226	2 323	1 477	-
Gains/(losses) recognised in other comprehensive income	-	-	1	-
Purchases, sales, issue and settlements	(49)	(17 558)	72	59
Acquisitions/disposals of subsidiaries	-	-	-	(124)
Net transfer to level 3	62	-	(27)	-
Exchange rate differences	-	58	10	-
Balance as at 30 June 2019	**802**	**36 141**	**3 692**	**689**
Gains/(losses) recognised in profit or loss	**142**	**4 458**	**(407)**	**26**
Losses recognised in other comprehensive income	**-**	**-**	**(203)**	**-**
Purchases, sales, issue and settlements	**(86)**	**7 186**	**(55)**	**7**
Acquisitions/disposals of subsidiaries	**-**	**-**	**-**	**-**
Net transfer to level 3	**67**	**-**	**814**	**-**
Exchange rate differences	**-**	**848**	**45**	**-**
Balance as at 30 June 2020	**925**	**48 633**	**3 886**	**722**

Decreases in level 3 assets and liabilities are included in brackets. Decreases in the value of assets are as a result of losses, sales and settlements or the disposal of subsidiaries. Decreases in the value of liabilities are as a 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 risk inherent is hedged by interest rate or foreign currency swaps. The corresponding gross interest expense is not disclosed in the fair value note as these items are typically measured at amortised cost.

	Derivative financial liabilities	Other liabilities	Deposits
	630	1 586	514
	65	(1 769)	3
	-	-	-
	159	570	720
	-	-	-
	(12)	-	-
	-	-	1
	842	**387**	**1 238**
	1 418	**154**	**76**
	-	**-**	**-**
	(434)	**(241)**	**3 729**
	-	**-**	**-**
	30	**-**	**-**
	-	**-**	**20**
	1 856	**300**	**5 063**

34 FAIR VALUE MEASUREMENTS continued

34.3.2 Unrealised gains or losses on level 3 instruments with recurring fair value measurements

The valuation model for level 3 assets or liabilities typically relies 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 held at FVTPL and FVOCI debt instruments, all gains or losses are recognised in NIR.

	2020		2019	
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	**83**	**-**	162	-
Advances*	**4 291**	**-**	2 183	-
Investment securities	**(575)**	**(211)**	1 340	1
Investment properties	**91**	**-**	-	-
Total	**3 890**	**(211)**	3 685	1
Liabilities				
Derivative financial instruments	**(978)**	**-**	37	-
Deposits	**(41)**	**-**	12	-
Other liabilities	**(40)**	**-**	144	-
Total	**(1 059)**	**-**	193	-

* *Amount is mainly accrued interest on fair value advances and movements in interest rates and foreign currency that has been economically hedged. These advances are classified as level 3 primarily, as credit spreads could be a significant input and are not observable for loans and advances in most of RMB's key markets. Refer to page B273 where the income statement impact of the credit fair value adjustments is disclosed. 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 reasonable possible alternatives

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

Asset/liability	Significant unobservable inputs	Unobservable input to which reasonable possible changes are applied	Reasonable possible changes applied
Derivative financial instruments	Volatilities	Volatilities	Increased and decreased by between 5% and 10%, depending on the nature of the instrument.
Advances	Credit	Credit migration matrix	A range of scenarios are run as part of the group's credit risk management process for advances measured at fair value through profit or loss to determine credit losses and change in credit spreads in various economic conditions. The probability of default is adjusted either upwards or downwards versus the base case.
Investment securities	Credit, growth rates and P/E ratios of unlisted investments	Credit, growth rates or P/E ratios of unlisted investments	Increased and decreased by between 7% and 10%, depending on the nature of the instrument.
Investment properties	Expected rentals, capitalisation and exit/terminal rates	Escalation rates applied to rentals and discount rates	Expected rentals are adjusted for comparable rentals. A range of capitalisation rates were used to assess reasonability of the rate(s) used.
Deposits	Credit inputs and market correlation factors	Credit inputs, correlation and devaluation parameters	The deposits included in level 3 of the hierarchy represent the collateral leg of credit-linked notes and deposits under repurchase agreements. The most significant unobservable input in determining the fair value is the credit risk component. 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.
Other liabilities	Performance of underlying contracts	Profits on the underlying contracts	Increased and decreased by 1%.

34 FAIR VALUE MEASUREMENTS continued

34.3.3 Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonable possible alternatives (continued)

	2020			2019		
	Reasonable possible alternative fair value			Reasonable 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	**925**	**983**	**872**	802	815	792
Advances	**48 633**	**48 828**	**48 442**	36 141	36 350	35 935
Investment securities	**3 886**	**4 044**	**3 660**	3 692	3 848	3 492
Investment properties	**722**	**794**	**649**	689	758	620
Total financial assets measured at fair value in level 3	**54 166**	**54 649**	**53 623**	41 324	41 771	40 839
Liabilities						
Derivative financial instruments	**1 856**	**1 762**	**1 934**	842	836	846
Deposits	**5 063**	**5 010**	**5 132**	1 238	1 221	1 256
Other liabilities	**300**	**297**	**303**	387	377	397
Total financial liabilities measured at fair value in level 3	**7 219**	**7 069**	**7 369**	2 467	2 434	2 499

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 on the statement of financial position, but for which fair value is required to be disclosed. For all other financial instruments, the carrying value is equal to or a reasonable approximation of the fair value.

	2020				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	1 192 211	1 202 775	-	141 944	1 060 831
Investment securities	134 921	133 464	104 689	25 846	2 929
Total financial assets at amortised cost	1 327 132	1 336 239	104 689	167 790	1 063 760
Liabilities					
Deposits	1 480 124	1 483 457	9 951	1 170 985	302 521
Other liabilities	4 735	4 778	-	3 118	1 660
Tier 2 liabilities	24 614	24 987	-	24 987	-
Total financial liabilities at amortised cost	1 509 473	1 513 222	9 951	1 199 090	304 181

	2019				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	1 126 028	1 136 277	-	110 953	1 025 324
Investment securities	118 950	118 668	88 102	24 572	5 994
Total financial assets at amortised cost	1 244 978	1 254 945	88 102	135 525	1 031 318
Liabilities					
Deposits	1 324 426	1 318 847	4 768	1 102 313	211 766
Other liabilities	5 398	5 388	-	3 015	2 373
Tier 2 liabilities	24 191	24 752	-	24 752	-
Total financial liabilities at amortised cost	1 354 015	1 348 987	4 768	1 130 080	214 139

34 FAIR VALUE MEASUREMENTS continued

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.

	2020	2019
Opening balance	**50**	54
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year*	**329**	31
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(182)**	(35)
Closing balance	**197**	50

**Impacted by refinements to the cash flow hedge accounting model following the adoption of IFRS 9.*

34 FAIR VALUE MEASUREMENTS continued

34.6 Financial instruments designated at fair value through profit or loss

<table>
<tr><th colspan="2">Financial instruments designated at fair value through profit or loss</th></tr>
<tr><td colspan="2">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.</td></tr>
<tr><td>Financial assets</td><td>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 fair value through profit or loss is calculated by stripping out the movements that result from a change in market factors that give rise to market risk. The change in fair value due to credit risk is then calculated as the balancing figure, after deducting the movement due to market risk from the total movement in fair value.</td></tr>
<tr><td>Financial liabilities</td><td>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.</td></tr>
</table>

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 fair value through profit or loss that would otherwise have been measured at amortised cost or fair value through other comprehensive income.
The table below contains details on the change in credit risk attributable to these financial assets.

	2020			
			Change in fair value due to credit risk	
R million	**Fair value**	**Mitigated credit risk**	**Current period**	**Cumulative**
Advances	**8 381**	**180**	**(132)**	**(138)**
Investment securities	**8 221**	**-**	**-**	**-**
Total	**16 602**	**180**	**(132)**	**(138)**

	2019			
			Change in fair value due to credit risk	
R million	Fair value	Mitigated credit risk	Current period	Cumulative
Advances	9 748	180	15	(11)
Investment securities	8 337	-	-	-
Total	18 085	180	15	(11)

Losses are indicated in brackets.

34.6.2 Financial liabilities designated at fair value through profit or loss

	2020		2019	
R million	**Fair value**	**Contractually payable at maturity**	Fair value	Contractually payable at maturity
Deposits	**8 586**	**8 156**	8 946	8 821
Non-recourse deposits	**8 611**	**7 145**	12 253	6 190
Other liabilities	**302**	**302**	576	576
Policyholder liabilities under investment contracts	**4 961**	**4 961**	4 415	4 415
Total	**22 460**	**20 564**	26 190	20 002

34 FAIR VALUE MEASUREMENTS continued

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

	2020	2019
Total fair value income for the year has been disclosed as:		
Fair value gains and losses included in non-interest revenue*	**4 084**	4 587
Fair value of credit of advances included in impairment of advances	**(560)**	(69)

**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 with the 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 whose total revenue, absolute profit or loss for the period or total assets are 10% or more of all the segments' revenue, profit or loss or total assets are reported separately.	
Major customers	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 the broader African continent. FNB offers a diverse set of financial products and services to market segments including consumer, small business, agricultural, medium corporate, parastatals and government entities. FNB's products cover the entire spectrum of financial services – transactional, lending, insurance, investment and savings – and include mortgage loans, credit and debit cards, personal loans, funeral, credit life, life and other insurance policies, and savings and investment products. Services include transactional and deposit taking, card acquiring, credit facilities, insurance and FNB distribution channels (branch network, ATMs, call centres, banking app, cellphone banking and online). DirectAxis forms part of a personal loans cluster alongside FNB loans.	FNB operates in South Africa, Namibia, Botswana, Lesotho, Eswatini, Zambia, Mozambique, Tanzania and Ghana.

35 SEGMENT INFORMATION continued

Reportable segments		
	Products and services	**Footprint**
WesBank	WesBank represents the group's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of South Africa. MotoVantage provides value-add financial services solutions related to vehicle ownership. These include maintenance and service plans, warranties, credit life and shortfall cover.	WesBank operates in South Africa.
CORPORATE AND INSTITUTIONAL		
RMB	RMB represents the group's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. RMB offers advisory, financing, trading, corporate transactional banking and principal investing solutions.	RMB operates in South Africa, Namibia, Botswana, Eswatini, Lesotho, Mozambique, Zambia, Ghana, Tanzania and Nigeria, and manages FirstRand Bank's representative offices in Kenya, Angola and China. It also operates in the UK and India (through FirstRand Bank branches).
ALDERMORE		
Aldermore	Aldermore is a UK specialist bank. It offers straightforward lending and deposit solutions to underserved customer segments, including small and medium-sized enterprises (SMEs), homeowners, landlords and savers. Following the integration of the MotoNovo business into Aldermore with effect from 5 May 2019, new MotoNovo business is originated in the Aldermore group. Aldermore now focuses on specialist lending in six areas: asset finance, invoice finance, SME commercial mortgages (including property development), residential mortgages, buy-to-let mortgages and vehicle finance. It is funded primarily by deposits from UK savers.	Aldermore serves customers and intermediary partners online, by phone and face to face through a network of nine regional offices located around the UK.

35 SEGMENT INFORMATION continued

FCC AND OTHER	
FCC and other	FCC represents group-wide functions, including group treasury (capital, funding and liquidity and financial resource management), group finance, group tax, enterprise risk management, regulatory and conduct risk management and group internal audit. The reportable segment includes all management accounting and consolidated entries. Ashburton Investments offers investors with opportunities to participate in private equity, renewable energy and credit investments as well as a traditional range of equity, fixed income and multi-asset funds. Ashburton Investments' results are included in this reportable segment as these are not material on a segmental basis. The total operational performance of MotoNovo's back book (i.e. business written prior to the integration with Aldermore) is reported in the London branch, which forms part of FCC/Group Treasury (GTSY). Following the finalisation of the transaction with Discovery, the Discovery card business has been moved out of FNB into FCC/GTSY.

35.2 Description of normalised adjustments

Normalised adjustments
The group believes normalised earnings more accurately reflect operational performance. Consequently, headline earnings have been adjusted to take into account non-operational and accounting anomalies. Normalised earnings is the measurement basis used by the chief operating decision maker 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 and 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

35.2 Description of normalised adjustments continued

<table>
<tr><th colspan="2">Normalised adjustments</th></tr>
<tr><td>Consolidated private equity subsidiaries</td><td>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.</td></tr>
<tr><td>FirstRand shares held for client trading activities</td><td>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, then neither gains nor losses on client trading positions or FirstRand shares held to hedge these are reflected in profit or loss or on the statement of financial position.</td></tr>
</table>

35 SEGMENT INFORMATION continued

Normalised adjustments	
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 FVTPL; • fair value gains on derivatives that are used as interest rate hedges but which do not qualify for hedge accounting; and • currency translations and associated costs inherent to the USD funding and liquidity pool.
IAS 19 remeasurement of plan assets	In terms of IAS 19, interest income is recognised on the plan assets and set off against staff costs in the income statement. All other remeasurements of plan assets are recognised in 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.

35 SEGMENT INFORMATION continued

Normalised adjustments	
Realisations on the sale of private equity subsidiaries	In terms of *Circular 01/2019 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 a total return swap (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 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.
Headline earnings adjustments	All adjustments that are required by *Circular 1/2019 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

	2020		
	Retail and commercial		
	FNB		
R million	FNB SA	FNB Africa	WesBank
Net interest income before impairment of advances	33 466	4 340	5 297
Impairment charge	(12 922)	(1 569)	(3 023)
Net interest income after impairment of advances	20 544	2 771	2 274
Non-interest revenue	26 433	4 066	3 367
Net income from operations	46 977	6 837	5 641
Operating expenses	(29 728)	(5 535)	(4 296)
Share of profit of associates and joint ventures after tax	72	1	(73)
Income before tax	17 321	1 303	1 272
Indirect tax	(609)	(157)	(46)
Profit for the year before tax	16 712	1 146	1 226
Income tax expense	(4 679)	(463)	(343)
Profit for the year	12 033	683	883
The income statement includes			
Depreciation	(2 411)	(478)	(884)
Amortisation	(128)	(6)	(52)
Net impairment charges	(9)	(3)	(21)
Non-interest revenue includes the following revenue from customers			
Banking fees and commissions	24 344	3 657	489
Non-banking fees and commissions	710	77	14
Insurance income (excluding risk related income)	830	161	451
Management, trust and fiduciary fees	1 224	9	531
Other non-interest revenue from customers	496	(4)	374
The statement of financial position includes			
Investments in associated companies	706	-	2 227
Investments in joint ventures	7	-	(4)
Total assets	427 948	59 265	133 372
Total liabilities*	416 679	58 417	131 323

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

* *Total liabilities are net of interdivisional balances.*

	2020							
		RMB						
	Retail and commercial	Investment banking	Corporate banking	Aldermore	FCC (including Group Treasury) and other	FirstRand group - normalised	Normalised adjustments	FirstRand group - IFRS
	43 103	6 072	2 978	7 249	3 449	62 851	64	62 915
	(17 514)	(2 689)	(665)	(2 577)	(938)	(24 383)	-	(24 383)
	25 589	3 383	2 313	4 672	2 511	38 468	64	38 532
	33 866	8 348	2 688	815	(3 470)	42 247	(556)	41 691
	59 455	11 731	5 001	5 487	(959)	80 715	(492)	80 223
	(39 559)	(5 653)	(3 131)	(4 307)	(3 006)	(55 656)	380	(55 276)
	-	561	-	10	(364)	207	(178)	29
	19 896	6 639	1 870	1 190	(4 329)	25 266	(290)	24 976
	(812)	(180)	(14)	(234)	(108)	(1 348)	-	(1 348)
	19 084	6 459	1 856	956	(4 437)	23 918	(290)	23 628
	(5 485)	(1 809)	(520)	(200)	3 140	(4 874)	26	(4 848)
	13 599	4 650	1 336	756	(1 297)	19 044	(264)	18 780
	(3 773)	(120)	(17)	(171)	(29)	(4 110)	-	(4 110)
	(186)	(127)	(3)	(66)	(454)	(836)	-	(836)
	(33)	(10)	(9)	-	(212)	(264)	(342)	(606)
	28 490	1 834	2 010	145	378	32 857	-	32 857
	801	7	37	(4)	74	915	-	915
	1 442	-	-	128	9	1 579	-	1 579
	1 764	260	3	-	445	2 472	-	2 472
	866	(120)	65	-	(16)	795	124	919
	2 933	3 848	-	118	(17)	6 882	-	6 882
	3	1 826	-	-	(18)	1 811	(62)	1 749
	620 585	558 360	74 395	328 301	344 975	1 926 616	(77)	1 926 539
	606 419	548 835	73 454	304 550	241 361	1 774 619	-	1 774 619

35 SEGMENT INFORMATION continued

	2019		
	Retail and commercial		
	FNB		
R million- Restated	FNB SA	FNB Africa	WesBank
Net interest income before impairment of advances	31 770	4 096	5 215
Impairment charge	(5 886)	(878)	(1 985)
Net interest income after impairment of advances	25 884	3 218	3 230
Non-interest revenue	27 167	3 887	3 129
Income from operations	53 051	7 105	6 359
Operating expenses	(28 637)	(5 283)	(4 123)
Share of profit of associates after tax	113	4	246
Share of profit of joint ventures after tax	5	-	106
Income before tax	24 532	1 826	2 588
Indirect tax	(685)	(145)	(8)
Profit before tax	23 847	1 681	2 580
Income tax expense	(6 669)	(578)	(722)
Profit for the year	17 178	1 103	1 858
The income statement includes:			
Depreciation	(1 710)	(357)	(642)
Amortisation	(188)	(10)	(15)
Net impairment charges	(76)	-	(2)
Non-interest revenue includes the following revenue from customers			
Banking fees and commissions	24 483	3 472	496
Non-banking fees and commissions	687	78	12
Insurance income (excluding risk related income)	1 055	93	434
Management, trust and fiduciary fees	1 202	7	513
Other non-interest revenue from customers	364	4	377
The statement of financial position includes:			
Investments in associated companies	702	12	2 383
Investments in joint ventures	5	-	1
Total assets	419 082	57 552	138 254
Total liabilities*	401 763	57 608	135 146

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

**Total liabilities are net of interdivisional balances.*

	2019							
		RMB						
	Retail and commercial	Investment banking	Corporate banking	Aldermore	FCC (including Group Treasury) and other	FirstRand group - normalised	Normalised adjustments	FirstRand group - IFRS
	41 081	5 609	2 714	5 830	5 065	60 299	158	60 457
	(8 749)	(373)	(39)	(430)	(909)	(10 500)	-	(10 500)
	32 332	5 236	2 675	5 400	4 156	49 799	158	49 957
	34 183	7 621	2 556	406	(1 955)	42 811	2 997	45 808
	66 515	12 857	5 231	5 806	2 201	92 610	3 155	95 765
	(38 043)	(5 972)	(3 209)	(3 255)	(3 420)	(53 899)	(144)	(54 043)
	363	1 113	-	9	(508)	977	(31)	946
	111	-	-	-	169	280	4	284
	28 946	7 998	2 022	2 560	(1 558)	39 968	2 984	42 952
	(838)	(147)	(14)	(171)	(110)	(1 280)	-	(1 280)
	28 108	7 851	2 008	2 389	(1 668)	38 688	2 984	41 672
	(7 969)	(2 193)	(563)	(568)	2 141	(9 152)	(667)	(9 819)
	20 139	5 658	1 445	1 821	473	29 536	2 317	31 853
	(2 709)	(94)	(13)	(33)	(38)	(2 887)	-	(2 887)
	(213)	(50)	(3)	(61)	(467)	(794)	-	(794)
	(78)	(6)	(9)	-	4	(89)	(124)	(213)
	28 451	1 847	2 233	172	523	33 226	-	33 226
	777	-	27	3	97	904	-	904
	1 582	-	-	8	2 476	4 066	-	4 066
	1 722	253	5	-	422	2 402	-	2 402
	745	(50)	56	-	(50)	701	153	854
	3 097	3 106	-	97	69	6 369	-	6 369
	6	1 730	-	-	(17)	1 719	50	1 769
	614 888	459 295	64 681	225 323	304 852	1 669 039	23	1 669 062
	594 517	449 127	63 214	205 626	211 985	1 524 469	-	1 524 469

35 SEGMENT INFORMATION continued

Geographical segments

	2020					
R million	**South Africa**	**Other Africa**	**United Kingdom**	**Austra-lasia**	**Other**	**Total**
Net interest income after impairment	**27 293**	**4 557**	**6 552**	**23**	**107**	**38 532**
Non-interest revenue*	**34 769**	**5 567**	**1 209**	**(7)**	**182**	**41 720**
Non-current assets**	**29 275**	**2 837**	**10 236**	**-**	**12**	**42 360**

	2019					
R million	South Africa	Other Africa	United Kingdom	Austra-lasia	Other	Total
Net interest income after impairment	37 533	4 702	7 695	(130)	157	49 957
Non-interest revenue*	39 944	5 104	1 703	10	277	47 038
Non-current assets**	26 359	2 444	8 110	-	205	37 118

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

** *Excludes 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	2020	2019
Advances		
Entities that have significant influence over the group and its subsidiaries	**-**	13 052
Associates	**16 356**	14 319
Joint ventures	**5 555**	7 385
Key management personnel	**34**	50
Other assets		
Associates	**363**	855
Joint ventures	**10 020**	17 024
Derivative assets		
Fair value		
Joint ventures	**176**	-
Investment securities		
Associates	**106**	175
Investments under the co-investment scheme		
Key management personnel	**53**	50
Deposits		
Entities that have significant influence over the group and its subsidiaries	**-**	28
Associates	**1 814**	818
Joint ventures	**2 512**	3 357
Key management personnel	**110**	150
Accounts payable		
Associates	**6**	8
Joint ventures	**-**	9
Derivative liabilities		
Fair value		
Joint ventures	**3**	-
Commitments		
Associates	**4 474**	5 323
Joint ventures	**-**	55

The amounts advanced to key management personnel consist of mortgages, instalment finance agreements, credit cards and other loans. The amounts deposited by key management personnel are held in cheque and current accounts, savings accounts and other term accounts and are at market-related rates, terms and conditions.

RMB Holdings Limited unbundled its 34.1% holding in the FirstRand Limited group on 27 June 2020. From this date, RMB Holdings Limited no longer has significant influence over the group. All related party transactions up to the date of the unbundling have been included in this note. As the relationship no longer existed at 30 June 2020, the balances due to or due from RMB Holdings Limited and its subsidiaries are not considered to be related party transactions.

36 RELATED PARTIES continued

36.2 Transactions with related parties appear below

R million	2020	2019
Interest received		
Entities that have significant influence over the group and its subsidiaries	**1 093**	822
Associates	**1 070**	1 107
Joint ventures	**1 214**	1 401
Key management personnel	**3**	4
Interest paid		
Entities that have significant influence over the group and its subsidiaries	**-**	(1)
Associates	**(81)**	(4)
Joint ventures	**(73)**	(365)
Key management personnel	**(10)**	(6)
Non-interest revenue		
Entities that have significant influence over the group and its subsidiaries	**76**	83
Associates	**1 087**	598
Joint ventures	**483**	995
Operating expenses		
Associates	**(763)**	(705)
Joint ventures	**(5)**	(1)
Dividends received		
Associates	**122**	128
Joint ventures	**925**	695
Net investment return credited in respect of investments under the co-investment scheme		
Key management personnel	**3**	5
Financial consulting fees and other		
Key management personnel	**1**	1
Salaries and other employee benefits		
Key management personnel	**204**	252
- Salaries and other short-term benefits	**112**	155
- Share-based payments	**92**	97

Deferred compensation of R20 million (2019: R42 million) is due to key management personnel and is payable in FirstRand Limited shares. A list of the board of directors of the group is available in the corporate governance section.

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	**2020**	2019
Dividend income	**5**	5
Deposits held with the group	**737**	744
Interest income	**45**	34

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 tactical and strategic decision-making.

The group believes that 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 business performance and risk management framework (BPRMF) describes the group's risk management structure and approach to risk management. Effective risk management requires multiple points of control or safeguards that should consistently be applied at various levels throughout the organisation. There are three lines of control across the group's operations, which are recognised in the BPRMF along with the business functions, committee structures and risk universe, as illustrated in the diagram on the next page.

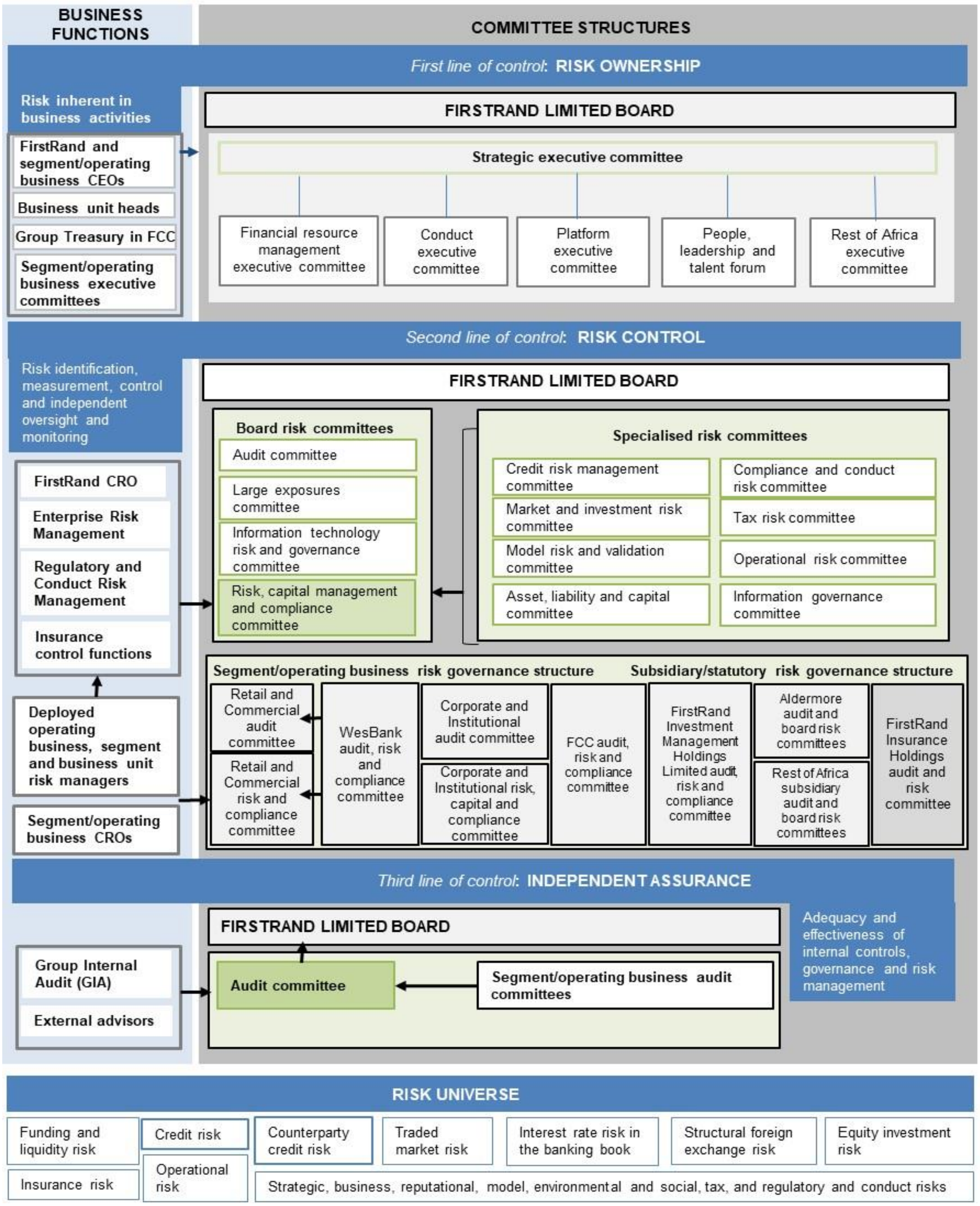
The primary board committee overseeing risk matters across the group is the FirstRand risk, capital management and compliance (RCC) committee. It has delegated responsibility of a number of specialist topics to various subcommittees. Additional risk, audit and compliance committees exist in the operating businesses, segments and subsidiaries, the governance structures of which align closely with that of the group. Further detail on the roles and responsibilities of the RCC committee and its subcommittees relating to each particular risk type is provided in the group's unaudited Pillar 3 disclosure on the FirstRand website at www.firstrand.co.za/investors/basel-pillar-3-disclosure/.

Other board committees also exist, with clearly defined responsibilities. The group board committees comprise members of business advisory boards, and audit and risk committees to ensure a common understanding of the challenges the businesses face and how these are addressed across the group. The segment audit, risk and compliance committees support the board risk committees and RCC subcommittees in the third line of control across the group.

The strategic executive committee ensures alignment of business strategies, implements the risk/return framework and is responsible for the optimal deployment of the group's resources.

37 FINANCIAL AND INSURANCE RISKS continued

Business performance and risk management framework



Risk management approach

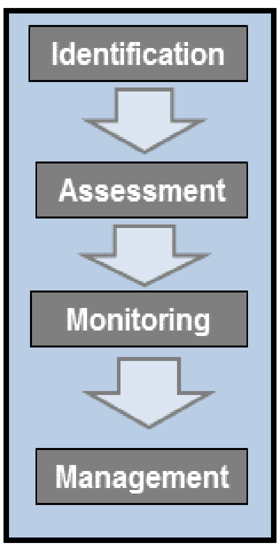
The group believes a strong balance sheet and resilient earnings streams are key to growth, particularly during periods of uncertainty.

37 FINANCIAL AND INSURANCE RISKS continued

FirstRand's businesses have consistently executed on a set of strategies which are aligned to certain group financial strategies and frameworks designed to ensure earnings resilience and growth, balance sheet strength, an appropriate risk/return profile and an acceptable level of earnings volatility under adverse conditions. These deliverables are underpinned by frameworks set at the centre to ensure financial discipline. The frameworks include:

Risk management framework	Performance management framework	Risk/return and financial resource management frameworks
Key principles: • ensure material risks are identified, measured, monitored, mitigated and reported; • assess impact of the economic cycle on the group's portfolio; • understand and price appropriately for risk; and • originate within cycle-appropriate risk appetite and volatility parameters.	**Key principles:** • allocate capital appropriately and • drives economic value creation, which is measured as NIACC, the group's key performance measure.	**Key principles:** • execute sustainable funding and liquidity strategies; • protect credit ratings; • preserve a "fortress" balance sheet that can sustain shocks through the cycle; and • ensure the group remains appropriately capitalised.

Core competencies



The group defines risk widely. It is any factor that, if not adequately assessed, monitored and managed, may prevent the group from achieving its business objectives or result in adverse outcomes, including reputational damage.

Risk taking is an essential part of the bank's business and the bank explicitly recognises core risk competencies as necessary and important differentiators in the competitive environment in which it operates. These core risk competencies include identifying, assessing, monitoring and managing risk, and are integrated in all management functions and business areas across the bank.

The risk management process provides the checks and balances necessary to ensure sustainability and performance, create opportunity, achieve desired objectives, and avoid adverse outcomes and reputational damage.

A business profits from taking risks, but will only generate an acceptable profit commensurate with the risk associated with its activities if these risks are properly managed and controlled. The bank's aim is not to eliminate risk, but to achieve an appropriate balance between risk and reward. This balance is achieved by controlling risk at the level of individual exposures, at portfolio level, and across all risk types and businesses through the application of the risk/return framework which determines the group's risk appetite, and enables organisational decision-making and is aligned with FirstRand's strategic objectives.

For a detailed analysis of risk and capital management, refer to the group's Pillar 3 disclosure on the FirstRand website at http://www.firstrand.co.za/investors/basel-pillar-3-disclosure/.

37 FINANCIAL AND INSURANCE RISKS continued

Risk appetite is approved by the board by way of the return and risk appetite statemen, which informs organisational decision-making that is integrated with FirstRand's strategic objectives. Business and strategic decisions are aligned to risk appetite measures to ensure business and strategic objectives are met during a normal cyclical downturn. Constraints and limits are also set for stressed conditions. At a business unit level, strategy and execution are influenced by the availability and price of financial resources, earnings volatility limits, and required hurdle rates and targets.

Return and risk appetite statement

FirstRand's risk appetite is the aggregate level and the type of risks the group is willing and able to accept within its overall risk capacity and is captured by a number of qualitative principles and quantitative measures.

The risk/return framework ensures the group maintains an appropriate balance between risk and reward. Return targets and risk appetite limits are set to ensure the group achieves its overall strategic objectives, namely to:

- deliver long-term franchise value;
- deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility; and
- maintain balance sheet strength.

The group's strategic objectives and financial targets frame its risk appetite in the context of risk, reward and growth, and contextualise the level of reward the group expects to deliver to its stakeholders under normal and stressed economic conditions for the direct and consequential risks it assumes in the normal course of business.

Risk capacity is the absolute maximum level of risk the group can technically assume given its current available financial resources. Risk capacity provides a reference for risk appetite and is not intended to be reached under any circumstances.

Risk limits are clearly defined risk boundaries for different measures per risk type, and are also referred to as thresholds, tolerances or triggers.

The return and risk appetite statement aims to drive the discipline of balancing risk, return and sustainable growth across the portfolio. Through this process, the group ultimately seeks to achieve an optimal trade-off between its ability to take on risk, and the sustainability of the returns delivered to shareholders.

The group's risk/return profile is monitored regularly, using risk appetite limits which are measured at a point-in-time and on a forward-looking basis. Business performance targets for ROE and NIACC are set to ensure the delivery of the appropriate sustainable return for the risks taken and the financial resource utilisation. Principles are set to ensure appropriate relationship to targets in business pricing.

Risk appetite influences business plans and informs risk-taking activities and strategies.

Financial resource management

The management of the group's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of FirstRand's stated growth and return targets, and is driven by the group's overall risk appetite.

Forecast growth in earnings and balance sheet risk weighted assets (RWA) is based on the group's macroeconomic outlook and 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 for different business cycles and scenarios to enable FirstRand to deliver on its commitments to stakeholders at a defined confidence level.

37 FINANCIAL AND INSURANCE RISKS continued

The management of the group's financial resources is executed through Group Treasury and is independent of the operating businesses. This ensures the required level of discipline is applied in the allocation and pricing of financial resources. This also ensures that Group Treasury's mandate is aligned with the portfolio's growth, return and volatility targets in order to deliver shareholder value. The group continues to monitor and proactively manage a fast-changing regulatory environment, competitive landscape and ongoing macroeconomic challenges.

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. For additional information about the group's overall risk management processes refer to the *Basel Pillar 3 disclosures* available on the FirstRand website at https:/www.firstrand.co.za/investors/basel-pillar 3-disclosure/.

The COVID-19 pandemic has had far-reaching impacts on the group's operations and impacts each of the financial risks managed by the group. Where a material impact due to COVID-19 was experienced, such impact has been described within these financial statements.

<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:
➢ summary of all credit assets (37.1.1);
➢ information about the quality of credit assets (37 .1.2 and 37.1.3);
➢ exposure to concentration risk (37.1.4); 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 cashflow 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); and
➢ collateral pledged (37.2.3).</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 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>The following information is presented for traded market risk:
➢ 1-day 99% Value-at-Risk (VaR) analysis; and
➢ 10-day 99% VaR analysis.</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 net asset value (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 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 investment banking activities in RMB, and strategic investments held by WesBank, FNB, Aldermore and FCC. 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.</td><td>The following information is presented for equity investments:
➢ investment risk exposure, risk weighted assets, and sensitivity analysis of investment risk; and
➢ estimated sensitivity of remaining investment balances.</td></tr>
<tr><td rowspan="2">Insurance risk</td><td colspan="2">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.</td></tr>
<tr><td colspan="2">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).</td></tr>
<tr><td>Tax risk</td><td colspan="2">Tax risk is defined as 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.
Accordingly, any event, action or inaction in the strategy, operations, financial reporting or compliance that either adversely affects the entity’s tax or business position, or results in unanticipated penalties, assessments, additional taxes, harm to reputation, lost opportunities or financial statement exposure is regarded as tax risk.</td></tr>
</table>

37 FINANCIAL AND INSURANCE RISKS continued

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 composition of capital, effective allocation of resources including capital and risk capacity, and a sustainable dividend policy.

37.1 Credit risk

Objective

Credit risk management objectives are two-fold:

- **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 Enterprise Risk Management (ERM) and relevant board committees, fulfil this role.

Based on the group's credit risk appetite, as measured on a ROE, net income after capital charge (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:

- probability of default (PD);
- exposure at default (EAD); and
- loss given default (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 (S&P). The group currently only uses mapping to S&P rating scales.*

37 FINANCIAL AND INSURANCE RISKS continued

37.1.1 Credit assets

The following assets and off-balance sheet amounts 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.

	2020	2019
On-balance sheet exposures		
Cash and short-term funds	**125 771**	93 266
- Money at call and short notice	**79 930**	53 283
- Balances with central banks	**45 841**	39 983
Gross advances	**1 311 095**	1 239 914
- Retail secured	**328 418**	323 306
- Residential mortgages	**224 404**	217 164
- WesBank VAF*	**104 014**	106 142
- Retail unsecured**	**88 816**	85 392
- FNB card	**30 210**	28 115
- Personal loans	**41 874**	39 369
- Retail other	**16 732**	17 908
- Corporate and commercial	**484 222**	476 906
- FNB commercial	**107 916**	105 131
- WesBank corporate	**27 114**	27 945
- RMB corporate banking	**68 445**	57 932
- RMB investment banking	**280 747**	285 898
- Rest of Africa	**66 380**	64 557
- Group Treasury and other	**37 013**	43 124
- UK operations	**306 246**	246 629
- Retail	**234 529**	184 211
- Commercial	**71 717**	62 418
Derivatives	**147 515**	47 104
Debt investment securities (excluding non-recourse investments)	**276 356**	215 777
Financial accounts receivable included in other assets	**6 943**	5 442
Reinsurance assets	**240**	196
Off-balance sheet exposures	**176 652**	181 122
Total contingencies	**42 120**	47 006
- Guarantees	**33 609**	38 273
- Letters of credit**	**8 511**	8 733
Irrevocable commitments#	**127 658**	129 186
Credit derivatives	**6 874**	4 930
Total	**2 044 572**	1 782 821

* *Includes public sector.*

** *Includes acceptances.*

The prior year amount has been restated. Refer to Note 33 Contingencies and commitments for the detail.

37 FINANCIAL AND INSURANCE RISKS continued

37.1.2 Quality of credit assets

The following table shows the gross carrying amount of advances carried at amortised cost and the fair value of advances measured at fair value through profit or loss, as well as the exposure to credit risk of loan commitments and financial guarantees per class of advance and per internal credit rating.

The amounts in stage 3 that do not have a rating of FR91-100 relates 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 same.

	2020					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail secured						
Residential mortgages						
Stage 1	32 335	26 548	164 503	23 345	1 007	41
Stage 2	37	24	9 514	582	5 346	71
Stage 3	-	3	857	21	10 805	112
Total residential mortgages	32 372	26 575	174 874	23 948	17 158	224
WesBank VAF						
Stage 1	-	-	79 272	-	2 907	-
Stage 2	-	-	4 560	-	7 021	-
Stage 3	-	-	-	-	10 254	-
Total WesBank VAF	-	-	83 832	-	20 182	-
Retail unsecured						
FNB card						
Stage 1	64	-	23 982	-	306	-
Stage 2	-	-	1 671	-	512	-
Stage 3	-	-	-	-	3 675	-
Total FNB card	64	-	25 653	-	4 493	-
Personal loans						
Stage 1	620	-	25 851	1 246	1 900	256
Stage 2	13	-	2 497	-	3 569	-
Stage 3	-	-	-	-	7 424	-
Total personal loans	633	-	28 348	1 246	12 893	256

37 FINANCIAL AND INSURANCE RISKS continued

	2020					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail other unsecured						
Stage 1	457	141	11 147	285	1 275	133
Stage 2	-	-	93	-	1 553	-
Stage 3	4	-	2	-	2 201	-
Total retail other unsecured	461	141	11 242	285	5 029	133
Corporate and commercial						
FNB commercial						
Stage 1	106	421	91 446	12 412	1 089	105
Stage 2	-	-	4 563	732	3 682	51
Stage 3	-	-	527	1	6 503	140
Total FNB commercial	106	421	96 536	13 145	11 274	296
WesBank corporate						
Stage 1	9 340	3 707	14 308	-	737	-
Stage 2	8	-	1 317	-	530	-
Stage 3	-	-	-	-	874	-
Total WesBank corporate	9 348	3 707	15 625	-	2 141	-
RMB corporate banking						
Stage 1	31 167	23 943	28 680	23 653	-	117
Stage 2	-	-	7 410	6 105	335	417
Stage 3	-	-	-	-	726	314
Purchased or originated credit impaired	-	-	-	-	127	-
Total RMB corporate banking	31 167	23 943	36 090	29 758	1 188	848
RMB investment banking						
Stage 1	91 582	13 757	157 769	13 777	481	-
Stage 2	-	-	28 364	837	269	-
Stage 3	-	-	33	-	1 348	10
Purchased or originated credit impaired	-	-	-	-	901	-
Total RMB investment banking	91 582	13 757	186 166	14 614	2 999	10

37 FINANCIAL AND INSURANCE RISKS continued

	2020					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Rest of Africa						
Stage 1	**2 729**	**520**	**53 670**	**6 745**	**811**	**209**
Stage 2	**705**	**-**	**2 682**	**285**	**1 586**	**-**
Stage 3	**-**	**-**	**153**	**-**	**4 044**	**-**
Total rest of Africa	**3 434**	**520**	**56 505**	**7 030**	**6 441**	**209**
UK operations retail						
Stage 1	**104 342**	**-**	**102 590**	**3 637**	**50**	**-**
Stage 2	**63**	**-**	**17 392**	**-**	**4 974**	**-**
Stage 3	**-**	**-**	**1 880**	**-**	**3 238**	**-**
UK operations retail	**104 405**	**-**	**121 862**	**3 637**	**8 262**	**-**
UK operations commercial						
Stage 1	**13 647**	**-**	**44 424**	**4 074**	**94**	**-**
Stage 2	**787**	**-**	**8 801**	**-**	**2 402**	**-**
Stage 3	**-**	**-**	**-**	**-**	**1 562**	**-**
UK operations commercial	**14 434**	**-**	**53 225**	**4 074**	**4 058**	**-**
Group Treasury and other						
Stage 1	**31 767**	**-**	**4 716**	**1 000**	**342**	**-**
Stage 2	**-**	**-**	**45**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**143**	**-**
Total Group Treasury and other	**31 767**	**-**	**4 761**	**1 000**	**485**	**-**
Stage 1	**318 156**	**69 037**	**802 358**	**90 174**	**10 999**	**861**
Stage 2	**1 613**	**24**	**88 909**	**8 541**	**31 779**	**539**
Stage 3	**4**	**3**	**3 452**	**22**	**52 797**	**576**
Purchased or originated credit impaired	**-**	**-**	**-**	**-**	**1 028**	**-**
Total Advances	**319 773**	**69 064**	**894 719**	**98 737**	**96 603**	**1 976**

37 FINANCIAL AND INSURANCE RISKS continued

	2019					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail secured						
Residential mortgages						
Stage 1	28 907	17 634	168 063	34 555	1 403	51
Stage 2	10	1	5 360	474	4 783	128
Stage 3	4	-	788	54	7 846	211
Total residential mortgages	28 921	17 635	174 211	35 083	14 032	390
WesBank VAF						
Stage 1	-	-	88 871	-	189	-
Stage 2	-	-	4 036	-	5 903	-
Stage 3	-	-	-	-	7 143	-
Total WesBank VAF	-	-	92 907	-	13 235	-
Retail unsecured						
FNB card						
Stage 1	11	-	23 794	-	516	-
Stage 2	-	-	1 047	-	475	-
Stage 3	-	-	-	-	2 272	-
Total FNB card	11	-	24 841	-	3 263	-
Personal loans						
Stage 1	262	-	29 259	-	723	-
Stage 2	-	-	1 088	-	2 194	-
Stage 3	-	-	27	-	5 816	-
Total personal loans	262	-	30 374	-	8 733	-

37 FINANCIAL AND INSURANCE RISKS continued

	2019					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail other unsecured						
Stage 1	431	593	13 665	66	807	-
Stage 2	1	-	512	1	510	-
Stage 3	2	-	-	-	1 980	-
Total retail other unsecured	434	593	14 177	67	3 297	-
Corporate and commercial						
FNB commercial						
Stage 1	64	468	91 806	10 462	222	36
Stage 2	-	-	5 761	169	2 722	23
Stage 3	1	-	104	-	4 451	75
Total FNB commercial	65	468	97 671	10 631	7 395	134
WesBank corporate						
Stage 1	8 084	4 857	17 226	-	565	-
Stage 2	4	-	1 089	-	453	-
Stage 3	-	-	49	-	475	-
Total WesBank corporate	8 088	4 857	18 364	-	1 493	-
RMB corporate banking						
Stage 1	28 491	30 643	22 266	20 313	-	82
Stage 2	-	-	6 834	4 113	-	44
Stage 3	-	-	-	-	236	206
Purchased or originated credit impaired	-	-	-	-	105	-
Total RMB corporate banking	28 491	30 643	29 100	24 426	341	332
RMB investment banking						
Stage 1	120 317	17 282	146 391	14 164	-	-
Stage 2	2 927	-	13 719	1 314	-	-
Stage 3	-	-	487	-	2 057	-
Total RMB investment banking	123 244	17 282	160 597	15 478	2 057	-

37 FINANCIAL AND INSURANCE RISKS continued

	2019					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Rest of Africa						
Stage 1	1 393	1 019	55 233	9 785	221	135
Stage 2	27	-	2 272	35	1 447	277
Stage 3	4	-	549	-	3 411	-
Total rest of Africa	1 424	1 019	58 054	9 820	5 079	412
UK operations retail						
Stage 1	74 188	4 174	89 425	2 183	54	737
Stage 2	39	-	14 292	-	3 707	-
Stage 3	-	-	1 092	-	1 414	-
Total UK operations retail	74 227	4 174	104 809	2 183	5 175	737
UK operations commercial						
Stage 1	15 235	1 703	41 278	4 065	81	204
Stage 2	72	-	3 047	-	1 806	-
Stage 3	-	-	-	-	899	-
Total UK operations commercial	15 307	1 703	44 325	4 065	2 786	204
Group Treasury and other						
Stage 1	34 532	1 250	8 246	-	-	-
Stage 2	-	-	206	-	3	-
Stage 3	-	-	-	-	137	-
Total Group Treasury and other	34 532	1 250	8 452	-	140	-
Stage 1	311 915	79 623	795 523	95 593	4 781	1 245
Stage 2	3 080	1	59 263	6 106	24 003	472
Stage 3	11	-	3 096	54	38 137	492
Purchased or originated credit impaired	-	-	-	-	105	-
Total Advances	315 006	79 624	857 882	101 753	67 026	2 209

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 fair value through other comprehensive income and fair value through profit and loss, in line with the manner in which the group manages credit risk.

	2020		
R million	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3 by class			
Total retail secured	21 916	15 530	6 386
- Residential mortgages	11 662	9 254	2 408
- WesBank VAF	10 254	6 276	3 978
Total retail unsecured	13 306	3 696	9 610
- FNB card	3 675	953	2 722
- Personal loans	7 424	2 192	5 232
- Retail other	2 207	551	1 656
Total corporate and commercial	11 039	6 885	4 154
- FNB commercial	7 030	3 735	3 295
- WesBank corporate	874	593	281
- RMB corporate banking	853	620	233
- RMB investment banking	2 282	1 937	345
Rest of Africa	4 197	1 552	2 645
Group Treasury and other	143	(39)	182
UK operations	6 680	4 984	1 696
- Retail	5 118	3 929	1 189
- Commercial	1 562	1 055	507
Total stage 3	57 281	32 608	24 673
Stage 3 by category			
Overdrafts and cash management accounts	5 625	2 081	3 544
Term loans	3 113	1 728	1 385
Card loans	4 209	1 011	3 198
Instalment sales and hire purchase agreements	13 939	8 389	5 550
Lease payments receivable	604	349	255
Property finance	18 435	14 524	3 911
- Home loans	15 871	12 602	3 269
- Commercial property finance	2 564	1 922	642
Personal loans	8 526	2 287	6 239
Investment bank term loans	2 250	1 928	322
Other	580	311	269
Total stage 3	57 281	32 608	24 673

37 FINANCIAL AND INSURANCE RISKS continued

	2019		
R million	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3 by class			
Total retail secured	15 781	11 693	4 088
- Residential mortgages	8 638	6 967	1 671
- WesBank VAF	7 143	4 726	2 417
Total retail unsecured	10 097	2 383	7 714
- FNB card	2 272	524	1 748
- Personal loans	5 843	1 414	4 429
- Retail other	1 982	445	1 537
Total corporate and commercial	7 965	4 671	3 294
- FNB commercial	4 556	2 253	2 303
- WesBank corporate	524	345	179
- RMB corporate banking	341	248	93
- RMB investment banking	2 544	1 825	719
Rest of Africa	3 964	1 612	2 352
Group Treasury and other	137	(49)	186
UK operations	3 405	2 544	861
- Retail	2 506	1 905	601
- Commercial	899	639	260
Total stage 3	41 349	22 854	18 495
Stage 3 by category			
Overdrafts and cash management accounts	4 585	1 580	3 005
Term loans	3 265	1 828	1 437
Card loans	2 619	552	2 067
Instalment sales and hire purchase agreements	9 377	6 045	3 332
Lease payments receivable	391	151	240
Property finance	11 880	9 450	2 430
- Home loans	10 860	8 676	2 184
- Commercial property finance	1 020	774	246
Personal loans	6 801	1 622	5 179
Preference share agreements	145	29	116
Investment bank term loans	1 942	1 418	524
Long-term loans to group associates and joint ventures	48	-	48
Other	296	179	117
Total stage 3	41 349	22 854	18 495

37 FINANCIAL AND INSURANCE RISKS continued

37.1.3 Quality of credit assets – non-advances

The following table shows the gross carrying amount of non-advances carried at amortised cost and the fair value of non-advances measured at fair value through profit or loss or through other comprehensive income per external credit rating.

	2020		
R million	AAA to BBB	BB+ to B-	CCC
Investment securities at amortised cost			
Stage 1	**24 858**	**106 037**	**2 829**
Stage 2	**-**	**1 316**	**-**
Investment securities at fair value through other comprehensive income			
Stage 1	**40 824**	**5 999**	**-**
Total investment securities	**65 682**	**113 352**	**2 829**
Stage 2	**766**	**6 134**	**176**
Stage 3	**-**	**23**	**1**
Total financial other assets	**766**	**6 157**	**177**
Cash and cash equivalents			
Stage 1	**57 340**	**66 076**	**2 355**
Total cash and cash equivalents	**57 340**	**66 076**	**2 355**
Derivative assets	**100 173**	**47 208**	**134**

37 FINANCIAL AND INSURANCE RISKS continued

R million	2019 AAA to BBB	 BB+ to B-	 CCC
Investment securities at amortised cost			
Stage 1	101 274	14 513	1 965
Stage 2	-	1 324	-
Investment securities at fair value through other comprehensive income			
Stage 1	22 929	16	-
Total investment securities	124 203	15 853	1 965
Stage 2	209	4 752	565
Stage 3	-	7	-
Total financial other assets	209	4 759	565
Cash and cash equivalents			
Stage 1	87 091	4 642	1 533
Total cash and cash equivalents	87 091	4 642	1 533
Derivative assets	41 659	5 363	82

37.1.4 Concentration risk

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. The group's credit portfolio is well diversified, and this is achieved through setting maximum exposure guidelines to individual counterparties. The group regularly reviews its concentration levels and sets maximum exposure guidelines for these.

The group seeks to establish a balanced portfolio profile and closely monitors credit concentrations.

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.

	2020							
R million	South Africa	Rest of Africa	United Kingdom	Other Europe	North and South America	Austra-lasia	Asia	Total
On-balance sheet exposures								
Cash and short-term funds	**63 732**	**8 598**	**32 489**	**6 380**	**14 161**	**168**	**243**	**125 771**
Total advances	**853 596**	**113 038**	**316 360**	**13 919**	**6 055**	**152**	**7 975**	**1 311 095**
Stage 3	**46 156**	**4 356**	**6 680**	**1**	**-**	**-**	**89**	**57 282**
Derivatives	**96 347**	**2 425**	**43 119**	**5 492**	**110**	**-**	**22**	**147 515**
Debt investment securities (excluding non-recourse investments)	**179 957**	**37 987**	**25 494**	**13 629**	**12 340**	**533**	**6 416**	**276 356**
Other assets	**3 466**	**672**	**2 337**	**24**	**340**	**37**	**69**	**6 945**
Reinsurance assets	**240**	**-**	**-**	**-**	**-**	**-**	**-**	**240**
Off-balance sheet exposures								
Guarantees, acceptances, and letters of credit	**30 843**	**6 544**	**1 875**	**449**	**76**	**-**	**2 331**	**42 118**
Irrevocable commitments	**107 162**	**7 739**	**7 960**	**2 245**	**1 210**	**-**	**1 342**	**127 658**

37 FINANCIAL AND INSURANCE RISKS continued

Geographic concentration of significant credit asset exposure continued

	2019							
R million	South Africa	Rest of Africa	United Kingdom	Other Europe	North and South America	Austra-lasia	Asia	Total
On-balance sheet exposure								
Cash and short-term funds	57 710	5 988	17 920	7 452	3 638	190	368	93 266
Total advances	858 018	103 302	251 471	15 870	1 556	528	9 169	1 239 914
Stage 3	33 245	4 232	3 405	-	-	402	65	41 349
Derivatives	25 368	965	18 104	2 010	273	-	384	47 104
Debt investment securities (excluding non-recourse investments)	149 720	24 991	18 091	9 681	6 356	-	6 938	215 777
Other assets	4 706	1 078	1 651	28	1 002	52	61	8 578
Reinsurance assets	193	3	-	-	-	-	-	196
Off-balance sheet exposure								
Guarantees, acceptances, and letters of credit	33 106	7 423	1 488	436	66	93	4 394	47 006
Irrevocable commitments*	102 335	8 688	13 683	2 267	819	-	1 394	129 186

** The prior year amount has been restated. Refer to Note 33 Contingencies and commitments for the detail.*

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.

	2020			
		Stage 3		
R million	Total advances	Advances	Security held and expected recoveries	Impairment
Sector analysis				
Agriculture	**45 598**	**2 909**	**1 940**	**969**
Banks	**16 439**	**-**	**-**	**-**
Financial institutions	**157 250**	**306**	**95**	**211**
Building and property development	**76 619**	**2 418**	**1 118**	**1 300**
Government, Land Bank and public authorities	**22 862**	**1 192**	**1 165**	**27**
Individuals	**655 763**	**40 001**	**22 549**	**17 452**
Manufacturing and commerce	**141 949**	**3 977**	**2 179**	**1 798**
Mining	**24 535**	**137**	**58**	**79**
Transport and communication	**32 340**	**1 216**	**795**	**421**
Other services	**137 740**	**5 125**	**2 709**	**2 416**
Total	**1 311 095**	**57 281**	**32 608**	**24 673**

37 FINANCIAL AND INSURANCE RISK continued

	2019			
		Stage 3		
R million	Total advances	Advances	Security held and expected recoveries	Impairment
Sector analysis				
Agriculture	43 718	2 393	1 629	764
Banks	21 830	-	-	-
Financial institutions	170 980	446	140	306
Building and property development	67 051	1 807	903	904
Government, Land Bank and public authorities	25 667	85	81	4
Individuals	605 686	28 712	15 943	12 769
Manufacturing and commerce	136 377	3 872	2 118	1 754
Mining	12 324	556	458	98
Transport and communication	31 257	594	283	311
Other services	125 024	2 884	1 299	1 585
Total	1 239 914	41 349	22 854	18 495

37 FINANCIAL AND INSURANCE RISKS continued

37.1.5 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 page B319.
- Personal loans, overdrafts and credit card exposures are generally unsecured or secured by guarantees and securities.
- Working capital facilities in RMB corporate banking are secured and unsecured.

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.

37 FINANCIAL AND INSURANCE RISKS continued

37.1.6 Credit risk mitigation and collateral held continued

The table below represents an analysis of the maximum exposure to credit risk for financial assets at amortised cost and debt instruments at fair value through profit or loss, 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.

	2020				
R million	Gross carrying amount	Off-balance sheet exposure	Loss allowance	Maximum exposure to credit risk	
Residential mortgages	**224 404**	**50 747**	**(3 916)**	**271 235**	
WesBank VAF	**104 014**	**-**	**(5 861)**	**98 153**	
FNB card	**30 210**	**-**	**(4 201)**	**26 009**	
Personal loans	**41 874**	**1 502**	**(8 697)**	**34 679**	
Retail other	**16 732**	**559**	**(3 139)**	**14 152**	
FNB commercial	**107 916**	**13 862**	**(6 028)**	**115 750**	
WesBank corporate	**27 114**	**3 707**	**(506)**	**30 315**	
RMB corporate banking	**68 445**	**54 549**	**(1 203)**	**121 791**	
RMB investment banking	**280 747**	**28 381**	**(5 302)**	**303 826**	
Rest of Africa	**66 380**	**7 759**	**(4 633)**	**69 506**	
Group Treasury and other	**37 013**	**1 000**	**(899)**	**37 114**	
UK operations	**306 246**	**7 711**	**(4 995)**	**308 962**	
- Retail**	**234 529**	**3 637**	**(3 453)**	**234 713**	
- Commercial	**71 717**	**4 074**	**(1 542)**	**74 249**	
Total advances	**1 311 095**	**169 777**	**(49 380)**	**1 431 492**	
Investment securities#	**276 475**	**-**	**(119)**	**276 356**	
Cash and cash equivalents	**125 771**	**-**	**-**	**125 771**	
Other assets	**6 944**	**-**	**(157)**	**6 787**	
Derivatives	**147 515**	**-**	**-**	**147 515**	

**Secured represents balances which have non-financial collateral attached to the financial asset.*

***Includes MotoNovo back book in FirstRand Bank with a closing balance of R36 270 million (£1 693 million) and MotoNovo new book of R40 265 million (£1 879 million).*

#Include debt instruments measured at fair value but exclude equity and non-recourse investments.

	Netting and financial collateral	Unsecured	Secured*
	3 136	1 084	267 015
	-	-	98 153
	-	26 009	-
	-	34 679	-
	-	12 719	1 433
	4 731	15 208	95 811
	-	-	30 315
	10	62 571	59 210
	3 711	40 901	259 214
	10 565	26 958	31 983
	(1 890)	28 592	10 412
	-	6 862	302 100
	-	272	234 441
	-	6 590	67 659
	20 263	255 583	1 155 646
	26	272 902	3 428
	20 024	105 747	-
	15	6 053	719
	-	147 515	-

37 FINANCIAL AND INSURANCE RISKS continued

37.1.7 Credit risk mitigation and collateral held continued

The table below represents an analysis of the maximum exposure to credit risk for financial assets at amortised cost and debt instruments at fair value through profit or loss, 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.

	2019			
R million	Gross carrying amount	Off-balance sheet exposure	Loss allowance	Maximum exposure to credit risk
Residential mortgages	217 164	53 108	(2 541)	267 731
WesBank VAF	106 142	-	(4 356)	101 786
FNB card	28 115	-	(2 650)	25 465
Personal loans	39 369	-	(6 815)	32 554
Retail other	17 908	660	(2 725)	15 843
FNB commercial	105 131	11 233	(3 812)	112 552
WesBank corporate	27 945	4 857	(338)	32 464
RMB corporate banking	57 932	55 401	(688)	112 645
RMB investment banking	285 898	32 760	(3 233)	315 425
Rest of Africa	64 557	11 251	(3 963)	71 845
Group Treasury and other	43 124	1 250	(948)	43 426
UK operations	246 629	13 066	(2 093)	257 602
- Retail**	184 211	7 094	(1 511)	189 794
- Commercial	62 418	5 972	(582)	67 808
Total advances	1 239 914	183 586	(34 162)	1 389 338
Investment securities#	215 903	-	(126)	215 777
Cash and cash equivalents	93 266	-	-	93 266
Other assets	5 533	-	(91)	5 442
Derivatives	47 104	-	-	47 104

** Secured represents balances which have non-financial collateral attached to the financial asset.*

***Includes MotoNovo back book in FirstRand Bank with a closing balance of R54 561 million (£3 034 million) and MotoNovo new book of R6 639 million (£369 million).*

 # Include debt instruments measured at fair value, but exclude equity and non-recourse investments.

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.

Netting and financial collateral	Unsecured	Secured*
3 270	618	263 843
-	-	101 786
-	25 465	-
-	32 554	-
-	14 456	1 387
1 447	24 714	86 391
-	-	32 464
-	67 232	45 413
5 309	36 860	273 256
7 908	31 025	32 912
78	37 073	6 275
-	7 760	249 842
-	-	189 794
-	7 760	60 048
18 012	277 757	1 093 569
-	202 988	12 789
19 843	73 423	-
-	5 442	-
-	47 104	-

37 FINANCIAL AND INSURANCE RISKS continued

Collateral held against derivative positions

The table below sets out the cash collateral held against the net derivative position.

R million	2020	2019
Cash collateral held	**8 794**	11 830

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

	2020		2019	
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	**12 397**	**3 358**	7 166	1 802
Investment securities	**26 964**	**7 304**	45 315	24 624
Total collateral pledged	**39 361**	**10 662**	52 481	26 426

Investment securities exclude securities lending transactions where securities are obtained as collateral for securities lent. This is in line with industry practice.

The table below sets out the reconciliation of collateral taken possession of and recognised on the statement of financial position.

Collateral taken possession of

		Property	
R million	Notes	**2020**	2019
Opening balance		**54**	49
Acquisition/(disposal) of subsidiaries		**1**	-
Exchange rate differences		**1**	-
Net movement		**14**	5
Closing balance	13	**70**	54

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 in an auction, it will continue to hold the asset while actively marketing it to ensure an appropriate value is obtained.

37 FINANCIAL AND INSURANCE RISKS continued

Offsetting of financial assets and financial liabilities

Where appropriate, various instruments are used to mitigate the potential exposure to certain counterparties. These include financial or other collateral in line with common credit risk practices, as well as master netting agreements (MNA), guarantees and credit derivatives. In addition, the group has set up a function to clear over the counter derivatives centrally as part of its risk mitigation strategy.

The group uses the International Swaps and Derivatives Association (ISA) and International Securities Market Association agreements for the purpose of netting derivative transactions and repurchase transactions respectively. These master agreements as well as associated credit support annexes (CSAs) set out internationally accepted valuation and default covenants, which are evaluated and applied daily, including daily margin calls based on the approved CSA thresholds.

The tables below include information about financial assets and financial liabilities that are:

- offset and the net amount presented in the group's statement of financial position in accordance with the requirements of IAS 32; and
- subject to enforceable MNA or similar agreements where the amounts have not been offset because one or both of the requirements of IAS 32 are not met, or the amounts relate to financial collateral (cash or non-cash) that mitigates credit risk.

Structured transactions refer to reverse repurchase, securities borrowing and similar arrangements, with reverse repurchases in the asset section of the table, securities lending and similar arrangements on the liability section of the table.

The net amount reported on the statement of financial position represents the net amount of financial assets and financial liabilities where offsetting has been applied in terms of IAS 32 and financial instruments that are subject to MNA and similar agreements, but no offsetting has been applied.

37 FINANCIAL AND INSURANCE RISKS continued

The financial collateral included in the table above 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 amount of collateral 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 amount of collateral 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 amount of financial instruments not subject to offset or MNA.

	Derivatives		Structured transactions		Other advances/deposits	
	2020	2019	**2020**	2019	**2020**	2019
Assets						
Offsetting applied						
Gross amount	**169 352**	57 470	**39 517**	41 445	**-**	-
Amount offset	**(53 578)**	(14 321)	**(15 673)**	(9 697)	**-**	-
Net amount reported on the statement of financial positions	**115 774**	43 149	**23 844**	31 748	**-**	-
Offsetting not applied						
Financial instruments subject to MNA and similar agreements	**(102 882)**	(34 001)	**(9)**	(5 419)	**-**	-
Financial collateral	**(2 875)**	(2 526)	**(23 835)**	(26 329)	**-**	-
Net amount	**10 017**	6 622	**-**	-	**-**	-
Financial instruments not subject to offset or MNA	**31 741**	3 955	**3 120**	13 566	**1 234 751**	1 160 437
Total statement of financial position	**147 515**	47 104	**26 964**	45 314	**1 234 751**	1 160 437
Liabilities						
Offsetting applied						
Gross amount	**185 979**	60 417	**40 962**	42 982	**-**	-
Amount offset	**(53 578)**	(14 321)	**(15 673)**	(9 697)	**-**	-
Net amount reported on the statement of financial positions	**132 401**	46 096	**25 289**	33 285	**-**	-
Offsetting not applied						
Financial instruments subject to MNA and similar agreements	**(102 882)**	(34 001)	**(9)**	(5 419)	**-**	-
Financial collateral	**(9 387)**	(1 781)	**(25 266)**	(27 866)	**-**	-
Net amount	**20 130**	10 314	**14**	-	**-**	-
Financial instruments not subject to offset or MNA	**29 792**	6 501	**2 174**	9 415	**1 507 551**	1 350 404
Total statement of financial position	**162 193**	52 597	**27 463**	42 700	**1 507 551**	1 350 404

37 FINANCIAL AND INSURANCE RISKS continued

37.2 Liquidity risk

Objective

The group aims to fund its activities in an efficient and flexible manner, from diverse and sustainable funding pools, whilst operating within prudential limits. The group's objective is to maintain and enhance its deposit market share by appropriately pricing and rewarding depositors, thus creating a natural liquidity buffer. As a consequence of the liquidity risk introduced by its business activities across various currencies and geographies, the group's objective is 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.

Liquidity risk arises from all assets and liabilities with differing maturity profiles.

Assessment and management

The group focuses on continuously monitoring and analysing the potential impact of other risks and events 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. Buffer stocks of high-quality, highly liquid assets 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.

Structural liquidity risk	**Daily liquidity risk**	**Contingency liquidity risk**
Managing the risk that structural, long-term on- and off-balance sheet exposures cannot be funded timeously or at reasonable cost.	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.	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.

Impact of COVID-19

The group entered the crisis in a strong liquidity position and remained well funded, and within prudential liquidity requirements and internal risk appetite levels throughout the stress period. The interventions introduced by global regulators have ensured that markets continue to operate smoothly through the crisis. The group remains in a strong funding and liquidity position, however, the crisis has not yet come to an end and key risk metrics and early warning indicators continue to be closely monitored. The group regularly forecasts its liquidity position and uses scenario analysis to inform decision-making. The group has appropriate liquidity buffers and access to funding to withstand the anticipated liquidity risks in the near term.

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. These balances will not reconcile to the statement of financial position for the following reasons:

- balances are undiscounted amounts whereas the statement of financial position is prepared using discounted amounts;
- the table includes cash flows not recognised on the statement of financial position;
- all instruments held for trading purposes are included in the call to three-month bucket and not by maturity, as trading instruments are typically held for short periods of time; and
- cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis.

	2020			
		Term to maturity		
R million	Carrying amount	Call to 3 months	4-12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	1 617 635	1 055 706	238 528	323 401
Short trading positions	5 062	5 062	-	-
Derivative financial instruments	161 149	146 290	5 195	9 664
Creditors, accruals and provisions	21 067	15 448	936	4 683
Tier 2 liabilities	28 394	1 988	4 186	22 220
Other liabilities	5 376	443	442	4 491
Lease liabilities	3 439	261	758	2 420
Policyholder liabilities	6 430	977	1 167	4 286
Off-balance sheet exposures				
Financial and other guarantees	42 120	39 844	873	1 403
Other contingencies and commitments	3 635	903	2 221	511
Facilities not drawn	127 658	127 657	-	1

37 FINANCIAL AND INSURANCE RISKS continued

R million	2019			
		Term to maturity		
	Carrying amount	Call to 3 months	4-12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	1 492 403	918 676	232 326	341 401
Short trading positions	5 374	5 374	-	-
Derivative financial instruments	47 266	43 776	1 111	2 379
Creditors, accruals and provisions	21 408	14 030	1 265	6 113
Tier 2 liabilities	31 776	369	3 688	27 719
Other liabilities	6 467	1 504	3 022	1 941
Policyholder liabilities	5 263	336	300	4 627
Off-balance sheet exposures				
Financial and other guarantees	47 006	44 375	2 121	510
Operating lease commitments	3 390	425	836	2 129
Other contingencies and commitments	4 170	856	2 724	590
Facilities not drawn*	129 186	129 186	-	-

** The prior year amount has been restated. Refer to Note 33 Contingencies and commitments for the detail.*

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 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 which represent a significant proportion of banks' liabilities. These are used to fund long-term assets, e.g. mortgages.

Discounted cash flow analysis – maturity analysis of total assets, liabilities and equity based on the present value of the expected payment

	2020			
		Term to maturity		
R million	**Carrying amount**	**Call to 3 months**	**4-12 months**	**> 12 months and non contractual**
Total assets	**1 926 539**	**653 430**	**179 614**	**1 093 495**
Total equity and liabilities	**1 926 539**	**1 230 432**	**238 781**	**457 326**
Net liquidity gap	**-**	**(577 002)**	**(59 167)**	**636 169**
Cumulative liquidity gap	**-**	**(577 002)**	**(636 169)**	**-**

	2019			
		Term to maturity		
R million	Carrying amount	Call to 3 months	4-12 months	> 12 months and non contractual
Total assets	1 669 062	476 589	183 209	1 009 264
Total equity and liabilities	1 669 062	989 936	228 412	450 714
Net liquidity gap	-	(513 347)	(45 203)	558 550
Cumulative liquidity gap	-	(513 347)	(558 550)	-

As illustrated in the table above, the negative liquidity short-term gap increased slightly in the short end on a cumulative basis. This is aligned to the funding strategy to grow the deposit operating business via transactional deposit accounts. Management continues to align stress-funding buffers both locally and offshore, taking prevailing economic and market conditions into account.

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	**2020**	2019
Cash and cash equivalents	**20 800**	20 211
Advances	**75 480**	63 233
Investment securities– held under repurchase agreements	**19 894**	21 918
Investment securities– other	**3 384**	6 740
Accounts receivable	**8**	-
Total assets pledged	**119 566**	112 102

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	**2020**	2019
Short-trading positions	**5 062**	5 374
Total deposits	**82 735**	87 712
- Deposits under repurchase agreements	**23 559**	40 896
- Deposits in securities lending transactions*	**3 905**	1 802
- Other secured deposits	**55 271**	45 014
Contingent liabilities	**287**	15
Other	**22 268**	23 492
Total	**110 352**	116 593

**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.*

37 FINANCIAL AND INSURANCE RISKS continued

37.2.4 Concentration analysis of deposits

	2020	2019
Sector analysis		
Deposit current accounts and other loans		
Sovereigns, including central banks	**153 700**	136 676
Public sector entities	**37 461**	36 489
Local authorities	**15 323**	14 729
Banks	**65 212**	75 535
Securities firms	**14 377**	8 626
Corporate customers	**741 173**	718 799
Retail customers	**502 481**	396 340
Other	**5 289**	5 910
Total deposits	**1 535 016**	1 393 104
Geographical analysis		
South Africa	**1 008 401**	989 140
Rest of Africa	**115 569**	104 306
UK	**372 707**	273 821
Other	**38 338**	25 837
Total deposits	**1 535 015**	1 393 104

37 FINANCIAL AND INSURANCE RISKS continued

37.3 Market risk

The group distinguishes between traded market risk and non-traded market risk.

37.3.1 Traded market risk

Objective

The group's market risk in the trading book emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products, and is taken and managed by RMB. The relevant business units in RMB function as the centres of expertise for all market risk-related activities. Market risk is managed and contained within the group's risk appetite. Overall diversified levels of market risk have remained fairly low during the last few years, with this trend continuing over the year under review. There are no significant concentrations in the portfolio, which also reflects overall lower levels of risk.

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.

Assessment and management

Management and monitoring of interest rate risk in the banking book are split between the RMB banking book and the remaining domestic banking book. RMB manages most of its banking book under the market risk framework, with risk measured and monitored in conjunction with the trading book and management oversight provided by the market and investment risk committee. The RMB banking book interest rate risk exposure was R136 million on a 10-day expected tail loss (ETL) basis at 30 June 2020 (2019: R55 million). Interest rate risk in the remaining domestic banking book is discussed in the Interest rate risk section on page B330.

During March and April 2020 global financial markets experienced heightened volatility related to the COVID-19 pandemic. The market risk measurement framework performed as expected and market risk tolerances remained within expected limits. Trading revenue continued to perform as expected.

The risk related to market risk-taking activities is measured as the height of the group's internal ETL measure (as a proxy for economic capital) and regulatory capital based on VaR plus stressed VaR (sVaR).

37 FINANCIAL AND INSURANCE RISKS continued

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 (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 was updated during the COVID-19 crisis to reflect the current market volatility.
VaR	VaR is calculated at the 99%, 10-day actual holding period level using data from the past 260 trading days.

VaR analysis by risk type

The following table reflects VaR over a 1-day holding period at a 99% confidence level.

1-day 99% VaR analysis by instrument

	2020				2019†			
R million	**Min***	**Max***	**Average**	**Period end**	Min*	Max*	Average	Period end
Risk type**								
Equities	**1.9**	**43.9**	**8.0**	**11.2**	0.4	47.3	7.4	5.9
Interest rates#	**27.4**	**197.2**	**89.6**	**134.3**	10.2	82.5	34.6	59.9
Foreign exchange	**7.3**	**252.4**	**22.1**	**17.1**	2.8	85.6	25.9	15.8
Commodities	**1.8**	**18.4**	**7.5**	**8.3**	1.4	17.5	8.3	6.1
Traded credit	**5.1**	**26.6**	**12.8**	**11.4**	3.6	31.0	14.7	16.1
Diversification effect				**(67.2)**				(12.0)
Diversified total	**28.2**	**199.9**	**94.5**	**115.2**	5.9	105.6	52.1	91.8

* *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.*

** *Excludes foreign branches and subsidiaries, which are reported on the standardised approach for market risk.*

Interest rate risk in the trading book.

† *Prior period amounts were restated to correctly reflect the 1-day 99% VaR effect based on FRBSA, which has approval for the internal model approach. FRBSA excludes the foreign branches which is reported on the standardized approach for market risk.*

37 FINANCIAL AND INSURANCE RISKS continued

The following table reflects the 10-day VaR and sVaR at the 99% confidence level.

The 10-day VaR calculation is performed using 10-day scenarios created from the past 260 trading days, whereas the 10-day sVaR is calculated using scenario data from the static stress period.

	2020							
	VaR				**sVaR**			
R million	**Min***	**Max***	**Average**	**Period end**	**Min**	**Max**	**Average**	**Period end**
Risk type**								
Equities	**4.6**	**164.6**	**20.8**	**17.3**	**0.7**	**105.5**	**25.3**	**12.4**
Interest rates#	**72.1**	**355.0**	**178.7**	**300.4**	**110.4**	**356.8**	**171.4**	**199.9**
Foreign exchange	**11.4**	**103.4**	**41.4**	**76.2**	**12.5**	**247.0**	**74.6**	**47.7**
Commodities	**6.2**	**32.6**	**14.5**	**14.7**	**5.0**	**42.8**	**19.2**	**20.6**
Traded credit	**7.5**	**56.4**	**18.9**	**14.1**	**7.1**	**31.5**	**20.5**	**12.1**
Diversification effect				**(128.2)**				**(137.7)**
Diversified total	**58.3**	**381.1**	**152.4**	**294.6**	**97.7**	**437.4**	**192.7**	**155.0**

	2019†							
	VaR				sVaR			
R million	Min*	Max*	Average	Period end	Min	Max	Average	Period end
Risk type**								
Equities	1.0	132.3	18.1	15.4	1.9	96.5	25.5	10.9
Interest rates#	29.4	169.5	85.3	152.5	52.7	388.9	138.8	318.4
Foreign exchange	3.3	164.3	71.2	46.2	8.5	228.1	91.6	142.5
Commodities	3.9	38.6	21.4	11.3	7.1	74.8	37.6	10.6
Traded credit	10.1	99.7	36.1	20.8	8.7	30.4	17.2	15.8
Diversification effect				(120.8)				(102.8)
Diversified total	19.9	329.9	141.6	125.4	71.4	455.7	192.0	395.4

* *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.*

** *Excludes foreign branches and subsidiaries, which are reported on the standardised approach for market risk. The sVaR numbers relate to FirstRand Bank South Africa only.*

Interest rate risk in the trading book.

† *Prior period amounts were restated to correctly reflect the 10-day VaR and sVaR effect based on FRBSA, which has approval for the internal model approach. FRBSA excludes the foreign branches which is reported on the standardized approach for market risk.*

37 FINANCIAL AND INSURANCE RISKS continued

37.4 Non-traded market risk

37.4.1 Interest rate risk in the banking book

Interest rate risk in the banking book originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.

Assessment and management

FirstRand Bank (South Africa)

The measurement techniques used to monitor interest rate risk in the banking book 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 the rest of Africa, Aldermore and the bank's foreign branches is performed by in-country management teams with oversight provided by Group Treasury and FCC 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), as well as 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 to protect 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.

37 FINANCIAL AND INSURANCE RISKS continued

Earnings sensitivity

Earnings models are run on a monthly basis to provide a measure of the NII sensitivity of the existing banking book balance sheet to shocks in interest rates. Underlying transactions are modelled on a contractual basis and behavioural adjustments are applied where relevant. 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 for sustained, instantaneous parallel 200 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 was R274 billion excluding Aldermore for the year ended 30 June 2020. (2019: R240 billion)

Projected ZAR NII sensitivity to interest rate movements

	2020		
	Change in projected 12-month NII		
R million	**FirstRand Bank South Africa**	**Subsidiaries in the rest of Africa and the bank's foreign branches**	**Total FirstRand**
Downward 200 bps	**(3 270)**	**(916)**	**(4 186)**
Upward 200 bps	**2 387**	**381**	**2 768**

	2019		
	Change in projected 12-month NII		
R million	FirstRand Bank South Africa	Subsidiaries in the rest of Africa and the bank's foreign branches	Total FirstRand
Downward 200 bps	(3 678)	(757)	(4 435)
Upward 200 bps	3 118	370	3 488

Assuming no change in the balance sheet and no management action in response to interest rate movements, an instantaneous, sustained parallel 200 bps decrease in interest rates would result in a reduction in projected 12–month NII of R4 186 million (2019: R4 435 million). A similar increase in interest rates would result in an increase in projected 12-month NII of R2 768 million (2019: R3 488 million).

37 FINANCIAL AND INSURANCE RISK continued

37.4.1 Interest rate risk in the banking book continued

Effect of IBOR reform

The reform and replacement of benchmark interest rates such as interbank offered rates (IBORs) with alternative risk-free rates (ARRs) has become a priority for global regulators. These reforms are at various stages globally. At present, the SONIA (Sterling Overnight Index Average) and the SOFR (Secured Overnight Financing Rate) are set to replace the GBP/USD LIBOR. Due to the differences in the manner in which the GBP/USD LIBOR rate and the SONIA/SOFR are determined, adjustments may have to be applied to contracts that reference the GBP/USD IBOR when the SONIA/SOFR becomes the official reference rate, so as to ensure economic equivalence on transition. Currently the Financial Conduct Authority in the UK and industry working groups are reviewing various methodologies for calculating these adjustments, to ensure an orderly transition to SONIA/SOFR and to minimise the risks arising from transition.

The group currently has a number of contracts, including derivatives which reference GBP/USD LIBOR which extend beyond 2021. The group has established a steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel and external advisors, to oversee the group's IBOR reform transition plan. This steering committee has put in place a transition project for affected contracts with the aim of minimising the potential disruption to business and mitigating operational and conduct risks and possible financial losses. With respect to derivative contracts, the ISDA is currently reviewing its definitions in light of the global IBOR reforms and the group expects it to issue standardised amendments to all impacted derivative contracts at a future date.

Economic value of equity

An EVE sensitivity measure is used to assess the impact on the total NAV of the group as a result of a shock to underlying rates. Unlike the trading book, where a change in rates will impact fair value income and reportable earnings of an entity 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, be it a 1 bps shock or a full-stress shock, which is monitored relative to the total risk limits, appetite levels and current economic conditions.

The EVE shock applied is based on regulatory guidelines and comprise a sustained, instantaneous parallel 200 bps downward and upward shock to interest rates. This is applied to risk portfolios as managed by Group Treasury which, as a result of the risk transfer through the internal funds transfer pricing process, captures relevant open risk positions in the banking book. This measure does not take into account the unrealised economic benefit embedded as a result of the banking book products which are not recognised at fair value.

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

	2020	2019
Downward 200 bps	**2.77**	1.36
Upward 200 bps	**(2.47)**	(1.21)

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. The impact on equity as a result of structural foreign exchange risk is recognised in the foreign currency translation reserve balance, which is included in qualifying capital for regulatory purposes.

Structural foreign exchange risk, as a result of net investments in entities with a functional currency other than rand, is an unavoidable consequence of having offshore operations. It can be a source of both investor value through diversified earnings, and unwanted volatility as a result of currency fluctuations. Group Treasury is responsible for actively monitoring the net capital invested in foreign entities, as well as the rand value of any capital investments and dividend distributions. Reporting on and management of the group's foreign exchange exposure and macro-prudential limit utilisation is centrally owned by Group Treasury as the clearer of all group currency positions. Group Treasury is also responsible for oversight of structural foreign exchange risk and produces reports that go to group ALCCO, a subcommittee of the RCC committee.

Assessment and management

The ability to transact on-balance sheet in a currency other than the home currency (rand) is governed by in-country macro-prudential 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 *Traded market risk* section). Group Treasury is responsible for consolidated group reporting and the monitoring of utilisation against the approved limits and risk appetite levels.

Foreign exchange risk in the banking book impacts funding and liquidity management, and other risk mitigating activities. To minimise funding risk across the group, foreign currency transactions are matched where possible, with residual liquidity risk managed centrally by Group Treasury, and usually to low levels. Structural foreign exchange risk impacts both 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. Where possible, hedge accounting is applied. Any open positions are included as part of Traded market risk.

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	2020 Carrying value of net investment	2020 Pre-tax impact on equity from 15% currency translation shock	2019 Carrying value of net investment	2019 Pre-tax impact on equity from 15% currency translation shock
Functional currency				
Botswana pula	**5 816**	**872**	4 648	697
US dollar	**10 033**	**1 505**	7 733	1 160
Sterling	**24 261**	**3 639**	18 873	2 831
Nigerian naira	**2 347**	**352**	1 696	254
Australian dollar	**32**	**5**	213	32
Zambian kwacha	**569**	**85**	697	105
Mozambican metical	**548**	**82**	421	63
Indian rupee	**915**	**137**	741	111
Ghanaian cedi	**1 619**	**243**	1 121	168
Tanzanian shilling	**285**	**43**	340	51
Common Monetary Area (CMA) countries*	**6 597**	**990**	6 939	1 041
Total	**53 022**	**7 953**	43 422	6 513

**Currently Namibia, eSwatini and Lesotho are part of the common monetary area. Unless these countries decide to exit the common monetary area, rand volatility will not impact these countries' rand reporting values.*

37 FINANCIAL AND INSURANCE RISKS continued

37.5 Equity investment risk

Equity investment risk in the group arises primarily from equity exposures from private equity and investment banking activities in RMB, e.g. exposures to equity risk arising from principal investments or structured lending.

Other sources of equity investment risk include strategic investments held by WesBank, FNB, Aldermore and FCC. These investments are, by their nature, core to the individual businesses' daily operations and are managed as such.

Ashburton Investments, the group's asset management business, also contributes to equity investment risk. This risk emanates from long-term and short-term seeding activities both locally and offshore. Short-term seeding of new traditional and alternative funds exposes the group to equity investment risk until the funds reach sufficient scale for sustainable external distribution. The timeline for short-term seeding is defined in the business cases for the funds and typically ranges between one and three years.

Long-term seeding is provided if there is alignment with the business strategy, the business case meets the group's internal return hurdle requirements, and the liquidity and structure of the funds imply that an exit will only be possible over a longer period, aligned with the interests of other investors in these funds. Long-term investments, such as investment in private equity and real estate, will only be exited at the end of the investment horizon of the funds. This maturity period typically ranges from five to eight years post investment into the fund.

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.

The performance of the portfolio continues to be monitored and a full review will be performed at the end of June 2020.

37 FINANCIAL AND INSURANCE RISKS continued

Investment risk exposure and sensitivity of investment risk

R million	2020	2019
Listed investment risk exposure included in the equity investment risk ETL process	**19**	170
Estimated sensitivity of remaining investment balances		
Sensitivity to 10% movement in market value on investment fair value	**243**	357

37 FINANCIAL AND INSURANCE RISKS continued

37.6 Insurance risk

Long-term insurance products

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 funeral policies, accidental death plans, risk policies, credit life policies (against FNB credit products) and health cash plans. FirstRand Life also writes linked-investment policies. There is, however, no insurance risk associated with these policies as these are not guaranteed. These policies are all originated through FNB.

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	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	
			Pay protect policies	Morbidity
			Benefit paid upon death or retrenchment	

37 FINANCIAL AND INSURANCE RISKS continued

	Underwritten life products	The underwritten Life portfolio comprises Life Simplified and Life Customised. Life Simplified provides death cover of up to R1 million after limited underwriting. Life Customised policies provide for more complex needs with cover amounts of up to R100 million, R50 million and R5 million in 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 includes 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 are sold to business customers.	• Key person policies • Grouped funeral policies • Business credit protect • Simplified group schemes	• 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, morbidity rates, etc.) 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.

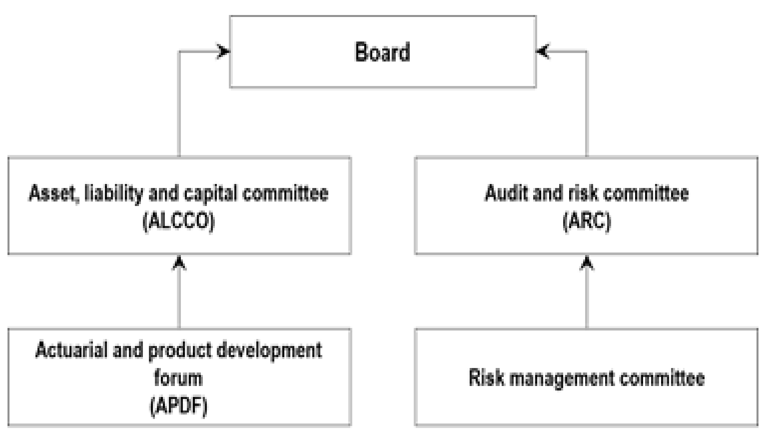
Policies underwritten by FirstRand Life and FirstRand Short-Term are available through all of FNB's distribution channels. Some of these channels introduce the possibility of anti-selection, which also impacts the level of insurance risk.

These policies also expose FirstRand Life to lapse risk, which is the risk of the loss of future profits and expenses. 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. FirstRand Insurance Holdings' board committees include an audit and risk committee (ARC), an ALCCO, and a remuneration committee. The ALCCO is responsible for:

- providing oversight of the product suite;
- approving new products;
- financial resource management; and
- governance and challenging pricing and valuation models, their inputs and results.

An important component of the management of insurance risk is the control functions required to be set up, namely compliance, risk management, actuarial and internal audit.



General risk management

Ensuring that insurance risk is priced correctly and understood is an important component of managing insurance risk.

37 FINANCIAL AND INSURANCE RISKS continued

This is achieved through the following measures:

- Rigorous and proactive risk management processes to ensure sound product design and accurate pricing which include:
  - independent model validation;
  - challenging assumptions, methodologies and results;
  - debating and challenging design, relevance, target market, market competitiveness and treating customers fairly;
  - identifying potential risks;
  - monitoring business mix and mortality risk of new business; and
  - thoroughly reviewing policy terms and conditions.

- Risk policies sold to FNB's premium customer segment are underwritten. 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 the frequency and severity of claims by considering incidence rates, claims ratios and business mix.
- For the FirstRand Life business, 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 life 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 to provide insights on the risk profile and future capital position.

The management of insurance risk is governed by a several policies and processes. Tools and systems are in place within the business to assess and manage insurance risk.

The own risk and solvency assessment (ORSA) process is defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage and report on short-and- long-term risks that FirstRand Insurance Holdings faces or might face, and to determine the own funds necessary to ensure that overall solvency needs are met at all times and are sufficient to achieve its business strategy. An ORSA report is produced annually.

Detailed risk management per insurance risk type:

37 FINANCIAL AND INSURANCE RISKS continued

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 on outbound sales leads are selected to influence the desired mix.
- Reinsurance is used to control exposure to large risks. The retention limits vary per portfolio.
- 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.

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 is done on underwritten products where limited data is available.
- Trends in experience of the credit life business are monitored.
- 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 FRB's credit scoring.
- Additional margins are included in pricing assumptions to allow for potential cyclicality in experience.
- Regular monitoring of exposure by industry and employer and feedback into risk selection.
- 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 whose effects are not expected.

The risk is managed by catastrophe reinsurance limiting exposure to mortality and morbidity catastrophes. The limits are reviewed annually based on the composition of the book and risk appetite.

Covid-19 however is not covered by the catastrophe reinsurance as the reinsurance covers a defined event, such as a building collapse, from a specific point in time for a set number of hours. The losses which come from a pandemic happen over a much longer period of time, and so are better covered by a high quota share or stop loss type arrangement. In practice stop loss covers are very seldom offered due to the volatility and uncertainty of these arrangements. A high quota share was not considered as this would involve ceding material profits in a non-stress year.

No cover is in place against retrenchment catastrophe as it is not available at a reasonable cost due to the uncertainty and volatility of such events. Additional capital is held in the economic capital to cover a retrenchment catastrophe scenario.

37 FINANCIAL AND INSURANCE RISK 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 the group.

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.

The following table demonstrates the concentration risk across insurance products for sums assured at risk before and after reinsurance.

Exposure by size of sum assured

	Before reinsurance		After reinsurance	
Retail sums assured at risk	**R million**	**%**	**R million**	**%**
2020				
1 – 499 999	**190 836**	**49**	**172 715**	**56**
500 000 – 999 999	**60 725**	**16**	**51 031**	**17**
1 000 000 – 1 999 999	**114 172**	**29**	**78 640**	**25**
2 000 000 and above	**22 881**	**6**	**6 422**	**2**
Total	**388 614**	**100**	**308 808**	**100**
2019				
1 – 499 999	144 739	48	127 932	53
500 000 – 999 999	55 945	19	47 129	20
1 000 000 – 1 999 999	87 814	29	60 415	25
2 000 000 and above	12 936	4	3 790	2
Total	301 434	100	239 266	100

37 FINANCIAL AND INSURANCE RISKS continued

Assessment and management

The assessment and management of insurance risk are influenced by the frequency and severity of claims, especially if actual benefits paid are greater than originally estimated, and the subsequent impact thereof on estimated long-term claims.

The group manages the insurance risk of policies through monitoring incidence rates, claims ratios and the business mix, as policies are not underwritten and pricing is flat. Any other risk policies sold to a different target market will be underwritten. This will allow underwriting limits and risk-based pricing to be applied to manage the insurance risk. Where various channels introduce the risk of anti-selection, the 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 zeroization

R million	2020	2019
Liability at the beginning of the year	**(2 755)**	(2 893)
Data and methodology changes	**31**	109
Final liability at the beginning of the year	**(2 724)**	(2 784)
Current period projection relating to in-force policies	**(1 608)**	(1 770)
Experience variance	**(280)**	(216)
Actual in-force liability at the end of the year	**(1 888)**	(1 986)
New business and reinstaments	**(998)**	(1 278)
Basis changes	**1 478**	509
- Economic basis	**(353)**	(188)
- Mortality basis	**130**	428
- Lapse basis	**10**	(23)
- Disability basis	**1**	9
- New hospital cash basis	**(66)**	(7)
- Expense basis	**32**	290
- Covid 19 adjustments	**1 724**	-
Final liability at the end of the year	**(1 408)**	(2 755)

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	2020	2019
Base reserves	**(1 408)**	(2 755)
Sensitivity to interest rate changes		
- Interest rate decreased by 100 bps	**(1 364)**	(2 751)
Sensitivity to other changes in assumptions		
- Expenses down by 10%	**(1 576)**	(2 789)
- Lapses down by 10%	**(1 556)**	(2 853)
- Mortality and morbidity down by 5%	**(1 716)**	(2 841)

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	2020
Gross IBNR	**614**
Reinsurance asset	(87)
Net IBNR	**527**
Gross IBNR with sensitivity*	685
Reinsurance asset with sensitivity*	(94)
Net IBNR with sensitivity	**591**

**Sensitivities added to the IBNR reserve were:*

- 7.5% mortality

- 15% morbidity

- 15% retrenchment

37 FINANCIAL AND INSURANCE RISKS continued

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 is 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.

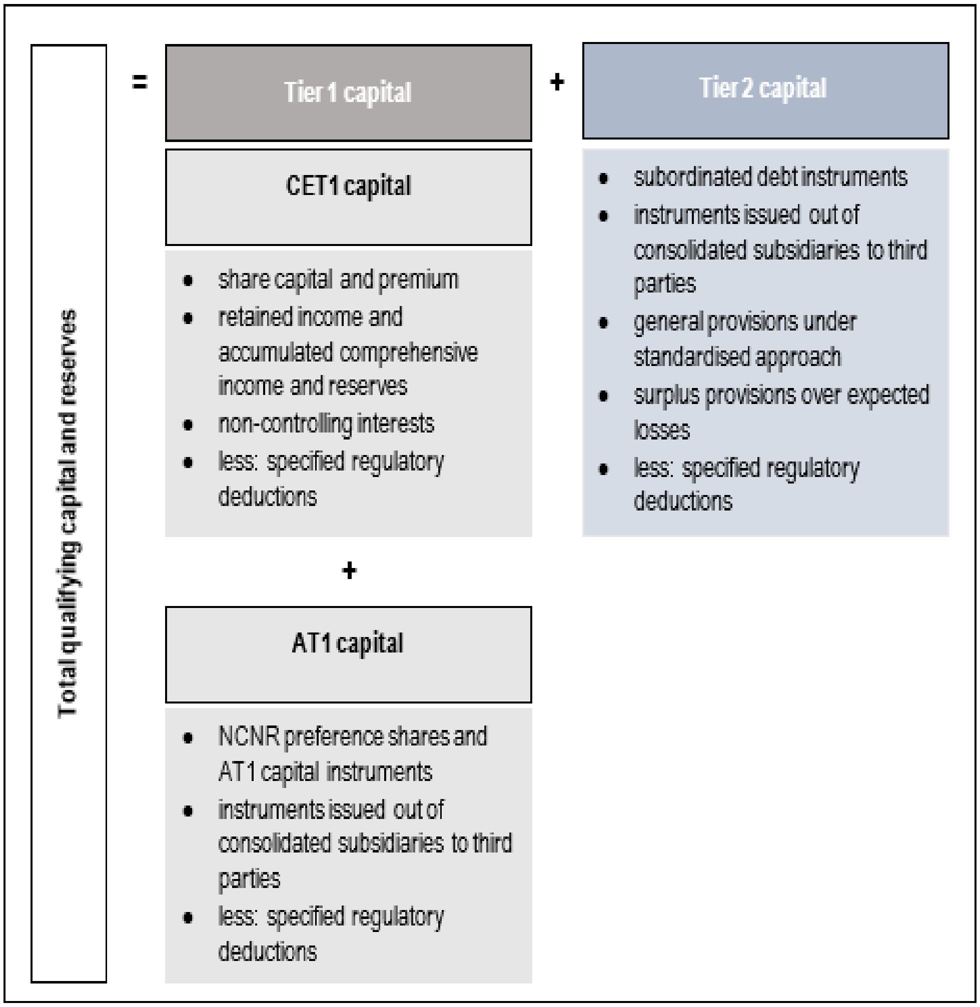
The short-term insurance products offered by the group include:

- 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 out of the death or disability directly caused by an accident occurring anywhere in the world, provided that 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, explosion, 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 following diagram defines the main components of qualifying capital and reserves.



The capital planning process ensures that the total capital adequacy and Common Equity Tier 1 (CET1) ratios remain within or above targets across economic and business cycles, which includes 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

37 FINANCIAL AND INSURANCE RISKS continued

In response to the current COVID-19 pandemic, the Prudential Authority (PA) has implemented the following temporary measures to provide capital relief to enable banks to counter economic risks to the financial system as a whole. Directive 2 of 2020, Matters related to temporary capital relief to alleviate risks posed by the COVID-19 pandemic, temporarily reduced the Pillar 2A requirement from 1 per cent to 0 per cent, effective 6 April 2020.

The group's capital ratios remain strong and above the regulatory minimums and internet targets, which is as follows: CET 1 (11.0% - 12.0%), Tier 1 (>12.0%) and total internal target of >14.25%.

The group continues to focus on maintaining strong capital and leverage levels, with focus on the quality of capital as well as optimisation of the group's risk weighted assets (RWA) and capital mix.

Capital adequacy for the group's regulated subsidiaries and foreign branches

The group's registered banking subsidiaries must comply with PA regulations and those of the respective in-country regulators, with primary focus placed on Tier 1 capital and total adequacy ratios. Based on the outcome of detailed stress testing, each entity targets a capital level in excess of the regulatory minimum. Adequate controls and processes are in place to ensure that each entity is adequately capitalised to meet regulatory and economic capital requirements. Capital generated by subsidiaries/branches in excess of targeted levels is returned to FirstRand, usually in the form of dividends/return of profits. During the year, no restrictions were experienced on the repayment of such dividends or profits to the group.

Capital management for insurance entities

Capital for insurance entities is calculated on a regulatory basis in line with the Insurance Act (18 of 2017) and regulations, as well as on an economic basis. The insurance group's Own Risk and Solvency Assessment (ORSA) assesses the impact of various stresses on the solvency position of the insurance entities, as well as informs the target levels for capital coverage. The impact of COVID-19 has been incorporated in the actuarial capital assessments and insurance entities remain appropriately capitalised.

Financial resource management and the stress test process

The management of the group's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of FirstRand's stated growth and return targets, and is driven by the group's overall risk appetite.

FirstRand uses the group's macroeconomic house view for budgeting, forecasting and business origination strategies. The house view focuses on the key macroeconomic variables that impact the group's financial performance and risk position. The macroeconomic outlook for South Africa and a number of other jurisdictions where the group operates, is reviewed on a monthly basis over a three-year forecast horizon. The house view for other jurisdictions with less frequent data updates is updated at least quarterly. Business plans for the next three years are captured in the budget and forecasting process. Scenario planning or stress tests is then used to assess whether the desired profile can be delivered and whether the group will remain within the constraints that have been set. These scenarios are based on changing macroeconomic variables, plausible event risks, and regulatory and competitive changes.

The strategy, risk and financial resource management processes inform the capital and funding plans of the group. Analysis and understanding of value drivers, markets and the macroeconomic environment also inform portfolio optimisation decisions as well as the price and allocation of financial resources.

37 FINANCIAL AND INSURANCE RISKS continued

Stress testing and scenario planning serve a number of regulatory and internal business purposes and are conducted for the group and the bank across different risk types, factors and indicators.

The group employs a comprehensive, consistent and integrated approach to stress testing and scenario analysis. The group evaluates the impact of various macroeconomic scenarios on the business and considers the need for adjustment to origination and takes appropriate actions. More severe macroeconomic scenarios are run less frequently but are critical to determine or test capital buffers and other risk appetite measures, enhance capital and liquidity planning, validate existing quantitative risk models and improve the understanding of required management actions/responses.

Stress tests are conducted throughout the group for most legal entities, whether regulated or not. The various stress test processes are supported by a robust and holistic framework, underpinned by principles and sound governance, and aligned to regulatory requirements and best practice.

Stress testing and scenario analysis provide the board and management with useful insight into the group's financial position, level of earnings volatility, risk profile and future capital position. Results are used to challenge and review certain of the group's risk appetite measures, which, over time, influence the allocation of financial resources across businesses and impact performance measurement.

From a regulatory perspective, stress testing and scenario analysis feed into the group's internal capital adequacy assessment process (ICAAP) and recovery plan. The ICAAP stress test is an enterprise-wide, macroeconomic stress test covering material risks that the group is exposed to. It typically covers a three-year horizon, with separate ICAAP submissions completed for the group's regulated banking entities which are subject to Basel II requirements. The severity of the macroeconomic scenarios ranges from a mild downturn to severe stress scenarios. In addition to macroeconomic scenarios, the group incorporates event risks and reverse stress test scenarios that highlight contagion between risk types. Techniques and methodologies range from multi-factor and regression analyses for macroeconomic stress tests to single-factor sensitivities and qualitative impact analysis for event risks and reverse stress tests.

The group regularly runs additional ad hoc stress tests for both internal and regulatory purposes.

The risk, capital management and compliance committee (RCC) is a board designated committee mandated to provide oversight of risk and capital management. Its role includes:

- having ultimate responsibility for the stress test and risk-reward frameworks;
- retaining effective oversight of the overall stress test programme and risk appetite process; and
- considering the impact of the stress test results on the business and strategic direction of the group.

The RCC committee delegates some of its responsibilities to its sub-committee, ALCCO, which is responsible for:

- considering the results of the stress tests and assessing them against capital targets and capital adequacy ratios and against high-level risk appetite measures as articulated in the risk-reward framework;
- approving buffers over regulatory capital and monitoring capital adequacy ratios based on the results; and
- recommending management actions for capital adequacy purposes

The stress testing function is further delegated to Group Treasury, enterprise risk management, group finance, group internal audit and operating businesses, segments and business units.

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES

As noted in Note 11 Advances, the group defines a class firstly by the nature of the customer relationship, in other words, whether the ultimate customer is retail, corporate and commercial or within the UK operations. Within the main classes identified, the group then further categorises the main class into sub-classes that are appropriate to the nature of the credit risk management information and which reflects similar characteristics of the financial instrument.

During the current year, the group reclassified advances between classes, and elected to voluntarily restate its comparative information both in Note 11 Advances, Note 12 Impairment of Advances and Note 37 Financial and Insurance Risk Management. To allow the user to compare the restated comparatives provided in these notes to the information previously presented, the affected notes included in the 2019 annual financial statements have been included below.

Note 11 – Advances

Analysis of advances per class

	2019 IFRS 9			
R million	Total	Amortised cost	Fair value through profit or loss	Loss allowance
Residential mortgages	214 623	217 164	-	(2 541)
Vehicle asset finance*	155 260	160 703	-	(5 443)
Total retail secured	369 883	377 867	-	(7 984)
Credit card	29 560	32 443	-	(2 883)
Personal loans	33 094	39 947	-	(6 853)
Retail other	15 183	17 908	-	(2 725)
Total retail unsecured	77 837	90 298	-	(12 461)
FNB commercial	101 319	105 057	74	(3 812)
WesBank corporate	27 607	27 945	-	(338)
RMB corporate banking	57 244	57 827	105	(688)
RMB investment banking	282 665	206 751	79 147	(3 233)
Total corporate and commercial	468 835	397 580	79 326	(8 071)
Rest of Africa	61 647	65 241	369	(3 963)
Group Treasury and other	37 028	37 166	577	(715)
Aldermore	190 522	191 490	-	(968)
- Retail**	128 686	129 072	-	(386)
- Commercial	61 836	62 418	-	(582)
Total advances	1 205 752	1 159 642	80 272	(34 162)

** Includes MotoNovo old book in FirstRand bank with a closing balance of R54 561 million (£3 034 million).*

***Includes MotoNovo new book of R6 639 million (£369 million).*

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 12 – Impairment of advances

Reconciliation of the loss allowance on total advances

R million	Total	Stage 1	Stage 2	Stage 3
Amount as at 1 July 2018 (IFRS 9)	29 078	6 988	7 747	14 343
Transfer between stages	-	1 422	(3 020)	1 598
Transfers to stage 1	-	2 485	(2 189)	(296)
Transfers to stage 2	-	(701)	1 466	(765)
Transfers to stage 3	-	(362)	(2 297)	2 659
Exchange rate differences	(174)	3	(144)	(33)
Bad debts written off	(8 922)	-	-	(8 922)
Current period provision created/(released)	12 415	(497)	3 168	9 744
Interest on stage 3 advances	1 765	-	-	1 765
Amount as at 30 June 2019	34 162	7 916	7 751	18 495
Residential mortgages	2 541	360	510	1 671
Vehicle asset finance*	5 443	980	1 626	2 837
Total retail secured	7 984	1 340	2 136	4 508
Credit card	2 883	631	383	1 869
Personal loans	6 853	1 440	979	4 434
Retail other	2 725	724	464	1 537
Total retail unsecured	12 461	2 795	1 826	7 840
FNB commercial	3 812	733	776	2 303
WesBank corporate	338	92	67	179
RMB corporate banking	688	231	364	93
RMB investment banking	3 233	1 048	1 466	719
Total corporate and commercial	8 071	2 104	2 673	3 294
Rest of Africa	3 963	742	804	2 417
Group Treasury and other	715	563	152	-
Aldermore	968	372	160	436
Retail **	386	159	51	176
Commercial	582	213	109	260
Total ECL	34 162	7 916	7 751	18 495
On/Off balance sheet exposure	33 954	7 841	7 686	18 427
Letters of credit and guarantees	208	75	65	68

** Includes MotoNovo old book with a closing balance of R1 087 million (£60 million).*

***Includes MotoNovo new book of R79 million (£4 million).*

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 12 – Impairment of advances continued

Reconciliation of the loss allowance on total advances per class

Amortised cost

	Retail secured		Retail unsecured		
R million	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Retail other
Amount as at 1 July 2018 (IFRS 9)	2 362	5 345	1 805	4 732	2 023
- Stage 1	269	1 180	535	1 267	637
- Stage 2	378	1 527	274	1 017	546
- Stage 3	1 715	2 638	996	2 448	840
Transfers between classes	-	(13)	-	-	-
Disposal of advances	-	-	-	-	-
Exchange rate differences	120	(11)	-	2	(120)
Bad debts written off	(362)	(3 092)	(611)	(1 570)	(885)
Current period provision created/(released)	318	2 887	1 540	3 369	1 455
- Stage 1	(95)	(421)	16	173	20
- Stage 2	322	626	326	404	273
- Stage 3	91	2 682	1 198	2 792	1 162
Interest on stage 3 advances	103	327	149	320	252
Amount as at 30 June 2019	2 541	5 443	2 883	6 853	2 725
Stage 1	360	980	631	1 440	724
Stage 2	510	1 626	383	979	464
Stage 3	1 671	2 837	1 869	4 434	1 537

Corporate and commercial									
FNB commercial	WesBank corporate	RMB corporate banking	RMB investment banking	Rest of Africa	Group Treasury and other	Aldermore retail	Aldermore commercial	Total
3 457	333	945	2 876	3 598	476	185	452	28 589
680	93	163	570	726	326	80	193	6 719
879	91	723	1 330	685	150	29	103	7 732
1 898	149	59	976	2 187	-	76	156	14 138
-	-	-	-	-	-	13	-	-
-	-	-	(4)	-	-	-	-	(4)
(7)	1	2	6	(155)	6	(6)	(7)	(169)
(751)	(104)	(322)	(359)	(638)	-	(8)	(211)	(8 913)
836	99	25	317	959	53	147	341	12 346
(214)	(36)	(51)	69	(62)	(12)	96	160	(357)
448	4	(77)	54	363	1	29	186	2 959
602	131	153	194	658	64	22	(5)	9 744
277	9	38	29	197	2	55	7	1 765
3 812	338	688	2 865	3 961	537	386	582	33 614
733	92	231	924	740	387	159	213	7 614
776	67	364	1 419	804	150	51	109	7 702
2 303	179	93	522	2 417	-	176	260	18 298

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 12 – Impairment of advances continued

Modified advances measured at amortised cost

	2019 IFRS 9			
	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	569	(55)	514	(24)
Vehicle asset finance	918	(244)	674	(140)
Total retail secured	1 487	(299)	1 188	(164)
Credit card	283	(190)	93	(67)
Personal loans	1 057	(336)	721	(363)
Retail other	40	(29)	11	(46)
Total retail unsecured	1 380	(555)	825	(476)
FNB commercial	202	(17)	185	7
Total corporate and commercial	202	(17)	185	7
Total	3 069	(871)	2 198	(633)

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 37 – Financial and insurance risk

Credit assets

R million	2019 IFRS 9
On-balance sheet exposures	
Cash and short-term funds	93 266
- Money at call and short notice	53 283
- Balances with central banks	39 983
Gross advances	1 239 914
- Retail secured	377 867
- Residential mortgages	217 164
- Vehicle asset finance	160 703
- Retail unsecured	90 298
- Credit card	32 443
- Personal loans	39 947
- Retail other	17 908
- Corporate and commercial	476 906
- FNB commercial	105 131
- WesBank corporate	27 945
- RMB corporate banking	57 932
- RMB investment banking	285 898
- Rest of Africa	65 610
- Group Treasury and other	37 743
- Aldermore	191 490
- Retail	129 072
- Commercial	62 418
Derivatives	47 104
Debt investment securities (excluding non-recourse investments)	215 777
Financial accounts receivable included in other assets	5 442
Reinsurance assets	196
Off-balance sheet exposures	188 516
Total contingencies	47 006
- Guarantees	38 273
- Letters of credit	8 733
Irrevocable commitments	136 580
Credit derivatives	4 930
Total	1 790 215

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 37 – Financial and insurance risk continued

Quality of credit assets

	2019 (IFRS 9)					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail secured						
Residential mortgages						
Stage 1	28 907	17 634	168 063	34 555	1 403	51
Stage 2	10	1	5 360	474	4 783	128
Stage 3	4	-	788	54	7 846	211
Total residential mortgages	28 921	17 635	174 211	35 083	14 032	390
Vehicle asset finance						
Stage 1	-	-	138 893	198	189	-
Stage 2	-	-	7 497	-	5 903	-
Stage 3	-	-	1 077	-	7 144	-
Total Vehicle asset finance	-	-	147 467	198	13 236	-
Retail unsecured						
Credit card						
Stage 1	11	-	27 750	-	586	-
Stage 2	-	-	1 209	-	478	-
Stage 3	-	-	-	-	2 409	-
Total Credit card	11	-	28 959	-	3 473	-
Personal loans						
Stage 1	262	-	29 810	-	723	-
Stage 2	-	-	1 110	-	2 194	-
Stage 3	-	-	32	-	5 816	-
Total personal loans	262	-	30 952	-	8 733	-

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 37 – Financial and insurance risk continued

Quality of credit assets continued

	2019 (IFRS 9)					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail other unsecured						
Stage 1	431	593	13 665	66	807	-
Stage 2	1	-	512	1	510	-
Stage 3	2	-	-	-	1 980	-
Total retail other unsecured	434	593	14 177	67	3 297	-
Corporate and commercial						
FNB commercial						
Stage 1	64	468	91 806	10 462	222	36
Stage 2	-	-	5 761	169	2 722	23
Stage 3	1	-	104	-	4 451	75
Total FNB commercial	65	468	97 671	10 631	7 395	134
WesBank corporate						
Stage 1	8 084	4 857	17 226	-	565	-
Stage 2	4	-	1 089	-	453	-
Stage 3	-	-	49	-	475	-
Total WesBank corporate	8 088	4 857	18 364	-	1 493	-
RMB corporate banking						
Stage 1	28 491	30 643	22 266	20 313	-	82
Stage 2	-	-	6 834	4 113	-	44
Stage 3	-	-	-	-	236	206
Purchased or originated credit impaired	-	-	-	-	105	-
Total RMB corporate banking	28 491	30 643	29 100	24 426	341	332
RMB investment banking						
Stage 1	120 317	17 282	146 391	14 164	-	-
Stage 2	2 927	-	13 719	1 314	-	-
Stage 3	-	-	487	-	2 057	-
Total RMB investment banking	123 244	17 282	160 597	15 478	2 057	-

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 37 – Financial and insurance risk continued

Quality of credit assets continued

	2019 (IFRS 9)					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Rest of Africa						
Stage 1	1 393	1 019	56 283	9 785	221	135
Stage 2	27	-	2 272	35	1 447	277
Stage 3	4	-	549	-	3 411	-
Total rest of Africa	1 424	1 019	59 104	9 820	5 079	412
Aldermore retail						
Stage 1	74 188	4 174	38 852	1 985	54	737
Stage 2	39	-	10 809	-	3 707	-
Stage 3	-	-	10	-	1 413	-
Total Aldermore retail	74 227	4 174	49 671	1 985	5 174	737
Aldermore commercial						
Stage 1	15 235	1 703	41 278	4 065	81	204
Stage 2	72	-	3 047	-	1 806	-
Stage 3	-	-	-	-	899	-
Total Aldermore commercial	15 307	1 703	44 325	4 065	2 786	204
Group Treasury and other						
Stage 1	34 532	1 250	3 237	-	(70)	-
Stage 2	-	-	44	-	-	-
Stage 3	-	-	-	-	-	-
Total Group Treasury and other	34 532	1 250	3 281	-	(70)	-
Stage 1	311 915	79 623	795 523	95 593	4 781	1 245
Stage 2	3 080	1	59 263	6 106	24 003	472
Stage 3	11	-	3 096	54	38 137	492
Purchased or originated credit impaired	-	-	-	-	105	-
Total Advances	315 006	79 624	857 882	101 753	67 026	2 209

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 37 – Financial and insurance risk continued

Analysis of impaired advances (stage 3)

	2019 (IFRS 9)		
R million	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3 by class			
Total retail secured	16 859	12 351	4 508
- Residential mortgages	8 638	6 967	1 671
- Vehicle asset finance	8 221	5 384	2 837
Total retail unsecured	10 239	2 399	7 840
- Credit card	2 409	540	1 869
- Personal loans	5 848	1 414	4 434
- Retail other	1 982	445	1 537
Total corporate and commercial	7 965	4 671	3 294
- FNB commercial	4 556	2 253	2 303
- WesBank corporate	524	345	179
- RMB corporate banking	341	248	93
- RMB investment banking	2 544	1 825	719
Rest of Africa	3 964	1 547	2 417
Group Treasury and other	-	-	-
Aldermore	2 322	1 886	436
- Retail	1 423	1 247	176
- Commercial	899	639	260
Total stage 3	41 349	22 854	18 495
Stage 3 by category			
Overdrafts and cash management accounts	4 585	1 580	3 005
Term loans	3 265	1 828	1 437
Card loans	2 619	552	2 067
Instalment sales and hire purchase agreements	9 377	6 045	3 332
Lease payments receivable	391	151	240
Property finance	11 880	9 450	2 430
- Home loans	10 860	8 676	2 184
- Commercial property finance	1 020	774	246
Personal loans	6 801	1 622	5 179
Preference share agreements	145	29	116
Investment bank term loans	1 942	1 418	524
Long-term loans to group associates and joint ventures	48	-	48
Other	296	179	117
Total stage 3	41 349	22 854	18 495

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 37 – Financial and insurance risk continued

Credit risk mitigation and collateral held

	2019 (IFRS 9)			
R million	Gross carrying amount	Off-balance sheet exposure	Loss allowance	Maximum exposure to credit risk
Residential mortgages	217 164	53 108	(2 541)	267 731
Vehicle and asset finance**	160 703	198	(5 443)	155 458
Credit card	32 443	-	(2 883)	29 560
Personal loans	39 947	-	(6 853)	33 094
Retail other	17 908	660	(2 725)	15 843
FNB commercial	105 131	11 233	(3 812)	112 552
WesBank corporate	27 945	4 857	(338)	32 464
RMB corporate banking	57 932	55 401	(688)	112 645
RMB investment banking	285 898	32 760	(3 233)	315 425
Rest of Africa	65 610	11 251	(3 963)	72 898
Group Treasury and other	37 743	1 250	(715)	38 278
Aldermore	191 490	12 868	(968)	203 390
- Retail**	129 072	6 896	(386)	135 582
- Commercial	62 418	5 972	(582)	67 808
Total advances	1 239 914	183 586	(34 162)	1 389 338
Investment securities#	215 903	-	(126)	215 777
Cash and cash equivalents	93 266	-	-	93 266
Other assets	5 534	-	(92)	5 442
Derivatives	47 104	-	-	47 104

** Secured represents balances which have non-financial collateral attached to the financial asset.*

***Includes MotoNovo back book in FirstRand Bank with a closing balance of R54 561 million (£3 034 million) and MotoNovo new book of R6 639 million (£369 million).*

#Include debt instruments measured at fair value, but exclude equity and non-recourse investments.

	Netting and financial collateral	Unsecured	Secured*
	3 270	618	263 843
	-	-	155 458
	-	29 560	-
	-	32 553	541
	-	14 456	1 387
	1 447	24 714	86 391
	-	-	32 464
	-	67 232	45 413
	5 309	36 860	273 256
	7 908	32 078	32 912
	78	31 926	6 274
	-	(46 452)	249 842
	-	-	135 582
	-	7 760	60 048
	18 012	277 757	1 093 569
	-	202 988	12 789
	19 843	73 423	-
	-	5 442	-
	-	47 104	-

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
Conceptual framework	The improvements to the conceptual framework include: revising the definitions of an asset and liability, updating the recognition criteria for including assets and liabilities in financial statements and the following concepts have been clarified; prudence, stewardship, measurement uncertainty and substance over form. Minor amendments have also been made to various other standards. The amendments are not expected to have a significant impact on the group's accounting policies.	Annual periods commencing on or after 1 January 2020
IFRS 3	**Business Combinations – Amendments to clarify the definition of a business** The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment is only applicable to business combinations for which the acquisition date is on or after the effective date going forward and the clarified requirements will be applied on a transaction- by- transaction basis.	Business combinations entered into on or after 1 January 2020
IAS 1 and IAS 8	**Amendments regarding the definition of material** The amendments align the definition of material across the IFRS Standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendment must be applied prospectively. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2020

39 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	The IASB issued amendments to the following standards as part of the interest rate (IBOR) benchmark reform that has a direct impact on the bank's hedging relationships. These impacts are **–** ➢ The highly probable requirement under IFRS 9 and IAS 39 - when a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. When determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform. ➢ Prospective assessments – when performing prospective assessments for effectiveness, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based are not altered as a result of the interest rate benchmark reform. ➢ Separately identifiable risk components – IFRS 9 and IAS 39 require a risk component (or a portion) to be separately identifiable to be eligible for hedge accounting. The amendment allows for hedges of a non-contractually specified benchmark component of interest rate risk. A company shall apply the separately identifiable requirement only at the inception of such hedging relationships. These reliefs are essential to mitigate the hedge accounting issues that could arise during the period of uncertainty before IBOR contracts are amended to new ARRs. The bank has evaluated the impact of these amendments and concluded that the amendments will benefit future hedging transactions the bank is likely to enter into. The IASB is now finalising phase two of the IBOR reform project, which addresses issues that could affect financial reporting when an existing interest rate benchmark is replaced with an ARR.	Annual periods commencing on or after 1 January 2020
Annual improvements 2016 - 2018	**Improvements to IFRS** The IASB issued the Annual improvements to IFRS standards 2016-2018 Cycle. These annual improvements include amendments to the following standards. IFRS 9 – The amendment clarifies that fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022

39 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
IFRS 3	**Reference to the Conceptual Framework – Amendment to IFRS 3** The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IAS 16	**Property, plant and equipment: Proceeds before intended use – Amendment to IAS 16** The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IAS 37	**Onerous contracts – cost of fulfilling a contract. Amendment to IAS 37** The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022

39 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
IFRS 17	**Insurance contracts** IFRS 17 is the new standard that prescribes the accounting for insurance contracts and will replace the current insurance contracts standard, IFRS 4. IFRS 17 aims to provide more transparency and comparability between insurance companies and other industries by providing a prescriptive approach to determining policyholder liabilities, as well as the release of profits on these contracts to the income statement. The recognition of insurance revenue will be consistent with that of IFRS 15. Insurance revenue is derived from the movement in liability for the remaining insurance coverage period. The insurance contract liability is initially made up of: ➢ fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policyholders; and ➢ the contractual service margin (CSM), which represents the unearned profit the entity will recognise as it provides services over the coverage period. Subsequently, the liability will comprise two components, namely the liability for remaining coverage (fulfilment cash flows and the CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses incurred but not yet paid). Currently, an IFRS 17 Steering committee has been created, which is responsible for managing the implementation of the standard as it will have an impact on the group's insurance business. All insurance contracts have been reviewed to determine scope and classification under IFRS 17. Initial findings indicate that the group will have a mix of both the premium allocation approach (PAA) and the General Model (GM). The impact of IFRS 17 will only be reliably determinable once the implementation project has progressed further.	Annual periods commencing on or after 1 January 2023
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 its statement of financial position. This amendment will only affect the disclosures and 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 2023

40 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.

Financial statements for the year ended 30 June 2020

FirstRand Limited

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million	Notes	2020	2019
Revenue	2	**20 795**	18 183
Net interest expense	3	**(102)**	(156)
Interest and similar income	3	**33**	55
Interest expense and similar charges	3	**(135)**	(211)
Income from operations		**20 693**	18 027
Operating expenses	4	**(77)**	(233)
Income before indirect tax		**20 616**	17 794
Indirect tax	5.1	**(6)**	(6)
Profit before income tax		**20 610**	17 788
Income tax expense	5.2	**(41)**	(17)
Profit for the year		**20 569**	17 771
Other comprehensive income		**-**	-
Total comprehensive income for the year		**20 569**	17 771
Attributable to			
Ordinary equityholders		**20 227**	17 429
NCNR preference shareholders		**342**	342
Total comprehensive income for the year		**20 569**	17 771

STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	**2020**	2019
ASSETS			
Cash and cash equivalents	7	**253**	840
Other assets	8	**1**	-
Investments in subsidiaries	9	**72 422**	71 557
Total assets		**72 676**	72 397
EQUITY AND LIABILITIES			
Liabilities			
Creditors and accruals	10	**109**	105
Current tax liability		**27**	-
Employee liabilities	11	**102**	220
Amounts owing to subsidiaries	9	**-**	3 145
Total liabilities		**238**	3 470
Equity			
Ordinary shares	12	**56**	56
Share premium	12	**8 056**	8 056
Reserves		**59 807**	56 296
Capital and reserves attributable to ordinary equityholders		**67 919**	64 408
NCNR preference shares	12	**4 519**	4 519
Total equity		**72 438**	68 927
Total equity and liabilities		**72 676**	72 397

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 2018		56	8 056	**8 112**
Ordinary dividends		-	-	**-**
Preference dividends		-	-	**-**
Total comprehensive income for the year		-	-	**-**
Balance as at 30 June 2019		56	8 056	**8 112**
Ordinary dividends	13	-	-	**-**
Preference dividends	13	-	-	**-**
Total comprehensive income for the year		-	-	**-**
Balance as at 30 June 2020		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	54 797	**54 798**	**4 519**	**67 429**
	-	(15 931)	**(15 931)**	**-**	**(15 931)**
	-	-	**-**	**(342)**	**(342)**
	-	17 429	**17 429**	**342**	**17 771**
	1	56 295	**56 296**	**4 519**	**68 927**
	-	(16 716)	**(16 716)**	**-**	**(16 716)**
	-	-	**-**	**(342)**	**(342)**
	-	20 227	**20 227**	**342**	**20 569**
	1	59 806	**59 807**	**4 519**	**72 438**

STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Notes	2020	2019
Cash flows from operating activities			
Interest received		33	55
Other income		37	40
Interest payments		(135)	(7)
Other operating expenses		(74)	(93)
Dividends received		20 758	18 143
Dividends paid		(17 058)	(16 273)
Taxation paid		(20)	(23)
Cash generated from operating activities		**3 541**	1 842
Movement in operating assets and liabilities			
Other assets		(1)	-
Employee liabilities		(121)	(119)
Creditors and accruals		4	(1)
Net cash generated from operating activities		**3 423**	1 722
Cash flows from investing activities			
Increase in investments in subsidiaries		(1 865)	(6 783)
Capital repayments from subsidiaries		1 000	5 360
Decrease in amounts owing by subsidiary companies		-	-
Net cash outflow from investing activities		**(865)**	(1 423)
Cash flows from financing activities			
Decrease in amounts due to subsidiary companies		(3 145)	-
- Repayment of amounts due to subsidiary companies		(3 145)	-
Net cash (outflow)/inflow from financing activities		**(3 145)**	-
Net increase in cash and cash equivalents		(587)	299
Cash and cash equivalents at the beginning of the year	7	840	541
Cash and cash equivalents at the end of the year	**7**	**253**	840

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Revenue

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 when the amount can be reliably measured and it is probable that future economic benefits will flow to the company from it.

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 from page B36 of the 2020 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	2020	2019
Fee and commission income		
Recoveries from subsidiaries	**36**	39
Other fees on non-financial instruments	**1**	1
Total fee and commission income	**37**	40
Gains less losses from investing activities		
Dividends received from subsidiaries - unlisted shares		
Ordinary dividends	**20 758**	17 909
Preference dividends	**-**	234
Total gains less losses from investing activities	**20 758**	18 143
Total revenue	**20 795**	18 183

3 NET INTEREST EXPENSE

R million	2020	2019
Interest and similar income		
Cash and cash equivalents	**33**	55
Interest and similar income	**33**	55
Interest expense and similar charges		
Borrowed funds	**(135)**	(211)
Interest expense and similar charges	**(135)**	(211)
Total net interest expense	**(102)**	(156)

4 OPERATING EXPENSES

R million	Notes	2020	2019
Advertising and marketing		**-**	(1)
Directors' fees		**(39)**	(33)
Direct staff costs		**(22)**	(173)
- Salaries, wages and allowances		**(53)**	(54)
- Contributions to employee benefit funds		**-**	(1)
- Share-based payment expense	11	**32**	(117)
- Social security levies		**(1)**	(1)
Professional fees		**(7)**	(7)
Corporate memberships		**(3)**	(2)
Other operating expenditure		**(6)**	(17)
Total operating expenses		**(77)**	(233)

5 INDIRECT AND INCOME TAX EXPENSE

	R million	2020	2019
5.1	**Indirect tax**		
	Value-added tax (net)	**(6)**	(6)
	Total indirect tax	**(6)**	(6)
5.2	**Income tax expense**		
	South African income tax		
	Normal tax – current year	**(41)**	(17)
	- current tax	**(40)**	(17)
	- prior year adjustment	**(1)**	-
	Total income tax expense	**(41)**	(17)

Tax rate reconciliation – South African normal tax

%	2020	2019
Standard rate of income tax	**28**	28
Total tax has been affected by:		
Dividends received	**(28)**	(28)
Effective rate of tax	**-**	-

6 ANALYSIS OF ASSETS AND LIABILITIES BY CATEGORY

The principal accounting policies from page B36 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.

		2020			
R million	Notes	**Financial assets at amortised cost**	**Financial liabilities at amortised cost**	**Non-financial instruments**	
ASSETS					
Cash and cash equivalents	7	**253**	**-**	**-**	
Other assets	8	**1**	**-**	**-**	
Current tax asset		**-**	**-**	**-**	
Investment in subsidiaries	9	**-**	**-**	**72 422**	
Total assets		**254**	**-**	**72 422**	
LIABILITIES					
Creditors and accruals	10	**-**	**104**	**5**	
Current tax liability		**-**	**-**	**27**	
Employee liabilities	11	**-**	**-**	**102**	
Amounts owing to subsidiaries	9	**-**	**-**	**-**	
Total liabilities		**-**	**104**	**134**	

		2019			
R million	Notes	Financial assets at amortised cost	Financial liabilities at amortised cost	Non-financial instruments	
ASSETS					
Cash and cash equivalents	7	840	-	-	
Other assets	8	-	-	-	
Current tax asset		-	-	-	
Investment in subsidiaries	9	-	-	71 557	
Total assets		840	-	71 557	
LIABILITIES					
Creditors and accruals	10	-	100	5	
Employee liabilities	11	-	-	220	
Amounts owing to subsidiaries	9	-	3 145	-	
Total liabilities		-	3 245	225	

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 and creditors and accruals, approximates the fair value.

	2020		
	Total carrying value	**Current**	**Non-current**
	253	**253**	**-**
	1	**1**	**-**
	-	**-**	**-**
	72 422	**-**	**72 422**
	72 676	**254**	**72 422**
	109	**109**	**-**
	27	**27**	**-**
	102	**55**	**47**
	-	**-**	**-**
	238	**191**	**47**

	2019		
	Total carrying value	Current	Non-current
	840	840	-
	-	-	-
	-	-	-
	71 557	-	71 557
	72 397	840	71 557
	105	105	-
	220	145	75
	3 145	3 145	-
	3 470	3 395	75

7 CASH AND CASH EQUIVALENTS

R million	2020	2019
Money at call and short notice	**253**	840
Cash and cash equivalents	**253**	840

8 OTHER ASSETS

R million	2020	2019
Accounts receivable	**1**	-
Total other assets	**1**	-

9 INVESTMENT IN SUBSIDIARIES

	% owner-ship	% voting rights	Nature of business	Shares at cost 2020 R million	2019 R million
FirstRand EMA Holdings Limited (FREMA)			Financial services		
Ordinary shares	**100**	100		**7 675**	7 665
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**	5 038
FirstRand Investment Management Holdings Limited			Investment management		
Ordinary shares	**100**	100		**399**	399
FirstRand Insurance Holdings Proprietary Limited			Insurance services		
Ordinary shares	**100**	100		**653**	653
FirstRand International Limited (FRI)			Banking		
Ordinary shares	**100**	100		**19 046**	17 191
Total				**72 005**	71 140
Investment through equity-settled share incentive scheme			Equity-settled share scheme	**417**	417
Total investments in subsidiaries				**72 422**	71 557
Amounts owing to subsidiaries				**-**	3 145

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.

10 CREDITORS AND ACCRUALS

R million	2020	2019
Unclaimed dividends	**95**	93
Accounts payable and accrued liabilities	**7**	5
Audit fee accrual	**7**	7
Total creditors and accruals	**109**	105

11 EMPLOYEE LIABILITIES

R million	2020	2019
Liability for short-term employee benefits		
Opening balance	**54**	68
Additional provisions created	**29**	23
Utilised during the year	**(25)**	(37)
Total liability for short-term employee benefits	**58**	54
Share-based payment liability		
Opening balance	**166**	131
Transfer between legal entities within the group	**6**	-
Share-based payment settlement (cash)	**(96)**	(82)
(Release)/charge to profit or loss	**(32)**	117
Total share-based payment liability	**44**	166
Total employee liabilities	**102**	220
The charge to profit or loss for share-based payments is as follows:		
FirstRand share appreciation rights scheme	**(32)**	117
Amount included in operating expenses	**(32)**	117

For a detailed description of share option schemes and trusts in which FirstRand Limited Company participates refer to note 21 of the consolidated annual financial statements.

12 SHARE CAPITAL AND SHARE PREMIUM

12.1 Share capital and share premium classified as equity

Authorised shares

	2020	2019
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

	2020			2019		
	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**	5609 488 001	56	8 056
Shares issued			**-**	-	-	-
Shares bought back			**-**	-	-	-
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**	45 000 000	-	4 519
Total issued share capital attributable to ordinary equityholders		**56**	**12 575**		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.

13 DIVIDENDS

R million	2020	2019
Ordinary dividends		
A final dividend of nil cents (4 September 2019: 152.00 cents) per share was declared on 4 September 2020 in respect of the six months ended 30 June 2020.	**8 526**	8 134
An interim dividend of 146.00 cents (11 March 2019: 139.00 cents) per share was declared on 9 March 2020 in respect of the six months ended 31 December 2019.	**8 190**	7 797
Total ordinary dividends paid for the year	**16 716**	15 931
B preference shares		
A final dividend of nil cents (26 August 2019: 384.20 cents) per share was declared on 27 August 2020 in respect of the six months ended 30 June 2020.	**173**	170
An interim dividend of 374.70 cents (25 February 2019: 381.70 cents) per share was was declared on 25 February 2020 in respect of the six months ended 30 June 2020.	**169**	172
Total preference dividends paid for the year	**342**	342
A final ordinary dividend per share was declared on 4 September 2020 (4 September 2019)		152.0

14 RELATED PARTIES

14.1 Balances and transactions with related parties

	2020	
R million	**Entities that have significant influence over FirstRand Limited and its subsidiaries**	**Subsidiaries**
Net interest expense	**-**	**102**
Non-interest revenue	**-**	**36**
Dividends received	**-**	**20 758**
Dividends paid	**5 693**	**-**
Amounts owing to subsidiaries	**-**	**-**
Cash and cash equivalents	**-**	**253**

	2019	
R million	Entities that have significant influence over FirstRand Limited and its subsidiaries	Subsidiaries
Net interest received	-	156
Non-interest revenue	-	39
Dividends received	-	18 143
Dividends paid	5 426	-
Amounts owing to subsidiaries	-	3 145
Cash and cash equivalents	-	840

Refer to the remuneration disclosures on page B285 for details of the compensation paid to key management personnel.

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

Simplified group structure

FirstRand

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100% FirstRand Bank Limited (FRB) – SA banking

- First National Bank[1]
- Rand Merchant Bank[1]
- WesBank[1]
- FirstRand Bank India[2]
- FirstRand Bank London[2]
- FirstRand Bank Guernsey[2,*]
- FirstRand Bank Kenya[3]
- FirstRand Bank Angola[3]
- FirstRand Bank Shanghai[3]

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

- **58%** FirstRand Namibia
- **70%** FNB Botswana
- **100%** FNB Eswatini
- **95%** FNB Mozambique
- **100%** FNB Zambia
- **100%** FNB Lesotho
- **100%** FNB Tanzania
- **100%** First National Bank Ghana**
- **100%** RMB Nigeria

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

- **100%** Aldermore Group plc
- **100%** MotoNovo Finance[#]
- **100%** RMB International Mauritius

100% FirstRand Insurance Holdings (Pty) Ltd – Insurance

- **100%** FirstRand Life Assurance
- **100%** FirstRand Short-Term Insurance Ltd
- **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 Investments International Holdings
- **100%** FNB Investor Services
- **100%** FNB CIS Management Company (RF)
- **100%** Various general partners[†]

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

- **98%** RMB Private Equity Holdings
- **97%** RMB Private Equity
- **100%** RMB Securities
- **50%** RMB Morgan Stanley
- **100%** RMB Investments and Advisory
- **100%** RMB Australia Holdings
- **100%** FNB Stockbroking and Portfolio Management
- **81%** MotoVantage
- **100%** FirstRand Securities
- **100%** Hyphen Technology
- **100%** FNB Fiduciary

1. Division

2. Branch

3. Representative office

DirectAxis is a business unit of FirstRand Bank Limited.

* *Trading as FNB Channel Islands.*

** *The merger of First National Bank Ghana and GHL Bank has been concluded. The merged entity is known as First National Bank Ghana.*

[#] *Wholly-owned subsidiary of Aldermore Group plc.*

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

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, RMB, WesBank or FCC). The group's securitisations and conduits are in FRIHL, FRI and FRB.

Analysis of ordinary shareholders

	Number of shareholders	Shares held (thousands)	%
Major shareholders			
Public Investment Corporation		789 298	14.1
Royal Bafokeng Holdings		231 500	4.1
Remgro Limited		175 386	3.1
BEE partners*		290 603	5.2
Subtotal		1 486 787	26.5
Other		4 122 701	73.5
Total		5 609 488	100.0
Shareholder type			
Corporates (Royal Bafokeng Holdings and Remgro)		406 886	7.3
Pension funds		1 173 972	20.9
Insurance companies and banks		191 536	3.4
Unit trusts		1 895 277	33.8
Individuals		207 909	3.7
BEE partners*		290 603	5.2
Other		1 443 305	25.7
Total		5 609 488	100.0
Public and non-public shareholders			
Public	103 950	4 901 263	87.3
Non-public			
– Corporates (Royal Bafokeng Holdings and Remgro)	2	406 886	7.3
– Directors and prescribed officers**	11	8 445	0.2
– BEE partners*	7	292 894	5.2
Total	103 970	5 609 488	100.0
Geographic ownership			
South Africa		3 061 513	54.6
International		1 761 295	31.4
Unknown/unanalysed		786 680	14.0
Total		5 609 488	100.0

* *BEE partners include: FirstRand Empowerment Trust, FirstRand Staff Assistance Trust, MIC Management Services, Mineworkers Investment Trust, Kagiso Charitable Trust, WDB Trust No 2 and WDB Investment Holdings.*

** *Reflects direct beneficial ownership.*

Analysis of B preference shareholders

	Number of shareholders	Shares held (thousands)	%
Public and non-public shareholders			
Public	**6 225**	**45 000**	**100.0**
Non-public			
– directors	**–**	**–**	**–**
Total	**6 225**	**45 000**	**100.0**

Performance on the JSE

	2020	2019
Number of shares in issue (thousands)	**5 609 488**	5 609 488
Market price (cents per share)		
Closing	**3 806**	6 855
High	**6 990**	7 195
Low	**3 113**	5 900
Weighted average	**5 557**	6 608
Closing price/net asset value per share	**1.55**	2.97
Closing price/earnings (headline)	**12.32**	13.79
Volume of shares traded (millions)	**3 536**	2 717
Value of shares traded (millions)	**179 025**	179 308
Market capitalisation (R billion)	**213.50**	384.53

Company information

DIRECTORS

WR Jardine (chairman), AP Pullinger (chief executive officer),
HS Kellan (financial director), M Vilakazi (chief operating officer),
MS Bomela, JP Burger, GG Gelink, F Knoetze, RM Loubser,
TS Mashego, AT Nzimande, Z Roscherr, LL von Zeuner, T Winterboer

COMPANY SECRETARY AND REGISTERED OFFICE

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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

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Listed financial instruments of the group

at 30 June 2020

LISTED EQUITY INSTRUMENTS

Johannesburg Stock Exchange (JSE)

Ordinary shares

Issuer	Share code	ISIN code
FirstRand Limited	FSR	ZAE000066304

Non-cumulative non-redeemable B preference shares

Issuer	Share code	ISIN code
FirstRand Limited	FSRP	ZAE000060141

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 INSTRUMENTS

Issuer: FirstRand Bank Limited

JSE

Domestic medium-term note programme

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Subordinated debt					
FRB13	ZAG000116286	FRB19	ZAG000135310	FRB24	ZAG000155102
FRB14	ZAG000116294	FRB20	ZAG000135385	FRB25	ZAG000157512
FRB16	ZAG000127622	FRB21	ZAG000140856	FRB26	ZAG000159955
FRB17	ZAG000127630	FRB22	ZAG000141219	FRB27	ZAG000159963
FRB18	ZAG000135229	FRB23	ZAG000146754		
Senior unsecured					
FRBZ01	ZAG000049255	FRJ25	ZAG000124256	FRX25	ZAG000152828
FRBZ02	ZAG000072711	FRJ26	ZAG000156969	FRX26	ZAG000112160
FRBZ03	ZAG000080029	FRJ27	ZAG000141912	FRX27	ZAG000142506
FRJ20	ZAG000109596	FRJ29	ZAG000156951	FRX28	ZAG000152836
FRJ21	ZAG000115858	FRJ022	ZAG000163775	FRX30	ZAG000124264
FRJ22	ZAG000142498	FRX20	ZAG000109604	FRX31	ZAG000084195
FRJ23	ZAG000149436	FRX23	ZAG000104969	FRX32	ZAG000142514
FRJ24	ZAG000156977	FRX24	ZAG000073693	FRX45	ZAG000076480
Inflation-linked bonds					
FRBI22	ZAG000079666	FRBI29	ZAG000145608	FRI33	ZAG000141706
FRBI23	ZAG000076498	FRBI33	ZAG000079245	FRI38	ZAG000141862
FRBI25	ZAG000109588	FRBI46	ZAG000135302		
FRBI28	ZAG000079237	FRBI50	ZAG000141649		

Structured note and preference share programme

Credit-linked notes					
FRC66	ZAG000088485	FRC69	ZAG000088766	FRC71	ZAG000088923

Note programme

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Structured notes					
FRS36	ZAG000077397	FRS135	ZAG000126608	FRS180	ZAG000154147
FRS37	ZAG000077793	FRS136	ZAG000126780	FRS182	ZAG000154386
FRS43	ZAG000078643	FRS137	ZAG000127549	FRS183	ZAG000154568
FRS46	ZAG000079807	FRS138	ZAG000127556	FRS184	ZAG000155490
FRS49	ZAG000081787	FRS142	ZAG000130782	FRS186	ZAG000156522
FRS51	ZAG000086117	FRS143	ZAG000130790	FRS187	ZAG000156514
FRS62	ZAG000090614	FRS145	ZAG000134263	FRS188	ZAG000156506
FRS64	ZAG000092529	FRS146	ZAG000134636	FRS194	ZAG000160516
FRS81	ZAG000100892	FRS147	ZAG000135724	FRS195	ZAG000160524
FRS85	ZAG000104985	FRS149	ZAG000136573	FRS197	ZAG000161373
FRS87	ZAG000105420	FRS150	ZAG000136615	FRS198	ZAG000161365
FRS90	ZAG000106410	FRS151	ZAG000136987	FRS199	ZAG000161381
FRS100	ZAG000111634	FRS152	ZAG000136995	FRS200	ZAG000161571
FRS101	ZAG000111774	FRS153	ZAG000137670	FRS201	ZAG000162025
FRS103	ZAG000111840	FRS158	ZAG000145012	FRS202	ZAG000162066
FRS104	ZAG000111857	FRS159	ZAG000145020	FRS204	ZAG000162538
FRS108	ZAG000113515	FRS160	ZAG000145038	FRS205	ZAG000162546
FRS109	ZAG000113564	FRS161	ZAG000145046	FRS206	ZAG000163304
FRS110	ZAG000113663	FRS162	ZAG000145111	FRS207	ZAG000164385
FRS112	ZAG000115395	FRS163	ZAG000145129	FRS208	ZAG000164377
FRS114	ZAG000116070	FRS164	ZAG000145160	FRS209	ZAG000164344
FRS119	ZAG000118951	FRS165	ZAG000145178	FRS211	ZAG000165762
FRS120	ZAG000119298	FRS167	ZAG000145764	FRS212	ZAG000166786
FRS121	ZAG000120643	FRS168	ZAG000145772	FRS213	ZAG000166802
FRS122	ZAG000121062	FRS169	ZAG000145780	FRS214	ZAG000166778
FRS123	ZAG000121328	FRS170	ZAG000145954	FRS215	ZAG000167339
FRS124	ZAG000122953	FRS171	ZAG000147448	FRS217	ZAG000167826
FRS126	ZAG000125188	FRS172	ZAG000147455	FRS218	ZAG000168527
FRS127	ZAG000125394	FRS173	ZAG000148180	FRS219	ZAG000168683
FRS129	ZAG000125865	FRS174	ZAG000148198	FRS220	ZAG000168717
FRS131	ZAG000126186	FRS175	ZAG000149451	FRS221	ZAG000169038
FRS132	ZAG000126194	FRS176	ZAG000149444	RMBI02	ZAG000052986
FRS134	ZAG000126574	FRS177	ZAG000152885		
Credit-linked notes					
FRC169	ZAG000104852	FRC221	ZAG000121229	FRC243	ZAG000135419
FRC181	ZAG000108549	FRC233	ZAG000128752	FRC245	ZAG000135468
FRC207	ZAG000117649	FRC234	ZAG000130816	FRC246	ZAG000135476
FRC208	ZAG000117656	FRC237	ZAG000135203	FRC249	ZAG000135542
FRC209	ZAG000118613	FRC239	ZAG000135245	FRC250	ZAG000135559
FRC213	ZAG000121047	FRC240	ZAG000135252	FRC251	ZAG000141813

Listed financial instruments of the group continued

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Credit-linked notes *continued*					
FRC252	ZAG000142225	FRC293	ZAG000158783	FRC317	ZAG000163551
FRC256	ZAG000145806	FRC294	ZAG000158791	FRC318	ZAG000163684
FRC261	ZAG000147653	FRC296	ZAG000159369	FRC319	ZAG000163700
FRC262	ZAG000147646	FRC297	ZAG000159351	FRC320	ZAG000163718
FRC265	ZAG000149485	FRC298	ZAG000159427	FRC321	ZAG000163759
FRC267	ZAG000150004	FRC299	ZAG000159575	FRC323	ZAG000163874
FRC271	ZAG000151556	FRC300	ZAG000159674	FRC324	ZAG000164021
FRC272	ZAG000151564	FRC301	ZAG000159872	FRC325	ZAG000164302
FRC274	ZAG000151952	FRC302	ZAG000160029	FRC326	ZAG000164310
FRC275	ZAG000152372	FRC303	ZAG000160425	FRC327	ZAG000164880
FRC276	ZAG000152430	FRC304	ZAG000160565	FRC328	ZAG000164898
FRC277	ZAG000153552	FRC305	ZAG000160920	FRC329	ZAG000165945
FRC279	ZAG000153578	FRC306	ZAG000160938	FRC330	ZAG000166133
FRC280	ZAG000153776	FRC307	ZAG000161597	FRC331	ZAG000166620
FRC282	ZAG000154063	FRC308	ZAG000161605	FRC332	ZAG000166687
FRC283	ZAG000154394	FRC309	ZAG000161738	FRC334	ZAG000166810
FRC284	ZAG000154642	FRC310	ZAG000161936	FRC335	ZAG000166950
FRC285	ZAG000155201	FRC311	ZAG000161977	FRC336	ZAG000166968
FRC286	ZAG000156548	FRC312	ZAG000161985	FRC337	ZAG000167297
FRC289	ZAG000157108	FRC313	ZAG000161993	FRC338	ZAG000168535
FRC290	ZAG000157447	FRC314	ZAG000162033	FRC339	ZAG000168626
FRC291	ZAG000157629	FRC315	ZAG000163155	FRC340	ZAG000168659
FRC292	ZAG000157777	FRC316	ZAG000163460	FRC341	ZAG000168675

Preference share programme

Bond code	ISIN code
Class A cumulative redeemable non-participating preference shares	
FRBP01	ZAE000279469

London Stock Exchange (LSE)

European medium-term note programme

ISIN code	
Senior unsecured	**Subordinated debt**
XS1954121031 (unlisted)	XS1810806395

Other

Bond code	ISIN code
Exchange-traded funds	
DCCUSD	ZAE000234977
DCCUS2	ZAE000251179
KCCGLD	ZAE000195830

Bond code	ISIN code	Bond code	ISIN code
Other			
FRK02	ZAE000275533	FRPT01	ZAE000205480

Issuer: First National Bank of Namibia Limited

NSX

Domestic medium-term note programme

ISIN code
Subordinated debt
NA000A19FKV1
NA000A19FKU3

ISIN code
Senior unsecured
NA000A188PY8
NA000A188PW2

JSE

ISIN code
Senior unsecured
ZAG000142902

Issuer: Aldermore Group plc

LSE

ISIN code
Tier 2
XS1507529144

Issuer: First National Bank of Botswana Limited

BSE

Domestic medium-term note programme

Bond code	ISIN code
Subordinated debt	
FNBB007	BW 000 000 1668
FNBB008	BW 000 000 1700
FNBB010	BW 000 000 2377

Bond code	ISIN code
Senior unsecured	
FNBB005	BW 000 000 1510
FNBB006	BW 000 000 1528
FNBB009	BW 000 000 1916

SECURITISATIONS AND CONDUITS LISTED DEBT

Issuer: Nitro Securitisation 6 (RF) Limited

JSE

Bond code	ISIN code
N6C26	ZAG000150541
N6D26	ZAG000150558
N6E26	ZAG000150566
N6F26	ZAG000150574
N6G26	ZAG000150582

Issuer: Nitro Programme (RF) Limited

JSE

Bond code	ISIN code
N7B25	ZAG000159039
N7C25	ZAG000159047
N7D25	ZAG000159054
N7E25	ZAG000159062

Issuer: Oak No. 2 plc

ISE

ISIN code
XS1843460442

Issuer: iVuzi

JSE

Bond code	ISIN code
IVZ002	ZAG000167545
IVZ003	ZAG000167610
IVZ004	ZAG000167651
IVZ005	ZAG000167792
IVZ006	ZAG000167909
IVZ007	ZAG000168014
IVZ008	ZAG000168188
IVZ009	ZAG000168246
IVZ010	ZAG000168451

Issuer: Turbo Finance 8 plc

Irish Stock Exchange (ISE)

ISIN code
XS1892532141
XS1892541647
XS1892541993
XS1892542298
XS1892542371
XS1894621827

Issuer: MotoPark Finance plc

ISE

ISIN code
XS1755432876
XS1755432959
XS1755433098
XS1755433171

Issuer: Oak No. 3 plc

ISE

ISIN code
XS2034869441

Issuer: iNguza

JSE

Bond code	ISIN code
ING383	ZAG000154048

Credit ratings

South African banks' credit ratings are constrained by the ratings of the South African sovereign, given the link between the banks' creditworthiness and that of the government. Moody's Investors Service (Moody's) downgraded FRB's ratings on 31 March 2020, following its downgrade of the South African sovereign on 27 March 2020. S&P Global Ratings (S&P) downgraded the ratings of FRB and FirstRand on 7 May 2020, subsequent to its downgrade of the sovereign on 29 April 2020. The rating actions on the South African sovereign were driven by the continuing deterioration of South Africa's fiscal strength, structurally very weak growth, and the significant adverse impact of COVID-19 on the country's fiscal and growth prospects.

The following tables summarise the credit ratings of the South African sovereign, FRB and FirstRand at 9 September 2020.

SOUTH AFRICAN SOVEREIGN LONG-TERM RATINGS

	Outlook	Foreign currency rating	Local currency rating
S&P	Stable	BB-	BB
Moody's	Negative	Ba1	Ba1

Sources: S&P and Moody's.

FIRSTRAND BANK LIMITED RATINGS

		Counterparty rating*		National scale rating		
	Outlook	Long-term	Short-term	Long-term	Short-term	Standalone credit rating**
S&P	Stable	BB-	B	zaAA	zaA-1+	bbb-
Moody's	Negative	Ba1	NP	Aa1.za	P-1.za	ba1

* *Relates to the issuer credit rating for S&P, and long-term bank deposit ratings for Moody's.*

** *Refers to a rating agency's measure of a bank's intrinsic creditworthiness before considering external factors, e.g. affiliate or government support. S&P uses the standalone credit profile and Moody's the baseline credit assessment.*

Sources: S&P and Moody's.

FRB's standalone credit ratings continue to reflect its strong market position in South Africa, as well as its focused strategy and solid franchise in the banking sector, good core profitability, financial flexibility, robust risk management and sound liquidity and capital positions.

FIRSTRAND LIMITED RATINGS

		Counterparty rating*		National scale rating	
	Outlook	Long-term	Short-term	Long-term	Short-term
S&P	Stable	B	B	zaA-	zaA-2

* *Relates to the issuer credit rating for S&P.*

Source: S&P.

FirstRand Limited's ratings reflect its status as the non-operating holding company of the FirstRand group and the entity's consequent structural subordination to and reliance on dividends from operating companies to meet its obligations, which expose it to potential regulatory impositions. It is standard practice for a holding company to be rated below the operating company (in this case, FRB). The group issues debt out of the bank, which is the credit counterparty.

Definitions

Additional Tier 1 (AT1) capital	NCNR preference share capital and AT1 capital instruments, as well as 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.
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 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 on 30 June divided by basic normalised earnings per share.
Price-to-book (times)	Closing share price on 30 June 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.
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 plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties plus qualifying provisions less specified regulatory deductions.
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital.
Vintage analysis	A percentage that expresses the origination balance of the loans in particular year/quarter of origination, that have ever been one or more (1+ Ever Vintage)/3 or more (3+ Ever Vintage) months in arrears (within 3/6/12-month outcome window), regardless if account is redeemed, to the origination balance of all loans booked in that year/quarter of origination.
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	Accrued and fair value
ABF	Asset-backed finance
APE	Annual premium equivalent
APN	Advisory Practice Note
AT1	Additional Tier 1
AUM	Assets under management
BASA	Banking Association of South Africa
BAU	Business as usual
BSE	Botswana Stock Exchange
CAGR	Compound annual growth rate
Capex	Capital expenditure
CB	RMB corporate banking
CBILS	Coronavirus Business Interruption Loan Scheme
CCyB	Countercyclical buffer
CET1	Common Equity Tier 1
CGU	Cash generating unit
CIB	Corporate and investment banking
CLF	Committed liquidity facility
CLR	Credit loss ratio
CoDI	Corporation for Deposit Insurance
COVID-19	Coronavirus disease
CSI	Corporate social investment
DA	DirectAxis
DIC	Dealer incentive costs
DM	Developed market
D-SIB	Domestic systemically important bank
EAD	Exposure at default
EC	Economic capital
ECL	Expected credit loss
ELI	Employee liability insurance
EMTN	European medium-term note
EV	Embedded value
FCC/GTSY	FirstRand Corporate Centre and Group Treasury
FLI	Forward-looking information
FML	Full maintenance leasing
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRM	Financial resources management
FRN	Floating rate note
FSLAB	Financial Sector Laws Amendment Bill
FSR	FirstRand Limited
FVOCI	Fair value through other comprehensive income
FX	Foreign exchange
GHL Bank	Ghana Home Loans Bank
HQLA	High-quality liquid assets
IB	Investment banking
ISA	International Standard on Auditing

IFRS	International Financial Reporting Standards
ISE	Irish Stock Exchange
JIBAR	Johannesburg interbank average rate
JSE	Johannesburg Stock Exchange
LCR	Liquidity coverage ratio
LGD	Loss given default
LISP	Linked investment service provider
LSE	London Stock Exchange
LTV	Loan to value
Moody's	Moody's Investors Service
MTM	Mark-to-market
MVNO	Mobile virtual network operator
NCD	Negotiable certificate of deposit
NCNR	Non-cumulative non-redeemable
NAV	Net asset value
NIACC	Net income after cost of capital
NII	Net interest income
NIM	Net interest margin
NIR	Non-interest revenue
NPLs	Non-performing loans
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
PA	Prudential Authority
PBT	Profit before tax
PD	Probability of default
P/E	Price/earnings
PRA	Prudential Regulation Authority
ROA	Return on assets
ROE	Return on equity
RWA	Risk weighted assets
S&P	S&P Global Ratings
SA-CCR	Standardised approach for measuring counterparty credit risk
SACU	Southern African Customs Union
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SME	Small and medium enterprises
SPIRE	SA Pandemic Intervention and Relief Effort
TFS	Toyota Financial Services (Pty) Ltd
TRS	Total return swap
TTC	Through-the-cycle
UK	United Kingdom
VAF	Vehicle asset finance
VAPS	Value-added products and services
VNB	Value of new business
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

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