FirstRand Bank

2021

analysis of financial results

for the six months ended
31 December

about this report

This report covers the unaudited condensed financial results of FirstRand Bank Limited (FRB or the bank) based on International Financial Reporting Standards (IFRS) for the six months ended 31 December 2021.

The primary results and accompanying commentary are presented on a normalised basis as the bank believes this most accurately reflects its economic performance. The normalised results have been derived from the IFRS financial results.

Normalised results include a condensed income statement, statement of comprehensive income and statement of financial position. A detailed description of the difference between normalised and IFRS results is provided on pages 122 and 123. Detailed reconciliations of normalised to IFRS results are provided on pages 131 to 133. Commentary is based on normalised results, unless indicated otherwise.

Simonet Terblanche, CA(SA), supervised the preparation of the condensed financial results.

FirstRand Bank

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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

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overview of results

SIMPLIFIED GROUP STRUCTURE

FirstRand

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

This report covers the results of FRB

100% FirstRand Bank Limited (FRB) Bond code: FRII — *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
100%	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%	Aldermore Bank**
100%	MotoNovo Finance**
100%	RMB International Mauritius
100%	FirstRand Securities
100%	RMB Securities (USA)[#]

100% FirstRand Insurance Holdings (Pty) Ltd — *Insurance*

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

100% FirstRand Investment Management Holdings Limited — *Investment management*

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

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

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

1. Division
2. Branch
3. Representative office
DirectAxis is a business unit of FirstRand Bank Limited.

* *Trading as FNB Channel Islands.*
** *Wholly owned subsidiary of Aldermore Group plc.*
[#] *Wholly owned subsidiary of FirstRand Securities.*
[†] *Ashburton Investments has a number of general partners for fund seeding purposes. All of these entities fall under FirstRand Investment Management Holdings Limited.*

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 other special purpose vehicles (SPVs) are in FRIHL, FRI and FRB.

FirstRand Bank

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

performance highlights

Normalised earnings
R11.9bn
Dec 2020: R8.0bn ▲ **49%**

Return on equity
22.8%
Dec 2020: 16.3% ▲ **650 bps**

Net asset value
R104.5bn
Dec 2020: 102.3bn ▲ **2%**

CET1 ratio
14.1%
Dec 2020: 13.5% ▲ **60 bps**

normalised earnings

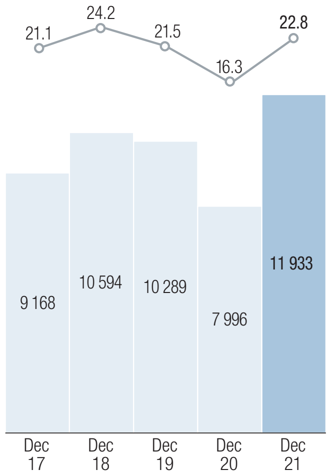
FNB
R8.3bn

RMB
R2.5bn

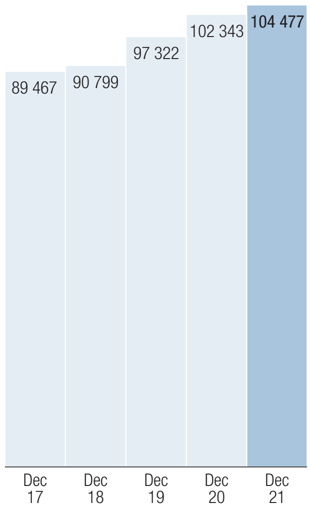
WesBank
R381m

TRACK RECORD

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



Normalised net asset value (R million)
CAGR 4%



Note: 2017 figures are based on IAS 39 and 2018 to 2021 figures on IFRS 9.

Key financial and operational results, ratios and statistics – normalised

This section is based on normalised results. A detailed reconciliation between IFRS and normalised results is set out on pages 132 and 133.

	Six months ended 31 December			Year ended 30 June
R million	**2021**	2020	% change	2021
Earnings performance				
Attributable earnings – IFRS (refer page 124)	**11 988**	7 985	50	19 295
Headline earnings	**11 985**	7 986	50	19 310
Normalised earnings	**11 933**	7 996	49	19 032
Normalised net asset value	**104 477**	102 343	2	105 253
Average normalised net asset value	**104 865**	98 328	7	99 783
Ratios and key statistics				
ROE (%)	**22.8**	16.3	▲	19.1
ROA (%)	**1.66**	1.11	▲	1.35
Diversity ratio (%)	**43.1**	42.9		42.6
Credit impairment charge	**3 436**	7 161	(52)	11 115
Credit loss ratio (%)	**0.75**	1.60	▼	1.23
Stage 3/NPLs as % of advances	**4.26**	5.35	▼	5.22
Total impairment coverage ratio (%)	**91.7**	84.2		82.2
Specific coverage ratio (%)	**49.4**	46.2		46.4
Performing book coverage ratio (%)	**1.88**	2.14		1.98
Cost-to-income ratio (%)	**53.5**	54.9	▼	54.0
Effective tax rate (%)	**24.9**	24.4		25.5
Balance sheet				
Normalised total assets	**1 465 056**	1 466 071	–	1 415 029
Advances (net of credit impairment)	**909 623**	849 020	7	857 955
Average gross loan-to-deposit ratio (%)	**79.2**	80.7		81.0
Deposits	**1 192 203**	1 134 330	5	1 135 585
Capital adequacy – IFRS*				
Capital adequacy ratio (%)	**17.6**	16.7		17.8
Tier 1 ratio (%)	**14.7**	14.2		15.2
Common Equity Tier 1 ratio (%)	**14.1**	13.5		14.5
Leverage – IFRS*				
Leverage ratio (%)	**7.2**	7.1		7.4
Liquidity – IFRS				
Liquidity coverage ratio (%)	**124**	127		117
Net stable funding ratio (%)	**121**	124		122

* *Including foreign branches. Ratios include unappropriated profits.*

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

	Six months ended 31 December			Year ended 30 June
	2021	2020	% change	2021
Operational statistics				
Number of ATMs (including ADTs)	**4 759**	5 205	(9)	4 848
Number of branches	**601**	594	1	599
Number of employees	**36 733**	37 961	(3)	37 741
– South Africa	**35 812**	37 575	(5)	37 043
– Rest of Africa*	**141**	160	(12)	154
– FirstJob graduate programme	**780**	226	>100	544
FNB customer numbers (millions)	**8.82**	8.52	3	8.65
– Retail	**7.68**	7.43	3	7.52
– Commercial	**1.14**	1.09	5	1.13
FNB channel volumes (thousands of transactions)				
– ATM/ADT	**108 275**	108 523	–	219 360
– Digital	**331 375**	293 032	13	593 135
– Point-of-sale merchants	**391 444**	316 502	24	649 967
– Card swipes	**487 531**	436 585	12	871 350

* *Restated for internal group movements.*

Condensed income statement – normalised

R million	Six months ended 31 December 2021	Six months ended 31 December 2020	% change	Year ended 30 June 2021
Net interest income before impairment of advances	**24 679**	23 467	5	47 815
Impairment charge	**(3 436)**	(7 161)	(52)	(11 115)
Net interest income after impairment of advances	**21 243**	16 306	30	36 700
Non-interest revenue	**18 722**	17 633	6	35 549
– Fee and commission income	**13 817**	13 240	4	26 377
– Insurance income	**219**	234	(6)	468
– Trading and other fair value income	**2 110**	1 803	17	3 574
– Investment income	**97**	6	>100	8
– Other non-interest revenue	**2 479**	2 350	5	5 122
Income from operations	**39 965**	33 939	18	72 249
Operating expenses	**(23 219)**	(22 565)	3	(44 990)
Income before indirect tax	**16 746**	11 374	47	27 259
Indirect tax	**(472)**	(478)	(1)	(1 008)
Profit before income tax	**16 274**	10 896	49	26 251
Income tax expense	**(4 050)**	(2 659)	52	(6 694)
Profit for the period	**12 224**	8 237	48	19 557
Other equity instrument holders	**(291)**	(241)	21	(525)
Normalised earnings attributable to ordinary equityholders of the bank	**11 933**	7 996	49	19 032

Condensed statement of other comprehensive income – normalised

R million	Six months ended 31 December 2021	Six months ended 31 December 2020	% change	Year ended 30 June 2021
Profit for the period	**12 224**	8 237	48	19 557
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**(636)**	1 037	(>100)	(727)
(Losses)/gains arising and reclassification adjustments included in profit or loss*	**(883)**	1 304	(>100)	(1 009)
Deferred income tax	**247**	(267)	(>100)	282
FVOCI debt reserve	**(128)**	93	(>100)	256
(Losses)/gains arising and reclassification adjustments included in profit or loss*	**(178)**	129	(>100)	355
Deferred income tax	**50**	(36)	(>100)	(99)
Exchange differences on translating foreign operations	**678**	(954)	(>100)	(1 127)
Gains/(losses) arising during the period	**648**	(916)	(>100)	(1 085)
Deferred income tax	**30**	(38)	(>100)	(42)
Items that may not subsequently be reclassified to profit or loss				
FVOCI equity reserve	**3**	(104)	(>100)	(235)
Gains/(losses) arising during the period	**4**	(134)	(>100)	(303)
Deferred income tax	**(1)**	30	(>100)	68
Remeasurements on defined benefit post-employment plans	**7**	29	(76)	(93)
Gains/(losses) arising during the period	**10**	40	(75)	(129)
Deferred income tax	**(3)**	(11)	(73)	36
Other comprehensive (loss)/gain for the period	**(76)**	101	(>100)	(1 926)
Total comprehensive income for the period	**12 148**	8 338	46	17 631
Attributable to				
Ordinary equityholders	**11 857**	8 097	46	17 106
Other equity instrument holders	**291**	241	21	525
Total comprehensive income for the period	**12 148**	8 338	46	17 631

* *The line gains/losses arising during the period has been presented with reclassification adjustments for amounts included in profit or loss. The total as previously reported has not changed.*

Condensed statement of financial position – normalised

	As at 31 December		As at 30 June
R million	**2021**	2020	2021
ASSETS			
Cash and cash equivalents	**93 045**	103 226	99 646
Derivative financial instruments	**60 473**	119 031	70 774
Commodities	**22 261**	20 046	18 641
Investment securities	**286 533**	265 856	273 766
Advances	**909 623**	849 020	857 955
– Advances to customers	**836 058**	779 680	786 643
– Marketable advances	**73 565**	69 340	71 312
Other assets	**6 193**	5 914	4 928
Current tax asset	**14**	–	32
Amounts due by holding company and fellow subsidiaries	**64 785**	81 166	67 108
Property and equipment	**16 594**	17 275	16 865
Intangible assets	**397**	648	338
Investment properties	**249**	–	249
Deferred income tax asset	**4 889**	3 889	4 727
Total assets	**1 465 056**	1 466 071	1 415 029
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**15 683**	16 910	18 660
Derivative financial instruments	**64 220**	117 775	70 722
Creditors, accruals and provisions	**17 840**	14 947	15 814
Current tax liability	**274**	1 089	896
Deposits	**1 192 203**	1 134 330	1 135 585
Employee liabilities	**8 763**	7 294	9 859
Other liabilities	**5 298**	5 361	5 087
Amounts due to holding company and fellow subsidiaries	**28 136**	39 895	27 214
Tier 2 liabilities	**21 036**	19 001	18 813
Total liabilities	**1 353 453**	1 356 602	1 302 650
Equity			
Ordinary shares	**4**	4	4
Share premium	**16 804**	16 804	16 804
Reserves	**87 669**	85 535	88 445
Capital and reserves attributable to ordinary equityholders	**104 477**	102 343	105 253
Other equity instruments	**7 126**	7 126	7 126
Total equity	**111 603**	109 469	112 379
Total equities and liabilities	**1 465 056**	1 466 071	1 415 029

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

Flow of funds analysis – normalised

R million	**December 2021 vs June 2021 6-month movement**	December 2020 vs June 2020 6-month movement	June 2021 vs June 2020 12-month movement
Sources of funds			
Capital account movement (including profit and reserves)	**(776)**	9 431	12 341
Working capital movement	**2 355**	(8 782)	(4 324)
Short trading positions and derivative financial instruments	**822**	(3 109)	(155)
Deposits and long-term liabilities	**58 841**	42 057	43 124
Total	**61 242**	39 597	50 986
(Outflow)/inflow in deployment of funds			
Advances	**(51 668)**	18 920	9 985
Investments	**(3 408)**	1 758	3 634
Cash and cash equivalents	**6 601**	(3 445)	135
Investment securities (e.g. liquid asset portfolio)	**(12 767)**	(56 830)	(64 740)
Total	**(61 242)**	(39 597)	(50 986)

"This is a respectable performance from the bank, delivering a superior ROE of 22.8%.

Economic profit has rebounded strongly and pre-provision operating profit growth was robust at 9%.

Balance sheet strength is demonstrated in the healthy capital and liquidity levels, and conservative provisions have been maintained.

The operating businesses, FNB, RMB and WesBank, are well positioned to further capitalise on the economic recovery."

Alan Pullinger ~ CEO

Introduction and group strategy

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

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

SOUTH AFRICA

FirstRand's earnings remain tilted towards South Africa and are mainly generated by its large lending and transactional franchises, which have resulted in deep and loyal customer bases. These domestic banking operations are mature and systemically important. Against a backdrop of weak macroeconomic growth, given the group's size, any aspiration to outperform requires strategic distinction combined with sound execution. The key growth imperative in the bank is to grow customers, do more business with those customers, and do this more efficiently.

The group is also investing in building capital-light revenues in adjacent activities such as insurance, and wealth and investment management. The group strategy to broaden its financial services offering also benefits the bank as it further entrenches the bank's relationships with its core transactional customers.

REST OF AFRICA

In the broader Africa portfolio, FirstRand remains focused on growing its presence and offerings in certain key markets where it believes it can build competitive advantage and scale over time. The group's expansion strategy has been largely organic, complemented where possible by bolt-on acquisitions. This allows the group to execute disciplined capital allocation to drive economic profit generation and dividends back to the shareholder. There is a strong focus on building in-country deposit franchises.

In addition to the group's hard currency platform (RMB Mauritius), the bank's balance sheet is also utilised in RMB's cross-border lending and trade finance activities in the rest of Africa. The group's subsidiaries in the rest of Africa form part of FREMA (refer to the simplified group structure on page 02, which outlines the group's various legal entities, including FRB) and thus fall outside the bank.

UK

The group believes the UK investment case offers significant optionality in a large market with lower risk. Aldermore has healthy margins, a diversified asset portfolio, a scalable deposit franchise and a small share of very large profit pools. The group remains confident it can build a larger, more valuable business in the UK over time.

Effective May 2019, the operations of MotoNovo were sold to the Aldermore group as part of the process to integrate the two businesses. All business written by MotoNovo post integration is funded through Aldermore's deposit franchise and funding platform, as well as by leveraging market securitisations and warehouse transactions with international banks.

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

Operating environment

During the six months to 31 December 2021, the reopening of the global economy continued to provide the basis for improving economic growth. This supported South Africa's export sectors which, combined with a recovery in domestic activity, lifted GDP growth considerably albeit off a low base. Inflation started to increase due to a combination of global supply chain constraints and a gradual pick-up in domestic demand. As a result, the central bank entered a shallow interest rate hiking cycle to manage long-run inflation expectations, however, current interest rate levels still remain supportive relative to pre-pandemic levels.

Overall transactional volumes normalised considerably with some of the worst affected industries starting to show higher activity levels towards the end of the calendar year. Card spend in sectors such as travel and hospitality began to recover while IT services, groceries, hardware, small freight transport, and essential goods and services remained resilient.

Growth in private sector savings continued to slow down towards the end of the calendar year. This, together with low interest rates and a gradual recovery in income, provided a foundation for slightly improved household demand for credit.

Notwithstanding the pick-up in economic activity, the impact of Covid-19 has resulted in extremely high unemployment and income inequality which has weakened the economy. However, the benefits of strong commodity export prices and the economy continuing to open up should result in improved business and consumer confidence over time, especially if coupled with much-needed and well-documented structural reforms.

The countries in Africa where the group operates continued to benefit to some degree from high commodity prices and the resultant improvement in economic activity.

The UK economy continued its strong recovery into the end of 2021. The lift in domestic demand combined with supply chain constraints has resulted in higher inflation, which led the Bank of England (BoE) to commence its monetary policy normalisation process in December. Interest rates still remain supportive by historical standards.

Financial performance

When interpreting the results for the six months to 31 December 2021, the comparative period still represents a low base given the prevailing impact of the Covid-19 pandemic. The high level of impairments and reduced volumes resulted in a significantly depressed performance for that six-month period.

The 49% increase in the bank's normalised earnings compared to the six months to 31 December 2020 was mainly driven by the unwind of credit provisions which reflects the economic recovery. Pleasingly, the bank's normalised ROE increased to 22.8% and its Common Equity Tier 1 (CET1) ratio increased to 14.1% (December 2020: 13.5%).

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

FIRSTRAND BANK FINANCIAL HIGHLIGHTS

	Six months ended			Year ended
	31 December	31 December		30 June
R million	2021	2020	% change	2021
NII	**24 679**	23 467	5	36 700
NIR	**18 722**	17 633	6	35 549
Operating expenses	**(23 219)**	(22 565)	3	(44 990)
Impairment charge	**(3 436)**	(7 161)	(52)	(11 115)
Normalised earnings	**11 933**	7 996	49	19 032
ROE (%)	**22.8**	16.3		19.1
Gross advances	**946 621**	889 051	6	896 424
Credit loss ratio (%)	**0.75**	1.60		1.23
NPLs as a % of advances	**4.26**	5.35		5.22

SOURCES OF NORMALISED EARNINGS – PERIOD-ON-PERIOD

R million	Six months ended 31 December				% change	Year ended 30 June	
	2021	**% composition**	2020	% composition		2021	% composition
FNB	**8 314**	**70**	6 331	79	31	14 448	76
RMB	**2 471**	**21**	2 135	27	16	4 612	24
WesBank	**381**	**3**	287	4	33	399	2
MotoNovo (back book)*	**(335)**	**(3)**	(205)	(3)	63	(390)	(2)
Centre**	**1 393**	**11**	(311)	(4)	>100	488	3
Other equity instrument holders	**(291)**	**(2)**	(241)	(3)	21	(525)	(3)
Normalised earnings	**11 933**	**100**	7 996	100	49	19 032	100

* MotoNovo back book is included in FCC in the segment report.

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

NORMALISED EARNINGS PER OPERATING BUSINESS – ROLLING SIX-MONTH VIEW

	Six months ended				**December 2021 vs December 2020**	December 2021 vs June 2021	June 2021 vs December 2020
	31 December	30 June	31 December	30 June			
R million	**2021**	2021	2020	2020	**% change**	% change	% change
FNB	**8 314**	8 117	6 331	2 480	**31**	2	28
RMB	**2 471**	2 477	2 135	2 281	**16**	–	16
WesBank	**381**	112	287	(259)	**33**	>100	(61)
MotoNovo (back book)*	**(335)**	(185)	(205)	(289)	**63**	81	(10)
Centre**	**1 393**	799	(311)	(436)	**>100**	74	>100
Other equity instrument holders	**(291)**	(284)	(241)	(304)	**21**	2	18
FirstRand Bank	**11 933**	11 036	7 996	3 473	**49**	8	38

* MotoNovo back book is included in FCC in the segment report.

** FCC (including Group Treasury) excluding MotoNovo back book.

PRE-PROVISION OPERATING PROFIT

R million	Six months ended 31 December 2021	Six months ended 30 June 2021	Six months ended 31 December 2020	December 2021 vs December 2020 % change
FNB	**14 277**	14 051	14 206	**–**
RMB	**3 362**	3 776	3 481	**(3)**
WesBank	**1 238**	1 054	1 512	**(18)**
MotoNovo (back book)	**(387)**	(306)	(188)	**>100**
MotoNovo (back book) (£ million)	**(18.9)**	(17.5)	(8.9)	**>100**
Centre	**1 220**	734	(954)	**>100**
FirstRand Bank	**19 710**	19 309	18 057	**9**

The bank delivered robust pre-provision operating profit growth of 9% period-on-period.

The composition reflects outcomes emerging from specific investment strategies implemented by Group Treasury and credit origination strategies executed by the operating businesses, within a defined group risk appetite anchored to South African macroeconomic dynamics, the normalising operating environment and emerging credit cycle.

The significant movements in Group Treasury's profits, reflected in the table as the Centre, continued as expected given the financial resource management (FRM) strategies implemented during the pandemic. The period-on-period positive swing was driven by asset and liability management (ALM) strategies, including the management of liquidity, interest rate risk and foreign exchange mismatch positions. In addition, certain one-off income further boosted overall performance.

Regarding the operating businesses, FNB's pre-provision operating profit performance mainly reflects the credit origination approach in the retail segment to focus on better-quality, lower-risk credit customers. This impacted net overall credit origination volumes and resulted in subdued net interest income (NII) growth. In addition, the stronger growth in residential mortgages relative to unsecured resulted in margin pressure.

This NII drag was to some degree offset by solid growth in transactional volumes due to the strong economic rebound and continued customer acquisition. Absolute non-interest revenue (NIR) growth was impacted by certain fee reductions on the back of new customer propositions as FNB responded to competitive pricing in certain customer subsegments.

FNB remains the largest gatherer of SA retail deposits. This financial capacity also contributed to Group Treasury's pre-provision operating profit as the deposit funding replaced institutional funding, lowering the cost of funds for the bank. Group Treasury further invested into treasury bills and other high-quality liquid assets (HQLA) investments, boosting NII.

WesBank's pre-provision operating profit was also impacted by muted advances growth, in part due to an origination tilt to better-quality, lower-risk customers. In addition, there was a continued mix shift to a higher proportion of floating-rate loans, reducing new business margins.

The reduction in RMB's pre-provision operating profit was mainly from pressure on NII due to subdued credit demand from the corporate sector. Whilst core advances grew 6% period-on-period, average advances decreased. RMB continued to be disciplined on pricing to protect returns. This considered origination approach offset a rebound in NIR given a solid performance from markets.

The bank believes this approach will ensure that the customer-facing businesses will capture a higher market share of better quality, lower-risk business, whilst satisfying the credit demand from customers as income recover from the effects of the pandemic.

Costs continue to be a focus, and 3% growth period-on-period is pleasing. The cost trend does include important investment strategies, which will support future growth and returns. In addition, whilst structural costs are receiving ongoing attention, certain of these will re-emerge in the short to medium term as the working environment adjusts post pandemic.

The MotoNovo loss for the period increased due to increased NPL coverage for long-outstanding stage 3 advances, provisions raised for certain operational events and lower NII as the book continues to run off.

Revenue and cost overview

Overall bank NII increased 5% period-on-period with some support from a return to growth in advances and continued strong deposit growth. NII was further supported by increased capital balances. The growth from the bank's deposit franchises resulted in lower institutional funding requirements and, consequentially, lower market funding spreads.

Net interest margin (NIM) improved 18 bps to 4.74%. This was mainly due to ALM strategies and positive capital endowment.

FNB delivered retail and commercial advances growth of 1% and 9%, respectively. Retail advances growth remained muted as FNB's origination focused on lower-risk customers. Commercial advances grew strongly in line with a focus on specific sectors. Deposit growth benefited from ongoing momentum in savings and investment products, and particularly good growth from the commercial segment.

RMB's core advances growth of 6% reflects improved underlying client demand in the latter part of the reporting period. Deposit growth of 6% remained healthy, with some margin contraction, primarily due to the low-rate environment.

WesBank advances declined as the business continued to focus on lower-risk origination against a highly competitive lending environment. Advances further declined due to the high level of non-performing loan (NPL) write-offs, whilst performing advances continued to grow.

The MotoNovo back book continued to run down.

Growth in advances and deposits is unpacked by operating business below.

	Growth in advances %	Growth in deposits %
FNB	3	9
– Retail	1	9
– Commercial	9	9
WesBank	(1)	n/a
RMB*	6	6
MotoNovo (back book)**	(41)	n/a

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

** *MotoNovo back book down 45% in pound terms (December 2021: £70 million; December 2020: £126 million).*

Total bank NIR increased 6%. This was supported by 4% growth in fee and commission income and 17% growth in trading and fair value income, but partly offset by a 6% decline in insurance commission income.

FNB's NIR increased 5%, benefiting from good growth (+12%) in transactional volumes and customer growth of 3%.

RMB's NIR grew 9%, with trading activities producing a resilient performance, driven by the equities, foreign exchange and commodities desks. This was partly off by a softer fixed income performance. Fee income remained resilient.

Growth in operating expenses for the bank was contained at 3%, reflecting the continued focus on cost management across the business. It was also achieved despite ongoing investment in:

> build-out and consolidation of the domestic enterprise platform; and

> build-out of the group's footprint and platform in the rest of Africa, with a large portion of those expenses recognised in the bank.

Additional costs associated with managing employee and customer well-being on premises and in branches, and the facilitation of remote working for a significant proportion of employees, continue to be incurred. The cost-to-income ratio improved to 53.5% (December 2020: 54.9%).

Credit performance

FirstRand Bank's credit performance continues to reflect positive underlying trends supported by the improving macroeconomic forward-looking outlook, with positive revisions to key economic variables compared to June 2021.

Advances growth for the six months ended 31 December 2021 was driven by the residential mortgage, and corporate and commercial portfolios. Retail unsecured and vehicle asset finance (VAF) growth, however, remained subdued. The composition of advances also reflects positive trends as stage 2 remained flat and stage 3 advances continue to contract.

Despite this general improvement, FirstRand believes maintaining conservative balance sheet provision stock is appropriate given ongoing uncertainties, rising inflation, increasing interest rate pressure and the settlement of the revised debit order process. Management retained the stress scenario albeit at a lower weighting. Overall performing coverage decreased to 1.88% from 1.98% at June 2021, reflecting the improving macro environment combined with the change in mix with lower arrear stage 2 advances.

NPLs have decreased 15% since December 2020, and 14% since June 2021. NPLs as a percentage of advances decreased to 4.26% (December 2020: 5.35%; June 2021: 5.22%) benefiting from the cure of paying NPLs, slower inflow given conservative origination strategies, strong collections and advances growth.

This drove the 52% reduction in the overall impairment charge to R3.4 billion (December 2020: R7.2 billion) as analysed in the following table. The credit loss ratio of 75 bps remained below the through-the-cycle range of 100 bps to 110 bps.

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended				December 2021 vs December 2020	December 2021 vs June 2021	June 2021 vs December 2020
	31 December	30 June	31 December	30 June			
R million	**2021**	2021	2020	2020	% change	% change	% change
Performing book provisions	**267**	(1 261)	1 404	5 226	(81)	(>100)	(>100)
NPL provision	**(1 738)**	(301)	855	3 906	(>100)	(>100)	(>100)
Credit provision (decrease)/increase	**(1 471)**	(1 562)	2 259	9 132	(>100)	(6)	(>100)
Modification loss	**411**	309	291	273	41	33	6
Gross write-off* and other**	**5 603**	6 304	5 577	4 770	–	(11)	13
Post write-off recoveries	**(1 107)**	(1 097)	(966)	(795)	15	1	14
Total impairment charge	**3 436**	3 954	7 161	13 380	(52)	(13)	(45)
Credit loss ratio (%)	**0.75**	0.89	1.60	2.95			

* *Write-off of gross balances excluding prior period provisions held.*

** *Net interest recognised on stage 3 advances of R1 395 million (December 2020: R1 471 million; June 2021: R3 059 million) is excluded from write-off and other and included in the NPL provision.*

The above table demonstrates the move in impairments on a rolling six-month view, based on movements in the balance sheet. The R267 million portfolio provision increase reflects advances growth and judgemental out-of-model provisions recognised, which offset the improvement in macro assumptions, and the release of Covid-19-related provisions.

The next table deals with the rolling six-month change in NPL balances. It is pleasing to see that the reduction in operational NPLs has continued due to slower inflow and ongoing work-out and write-offs. Collection efforts remained strong and resulted in paying NPLs curing and thus decreasing R2.4 billion period-on-period (R3.0 billion decrease since June 2021).

Overall NPL coverage increased to 49.4% (December 2020: 46.2%; June 2021 46.4%), mainly driven by a large portion of paying NPLs (with lower coverage) curing into performing, in line with expectations. The remaining NPLs reflected a marginal deterioration and product coverage was largely maintained.

CHANGE IN NPLs

	31 December 2021 vs 31 December 2020			31 December 2021 vs 30 June 2021		
	R million	**% change**	**Percentage point contribution to overall NPL increase**	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs*	**(4 658)**	**(14)**	**(10)**	(3 433)	(10)	(8)
Covid-19 relief paying NPLs**	**(1 628)**	**(48)**	**(3)**	(2 322)	(57)	(5)
Other paying NPLs#	**(802)**	**(8)**	**(2)**	(660)	(7)	(1)
NPLs (excluding MotoNovo)	**(7 088)**	**(15)**	**(15)**	(6 415)	(14)	(14)
MotoNovo (back book)	**(124)**	**(30)**	**–**	(3)	(1)	–
Total bank NPLs	**(7 212)**	**(15)**	**(15)**	(6 418)	(14)	(14)

* *Include advances that received Covid-19 relief, other advances and debt-review ≥ 90 days in arrears.*

** *Include Covid-19 relief loans <90 days in arrears still subject to curing criteria.*

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

Retail NPLs decreased 12% from R36.9 billion at June 2021 to R32.4 billion at December 2021 (December 2020: R36.9 billion). NPLs as a percentage of advances decreased to 7.93% (December 2020: 9.11%; June 2021: 9.16%) driven by the curing of paying NPLs, slower inflows, ongoing write-offs, strong collections and work-outs, and support from higher advances.

Commercial NPLs declined 20% to 4.31% of advances (December 2020: 5.80%; June 2021: 5.21%). The decline was due to work-outs and write-offs, curing of a few large counterparties and lower stage 3 inflows in various portfolios.

NPLs in the corporate and investment banking (CIB) including the HQLA portfolio decreased 38% to 0.44% of advances (December 2020: 0.80%; June 2021: 0.75%), reflecting part settlement and curing of several counterparties.

In MotoNovo, NPLs increased to 19.12% of advances (December 2020: 16.22%; June 2021: 15.89%) as the book continued to run down (denominator impact). Absolute NPLs, however, decreased 30% or R124 million.

With regard to the Covid-19 relief books, overall gross advances decreased from R98 million to R74 billion as customers continued to repay and no new relief was granted. The performance of the relief book was stable and slightly better than expected. The proportion of the portfolio under relief declined to 8% of advances from 11% at June 2021.

Financial resource management

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

Group Treasury also manages market risk associated with balance sheet activities within regulatory and management limits, and the group's risk appetite. The aim is to protect and enhance earnings without adding to the overall risk profile.

CAPITAL POSITION

Capital ratios for the bank are summarised below.

CAPITAL ADEQUACY*

%	Internal targets	Bank** As at 31 December 2021	2020
CET1	11.0 – 12.0	**14.1**	13.5
Tier 1	>12.0	**14.7**	14.2
Total	>14.25	**17.6**	16.7

* *Including unappropriated profits.*

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

The Prudential Authority (PA) published *Directive 5 of 2021*, *Capital framework for South Africa based on the Basel III framework*, which reinstated the Pillar 2A requirement of 1% on 1 January 2022. The bank's internal targets remain appropriate as these were not adjusted for any temporary Covid-19 relief measures.

The bank's CET1 ratio strengthened further to 14.1% (December 2020: 13.5%; June 2021: 14.5%), well above the upper end of its internal target range of 12.0%. The bank accreted both net asset value (NAV) and CET1 over the 12-month period as it continued its focus on the optimisation of risk-weighted assets (RWA) and the efficient use of financial resources.

Key factors affecting the CET1 ratio period-on-period are outlined below:

> the positive earnings contribution was partly offset by the payment of dividends for the 2021 financial year;

> the final transitional impact of IFRS 9; and

> successful financial resource optimisation strategies and muted RWA growth.

The bank continues to actively manage its capital composition and align Additional Tier 1 (AT1) and Tier 2 levels with internal targets. During the period under review, the bank issued R2.5 billion Tier 2 instruments in the domestic market to optimise its capital stack and manage the rollover of existing Tier 2 instruments. AT1 and Tier 2 instruments are treated as funding, and not used to support risk. It remains the group's intention to continue optimising its regulatory capital composition by issuing AT1 and Tier 2 capital instruments in the domestic and/or international markets. This will ensure sustainable support for ongoing growth initiatives and redemption of existing capital instruments.

LIQUIDITY POSITION

Due to the liquidity risk introduced by its business activities, the bank optimises its funding composition within structural and regulatory constraints to enable business to operate in an efficient and sustainable manner. The bank entered the Covid-19 crisis in a strong liquidity position. The diversification and strength of the deposit franchise resulted in the liquidity position improving during the crisis and thereafter. The bank remains well funded, with adequate liquidity buffers to meet both prudential liquidity requirements and internal risk targets. In order to allow markets to continue to operate smoothly and provide banks with temporary liquidity relief during the crisis, the PA temporarily reduced the prudential liquidity coverage ratio (LCR) requirement from 100% to 80%. FRB managed to keep its LCR above 100% throughout the Covid-19 crisis and thus did not utilise the temporary liquidity relief provided. The net stable funding ratio (NSFR) regulatory requirement remained unchanged throughout the crisis. In October 2021, the PA published a directive withdrawing the temporary liquidity relief measures related to the LCR requirement. Given that funding markets have largely normalised and considering the industry's liquidity position, the PA increased the minimum LCR requirement to 90% from 1 January 2022 and 100% effective 1 April 2022.

The pandemic continues to negatively affect the South African economy, and the bank continues to monitor key risk metrics and early warning indicators closely. The bank regularly forecasts and reviews its liquidity position using scenario analysis. The bank continues to hold appropriate liquidity buffers and can access the required funding to withstand anticipated near-term liquidity risks.

The bank's portfolio of HQLA provides a liquidity buffer against unexpected liquidity stress events or market disruptions and serves to facilitate the changing liquidity needs of the operating businesses. The composition and quantum of available liquid assets are defined behaviourally by considering both the funding liquidity-at-risk and the market liquidity depth of these instruments. Additional liquidity overlays in excess of prudential requirements are determined based on stress testing and scenario analysis of cash inflows and outflows, and are used to manage the bank's funding cyclicality and seasonality.

The bank has built its liquid asset holdings in accordance with asset growth, risk appetite and regulatory requirements. The HQLA portfolios are continually assessed and actively managed to ensure optimal composition, cost and quantum.

LIQUIDITY POSITIONS

%	Bank* As at 31 December 2021	2020
LCR		
Regulatory minimum	**80**	80
Actual**	**124**	127
Average available HQLA (R billion)	**310**	299
NSFR		
Regulatory minimum	**100**	100
Actual**	**121**	124

* *The bank's LCR, NSFR and average available HQLA reflect South African operations only.*

** *Exceeds regulatory minimum requirements with appropriate buffers.*

REGULATORY UPDATE

The Financial Sector Laws Amendment Bill (FSLAB) proposed a new chapter to be inserted into the Financial Sector Regulations Act, i.e. *Chapter 12A – Resolution of Designated Institutions*, with a view to strengthen the ability of the South African Reserve Bank (SARB) to manage the orderly resolution of a failed bank. The bill also introduced a new tranche of loss-absorbing instruments, namely first loss after capital (flac) instruments, which are subordinated to other unsecured creditors and intended for bail-in during resolution. Flac requirements will be applicable to banks with open-bank resolution plans. Another key amendment contained in the FSLAB is the establishment of the Corporation for Deposit Insurance (CoDI). The CoDI will be a separate entity within the SARB, mandated to manage a deposit insurance scheme in South Africa, designed to protect depositors' funds and enhance financial stability.

On 27 January 2022, the President assented the FSLAB and it is now an Act, i.e. the Financial Sector Laws Amendment Act 23 of 2022 (FSLA). One of the key provisions of FSLA is that the SARB will become the designated resolution authority with the necessary powers to operationalise an effective resolution regime. The provisions of FSLA (including the granting of powers to the SARB to issue resolution standards) will, however, only become operational as outlined in a commencement schedule. This is due to be gazetted by the Minister of Finance in the near future.

The group's initial impact assessments suggest an annual CoDI cost of between R230 million and R280 million for a covered deposit balance of approximately R110 billion. The cost of flac instruments will depend on final calibration levels. Initial estimates range between R100 million and R300 million per annum for FirstRand, which will be incurred on a phased-in basis from 2025 onwards. These costs will be incorporated in the group's ALM strategies with various transmission mechanisms being analysed and considered as part of the group's FRM process.

The directives issued by the PA relating to the temporary capital and liquidity relief measures provided during the Covid-19 crisis have already been covered in the capital and liquidity sections above. The PA also released *Directive 7 of 2021*, *Withdrawal of the temporary treatment of restructured credit exposures due to the Coronavirus (Covid-19) pandemic*, to withdraw *Directive 3 of 2020*, *Matters related to the treatment of restructured credit exposures due to the Coronavirus (Covid-19) pandemic* (which had provided temporary relief for credit risk, specifically the treatment of restructured credit exposures related to Covid-19), effective 1 April 2022. Directive 3 of 2020 will also no longer apply to any restructured credit exposures (new or reapplications) granted from 1 January 2022 onwards. The impact of the withdrawal of this directive on CET1 capital was not material.

Events after reporting period

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

Board changes

Changes to the directorate are outlined below.

		Effective date
Resignation		
F Knoetze	Non-executive director	1 December 2021

WR JARDINE ~ Chairman

AP PULLINGER ~ CEO

C LOW ~ Company Secretary

H KELLAN ~ CFO

2 March 2022

review of operations

FNB

FNB represents the bank's activities in the retail and commercial segments. FNB's strategy is underpinned by:

> a main-banked client strategy anchored to growing and retaining customer relationships using core transactional accounts as a key lever;

> a digital platform providing market-leading interfaces to deliver contextual, cost-effective, innovative and integrated financial services offerings to its customers on either an assisted (in-person) or unassisted (self-service) basis;

> using its deep customer relationships, extensive data and sophisticated data analytics to cross-sell a broad range of relevant financial services products, including banking, insurance and investments;

> applying disciplined credit origination strategies that appropriately support customer requirements and affordability;

> providing innovative products to grow customer savings and, in turn, the retail deposit franchise;

> utilising eBucks to reward desired customer behaviours, and drive platform adoption and appropriate cross-sell;

> leveraging its mobile virtual network operator (MVNO) to augment customer value propositions, as well as to provide affordable telecommunication services to customers; and

> strategically managing physical points of presence that are right-sized, have appropriate coverage and offer cost-efficient assisted engagements with customers on platform.

FNB FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	**2021**	2020	% change	2021
Normalised earnings	**8 314**	6 331	31	14 448
Normalised profit before tax	**11 559**	8 794	31	20 071
– South Africa	**11 704**	8 914	31	20 404
– Rest of Africa*	**(145)**	(120)	21	(333)
Pre-provision operating profit	**14 277**	14 206	–	28 257
Total assets	**432 872**	416 455	4	420 010
Total liabilities	**426 143**	412 482	3	404 954
Performing advances	**401 852**	385 470	4	389 628
Stage 3/NPLs as a % of advances	**7.14**	7.88		7.98
Credit loss ratio (%)	**1.27**	2.58		1.94
Cost-to-income ratio (%)	**52.1**	51.2		51.5
Advances margin (%)	**4.05**	4.24		4.21

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

Total FNB normalised earnings increased 31%. This performance was characterised by a significant reduction in period-on-period impairments coupled with a rebound in NIR. Costs continued to be well managed, increasing 4%, despite ongoing investment into FNB's platform build-out.

FNB's NII growth reflects muted advances growth, however FNB continued to attract deposits as customers managed their personal and business balance sheets conservatively in response to the pandemic. Domestic deposits grew 9%. Endowment base effects continued to result in some NII drag, although Group Treasury's ALM mitigation strategies provided ongoing support.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Deposit growth		Advances growth	
Segments	**%**	**R million**	**%**	**R million**
Retail	**9**	**26 508**	**1**	**4 644**
– Consumer	**6**	**5 277**	**(7)**	**(3 964)**
– Premium	**10**	**21 231**	**3**	**8 608**
Commercial	**9**	**28 698**	**9**	**9 646**
Total FNB	**9**	**55 206**	**3**	**14 290**

Growth in retail advances reflects a deliberate origination strategy focused on good-quality, lower-risk credit customers. This is supportive of the long-run credit risk profile, but has impacted net overall origination volumes. Based on own and bureau data, affordability indicators suggest these high-quality lower-risk customers have further capacity for credit and FNB therefore expects retail growth to pick up. Improving levels of origination were already evident in the second quarter of the period under review.

Commercial advances grew strongly in line with a deliberate sector focus.

FNB delivered NIR growth of 5%, driven by new active customer acquisition and a rebound in customer activity. This was offset by certain fee reductions.

Whilst the economy has not yet fully recovered from the impacts of the pandemic, the transactional volume rebound in FNB's client base is encouraging. FNB's digital channels continued to deliver growth off an already high base, which is testament to the success of its platform evolution and strategy to drive customer take-up of digital interfaces, particularly migration to the app (up 24%). The commercial customer footprint also continues to show solid growth in point-of-sale transactional activity.

CHANNEL VOLUMES

	Six months ended 31 December			Year ended 30 June
Thousands of transactions	**2021**	2020	% change	2021
ATM/ADT	**108 275**	108 523	–	219 360
Digital*	**331 375**	293 032	13	593 135
Point-of-sale merchants	**391 444**	316 502	24	649 967
Card swipes	**487 531**	436 585	12	871 350

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

SEGMENT RESULTS

	Six months ended 31 December			Year ended 30 June
R million	**2021**	2020	% change	2021
Normalised PBT				
Retail	**5 590**	3 796	47	10 009
Commercial	**6 114**	5 118	19	10 395
Rest of Africa*	**(145)**	(120)	21	(333)
Total FNB	**11 559**	8 794	31	20 071

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

Retail's earnings growth was mainly driven by a significant reduction in impairments. Customer growth, good deposit acquisition and product strategies also contributed to earnings growth.

Retail's refocused value propositions resulted in an increase in the vertical sales index (VSI), a measure of cross-sell, to 3.04 (December 2020: 2.98). Commercial VSI was maintained at 2.32.

Commercial's earnings growth was also underpinned by further customer gains of 5% and improved impairments. This was further supported by a strong rebound in transactional volumes in both its foreign exchange and merchant services activities, resulting in good NIR growth. Advances growth was mainly in the agriculture, commercial property and asset-backed finance portfolios, and this, coupled with better facility utilisation in specialised finance, resulted in overall commercial advances growth of 9%.

ACTIVE CUSTOMERS AND PLATFORM USERS

	31 December			30 June
Millions	**2021**	2020	% change	2021
Retail	**7.68**	7.43	3	7.52
– Consumer	**5.99**	5.86	2	5.92
– Premium	**1.69**	1.57	8	1.60
Commercial	**1.14**	1.09	5	1.13
Total customers	**8.82**	8.52	4	8.65
eWallet*	**5.95**	5.61	6	5.61
Total platform users	**14.77**	14.13	5	14.26

** Represent all eWallets without another FNB relationship/product that had at least one transaction in the past six months. In addition, there are 1.62 million eWallets belonging to FNB customers. FNB customer eWallets represent 21% of the total active eWallet base of 7.57 million.*

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended 31 December			Year ended 30 June
R million	**2021**	2020	% change	2021
Performing book provisions	**143**	1 189	(88)	(109)
NPL provision	**(1 167)**	1 139	(>100)	1 438
Credit provision (decrease)/increase	**(1 024)**	2 328	(>100)	1 329
Modification loss	**366**	219	67	464
Gross write-off* and other	**4 325**	3 682	17	8 161
Post write-off recoveries	**(949)**	(817)	16	(1 768)
Total impairment charge	**2 718**	5 412	(50)	8 186

* *Write-off of gross balances excluding prior period provisions held.*

FNB's credit impairment charge reduced to R2.72 billion (December 2020: R5.41 billion), with the credit loss ratio dropping to 127 bps (December 2020: 258 bps). This was driven primarily by:

> net release of provisions due to improved forward-looking information (FLI) effects;

> good collections and better post write-off recoveries;

> the curing in FNB's debt relief portfolios and release of the related provisions and Covid-19 impairment scaling factors;

> pre-emptive provisioning for the forecast rate hiking cycle; and

> additional judgemental post-model adjustments to cater for any uncertainty around the severity and potential impact of the fourth Covid-19 wave (Omicron variant) and any future variants.

FNB's approach to provisioning remained prudent. Forward-looking economic indicators improved when compared to December 2020 and June 2021, resulting in a release of previously raised FLI provisions. These indicators and weightings of the scenarios are disclosed on pages 150 to 152. As business and consumer confidence improves, further coverage reduction is expected.

Post-model adjustments were created to ensure adequate coverage for the current stressed environment, enhancing coverage relating to loss given default (LGD) levels in FNB's secured portfolios and industry-specific stress in the commercial segment. In June 2021, an additional stress scenario was introduced into the credit FLI models and, whilst still considered appropriate at December 2021, the quantum has been reduced given the improving macro assumptions. Centrally raised post-model adjustments at December 2021 amounted to R420 million (December 2020: R620 million) to cater for uncertainties in the environment.

Overall, collections across all product portfolios performed well. The repayment behaviour on the debt relief books was better than expected with a further R686 million reduction in the total book size to R2.4 billion since June 2021.

Performing (stage 1 and 2) coverage declined since June 2021 (2.71%) to 2.66% (December 2020: 3.08%) as stage 2 decreased. NPLs continued to trend down and, at December 2021, represented 7.14% of total advances compared to 7.98% in June 2021. This improvement reflects the effectiveness of FNB's credit management strategies and resulted from lower inflows, good customer curing due to focused collections, and the impact of the new recency-based write-off policy. NPL coverage remained conservative and was marginally up compared to June 2021.

FNB continues to invest in its enterprise-wide platform and customers can perform most of their financial services requirements digitally. The platform enables customers to engage via assisted interfaces (e.g. points of presence and call centres) and unassisted interfaces (mobile banking (USSD), online banking, the app, ATMs and ADTs). Regardless of the interface, the platform used in all interactions is the same.

The platform offers contextual customer experiences through an ecosystem of offerings called "nav". These are designed to assist customers in managing key financial and lifestyle needs. The platform also enables non-banking services such as electricity, mobile data and digital vouchers.

Key platform highlights for the six months ended 31 December 2021 are outlined below.

> Since the virtual card launch on the FNB app, more than 1.2 million virtual cards have been activated and >R2.4 billion in value transacted. The virtual card is key to facilitating more secure e-commerce transactions.

> Device payments accounted for 9.7 million transactions (R3.4 billion in value).

> Approximately six million eWallet users accounted for cash withdrawals of R19.5 billion.

> nav»Money provides customers with simple, easy-to-use money management tools, which help them track their spend, view credit scores, etc. It currently has 2.5 million users, up 56% period-on-period. The money coach has had 359k unique visitors since inception.

> nav»Home has placed c. 31k families in homes and paid out R33.4 billion in loans since inception. Estate agent functionality is now live on the app and 132 estate agents have been onboarded, with 1 153 current listings.

> nav»Car loaded 729k vehicles and delivered 108k vehicle licences, while WesBank financed R95.7 million in vehicle loans. CarP2P was launched recently, with 350 active listings at December 2021.

> Digitally active customers grew to 6.21 million (December 2020: 6.02 million). Digital includes mobile banking (USSD), online banking and the app.

> The banking app active transacting base exceeded 4.4 million customers and reached new monthly records of 89.5 million logins in December 2021, 61% higher than December 2019 and 15% higher than December 2020.

> Digital logins totalled 804 million, with online and mobile banking (USSD) logins of 91 million and 222 million, respectively. The app contributed 491 million logins.

> Total transactional volumes through digital interfaces included 85 million for online banking, 230 million (+24%) for the banking app and 17 million for mobile banking (USSD), highlighting the scalability of FNB's platform.

> Commissionable purchases and fulfilment on platform, i.e. electricity, mobile and digital vouchers sold, amounted to R9.1 billion, up 3%. Approximately three million customers use these services.

RMB

RMB represents the bank's corporate and investment banking activities. RMB leverages an entrenched origination franchise, a strong market-making and growing distribution product offering, a competitive transactional banking platform and a class-leading private equity track record, which is largely part of FRIHL and not reported in bank, to ensure delivery of an integrated CIB value proposition to corporate and institutional clients. This diversified business portfolio, coupled with a disciplined approach to balancing risk, return and growth, is designed to deliver sustainable earnings, balance sheet resilience and superior returns.

RMB FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	**2021**	2020	% change	2021
Normalised earnings	**2 471**	2 135	16	4 612
Normalised profit before tax	**3 432**	2 965	16	6 405
Pre-provision operating profit	**3 362**	3 481	(3)	7 257
Total assets	**589 098**	576 363	2	536 353
Total liabilities	**586 573**	574 309	2	531 342
Credit loss ratio (%)	**(0.04)**	0.32		0.27
Cost-to-income ratio (%)	**56.1**	54.3		53.8

RMB delivered a solid performance with normalised PBT increasing 16%, benefiting from lower credit provisioning, in line with expectations and reflecting a normalisation of the credit cycle post Covid-19. The slight reduction in RMB's pre-provision operating profit was mainly due to the impact of a decrease in average advances period-on-period and ongoing competitive margin pressure, especially in the investment-grade market. Growth of 6% in core advances in the current period should support NII in the second half. Although average core deposit grew 10%, ongoing liability margin compression due to the lower average rate environment period-on-period negatively impacted NII growth.

The uplift in PBT was driven by:

> a significantly lower impairment charge;

> a respectable contribution from the markets business;

> resilient fee income; and

> core deposit growth of 8% period-on-period, although average core deposits increased 10%.

The 4% increase in costs reflects the benefit of an ongoing focus on cost management, as well as certain timing benefits on investments as the business continued to modernise its core platform.

RMB continues to be prudently provided in response to the constrained macroeconomic environment and rising inflation levels, specifically against ongoing uncertainty in sectors directly impacted by the pandemic, with the performing coverage ratio against core advances (excluding repos) at 144 bps (December 2020: 151 bps; June 2021: 158 bps).

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended 31 December			Year ended 30 June
R million	**2021**	2020	% change	2021
Performing book provisions	**(25)**	380	(>100)	473
NPL provision	**(109)**	(744)	(85)	(849)
Credit provision decrease	**(134)**	(364)	(63)	(376)
Gross write-off* and other	**65**	881	(93)	1 233
Post write-off recoveries	**(1)**	(1)	–	(5)
Total impairment charge	**(70)**	516	(>100)	852

* *Write-off of gross balances excluding prior period provisions held.*

RMB saw an improvement in the core lending portfolio over the period, with Covid-19 relief loans reducing by a further R10.8 billion to R6.5 billion – at the height of the pandemic this was c. R53 billion. NPLs trended downward, reflecting a combination of the positive migration and de-gearing of certain clients over the period.

BREAKDOWN OF PBT CONTRIBUTION

	Six months ended 31 December			Year ended 30 June
R million	**2021**	2020	% change	2021
Banking	**2 635**	2 135	23	4 499
Markets	**910**	916	(1)	1 922
Private equity	**(42)**	(44)	(5)	(72)
Other*	**(71)**	(42)	69	56
Total RMB	**3 432**	2 965	16	6 405

* *Other includes support and head office activities.*

The banking business's profits grew 23%, a good performance underpinned by an improving credit portfolio resulting in a small release in credit provisions compared to the c.R500 million impairment charge in the comparative period. Despite this release, the portfolio remains conservatively provided given ongoing macro and sector-specific pressures.

Investment banking's performance benefited from robust structuring and commitment fee income. This was partially offset by lower advisory fee income given the non-repeat of material fees recorded in the prior period, and continued margin pressure and a decline in average advances.

Corporate transactional banking's muted performance reflects the impact of lower margin income, a slight reduction in NIR and ongoing investment in platform modernisation. Margins were negatively impacted by lower liquidity premiums earned and a change in mix to higher levels of investment products despite robust average deposit growth of 11%.

The markets business performance is muted with PBT down 1%. This was underpinned by a robust performance from the equities and offshore secured financing activities following the increased client volumes and market participation post the Covid-19 disruption in the comparative period. The fixed income business had a comparatively softer start to the year, impacted by global inflation pressures, a tightening global rate cycle and declining emerging market credit appetite. The commodities performance remained resilient period-on-period due to client flows and hedging activities, primarily in gold, coupled with a good currency desk performance as a result of exchange rate volatility.

WesBank

WesBank represents the bank's activities in vehicle asset finance, fleet management and related services in the retail, commercial and corporate segments. WesBank's strategy remains centred on protecting and growing its unique and long-standing model of partnering with leading motor manufacturers, suppliers and dealer groups. This partnership model delivers the following channels:

> direct to dealer through a point-of-sale presence;

> joint venture arrangements with industry players; and

> participation in original equipment manufacturer (OEM) captive arrangements through servicing and equity agreements.

This is further augmented by a digital presence via WesBank online, the WesBank app and FNB's nav»Car.

WESBANK FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	**2021**	2020	% change	2021
Normalised earnings	**381**	287	33	399
Normalised profit before tax	**529**	398	33	555
Pre-provision operating profit	**1 238**	1 512	(18)	2 566
Total assets	**116 141**	116 331	–	115 572
Total liabilities	**116 738**	117 059	–	116 142
Performing advances	**110 298**	106 972	3	107 217
Stage 3/NPLs as a % of advances	**6.46**	9.75		8.75
Credit loss ratio (%)	**1.20**	1.86		1.69
Cost-to-income ratio (%)	**62.3**	55.9		61.6
Net interest margin (%)	**2.95**	3.15		3.16

The South African new vehicle market continued its gradual recovery during the 2021 calendar year. Total domestic new car sales have increased 22% period-on-period (December 2020: 380 206 units; December 2021: 464 122 units), off a very low base which was significantly impacted by Covid-19. New car sales still remain lower than pre-pandemic levels.

WesBank's new business was up 10% on the prior period as the business recovered from the impact of the pandemic. Its credit management strategies remain tilted towards a gradual increasing of credit risk appetite and focused on lower-risk customers. Active portfolio optimisation continued with customer demand and competition driving risk towards higher loan-to-value (LTV) and balloon structures. The market remained competitive, with margin pressure in the lower-risk segments.

WesBank's digital and ecosystem evolution continued to gather momentum with increasing customer engagement through digital offerings. These included finding vehicles on auction listings (with two million views and 33% on app) or searching on the newly launched car P2P marketplace (183k views). Customers are also utilising the financing calculators, with over 2.8 million views (27% on app) to better understand the financial impact of the cost of their purchase and the various financing options available to them. Customers entering the buying phase increasingly use WesBank's FastApp to determine what they can afford, with over 162k submissions (50% on app) in the year to date.

WesBank corporate and commercial also experienced a positive recovery from an arrears perspective (especially customers who are on the annual payment programme) and improved new business levels. The dealer funding solutions business continued to support the industry through the provision of floor plans and showed good growth over the period in terms of the number of releases from the dealer floor. Average inventory days were lower due to the continued impact of new vehicle shortages.

WesBank's normalised PBT increased 33% to R529 million. The period-on-period recovery in impairments related to a marked reduction in inflows of new arrears and an increase in accounts curing out of arrears. Gross advances growth remained under pressure, as workouts and write-offs continued at higher levels, although performing advances increased across the portfolio.

The rebound in the economy and a focus on collections resulted in an overall improvement in debit order success rates period-on-period. A high portion of accounts that were previously in arrears are now making payments on a consistent basis. WesBank had a strong focus on resolving defaulted accounts which resulted in higher levels of write-offs.

BREAKDOWN OF PRE-TAX PROFITS BY SEGMENT

	Six months ended 31 December			Year ended 30 June
R million	**2021**	2020	% change	2021
Normalised PBT				
Retail VAF	**362**	211	72	313
Corporate and commercial	**167**	187	(11)	242
Total WesBank	**529**	398	33	555

* *Refer to additional segmental disclosure on page 48.*

Retail VAF PBT increased 72% to R362 million, assisted by the improvement in the impairment charge. Corporate and commercial PBT benefited from the improvement in the impairment charge, which was offset by higher expenditure related to a conservative approach to the rapid expansion of the fleet management and maintenance business.

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended 31 December			Year ended 30 June
R million	**2021**	2020	% change	2021
Performing book provisions	**158**	(146)	(>100)	6
NPL provision	**(584)**	455	(>100)	93
Credit provision (decrease)/increase	**(426)**	309	(>100)	99
Modification loss	**45**	72	(38)	135
Gross write-off* and other	**1 231**	859	43	2 029
Post write-off recoveries	**(141)**	(126)	12	(252)
Total impairment charge	**709**	1 114	(36)	2 011

* *Write-off of gross balances excluding prior period provisions held.*

The reduction in the arrears book was primarily due to a decrease in arrear inflows and an increase in accounts curing out of arrear status. This led to a continued drop in the credit loss ratio from 1.86% at December 2020 to 1.20%. Forward-looking economic indicators improved when compared to December 2020 and June 2021.

NPLs as a percentage of advances declined to 6.46% from 9.75% in the prior period. The level of NPLs remained elevated relative to pre-pandemic levels, despite absolute inflows into NPLs reducing during the period. Arrears inflows have returned to pre-pandemic levels. Lengthening in repossession timeframes continued due to persistent court delays and, as such, the NPL book continued to age. Auctions (online and physical) continued to benefit from strong demand for used vehicles, supporting recovery rates.

Operating costs were up 7% from the previous period. Investments continued to be made in a new software system in the fleet management business and in growth of certain business lines, and accounted for most of the period-on-period growth. WesBank continues to invest in the growth of digital platforms to support the development of the vehicle ecosystem. This, combined with lower NII margins driven by lower overall advances, led to a deterioration in the cost-to-income ratio. As the proportion of loans to lower-risk customers increased, margins declined although the long-term credit risk profile improved.

SEGMENTAL ANALYSIS OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	**2021**	**% composition**	2020	% composition	% change	2021	% composition
Retail	**4 173**	**35**	2 798	35	49	7 189	38
– FNB*	**3 912**		2 646		48	6 964	
– WesBank	**261**		152		72	225	
Commercial	**4 522**	**38**	3 820	48	18	7 658	40
– FNB	**4 402**		3 685		19	7 484	
– WesBank	**120**		135		(11)	174	
Corporate and investment banking	**2 471**	**21**	2 135	27	16	4 612	24
– RMB	**2 471**		2 135		16	4 612	
MotoNovo (back book)	**(335)**	**(3)**	(205)	(3)	63	(390)	(2)
Other	**1 102**	**9**	(552)	(7)	(>100)	(37)	–
– Centre**	**1 393**		(311)		(>100)	488	
– Other equity instrument holders	**(291)**		(241)		21	(525)	
Normalised earnings	**11 933**	**100**	7 996	100	49	19 032	100

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

** *FCC (including Group Treasury) excluding MotoNovo back book.*

Segment report

for the six months ended 31 December 2021

	Retail and commercial					
	FNB					
	Retail					
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial
Net interest income before impairment of advances	2 437	1 544	3 172	3 357	**10 510**	6 517
Impairment charge	(172)	(430)	(1 349)	(707)	**(2 658)**	(60)
Net interest income after impairment of advances	2 265	1 114	1 823	2 650	**7 852**	6 457
Non-interest revenue	56	1 463	323	6 287	**8 129**	4 825
Income from operations	2 321	2 577	2 146	8 937	**15 981**	11 282
Operating expenses	(916)	(1 339)	(1 275)	(6 568)	**(10 098)**	(5 144)
Income before indirect tax	1 405	1 238	871	2 369	**5 883**	6 138
Indirect tax	(8)	37	(31)	(291)	**(293)**	(24)
Profit before income tax	1 397	1 275	840	2 078	**5 590**	6 114
Income tax expense	(391)	(357)	(235)	(591)	**(1 574)**	(1 712)
Profit for the period	1 006	918	605	1 487	**4 016**	4 402
Attributable to:						
Ordinary equityholders	1 006	918	605	1 487	**4 016**	4 402
Other equity instrument holders	–	–	–	–	**–**	–
Profit for the period	1 006	918	605	1 487	**4 016**	4 402
Attributable earnings to ordinary shareholders	1 006	918	605	1 487	**4 016**	4 402
Headline earnings adjustments	–	–	–	–	**–**	–
Headline earnings	1 006	918	605	1 487	**4 016**	4 402
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	**–**	–
Normalised earnings	1 006	918	605	1 487	**4 016**	4 402

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

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 02) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 48.*

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

Retail and commercial				Corporate and institutional				
FNB								
FNB rest of Africa*	Total FNB	WesBank**	Retail and commercial	RMB	FCC (including Group Treasury) and other#	FRB – normalised	Normalised adjustments	FRB – IFRS
(4)	17 023	2 012	19 035	3 448	2 196	24 679	(301)	24 378
–	(2 718)	(709)	(3 427)	70	(79)	(3 436)	–	(3 436)
(4)	14 305	1 303	15 608	3 518	2 117	21 243	(301)	20 942
504	13 458	1 355	14 813	4 420	(511)	18 722	411	19 133
500	27 763	2 658	30 421	7 938	1 606	39 965	110	40 075
(645)	(15 887)	(2 099)	(17 986)	(4 411)	(822)	(23 219)	(33)	(23 252)
(145)	11 876	559	12 435	3 527	784	16 746	77	16 823
–	(317)	(30)	(347)	(95)	(30)	(472)	–	(472)
(145)	11 559	529	12 088	3 432	754	16 274	77	16 351
41	(3 245)	(148)	(3 393)	(961)	304	(4 050)	(22)	(4 072)
(104)	8 314	381	8 695	2 471	1 058	12 224	55	12 279
(104)	8 314	381	8 695	2 471	767	11 933	55	11 988
–	–	–	–	–	291	291	–	291
(104)	8 314	381	8 695	2 471	1 058	12 224	55	12 279
(104)	8 314	381	8 695	2 471	767	11 933	55	11 988
–	–	–	–	–	–	–	(3)	(3)
(104)	8 314	381	8 695	2 471	767	11 933	52	11 985
–	–	–	–	–	–	–	(4)	(4)
–	–	–	–	–	–	–	(48)	(48)
(104)	8 314	381	8 695	2 471	767	11 933	–	11 933

Segment report continued

for the six months ended 31 December 2021

	Retail and commercial					
	FNB					
	Retail					
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	36.7	44.5	36.5	68.1	**54.2**	45.4
Diversity ratio (%)	2.2	48.7	9.2	65.2	**43.6**	42.5
Credit loss ratio (%)	0.15	2.75	6.89	9.19	**1.69**	0.11
Stage 3/NPLs as a % of advances (%)	5.43	12.22	17.12	15.05	**7.98**	4.84
Income statement includes						
Depreciation	(2)	(4)	(8)	(1 027)	**(1 041)**	(96)
Amortisation	–	(3)	–	–	**(3)**	–
Impairment charges	–	–	–	(11)	**(11)**	1
Statement of financial position includes						
Advances (before impairments)	232 031	31 342	38 677	15 046	**317 096**	115 657
Stage 3/NPLs	12 594	3 829	6 620	2 264	**25 307**	5 594
Total deposits	632	8 620	6	317 956	**327 214**	348 072
Total assets	227 760	26 841	30 559	33 584	**318 744**	113 942
Total liabilities†	227 675	26 826	32 124	27 565	**314 190**	111 622
Capital expenditure	1	2	5	965	**973**	240

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

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 02) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 48.*

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

† *Total liabilities are net of interdivisional balances.*

Retail and commercial				Corporate and institutional				
FNB								
FNB rest of Africa*	Total FNB	WesBank**	Retail and commercial	RMB	FCC (including Group Treasury) and other#	FRB – normalised	Normalised adjustments	FRB – IFRS
>100	52.1	62.3	53.1	56.1	(>100)	53.5	–	53.4
>100	44.2	40.2	43.8	56.2	(30.3)	43.1	–	44.0
–	1.27	1.20	1.26	(0.04)	0.38	0.75	–	0.75
–	7.14	6.46	7.00	0.44	0.64	4.26	–	4.26
(1)	(1 138)	(422)	(1 560)	(56)	–	(1 616)	–	(1 616)
–	(3)	(8)	(11)	(78)	2	(87)	–	(87)
–	(10)	(31)	(41)	–	–	(41)	–	(41)
–	432 753	117 917	550 670	351 164	44 787	946 621	–	946 621
–	30 901	7 619	38 520	1 550	286	40 356	–	40 356
–	675 286	33	675 319	236 905	279 979	1 192 203	–	1 192 203
186	432 872	116 141	549 013	589 098	326 945	1 465 056	–	1 465 056
331	426 143	116 738	542 881	586 573	223 999	1 353 453	–	1 353 453
2	1 215	219	1 434	116	36	1 586	–	1 586

Segment report continued

for the six months ended 31 December 2020

R million	Retail and commercial						
	FNB						
	Retail						
	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial	
Net interest income before impairment of advances	2 577	1 470	3 339	3 358	**10 744**	6 271	
Impairment charge	(529)	(781)	(1 944)	(1 304)	**(4 558)**	(882)	
Net interest income after impairment of advances	2 048	689	1 395	2 054	**6 186**	5 389	
Non-interest revenue	62	1 272	352	6 029	**7 715**	4 659	
Income from operations	2 110	1 961	1 747	8 083	**13 901**	10 048	
Operating expenses	(883)	(1 085)	(1 310)	(6 505)	**(9 783)**	(4 909)	
Income before indirect tax	1 227	876	437	1 578	**4 118**	5 139	
Indirect tax	(8)	(19)	(53)	(242)	**(322)**	(21)	
Profit before income tax	1 219	857	384	1 336	**3 796**	5 118	
Income tax expense	(341)	(240)	(107)	(376)	**(1 064)**	(1 433)	
Profit for the period	878	617	277	960	**2 732**	3 685	
Attributable to:							
Ordinary equityholders	878	617	277	960	**2 732**	3 685	
Other equity instrument holders	–	–	–	–	**–**	–	
Profit for the period	878	617	277	960	**2 732**	3 685	
Attributable earnings to ordinary shareholders	878	617	277	960	**2 732**	3 685	
Headline earnings adjustments	–	–	–	–	**–**	–	
Headline earnings	878	617	277	960	**2 732**	3 685	
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	
IAS 19 adjustment	–	–	–	–	**–**	–	
Normalised earnings	878	617	277	960	**2 732**	3 685	

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

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 02) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 48.*

\# *FCC represents group-wide functions and include MotoNovo back book.*

Retail and commercial				Corporate and institutional				
FNB								
FNB rest of Africa*	Total FNB	WesBank**	Retail and commercial	RMB	FCC (including Group Treasury) and other#	FRB – normalised	Normalised adjustments	FRB – IFRS
(4)	17 011	2 175	19 186	3 718	563	23 467	(211)	23 256
28	(5 412)	(1 114)	(6 526)	(516)	(119)	(7 161)	–	(7 161)
24	11 599	1 061	12 660	3 202	444	16 306	(211)	16 095
458	12 832	1 330	14 162	4 058	(587)	17 633	238	17 871
482	24 431	2 391	26 822	7 260	(143)	33 939	27	33 966
(601)	(15 293)	(1 960)	(17 253)	(4 222)	(1 090)	(22 565)	94	(22 471)
(119)	9 138	431	9 569	3 038	(1 233)	11 374	121	11 495
(1)	(344)	(33)	(377)	(73)	(28)	(478)	–	(478)
(120)	8 794	398	9 192	2 965	(1 261)	10 896	121	11 017
34	(2 463)	(111)	(2 574)	(830)	745	(2 659)	(132)	(2 791)
(86)	6 331	287	6 618	2 135	(516)	8 237	(11)	8 226
(86)	6 331	287	6 618	2 135	(757)	7 996	(11)	7 985
–	–	–	–	–	241	241	–	241
(86)	6 331	287	6 618	2 135	(516)	8 237	(11)	8 226
(86)	6 331	287	6 618	2 135	(757)	7 996	(11)	7 985
–	–	–	–	–	–	–	1	1
(86)	6 331	287	6 618	2 135	(757)	7 996	(10)	7 986
–	–	–	–	–	–	–	65	65
–	–	–	–	–	–	–	(55)	(55)
(86)	6 331	287	6 618	2 135	(757)	7 996	–	7 996

Segment report continued

for the six months ended 31 December 2020

	Retail and commercial					
	FNB					
	Retail					
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	33.5	39.6	35.5	69.3	**53.0**	44.9
Diversity ratio (%)	2.3	46.4	9.5	64.2	**41.8**	42.6
Credit loss ratio (%)	0.47	5.14	9.37	15.76	**2.91**	1.65
Stage 3/NPLs as a % of advances (%)	5.43	12.71	19.20	14.87	**8.45**	6.22
Income statement includes						
Depreciation	(4)	(4)	(29)	(1 114)	**(1 151)**	(90)
Amortisation	–	(6)	(4)	(4)	**(14)**	–
Impairment charges	–	–	–	(10)	**(10)**	1
Statement of financial position includes						
Advances (before impairments)	224 409	30 535	41 150	16 358	**312 452**	106 011
Stage 3/NPLs	12 183	3 882	7 902	2 432	**26 399**	6 594
Total deposits	624	6 622	7	293 453	**300 706**	319 374
Total assets	220 094	26 169	32 460	34 734	**313 457**	102 751
Total liabilities†	220 073	26 468	34 446	30 091	**311 078**	101 037
Capital expenditure	2	5	3	813	**823**	93

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

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 02) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 48.*

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

† *Total liabilities are net of interdivisional balances.*

				Corporate and institutional				
FNB								
FNB rest of Africa*	Total FNB	WesBank**	Retail and commercial	RMB	FCC (including Group Treasury) and other#	FRB – normalised	Normalised adjustments	FRB – IFRS
>100	51.2	55.9	51.7	54.3	(>100)	54.9	–	54.6
>100	43.0	37.9	42.5	52.2	>100	42.9	–	43.5
–	2.58	1.86	2.42	0.32	0.59	1.60	–	1.60
–	7.88	9.75	8.30	0.80	1.32	5.35	–	5.35
(1)	(1 242)	(463)	(1 705)	(65)	(1)	(1 771)	–	(1 771)
–	(14)	(18)	(32)	(76)	(1)	(109)	–	(109)
–	(9)	(7)	(16)	(5)	–	(21)	–	(21)
–	418 463	118 528	536 991	313 107	38 953	889 051	–	889 051
–	32 993	11 556	44 549	2 506	513	47 568	–	47 568
–	620 080	52	620 132	223 384	290 814	1 134 330	–	1 134 330
247	416 455	116 331	532 786	576 363	356 922	1 466 071	–	1 466 071
367	412 482	117 059	529 541	574 309	252 752	1 356 602	–	1 356 602
–	916	578	1 494	140	1	1 635	–	1 635

Segment report continued

for the year ended 30 June 2021

	Retail and commercial						
	FNB						
	Retail						
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial	
Net interest income before impairment of advances	5 036	2 993	6 544	6 748	**21 321**	12 557	
Impairment charge	(577)	(1 428)	(3 600)	(1 302)	**(6 907)**	(1 307)	
Net interest income after impairment of advances	4 459	1 565	2 944	5 446	**14 414**	11 250	
Non-interest revenue	121	2 605	739	12 212	**15 677**	9 202	
Income from operations	4 580	4 170	3 683	17 658	**30 091**	20 452	
Operating expenses	(1 805)	(2 446)	(2 592)	(12 582)	**(19 425)**	(10 009)	
Income before indirect tax	2 775	1 724	1 091	5 076	**10 666**	10 443	
Indirect tax	(15)	(38)	(79)	(525)	**(657)**	(48)	
Profit before income tax	2 760	1 686	1 012	4 551	**10 009**	10 395	
Income tax expense	(773)	(472)	(284)	(1 276)	**(2 805)**	(2 911)	
Profit for the year	1 987	1 214	728	3 275	**7 204**	7 484	
Attributable to:							
Ordinary equityholders	1 987	1 214	728	3 275	**7 204**	7 484	
Other equity instrument holders	–	–	–	–	**–**	–	
Profit for the year	1 987	1 214	728	3 275	**7 204**	7 484	
Attributable earnings to ordinary shareholders	1 987	1 214	728	3 275	**7 204**	7 484	
Headline earnings adjustments	–	–	–	–	**–**	–	
Headline earnings	1 987	1 214	728	3 275	**7 204**	7 484	
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	
IAS 19 adjustment	–	–	–	–	**–**	–	
Normalised earnings	1 987	1 214	728	3 275	**7 204**	7 484	

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

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 02) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 48.*

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

Retail and commercial				Corporate and institutional				
FNB								
FNB rest of Africa*	Total FNB	WesBank**	Retail and commercial	RMB	FCC (including Group Treasury) and other#	FRB – normalised	Normalised adjustments	FRB – IFRS
(10)	33 868	4 277	38 145	7 187	2 483	47 815	(811)	47 004
28	(8 186)	(2 011)	(10 197)	(852)	(66)	(11 115)	–	(11 115)
18	25 682	2 266	27 948	6 335	2 417	36 700	(811)	35 889
942	25 821	2 574	28 395	8 888	(1 734)	35 549	1 136	36 685
960	51 503	4 840	56 343	15 223	683	72 249	325	72 574
(1 291)	(30 725)	(4 218)	(34 943)	(8 645)	(1 402)	(44 990)	36	(44 954)
(331)	20 778	622	21 400	6 578	(719)	27 259	361	27 620
(2)	(707)	(67)	(774)	(173)	(61)	(1 008)	–	(1 008)
(333)	20 071	555	20 626	6 405	(780)	26 251	361	26 612
93	(5 623)	(156)	(5 779)	(1 793)	878	(6 694)	(98)	(6 792)
(240)	14 448	399	14 847	4 612	98	19 557	263	19 820
(240)	14 448	399	14 847	4 612	(427)	19 032	263	19 295
–	–	–	–	–	525	525	–	525
(240)	14 448	399	14 847	4 612	98	19 557	263	19 820
(240)	14 448	399	14 847	4 612	(427)	19 032	263	19 295
–	–	–	–	–	–	–	15	15
(240)	14 448	399	14 847	4 612	(427)	19 032	278	19 310
–	–	–	–	–	–	–	(176)	(176)
–	–	–	–	–	–	–	(102)	(102)
(240)	14 448	399	14 847	4 612	(427)	19 032	–	19 032

Segment report continued

for the year ended 30 June 2021

	Retail and commercial					
	FNB					
	Retail					
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	35.0	43.7	35.6	66.4	**52.5**	46.0
Diversity ratio (%)	2.3	46.5	10.1	64.4	**42.4**	42.3
Credit loss ratio (%)	0.26	4.65	8.83	8.03	**2.21**	1.19
Stage 3/NPLs as a % of advances (%)	5.92	12.91	19.01	15.86	**8.78**	5.74
Income statement includes						
Depreciation	(7)	(9)	(51)	(2 364)	**(2 431)**	(175)
Amortisation	–	(25)	(6)	(7)	**(38)**	–
Impairment charges	–	–	–	(3)	**(3)**	–
Statement of financial position includes						
Advances (before impairments)	225 666	31 249	39 686	15 712	**312 313**	111 121
Stage 3/NPLs	13 356	4 034	7 546	2 492	**27 428**	6 378
Total deposits	573	7 423	2	296 754	**304 752**	312 742
Total assets	221 417	26 679	31 215	33 032	**312 343**	107 484
Total liabilities†	220 895	26 644	33 072	21 003	**301 614**	102 822
Capital expenditure	3	17	6	2 322	**2 348**	185

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

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 02) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 48.*

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

† *Total liabilities are net of interdivisional balances.*

Retail and commercial				Corporate and institutional				
FNB								
FNB rest of Africa*	Total FNB	WesBank**	Retail and commercial	RMB	FCC (including Group Treasury) and other#	FRB – normalised	Normalised adjustments	FRB – IFRS
>100	51.5	61.6	52.5	53.8	>100	54.0	–	53.7
>100	43.3	37.6	42.7	55.3	(>100)	42.6	–	43.8
–	1.94	1.69	1.88	0.27	0.17	1.23	–	1.23
–	7.98	8.75	8.15	0.75	0.75	5.22	–	5.22
(1)	(2 607)	(866)	(3 473)	(123)	(4)	(3 600)	–	(3 600)
–	(38)	(19)	(57)	(156)	2	(211)	–	(211)
–	(3)	(14)	(17)	(11)	–	(28)	(10)	(38)
–	423 434	117 502	540 936	317 131	38 357	896 424	–	896 424
–	33 806	10 285	44 091	2 394	289	46 774	–	46 774
–	617 494	47	617 541	225 487	292 557	1 135 585	–	1 135 585
183	420 010	115 572	535 582	536 353	343 094	1 415 029	–	1 415 029
518	404 954	116 142	521 096	531 342	250 212	1 302 650	–	1 302 650
1	2 534	1 208	3 742	264	16	4 022	–	4 022

Additional information on internal restructures

for the six months ended 31 December 2020

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

> in line with the bank's cost recovery model, AT1 costs are now allocated to the segments. They were previously recognised in FCC; and

> the allocation of investment management activities to the relevant customer segment.

R million	Retail other previously published	AT1 cost adjustment	Retail other after reallocation	FNB previously published	AT1 cost adjustment	FNB after reallocation	WesBank previously published	AT1 cost adjustment	WesBank after reallocation
Net interest income before impairment of advances	3 426	(68)	3 358	17 079	(68)	17 011	2 189	(14)	2 175
Impairment charge	(1 304)	–	(1 304)	(5 412)	–	(5 412)	(1 114)	–	(1 114)
Net interest income after impairment of advances	2 122	(68)	2 054	11 667	(68)	11 599	1 075	(14)	1 061
Non-interest revenue	6 029	–	6 029	12 832	–	12 832	1 330	–	1 330
Income from operations	8 151	(68)	8 083	24 499	(68)	24 431	2 405	(14)	2 391
Operating expenses	(6 505)	–	(6 505)	(15 293)	–	(15 293)	(1 960)	–	(1 960)
Income before indirect tax	1 646	(68)	1 578	9 206	(68)	9 138	445	(14)	431
Indirect tax	(242)	–	(242)	(344)	–	(344)	(33)	–	(33)
Profit before tax	1 404	(68)	1 336	8 862	(68)	8 794	412	(14)	398
Income tax expense	(393)	17	(376)	(2 480)	17	(2 463)	(115)	4	(111)
Profit for the period	1 011	(51)	960	6 382	(51)	6 331	297	(10)	287
Attributable to									
Ordinary equityholders	1 011	(51)	960	6 382	(51)	6 331	297	(10)	287
Other equity instrument holders	–	–	–	–	–	–	–	–	–
Profit for the period	1 011	(51)	960	6 382	(51)	6 331	297	(10)	287
Attributable earnings to ordinary equityholders	1 011	(51)	960	6 382	(51)	6 331	297	(10)	287
Headline earnings adjustments	–	–	–	–	–	–	–	–	–
Headline earnings	1 011	(51)	960	6 382	(51)	6 331	297	(10)	287
TRS and IFRS 2 liability remeasurement	–	–	–	–	–	–	–	–	–
IAS 19 adjustment	–	–	–	–	–	–	–	–	–
Normalised earnings	1 011	(51)	960	6 382	(51)	6 331	297	(10)	287

	RMB previously published	AT1 cost adjustment	RMB after reallocation	FCC previously published	AT1 cost adjustment	FCC after reallocation	Total restructures				
							FNB	WesBank	RMB	FCC	FirstRand group
	3 767	(49)	3 718	432	131	563	(68)	(14)	(49)	131	–
	(516)	–	(516)	(119)	–	(119)	–	–	–	–	–
	3 251	(49)	3 202	313	131	444	(68)	(14)	(49)	131	–
	4 058	–	4 058	(587)	–	(587)	–	–	–	–	–
	7 309	(49)	7 260	(274)	131	(143)	(68)	(14)	(49)	131	–
	(4 222)	–	(4 222)	(1 090)	–	(1 090)	–	–	–	–	–
	3 087	(49)	3 038	(1 364)	131	(1 233)	(68)	(14)	(49)	131	–
	(73)	–	(73)	(28)	–	(28)	–	–	–	–	–
	3 014	(49)	2 965	(1 392)	131	(1 261)	(68)	(14)	(49)	131	–
	(844)	14	(830)	780	(35)	745	17	4	14	(35)	–
	2 170	(35)	2 135	(612)	96	(516)	(51)	(10)	(35)	96	–
	2 170	(35)	2 135	(853)	96	(757)	(51)	(10)	(35)	96	–
	–	–	–	241	–	241	–	–	–	–	–
	2 170	(35)	2 135	(612)	96	(516)	(51)	(10)	(35)	96	–
	2 170	(35)	2 135	(853)	96	(757)	(51)	(10)	(35)	96	–
	–	–	–	–	–	–	–	–	–	–	–
	2 170	(35)	2 135	(853)	96	(757)	(51)	(10)	(35)	96	–
	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–
	2 170	(35)	2 135	(853)	96	(757)	(51)	(10)	(35)	96	–

Additional information on internal restructures continued

for the six months ended 31 December 2020

R million	Retail other previously published	AT1 cost adjustment	Retail other after reallocation	FNB previously published	AT1 cost adjustment	FNB after reallocation	WesBank previously published	AT1 cost adjustment	WesBank after reallocation
Cost-to-income ratio (%)	68.8		69.3	51.1		51.2	55.7		55.9
Diversity ratio (%)	63.8		64.2	42.9		43.0	37.8		37.9
Credit loss ratio (%)	15.76		15.76	2.58		2.58	1.86		1.86
Stage 3/NPLs as a percentage of advances	14.87		14.87	7.88		7.88	9.75		9.75
Income statement includes									
Depreciation	(1 114)	–	(1 114)	(1 242)	–	(1 242)	(463)	–	(463)
Amortisation	(4)	–	(4)	(14)	–	(14)	(18)	–	(18)
Net impairment charges	(10)	–	(10)	(9)	–	(9)	(7)	–	(7)
Statement of financial position includes									
Advances (before impairments)	16 358	–	16 358	418 463	–	418 463	118 528	–	118 528
Stage 3 NPLs	2 432	–	2 432	32 993	–	32 993	11 556	–	11 556
Total deposits	293 453	–	293 453	620 080	–	620 080	52	–	52
Total assets	34 734	–	34 734	416 455	–	416 455	116 331	–	116 331
Total liabilities	30 023	68	30 091	412 414	68	412 482	117 045	14	117 059
Capital expenditure	813	–	813	916	–	916	578	–	578

	RMB previously published	AT1 cost adjustment	RMB after reallocation	FCC previously published	AT1 cost adjustment	FCC after reallocation	Total restructures FNB	Total restructures WesBank	Total restructures RMB	Total restructures FCC	Total restructures FirstRand group
	54.0		54.3	(>100)		(>100)					
	51.9		52.2	>100		>100					
	0.32		0.32	0.59		0.59					
	0.80		0.80	1.32		1.32					
	(65)	–	(65)	(1)	–	(1)	–	–	–	–	–
	(76)	–	(76)	(1)	–	(1)	–	–	–	–	–
	(5)	–	(5)	–	–	–	–	–	–	–	–
	313 107	–	313 107	38 953	–	38 953	–	–	–	–	–
	2 506	–	2 506	513	–	513	–	–	–	–	–
	223 384	–	223 384	290 814	–	290 814	–	–	–	–	–
	576 363	–	576 363	356 922	–	356 922	–	–	–	–	–
	574 260	49	574 309	252 883	(131)	252 752	68	14	49	(131)	–
	140	–	140	1	–	1	–	–	–	–	–

Additional information on internal restructures continued

for the year ended 30 June 2021

R million	Retail other previously published	AT1 cost adjustment	Reallocation of investment management activities	Retail other after reallocation	FNB previously published	AT1 cost adjustment	Reallocation of investment management activities	FNB after reallocation	WesBank previously published	AT1 cost adjustment	WesBank after reallocation
Net interest income before impairment of advances	6 883	(135)	–	6 748	34 003	(135)	–	33 868	4 303	(26)	4 277
Impairment charge	(1 302)	–	–	(1 302)	(8 186)	–	–	(8 186)	(2 011)	–	(2 011)
Net interest income after impairment of advances	5 581	(135)	–	5 446	25 817	(135)	–	25 682	2 292	(26)	2 266
Non-interest revenue	12 212	–	–	12 212	25 821	–	–	25 821	2 574	–	2 574
Income from operations	17 793	(135)	–	17 658	51 638	(135)	–	51 503	4 866	(26)	4 840
Operating expenses	(12 593)	–	11	(12 582)	(30 736)	–	11	(30 725)	(4 218)	–	(4 218)
Income before indirect tax	5 200	(135)	11	5 076	20 902	(135)	11	20 778	648	(26)	622
Indirect tax	(525)	–	–	(525)	(707)	–	–	(707)	(67)	–	(67)
Profit before tax	4 675	(135)	11	4 551	20 195	(135)	11	20 071	581	(26)	555
Income tax expense	(1 311)	38	(3)	(1 276)	(5 658)	38	(3)	(5 623)	(163)	7	(156)
Profit for the year	3 364	(97)	8	3 275	14 537	(97)	8	14 448	418	(19)	399
Attributable to											
Ordinary equityholders	3 364	(97)	8	3 275	14 537	(97)	8	14 448	418	(19)	399
Other equity instrument holders	–	–	–	–	–	–	–	–	–	–	–
Profit for the year	3 364	(97)	8	3 275	14 537	(97)	8	14 448	418	(19)	399
Attributable earnings to ordinary equityholders	3 364	(97)	8	3 275	14 537	(97)	8	14 448	418	(19)	399
Headline earnings adjustments	–	–	–	–	–	–	–	–	–	–	–
Headline earnings	3 364	(97)	8	3 275	14 537	(97)	8	14 448	418	(19)	399
TRS and IFRS 2 liability remeasurement	–	–	–	–	–	–	–	–	–	–	–
IAS 19 adjustment	–	–	–	–	–	–	–	–	–	–	–
Normalised earnings	3 364	(97)	8	3 275	14 537	(97)	8	14 448	418	(19)	399

RMB previously published	AT1 cost adjustment	RMB after reallocation	FCC previously published	AT1 cost adjustment	Reallocation of investment management activities	FCC after reallocation	Total restructures				
							FNB	WesBank	RMB	FCC	FirstRand group
7 281	(94)	7 187	2 228	255	–	2 483	(135)	(26)	(94)	255	–
(852)	–	(852)	(66)	–	–	(66)	–	–	–	–	–
6 429	(94)	6 335	2 162	255	–	2 417	(135)	(26)	(94)	255	–
8 888	–	8 888	(1 734)	–	–	(1 734)	–	–	–	–	–
15 317	(94)	15 223	428	255	–	683	(135)	(26)	(94)	255	–
(8 645)	–	(8 645)	(1 391)	–	(11)	(1 402)	11	–	–	(11)	–
6 672	(94)	6 578	(963)	255	(11)	(719)	(124)	(26)	(94)	244	–
(173)	–	(173)	(61)	–	–	(61)	–	–	–	–	–
6 499	(94)	6 405	(1 024)	255	(11)	(780)	(124)	(26)	(94)	244	–
(1 820)	27	(1 793)	947	(72)	3	878	35	7	27	(69)	–
4 679	(67)	4 612	(77)	183	(8)	98	(89)	(19)	(67)	175	–
4 679	(67)	4 612	(602)	183	(8)	(427)	(89)	(19)	(67)	175	–
–	–	–	525	–	–	525	–	–	–	–	–
4 679	(67)	4 612	(77)	183	(8)	98	(89)	(19)	(67)	175	–
4 679	(67)	4 612	(602)	183	(8)	(427)	(89)	(19)	(67)	175	–
–	–	–	–	–	–	–	–	–	–	–	–
4 679	(67)	4 612	(602)	183	(8)	(427)	(89)	(19)	(67)	175	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
4 679	(67)	4 612	(602)	183	(8)	(427)	(89)	(19)	(67)	175	–

Additional information on internal restructures continued

for the year ended 30 June 2021

R million	Retail other previously published	AT1 cost adjustment	Reallocation of investment management activities	Retail other after reallocation	FNB previously published	AT1 cost adjustment	Reallocation of investment management activities	FNB after reallocation	WesBank previously published	AT1 cost adjustment	WesBank after reallocation
Cost-to-income ratio (%)	65.9			66.4	51.4			51.5	61.3		61.6
Diversity ratio (%)	64.0			64.4	43.2			43.3	37.4		37.6
Credit loss ratio (%)	8.03			8.03	1.94			1.94	1.69		1.69
Stage 3/NPLs as a percentage of advances	15.86			15.86	7.98			7.98	8.75		8.75
Income statement includes											
Depreciation	(2 364)	–	–	(2 364)	(2 607)	–	–	(2 607)	(866)	–	(866)
Amortisation	(7)	–	–	(7)	(38)	–	–	(38)	(19)	–	(19)
Net impairment charges	(3)	–	–	(3)	(3)	–	–	(3)	(14)	–	(14)
Statement of financial position includes											
Advances (before impairments)	15 712	–	–	15 712	423 434	–	–	423 434	117 502	–	117 502
Stage 3 NPLs	2 492	–	–	2 492	33 806	–	–	33 806	10 285	–	10 285
Total deposits	296 754	–	–	296 754	617 494	–	–	617 494	47	–	47
Total assets	33 032	–	–	33 032	420 010	–	–	420 010	115 572	–	115 572
Total liabilities	20 868	135	–	21 003	404 819	135	–	404 954	116 116	26	116 142
Capital expenditure	2 322	–	–	2 322	2 534	–	–	2 534	1 208	–	1 208

	RMB previously published	AT1 cost adjustment	RMB after reallocation	FCC previously published	AT1 cost adjustment	Reallocation of investment management activities	FCC after reallocation	Total restructures FNB	WesBank	RMB	FCC	FirstRand group
	53.5		53.8	>100			>100					
	55.0		55.3	(>100)			(>100)					
	0.27		0.27	0.17			0.17					
	0.75		0.75	0.75			0.75					
	(123)	–	(123)	(4)	–	–	(4)	–	–	–	–	–
	(156)	–	(156)	2	–	–	2	–	–	–	–	–
	(11)	–	(11)	–	–	–	–	–	–	–	–	–
	317 131	–	317 131	38 357	–	–	38 357	–	–	–	–	–
	2 394	–	2 394	289	–	–	289	–	–	–	–	–
	225 487	–	225 487	292 557	–	–	292 557	–	–	–	–	–
	536 353	–	536 353	343 094	–	–	343 094	–	–	–	–	–
	531 248	94	531 342	250 467	(255)	–	250 212	135	26	94	(255)	–
	264	–	264	16	–	–	16	–	–	–	–	–

Additional segmental disclosure – WesBank

	Six months ended 31 December 2021		
R million	**Retail**	**Corporate and commercial**	**Total WesBank**
NII before impairment of advances	**1 739**	**273**	**2 012**
Impairment of advances	**(769)**	**60**	**(709)**
Normalised profit before tax	**362**	**167**	**529**
Normalised earnings	**261**	**120**	**381**
Advances	**90 935**	**26 982**	**117 917**
Stage 3/NPLs	**7 070**	**549**	**7 619**
Advances margin (%)	**3.25**	**1.96**	**2.95**
Stage 3/NPLs as a % of advances (%)	**7.77**	**2.03**	**6.46**
Credit loss ratio (%)	**1.70**	**(0.44)**	**1.20**

	Six months ended 31 December 2020		
R million	Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	1 882	293	2 175
Impairment of advances	(1 023)	(91)	(1 114)
Normalised profit before tax	211	187	398
Normalised earnings	152	135	287
Advances	91 841	26 687	118 528
Stage 3/NPLs	10 452	1 104	11 556
Advances margin (%)	3.47	2.04	3.15
Stage 3/NPLs as a % of advances (%)	11.38	4.14	9.75
Credit loss ratio (%)	2.20	0.68	1.86

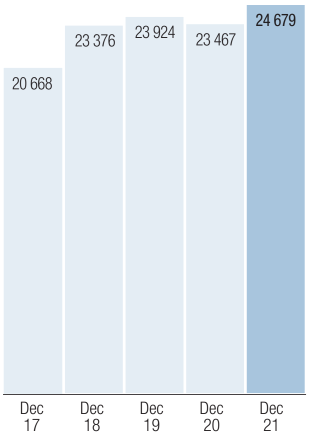
	Year ended 30 June 2021		
R million	Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	3 707	570	4 277
Impairment of advances	(1 905)	(106)	(2 011)
Normalised profit before tax	313	242	555
Normalised earnings	225	174	399
Advances	90 516	26 986	117 502
Stage 3/NPLs	9 471	814	10 285
Advances margin (%)	3.47	2.06	3.16
Stage 3/NPLs as a % of advances (%)	10.46	3.02	8.75
Credit loss ratio (%)	2.06	0.39	1.69

analysis of results

Net interest income (before impairment of advances)

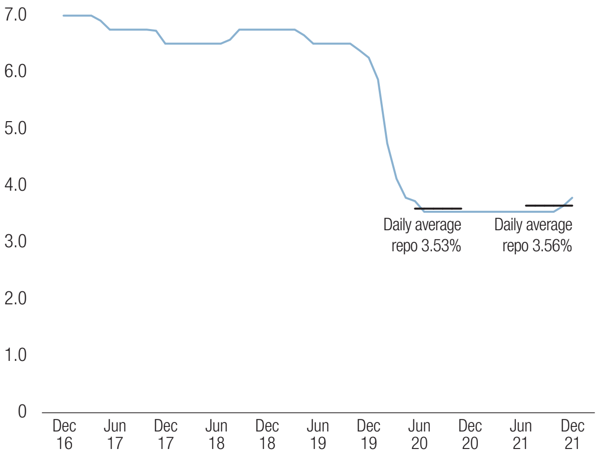
Net interest income (before impairment of advances) – up 5%

Net interest income
R million
CAGR 5%



Note: 2017 figures are based on IAS 39 and 2018 to 2021 figures on IFRS 9.

Repo rate – South Africa
%



Note: R326 billion = average endowment book for the period. Rates were higher by 3 bps on average in the current period, which translate into a negative endowment impact of approximately R45 million for the period on an unhedged basis.

Margin cascade table

Percentage of average interest-earning banking assets (%)	Six months ending 31 December 2021	Six months ending 31 December 2020	Year ended 30 June 2021
Opening normalised margin	**4.56**	4.81	4.65
Change in asset base*	**(0.05)**	(0.16)	(0.07)
Capital endowment	**0.03**	(0.25)	(0.18)
– Volume	**0.03**	0.03	0.05
– Average rate	**–**	(0.28)	(0.23)
Lending interest earning assets	**(0.09)**	(0.06)	(0.08)
– Change in volume and mix	**0.05**	(0.01)	0.07
– Asset pricing	**(0.15)**	0.04	(0.12)
– Interest suspended	**0.01**	(0.09)	(0.03)
Liabilities	**0.03**	(0.01)	0.06
– Deposit endowment	**(0.01)**	(0.25)	(0.17)
– Change in composition and volume	**(0.01)**	0.29	0.21
– Deposit pricing	**0.05**	(0.05)	0.02
Group Treasury activities	**0.26**	0.23	0.34
– Accounting mismatches (MTM vs accrual on term issuance)	**0.09**	0.01	0.05
– FX management	**0.09**	(0.04)	(0.02)
– Liquidity management and funding costs	**0.08**	0.26	0.31
Closing normalised margin	**4.74**	4.56	4.72

** Calculated as follows:*

R million	*Net interest income*	*Average balance sheet*	*% net interest margin*
December 2020 NII	*23 467*	*1 020 907*	*4.56*
Average balance sheet increase		*11 579*	*(0.05)*
December 2020 rebased margin	***23 467***	***1 032 486***	***4.51***

Net interest income (before impairment of advances) continued

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

	Six months ended 31 December			Year ended 30 June
R million	**2021**	2020*	% change	2021
Net interest income				
Lending	**11 033**	11 482	(4)	20 684
Transactional**	**8 898**	8 701	2	17 270
Deposits	**1 744**	1 779	(2)	3 563
Capital endowment	**2 141**	1 977	8	3 856
Group Treasury	**1 957**	641	>100	2 731
Other (negative endowment, e.g. fixed assets)	**(1 094)**	(1 113)	(2)	(289)
Total net interest income	**24 679**	23 467	5	47 815

* *2020 numbers were restated in order to provide better attribution of NII by nature of activity.*

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

KEY DRIVERS

> Overall bank NII increased 5% driven by growth across both advances and deposits. Advances grew 6% in the six months since June 2021 and overall deposits increased 5% since June 2021. The ongoing success of attracting retail, corporate and commercial deposits resulted in growth in the deposit franchise of 8%, resulting in a lower proportion of institutional funding which positively affected cost of funds.

> Average interest rates were largely stable period-on-period at 3.56% (December 2020: 3.53%), as the 25 bps rate hike only occurred in November 2021.

> Lending NII decreased 4%, impacted by a decline in margins despite growth in advances. Margins were lower as the retail business focused on originating lower-risk advances given the economic uncertainties. Furthermore the mix change to secured retail lending, and the contraction in VAF and personal loans, also reduced margins. Overall pricing was also impacted by competitive pressures.

> FNB advances margins decreased due to the mix change with lower-margin mortgage loan growth, whilst higher-margin unsecured lending declined. In addition, the deliberate focus on originating to lower-risk customers resulted in some NII drag. Stronger growth in commercial relative to retail also resulted in further margin pressure.

> WesBank retail VAF margins also reduced due to the mix change to lower-risk origination and competitive pressures affecting pricing.

> RMB's NII declined 7%, despite advances growth, as most of the growth was only recorded in the last quarter of the period. In addition, lower margin reverse repo advances marginally inflated growth. Average advances were in fact lower period-on-period. Average deposits grew 10% but NII was adversely affected by competitive pricing pressure.

> FNB retail deposit margins declined, driven by competitive pricing and the lag impact of endowment. Commercial deposit margins increased due to growth in the account base, particularly transactional deposits and the 48-hour cash accelerator. Average deposits benefited from good growth in cash investment and transactional products deposits of 6%. Overall FNB's deposit NII increased 7%.

> Group Treasury's contribution to the overall margin was influenced by the following factors:

– support from the ALM strategies including investment in treasury bills and HQLA;

– the lower requirement for term institutional funding given the strong deposit franchise performance;

– improvements in liquidity management; and

– accounting mismatches and certain one-off revenue items.

AVERAGE BALANCE SHEET

		December 2021			December 2020*		
R million	Notes	**Average balance**	**Interest income/ (expense)**	**Average rate %**	Average balance	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				**7.06**			7.03
Balances with central banks		**28 613**	**–**	**–**	26 377	–	–
Cash and cash equivalents		**39 633**	**544**	**2.72**	37 101	504	2.70
Liquid assets portfolio**		**230 586**	**5 264**	**4.53**	211 075	6 343	5.96
Loans and advances to customers	1	**733 654**	**29 310**	**7.93**	746 354	30 055	7.99
Interest-earning assets		**1 032 486**	**35 118**	**6.75**	1 020 907	36 902	7.17
INTEREST-BEARING LIABILITIES							
Average JIBAR				**3.69**			3.67
Deposits due to customers	2	**(808 804)**	**(10 781)**	**2.64**	(755 052)	(9 694)	2.55
Group Treasury funding		**(269 266)**	**(6 141)**	**4.52**	(273 922)	(6 460)	4.68
Interest-bearing liabilities		**(1 078 070)**	**(16 922)**	**3.11**	(1 028 974)	(16 154)	3.11
ENDOWMENT AND TRADING BOOK							
Other asset#		**282 700**	**–**	**–**	214 614	–	–
Other liabilities†		**(122 367)**	**–**	**–**	(99 486)	–	–
NCNR preference shareholders		**(7 126)**	**–**	**–**	(5 959)	–	–
Equity		**(107 623)**	**–**	**–**	(101 102)	–	–
Endowment and trading book		**45 584**	**6 483**	**28.21**	8 067	2 719	66.85
Total interest-bearing liabilities, endowment and trading book		**(1 032 486)**	**(10 439)**	**2.01**	(1 020 907)	(13 435)	2.61
Net interest margin on average interest-earning assets		**1 032 486**	**24 679**	**4.74**	1 020 907	23 467	4.56

* *Restatements are due to refinements in FNB's processes.*

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

Includes preference share advances, trading assets and securitisation notes.

† *Include trading liabilities.*

Net interest income (before impairment of advances) continued

NOTE 1 – MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

	December 2021		December 2020*	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average prime rate (RSA)		**7.06**		7.03
Advances				
Retail – secured	**326 252**	**2.06**	329 030	1.97
Residential mortgages	**230 692**	**1.82**	226 049	1.95
VAF	**95 560**	**2.64**	102 981	2.03
Retail – unsecured	**85 843**	**10.83**	88 629	10.93
Card	**31 987**	**7.65**	30 495	7.73
Personal loans	**39 121**	**14.23**	42 096	14.08
Retail other	**14 735**	**8.73**	16 038	8.74
Corporate and commercial	**321 559**	**2.49**	328 695	2.53
FNB commercial	**110 682**	**3.45**	104 332	3.59
– Mortgages	**30 030**	**2.17**	28 710	2.21
– Overdrafts	**37 807**	**5.03**	35 504	5.43
– Term loans	**42 845**	**2.95**	40 118	2.95
WesBank corporate	**27 468**	**1.96**	27 143	2.04
RMB CIB	**183 409**	**2.00**	197 220	2.03
Total advances	**733 654**	**3.28**	746 354	3.28

* *Restatements are due to refinements in FNB's processes.*

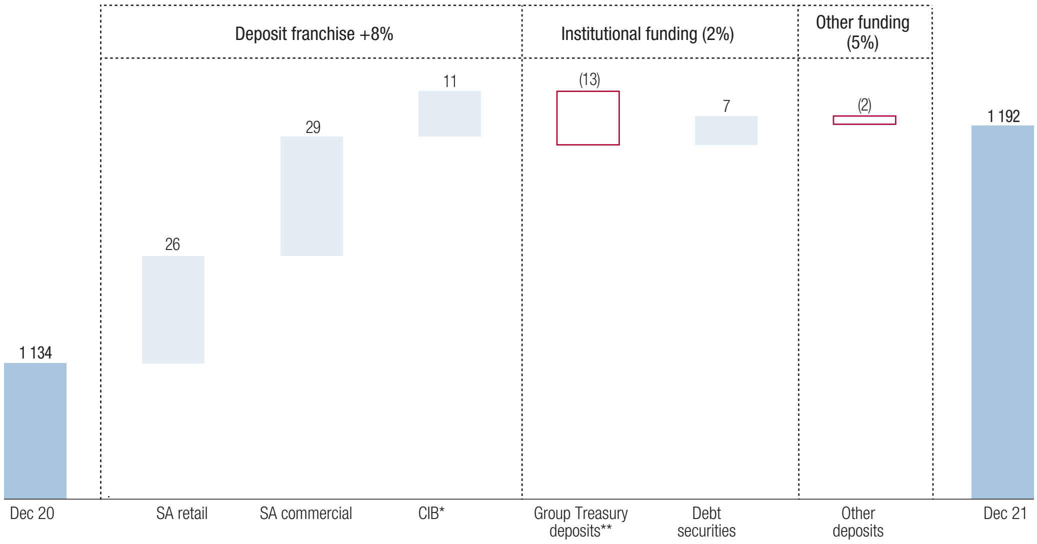
Margin analysis is based on net interest income as a percentage of average advances/deposits. Net interest income is calculated as the difference between the client rate (earned or paid) and the transfer pricing rate (earned or paid by Group Treasury). The average margin is, therefore, net of funds transfer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

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

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

Deposits – up 5%

Funding growth by segment
R billion

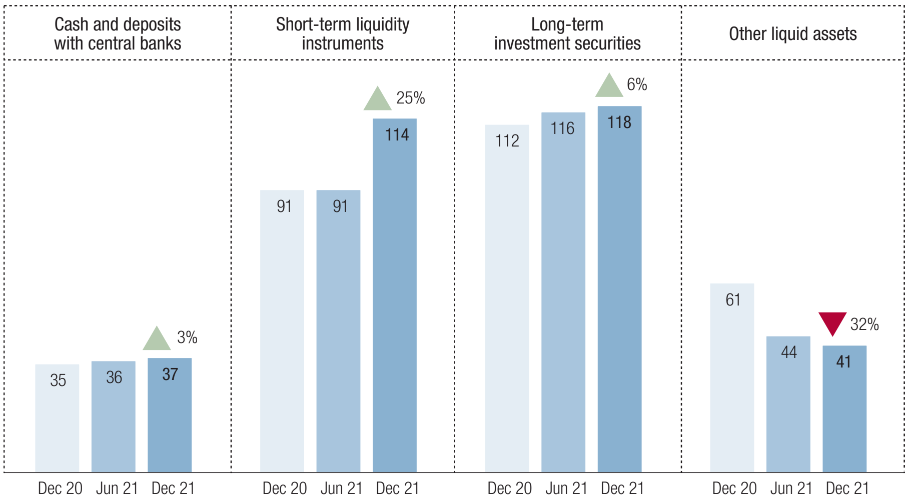


* *CIB deposits include South Africa and the London and India branches.*
** *Group Treasury deposits include the funding facility related to the South African Covid-19 government-guaranteed loan scheme.*

Liquidity management

Additional liquidity from higher deposit levels and lower advances growth was invested in short-term liquidity instruments (mainly treasury bills and reverse repos). These investments yield a lower margin.

Liquidity management by investment type
R billion



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

Net interest income (before impairment of advances) continued

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

	December 2021		December 2020*	
	Average balance	Average margin %	Average balance	Average margin %
Average JIBAR (RSA)		**3.69**		3.67
Deposits				
Retail	**286 497**	**1.42**	268 462	1.47
Current and savings	**84 700**	**3.39**	75 876	3.52
Call	**108 762**	**0.85**	105 255	0.81
Term	**93 035**	**0.31**	87 331	0.49
Commercial	**334 296**	**1.87**	316 297	1.81
Current and savings	**127 572**	**3.53**	117 065	3.35
Call	**103 652**	**1.34**	102 360	1.37
Term	**103 072**	**0.36**	96 872	0.43
Corporate and investment banking	**188 011**	**0.74**	170 293	0.83
Current and savings	**91 842**	**1.21**	89 335	1.23
Call	**53 179**	**0.40**	46 225	0.45
Term	**42 990**	**0.18**	34 733	0.34
Total deposits	**808 804**	**1.45**	755 052	1.47

* *Restatements are due to refinements in FNB's processes.*

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

KEY DRIVERS

> FNB's deposit base grew 9%:
  – To meet client needs in a lower interest rate environment, growth in retail deposits was supported by new client acquisition and the development of solutions which included money management initiatives to simplify savings.
  – Another example would be the retirees value proposition launched during July 2020 resulting in good growth with the added benefit of terming out of investments, which underpinned growth in fixed and notice deposits.
  – These initiatives helped FNB to have the largest market share of household deposits per the December 2021 BA900 returns.
  – Commercial deposits increased due to proactive client engagement, cash flow solutioning initiatives and preferential pricing for client relationships. Growth was partially offset by a decrease in public sector deposit balances.
> The rise in RMB CIB core deposits reflects the continued implementation of its deposit strategy, including client focus through compelling product offerings at competitive pricing.
> The relatively stronger growth in the bank's deposit franchises enabled Group Treasury to marginally reduce its institutional funding.
> The reduction in other funding was primarily due to ongoing amortisation of structured funding instruments and muted issuances over the period.

Credit highlights

CREDIT HIGHLIGHTS AT A GLANCE

R million	Notes	Six months ended 31 December 2021	Six months ended 31 December 2020	% change	Year ended 30 June 2021
Total gross advances	1 on p.76	**946 621**	889 051	6	896 424
– Stage 1		**833 798**	769 217	8	772 215
– Stage 2		**72 467**	72 266	–	77 435
– Stage 3/NPLs	3 on p.88	**40 356**	47 568	(15)	46 774
Stage 3/NPLs as a % of advances	3 on p.88	**4.26**	5.35		5.22
Advances (net of impairment)		**909 623**	849 020	7	857 955
Impairment charge	5 on p.96	**3 436**	7 161	(52)	11 115
Credit loss ratio (%)	5 on p.96	**0.75**	1.60		1.23
Total impairments	4 on p.94	**36 998**	40 031	(8)	38 469
Portfolio impairments	2 on p.86	**17 055**	18 049	(6)	16 788
– Stage 1		**8 315**	8 476	(2)	7 493
– Stage 2		**8 740**	9 573	(9)	9 295
Stage 3 impairments		**19 943**	21 982	(9)	21 681
Specific coverage ratio (%)*		**49.4**	46.2		46.4
Total impairment coverage ratio (%)**	4 on p.94	**91.7**	84.2		82.2
Performing book coverage ratio (%)#	2 on p.86	**1.88**	2.14		1.98

* *Specific impairments as a % of stage3/NPLs.*

** *Total impairments as a % of stage3/NPLs.*

Portfolio impairments as % of the performing book (stage 1 and stage 2).

In summary

The bank's credit performance continues to reflect positive underlying trends. Advances growth was strong in the retail mortgage, commercial and corporate portfolios as demand and appetite increased. Retail unsecured and VAF advances growth remained subdued.

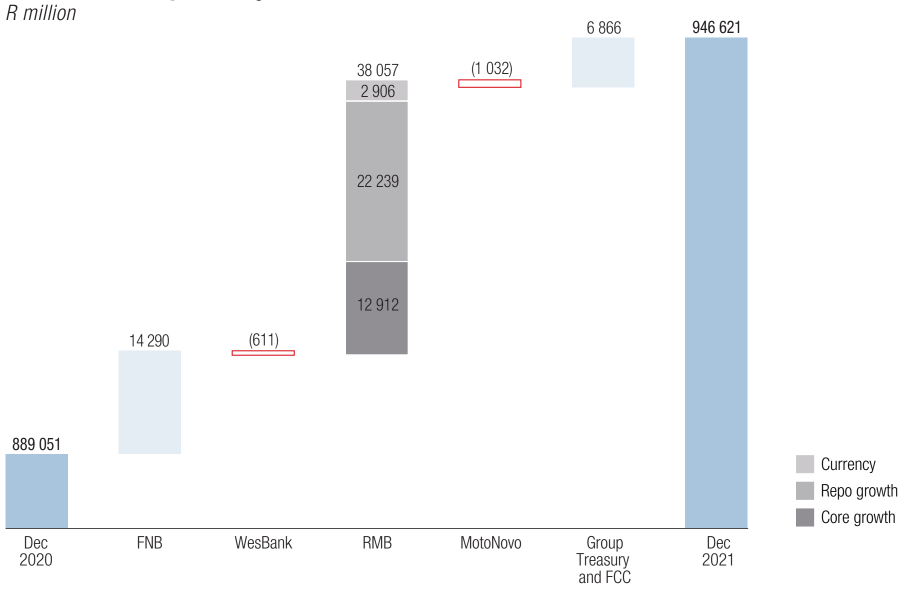
The composition of advances also reflects positive trends, with stage 2 and stage 3 advances declining 6% and 14% since June 2021, respectively. Stage 1 advances grew 8%. The improvement is even more pronounced period-on-period, with stage 2 remaining flat and stage 3 contracting 15%. Refer to pages 60 and 61 for more information on stage 2 and pages 62 to 65 for stage 3/NPL.

The bank's credit loss ratio continued to reduce with all segments now at or below through-the-cycle levels. Balance sheet impairment levels remained prudent, with additional judgemental out-of-model impairments recognised during the period. Refer to pages 64 to 68 for additional insight.

Credit continued

Gross advances – up 6%

Gross advances growth by business
R million



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

	As at 31 December			As at 30 June	December 2021 vs June 2021
R million	**2021**	2020	% change	2021	% change
Total advances	**946 621**	889 051	6	896 424	6
Assets under agreements to resell	**(87 647)**	(55 484)	58	(65 058)	35
Total	**858 974**	833 567	3	831 366	3
MotoNovo and dollar cross-border book currency impact*	**(3 004)**	–	–	524	(>100)
Core advances	**855 970**	833 567	3	831 890	3

* *If the exchange rate (pound: R21.47 and dollar: R15.89) had remained unchanged from 31 December 2020 (pound: R20.06 and dollar: R14.68).*

Advances growth

Gross advances increased 6% from June 2021. Excluding the currency impact of MotoNovo and the RMB cross-border book, gross advances increased 6% from June 2021. This is evidence of a steady uptick in origination in line with measured appetite growth.

FNB advances grew 3% period-on-period, with 3% growth in residential mortgages offset by a 3% decline in unsecured advances, driven by a 2% contraction in the personal loans portfolio (excluding the Covid-19 relief advances). Advances growth in the six months to December 2021 showed positive new business flow levels, supported by the continuing moderation in underwriting criteria. Payout levels in residential mortgages for the period under review were at record levels, supported by low interest rates, growth in first-time home buyers and the catch-up at the deeds office, particularly in the most recent quarter. The run-off (repayments) of the personal loans book, however, outpaced origination, given a more cautious approach against a backdrop of unemployment and income uncertainty. In the direct marketing channels, regulatory limitations and lower response rates also contributed to the decline. Card advances grew 3% from December 2020, with stronger growth as consumer card spending recovered. The decline in retail other reflects lower overdraft advances.

WesBank retail VAF advances declined 1%, as the run-off rate of the book (repayments and higher levels of write-offs) exceeded new business inflows. New business is gradually recovering but the volumes lost during the last two years have resulted in a rebasing of the book. New business increased 12% period-on-period, which can be attributed to an increase in average loan value, as reflected by the 5% decline in the number of accounts despite the increase in new business. Sales in the new vehicle market grew 22% period-on-period, off a low base (this increase includes fleet restocking). Dealers are struggling to meet increased customer demand on both new and used vehicles, primarily due to global supply chain disruptions and insufficient model availability, resulting in increased vehicle pricing pressure. Corporate and commercial advances continued to grow in selected sectors.

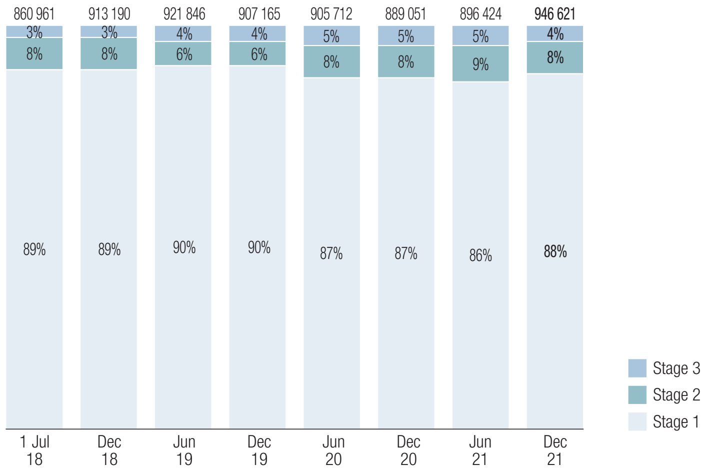
FNB commercial advances grew 9% (excluding the small and medium-sized enterprise (SME) government-guaranteed loan scheme), reflecting the improvement in economic activity and appropriate risk appetite changes. Growth in commercial property finance (+4%), asset-backed finance (+11%), fleet card (+>100%), specialised finance (+24%) and Islamic banking (+13%) was offset by a decline in transactional lending products (-4%) due to lower utilisation of facilities. The agricultural portfolio grew 13% on the back of seasonal growth, a low base in the prior year, a sharp increase in input costs and good new business written. The government-guaranteed loan scheme for SMEs declined 4% to R1.48 billion as the book runs off as payments are received.

RMB core advances increased 6% period-on-period and 8% since June 2021. Growth was mostly driven by working capital facilities. The rand devalued 8% against the dollar period-on-period, contributing to the increase in the RMB cross-border advances book of 7% in rand terms (1% contraction in dollar terms). The reverse repo book increased 45% period-on-period (up 22% since June 2021) driven by client funding requirements. Total RMB advances grew 12% period-on-period, however average advances period-on-period reflected a decline.

Credit continued

Stage distribution

Gross advances by stage
R million



STAGE 1

Stage 1 advances grew 8% period-on-period. Analysis are contained in note 1, page 75.

STAGE 2 ADVANCES

	As at 31 December 2021			
R million	Stage 2 arrears	Covid-19 relief in a current status	Other stage 2 advances in current status	Total stage 2
Residential mortgages	3 424	2 175	9 745	15 344
WesBank VAF	3 200	1 395	6 317	10 912
FNB card	352	546	1 603	2 501
Personal loans	2 097	833	4 147	7 077
Retail other	423	175	1 507	2 105
Total retail	9 496	5 124	23 319	37 939
FNB commercial	812	1 115	8 643	10 570
WesBank corporate	271	249	1 116	1 636
Total commercial	1 083	1 364	9 759	12 206
Total retail and commercial	10 579	6 488	33 078	50 145

STAGE 2

Total stage 2 is flat period-on-period, despite a significant reduction in operational arrears. This is largely related to the June 2021 impact of the significant increase in credit risk (SICR) indicators for the SA retail and commercial portfolios which were refined to incorporate behaviour emerging from data and models, e.g. customers using savings and supporting or relying on family members. The SICR refinements were intended to specifically cater for performing customers given uncertainty related to the length and severity of the third and future Covid-19 waves and the fact that many customers, particularly in the most severely affected sectors, had already utilised their emergency savings. The updated indicators were maintained at December 2021.

The bank maintained the application of the stress scenario for the South African retail and commercial portfolios as a temporary measure to capture uncertainty in the South African operating environment, and the inability of economic forecasts and existing statistical models to adequately capture short-term shocks. The weighting of the stress scenario has, however, decreased from 11% at June 2021 to 8% at December 2021. Refer to pages 150 and 152 for more detail. The stress scenario resulted in R967 million (June 2021: R1.2 billion) of retail advances and R98 million (June 2021: R99 million) of commercial advances migrating into stage 2.

Since June 2021 the distribution of the book improved, reflective of the improvement in the operating environment, together with good collection activities.

Residential mortgage stage 2 advances decreased R3.3 billion (18%) since December 2020 (R591 million or 4% decrease since June 2021). Card stage 2 advances decreased R161 million (6%) since June 2021, whilst personal loans increased marginally (1% or R90 million) since June 2021. WesBank retail VAF stage 2 advances decreased 9% or R1 billion since June 2021. Arrears levels continued to trend down, with positive payment behaviour in the relief portfolios. Paying stage 2 accounts now represent the largest category, reflecting positive payment behaviour and cautious SICR indicators.

FNB commercial stage 2 advances increased R345 million since June 2021 as the prudent stage 2 classification remained in place following the watchlist increasing at June 2021 to address high-risk industries, specifically those impacted by the pandemic and lockdowns. Paying Covid-19 relief customers increased, reflecting the continued better-than-expected performance of that portfolio.

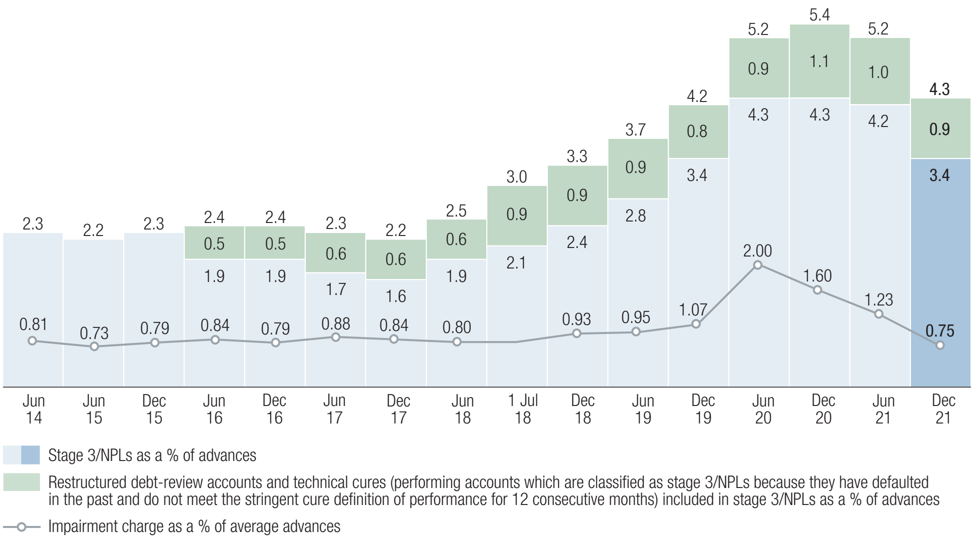
RMB CIB stage 2 advances increased R262 million (1%) period-on-period, however, there was a significant decline of R2.7 billion since June 2021, reflecting the benefit of partial settlements and the curing to stage 1 of a number of counterparties.

As at 31 December 2020				As at 30 June 2021			
Stage 2 arrears	Covid-19 relief in a current status	Other stage 2 advances in current status	Total stage 2	Stage 2 arrears	Covid-19 relief in a current status	Other stage 2 advances in current status	Total stage 2
2 542	8 212	7 921	18 675	3 209	2 957	9 769	15 935
4 356	2 446	3 667	10 469	3 380	1 787	6 763	11 930
439	1 010	879	2 328	488	621	1 553	2 662
2 040	1 973	3 287	7 300	1 814	893	4 280	6 987
526	1 673	541	2 740	445	210	1 986	2 641
9 903	15 314	16 295	41 512	9 336	6 468	24 351	40 155
1 153	1 405	4 534	7 092	1 053	694	8 478	10 225
573	168	652	1 393	470	328	1 200	1 998
1 726	1 573	5 186	8 485	1 523	1 022	9 678	12 223
11 629	16 887	21 481	49 997	10 859	7 490	34 029	52 378

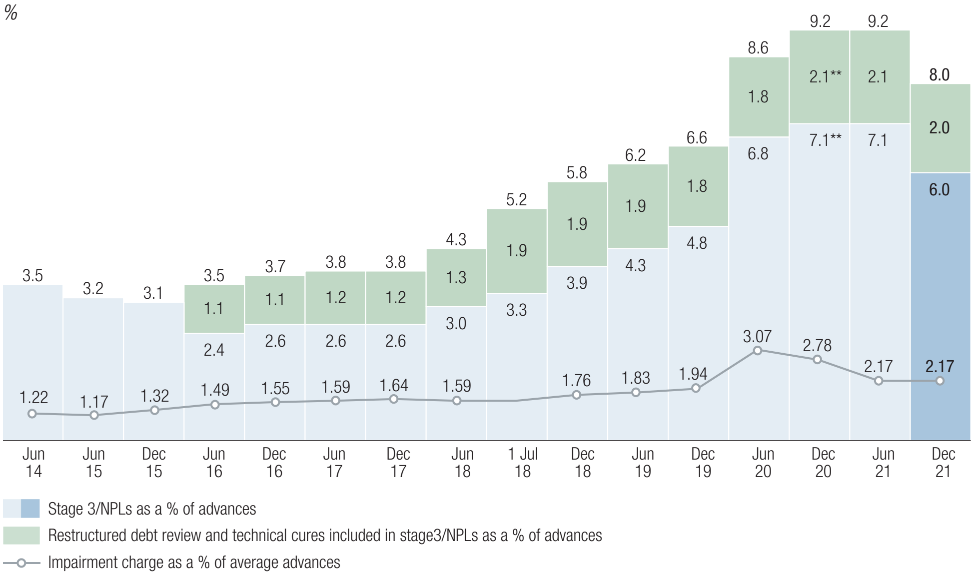
Credit continued

Stage 3: Non-performing loans

NPL and impairment history
%



*Retail NPLs and impairments**
%

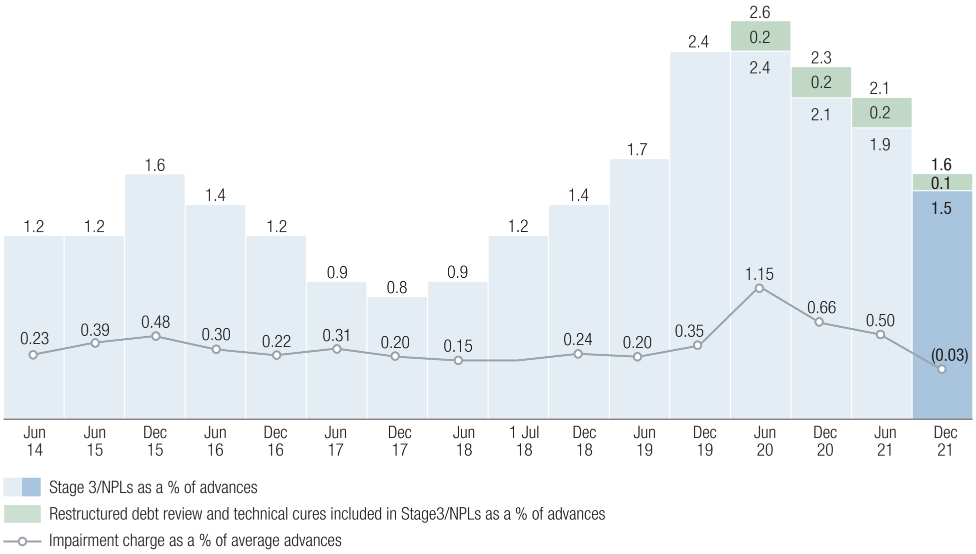


* *Includes MotoNovo.*

** *WesBank VAF has been restated for December 2020 in line with the June 2021 and December 2021 disclosures on a cumulative basis.*

Note: 2014 to 2018 figures are based on IAS 39 and 1 July 2018 to 2021 on IFRS 9.

Corporate and commercial NPLs and impairments
%



Note: 2014 to 2018 figures are based on IAS 39 and 1 July 2018 to 2021 on IFRS 9.

Credit continued

CHANGE IN NPLs

	31 December 2021 vs 31 December 2020			31 December 2021 vs 30 June 2021		
	R million	% change	Percentage point contribution to overall NPL increase	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs*	**(4 658)**	**(14)**	**(10)**	(3 433)	(10)	(8)
Covid-19 relief paying NPLs**	**(1 628)**	**(48)**	**(3)**	(2 322)	(57)	(5)
Other paying NPLs#	**(802)**	**(8)**	**(2)**	(660)	(7)	(1)
NPLs (excluding MotoNovo)	**(7 088)**	**(15)**	**(15)**	(6 415)	(14)	(14)
MotoNovo	**(124)**	**(30)**	**–**	(3)	(1)	–
Total bank NPLs	**(7 212)**	**(15)**	**(15)**	(6 418)	(14)	(14)

* *Include advances that received Covid-19 relief, other advances and debt-review ≥ 90 days in arrears.*

** *Include Covid-19 relief loans <90 days in arrears still subject to curing criteria.*

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

Retail NPLs decreased 12% from R36.9 billion in June 2021 to R32.4 billion at December 2021 (December 2020: R36.9 billion). NPLs as a percentage of advances decreased to 7.93% (December 2020: 9.11%; June 2021: 9.16%) reflecting the curing of paying NPLs, slower inflow and strong collections, further supported by the increase in advances.

Residential mortgages NPLs increased R411 million period-on-period, given the expiry of relief periods and ongoing customer strain, but reduced R762 million since June 2021. Personal loans NPLs (excluding Covid-19 relief advances) contracted R1.4 billion and card NPLs decreased R53 million period-on-period. NPLs reduced in personal loans, reflecting the benefit of prior risk cuts implemented. An earlier write-off point of three consecutive months in NPL was applied to the Covid-19 relief portfolio.

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

BALANCE SHEET IMPAIRMENTS

	31 December 2021			
R million	Total	Stage 1	Stage 2	Stage 3
Opening balance	**38 469**	**7 493**	**9 295**	**21 681**
Transfers between stages	**–**	**889**	**(1 582)**	**693**
ECL provided on new business*	**2 375**	**1 404**	**760**	**211**
ECL provided/(released) on back book*	**3 419**	**(1 261)**	**284**	**4 396**
Gross write-off** and other*	**(6 999)**	**(21)**	**37**	**(7 015)**
Temporary stress scenario	**(266)**	**(189)**	**(54)**	**(23)**
Closing balance	**36 998**	**8 315**	**8 740**	**19 943**

* *Net interest recognised on stage 3 advances of R1 395 million (December 2020: R1 471 million; June 2021: R3 059 million) is included in the expected credit loss (ECL) provided/(released) amounts, but is excluded from gross write-off and other.*

** *Write-off of gross balances excluding prior period provisions held.*

WesBank VAF NPLs decreased due to lower inflows, improved curing and increased write-offs. Lengthening in repossession timeframes continued due to persistent court delays.

FNB commercial NPLs declined 15% to 4.84% of advances (December 2020: 6.22%; June 2021: 5.74%). The decline was driven by:

> high write-offs (based on a 15-month write-off rule);
> lower stage 3 inflows in the transactional lending portfolio (-22%);
> the property finance portfolio (-18%) due to significant recoveries made from a number of clients; and
> recoveries made on the agricultural portfolio (-5%) following the recovery from previous drought conditions and a few large clients curing out of NPL status.

CIB NPLs decreased 38% to 0.44% of advances (December 2020: 0.80%; June 2021: 0.75%), reflecting partial settlement and curing of several counterparties.

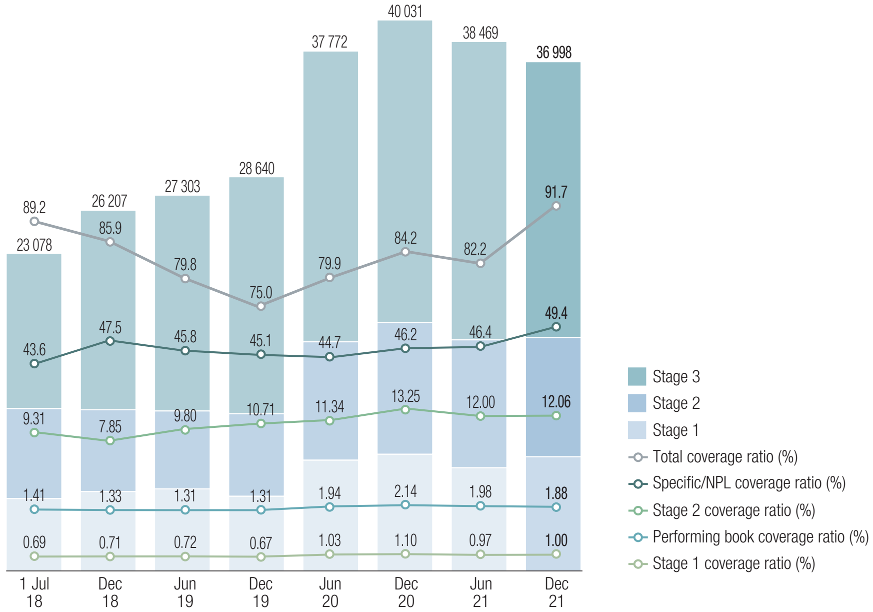
MotoNovo NPLs contracted 30% (35% in pound terms) period-on-period, as the book continues to run down.

	31 December 2020				30 June 2021			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
	37 772	8 047	8 598	21 127	37 772	8 047	8 598	21 127
	–	339	(2 056)	1 717	–	668	(2 907)	2 239
	1 729	1 077	414	238	3 582	1 651	1 018	913
	7 578	(958)	2 685	5 851	11 575	(3 064)	2 470	12 169
	(7 048)	(29)	(68)	(6 951)	(14 940)	(62)	(67)	(14 811)
	–	–	–	–	480	253	183	44
	40 031	8 476	9 573	21 982	38 469	7 493	9 295	21 681

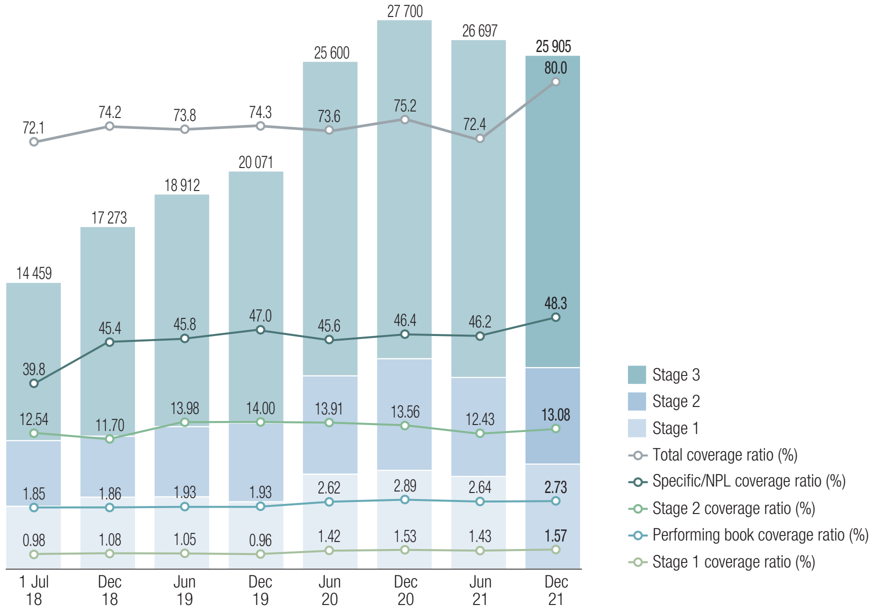
Credit continued

Balance sheet impairments and coverage ratios

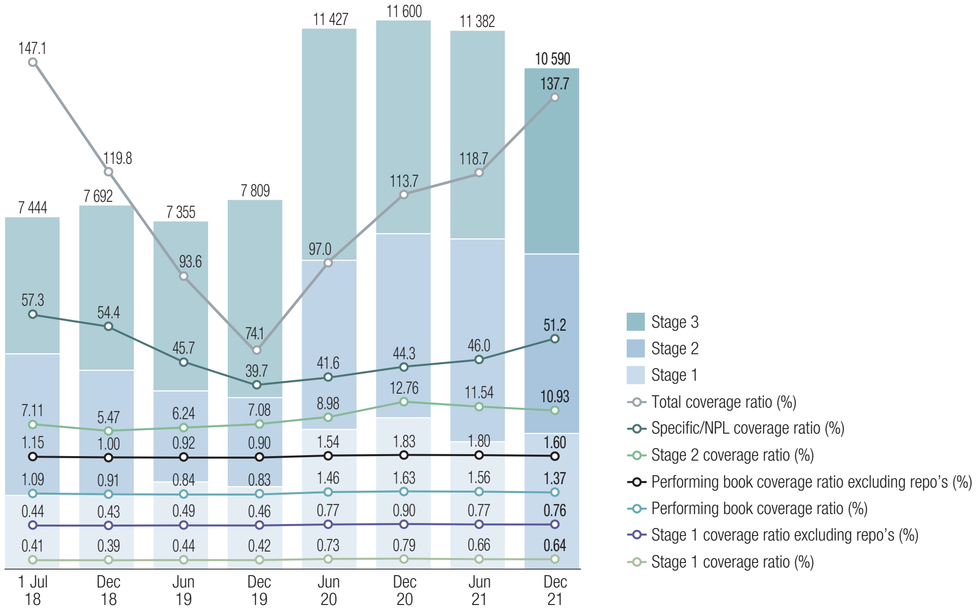
Balance sheet impairments and coverage ratios
R million and %



Retail balance sheet impairments and coverage ratios
R million and %



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



Credit continued

PERFORMING COVERAGE

The retail performing (stage 1 and 2) impairment coverage ratio decreased marginally to 2.73% (December 2020: 2.89%) but is up since June 2021 (2.64%), reflecting the group's continued prudent approach to balance sheet provisioning. Coverage was maintained due to the continued uncertainty associated with Covid-19 and the emergence of other risks in the operating environment, most notably the impact of the revised debit order process, rising inflation and increasing interest rate pressure. Lower coverage since December 2020 resulted from the change in asset mix due to higher growth in secured lending and a contraction in unsecured loans, the deliberate mix change to lower-risk customers, a change in the mix of arrears vs paying stage 2 accounts and an improving macro environment, which improved the FLI position.

The refined SICR indicators and the stress scenario which were implemented at June 2021, remained in place. The unwind of the Covid-19 relief-related provisions and the general improvement in the macroeconomic FLI and LGD levels in the secured portfolios continue to offset the emerging risks. The stress scenario portfolio provisions in the retail portfolio reduced R120 million from R288 million at June 2021 as the macro environment continued to improve.

FNB commercial performing coverage reduced from 2.58% at June 2021 to 2.20% (December 2020: 2.98%) due to the general improvement in FLI, partially offset by industry-specific, post-model adjustments. The change in mix of arrears vs paying stage 2 accounts also impacted coverage, as was the case in retail. The impact of the application of the stress scenario decreased from R148 million at June 2021 to R24 million, following the improvement in the economic outlook and a change in the weightings in the stress scenario from 11% to 8%.

Corporate performing coverage was impacted by R22.2 billion (45%) growth in repos period-on-period and R12.6 billion since June 2021, which have no coverage due to their short-term and highly collateralised nature. Corporate performing coverage, excluding the repo book, decreased from 1.51% to 1.44%, reflecting growth in performing advances, the improvement in the macroeconomic environment and curing from NPLs into stage 2 of highly collateralised counterparties.

STAGE 3 COVERAGE

FNB retail stage 3 impairment coverage increased following the curing of a large portion of paying NPLs, in line with expectations and as communicated at the June 2021 year end (lower coverage on paying NPLs/technical cures). Remaining NPLs reflected a marginal deterioration and higher coverage.

Corporate stage 3 coverage increased to 23.9% (December 2020: 23.3%; June 2021: 20.0%), part settlement and write-off in the lending portfolio and curing of highly collateralised/guaranteed counter.

MotoNovo stage 3 coverage increased significantly to 125.9% (December 2020: 68.8%; June 2021: 82.4%) due to increased coverage on long-outstanding NPLs.

Impairment charge

The bank credit loss ratio continues to reduce, reflecting the positive trend in the performance of most portfolios and the improvement in macros. The credit loss ratios for most portfolios are at or below through-the-cycle ranges, despite judgemental out-of-model adjustments recognised across various portfolios.

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended				December 2021 vs June 2021	June 2021 vs December 2020	December 2020 vs June 2020
	31 December	30 June	31 December	30 June			
R million	**2021**	2021	2020	2020	% change	% change	% change
Performing book provisions	**267**	(1 261)	1 404	5 226	(>100)	(>100)	(73)
NPL provision	**(1 738)**	(301)	855	3 906	>100	(>100)	(78)
Credit provision (decrease)/ increase	**(1 471)**	(1 562)	2 259	9 132	(6)	(>100)	(75)
Modification loss	**411**	309	291	273	33	6	7
Gross write-off* and other**	**5 603**	6 304	5 577	4 770	(11)	13	17
Post write-off recoveries	**(1 107)**	(1 097)	(966)	(795)	1	14	22
Total impairment charge	**3 436**	3 954	7 161	13 380	(13)	(45)	(46)
Credit loss ratio (%)	**0.75**	0.89	1.60	2.95			

* *Write-off of gross balances excluding prior period provisions held.*

** *Net interest recognised on stage 3 advances of R1 395 million (June 2021: R3 059 million; December 2020: R1 471 million) is excluded from write-off and other and included in the NPL provision.*

The reduction in the FNB retail credit loss ratio (CLR) to 1.69% (2.91% at December 2020) was underpinned by a strong operational performance, as the relief book performed slightly better than expected, with no further impairment charges required in the period. Similarly advances that did not receive relief performed slightly better than expected as consumers continued to benefit from low interest rates. This was further supported by the improvement in the macroeconomic FLI relative to December 2020 and June 2021, positive collections outcomes and reduced roll rates over the period.

The WesBank VAF CLR decreased to 1.74% (2.20% at December 2020), reflecting a significant improvement in arrears as the risk profile of the book and collections improved, offset by higher levels of write-offs.

The FNB commercial credit loss ratio of 0.11% reflects proactive provisioning in previous periods (December 2020: 1.65%). Balance sheet provisions were retained as uncertainty in the operating environment remains, e.g. loadshedding, adverse weather and stress in certain property asset classes.

As explained on page 150, the short-term stress scenario applied at 31 December 2021 resulted in provisions of R216 million, down from R483 million at June 2021. This was due to an improvement in the economic outlook. The weightings for the stress scenario changed from 11% to 8%, benefiting the impairment charge for the period.

The table on the next page analyses the income statement components based on total balance sheet movements. Below are the definitions and key drivers of the income statement components.

Income statement component	Definition	Key drivers
Volume change in stage 1	Determined by using the same stage 1 coverage as in the prior period applied to the movement between prior and current period stage 1 advances.	Increase in stage 1 volume reflects advances growth, particularly in the corporate and commercial portfolios.
Change in stage 1 coverage	Calculated as the difference in coverage period-on-period multiplied by the 31 December 2021 stage 1 advances.	The increase in the stage 1 coverage reflects the remaining uncertainty in the environment particularly relating to rising interest rates and inflation, and management's out-of-model adjustments to address it.
Volume change in stage 2	Determined by using the stage 2 coverage in the prior period applied to the movement between prior and current period stage 2 advances.	The decrease in stage 2 volume is due to cures, slower roll rates and settlements in most of the portfolios.
Change in stage 2 coverage	Calculated as the difference in coverage period-on-period multiplied by the 31 December 2021 stage 2 advances.	The marginal decline in stage 2 coverage reflects lower coverage for commercial paying stage 2 accounts, which carry lower coverage than arrear advances, curing and partial settlement in corporate.
Change in stage 3 provisions (NPLs)	Difference between current and prior period NPLs.	The decrease in stage 3 provisions is as a consequence of the continued contraction in NPLs.
Write-offs and other	Gross advances written off.	Write-offs and other amounted to R5.6 billion, benefiting from collections and the lower-risk origination strategy. This was also due to more write-offs for the six months to June taking place as court backlogs cleared and Covid-19 relief loans (R395 million) were written off earlier.

Credit continued

INCOME STATEMENT ANALYSIS

R million	Six months ended 31 December 2021			
	Volume change in stage 1	**Change in stage 1 coverage**	**Volume change in stage 2**	**Change in stage 2 coverage**
Retail	**46**	**575**	**(280)**	**253**
– Secured	**64**	**59**	**(120)**	**215**
– Unsecured	**7**	**137**	**(131)**	**63**
– Temporary stress scenario	**(25)**	**(41)**	**(29)**	**(25)**
– FNB centre	**–**	**420**	**–**	**–**
Commercial	**48**	**(4)**	**30**	**(367)**
Corporate	**176**	**(19)**	**(208)**	**26**
Rest of Africa	**–**	**–**	**–**	**–**
MotoNovo	**(1)**	**(1)**	**(8)**	**–**
FCC	**(1)**	**3**	**(1)**	**–**
Total bank	**268**	**554**	**(467)**	**(88)**

R million	Six months ended 31 December 2020			
	Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage
Retail	(300)	490	532	140
– Secured	(34)	(61)	157	112
– Unsecured	(266)	(69)	375	28
– Temporary stress scenario	–	–	–	–
– FNB centre	–	620	–	–
Commercial	140	(46)	(218)	305
Corporate	2	151	(573)	800
Rest of Africa	–	–	–	–
MotoNovo	(17)	(13)	(26)	8
FCC	8	14	–	7
Total bank	(167)	596	(285)	1 260

Six months ended 31 December 2021					
Change in stage 3 provisions	Credit provision increase	Modification loss	Gross write-off and other*	Post write-off recoveries	Total
(1 386)	(792)	411	4 842	(1 034)	3 427
(481)	(263)	65	1 330	(169)	963
(883)	(807)	346	3 512	(865)	2 186
(22)	(142)	–	–	–	(142)
–	420	–	–	–	420
(365)	(658)	–	714	(56)	–
(109)	(134)	–	65	(1)	(70)
–	–	–	–	–	–
122	112	–	(18)	(16)	78
–	1	–	–	–	1
(1 738)	(1 471)	411	5 603	(1 107)	3 436

Six months ended 31 December 2020					
Change in stage 3 provisions	Credit provision increase	Modification loss	Gross write-off and other*	Post write-off recoveries	Total
1 238	2 100	300	4 081	(900)	5 581
531	705	90	910	(153)	1 552
707	775	210	3 171	(747)	3 409
–	–	–	–	–	–
–	620	–	–	–	620
356	537	(9)	488	(43)	973
(744)	(364)	–	881	(1)	516
–	–	–	(28)	–	(28)
32	(16)	–	113	–	97
(27)	2	–	42	(22)	22
855	2 259	291	5 577	(966)	7 161

Credit continued

R million	Six months ended 30 June 2021				
	Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage	
Retail	(18)	(287)	(252)	(385)	
– Secured	(2)	174	(8)	(420)	
– Unsecured	(16)	30	(244)	(124)	
– Temporary stress scenario	–	129	–	159	
– FNB centre	–	(620)	–	–	
Commercial	42	(379)	674	(541)	
Corporate	35	(205)	159	104	
Rest of Africa	–	–	–	–	
MotoNovo	(4)	(7)	(27)	(11)	
FCC	(2)	(158)	(2)	3	
Total bank	53	(1 036)	552	(830)	

R million	Year ended 30 June 2021				
	Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage	
Retail	(306)	191	347	(312)	
– Secured	(36)	113	171	(330)	
– Unsecured	(270)	(51)	176	(141)	
– Temporary stress scenario	–	129	–	159	
– FNB centre	–	–	–	–	
Commercial	189	(432)	317	(97)	
Corporate	21	(38)	(387)	877	
Rest of Africa	–	–	–	–	
MotoNovo	(23)	(18)	(49)	(7)	
FCC	6	(144)	–	8	
Total bank	(113)	(441)	228	469	

* *Write-off of gross balances excluding prior period provisions held. Net interest recognised on stage 3 advances of R1 395 million (December 2020: R1 471 million; June 2021: R3 059 million) is excluded from write-off and other.*

	Six months ended 30 June 2021					
	Change in stage 3 provisions	Credit provision increase	Modification loss	Gross write-off and other*	Post write-off recoveries	Total
	(61)	(1 003)	307	4 952	(1 025)	3 231
	(79)	(335)	76	1 273	(152)	862
	(26)	(380)	231	3 679	(873)	2 657
	44	332	–	–	–	332
	–	(620)	–	–	–	(620)
	(2)	(206)	1	697	(52)	440
	(105)	(12)	–	352	(4)	336
	–	–	–	–	–	–
	(44)	(93)	1	81	(38)	(49)
	(89)	(248)	–	222	22	(4)
	(301)	(1 562)	309	6 304	(1 097)	3 954

	Year ended 30 June 2021					
	Change in stage 3 provisions	Credit provision increase	Modification loss	Gross write-off and other*	Post write-off recoveries	Total
	1 177	1 097	607	9 033	(1 925)	8 812
	452	370	166	2 183	(305)	2 414
	681	395	441	6 850	(1 620)	6 066
	44	332	–	–	–	332
	–	–	–	–	–	–
	354	331	(8)	1 185	(95)	1 413
	(849)	(376)	–	1 233	(5)	852
	–	–	–	(28)	–	(28)
	(12)	(109)	1	194	(38)	48
	(116)	(246)	–	264	–	18
	554	697	600	11 881	(2 063)	11 115

Credit continued

Update on Covid-19 relief

The retail and commercial relief arrangements terminated in September 2020, with extended relief periods terminating in March 2021. At 31 December 2021, no customers were still receiving relief. Retail and commercial customers, however, remain classified as in relief until the settlement of the full relief amount granted (payment holidays or liquidity facilities). As such, balances are shown on a cumulative basis, i.e. all prior/ closed relief advances.

Refer to pages 80 to 85 for more information on advances where relief was provided, including detail of the underlying advance, the staging and the coverage. Fifteen per cent of retail Covid-19 advances that received relief are in stage 2 and 16% in stage 3, which is a marginal improvement from the 16% in both stage 2 and 3 at June 2021, and indicates that the relief book is stable and performing in line with expectation. Additional information on the paying stage 3 relief advances is provided on pages 90 and 91. Nine per cent of commercial advances that received relief are in stage 2, and 2% are in stage 3. Twenty-three per cent of retail and 8% of commercial stage 3 Covid-19 relief advances are paying customers who have not yet qualified for migration to stage 2 due to the 12-month curing rule, a decrease from the 43% in retail and 29% in commercial at June 2021 following a noticeable number of cures during the six months under review.

The table below unpacks the number of customers who utilised Covid-19 relief.

	As at 31 December 2021				
	Number of customers (thousands)	Number of accounts (thousands)	Underlying gross advances for which relief was provided (R million)	Total portfolio* (gross advances) (R million)	% of portfolio for which relief was provided
Retail	158.6	446.5	49 417	408 031	12
Commercial	26.9	53.9	18 355	142 639	13
Corporate	**	**	6 503	351 164	2
MotoNovo	3.3	3.3	236	1 496	16
Total bank	**188.8**	**503.7**	**74 511**	**946 621**	**8**

* *Total bank portfolio includes FCC advances.*

** *Fewer than 100.*

Due to the fact that corporate relief was provided largely in the form of covenant waivers, facility increases, or new advances, corporate reflects only active relief. The inflow of Covid-19 relief applications dropped significantly, with the relief portfolio reducing from c. R17.3 billion (23 active counters) at June 2021 to R6.5 billion (16 active counters) at December 2021. At the height of the pandemic, relief amounted to c. R53 billion (94 active counters). NPLs have trended downward, reflecting a combination of the positive migration and de-gearing of certain clients during the period.

	As at 31 December 2020					As at 30 June 2021				
	Number of customers (thousands)	Number of accounts (thousands)	Underlying gross advances for which relief was provided (R million)	Total portfolio* (gross advances) (R million)	% of portfolio for which relief was provided	Number of customers (thousands)	Number of accounts (thousands)	Underlying gross advances for which relief was provided (R million)	Total portfolio* (gross advances) (R million)	% of portfolio for which relief was provided
	193.9	677.3	62 515	404 293	15	186.5	660.9	57 401	402 829	14
	17.6	32.1	20 824	132 698	16	17.3	31.1	22 627	138 107	16
	**	**	28 657	313 107	9	**	**	17 260	317 131	5
	0.7	0.7	48	2 528	2	3.6	3.6	292	1 819	16
	212.2	710.1	112 044	889 051	13	207.4	695.6	97 580	896 424	11

Credit continued

Note 1: Analysis of advances

SEGMENTAL ANALYSIS OF ADVANCES

	Advances					
	As at 31 December			As at 31 December		
				2021		
R million	2021	2020	% change	Stage 1	Stage 2	Stage 3
RETAIL	**408 031**	404 293	1	**337 715**	**37 939**	**32 377**
Retail – secured	**322 966**	316 250	2	**277 146**	**26 156**	**19 664**
Residential mortgages	**232 031**	224 409	3	**204 093**	**15 344**	**12 594**
WesBank VAF	**90 935**	91 841	(1)	**73 053**	**10 812**	**7 070**
Retail – unsecured	**85 065**	88 043	(3)	**61 535**	**10 817**	**12 713**
FNB card	**31 342**	30 535	3	**25 012**	**2 501**	**3 829**
Personal loans	**38 677**	41 150	(6)	**24 980**	**7 077**	**6 620**
– FNB and DirectAxis	**36 228**	37 137	(2)	**23 385**	**6 558**	**6 285**
– Covid-19 relief	**2 449**	4 013	(39)	**1 595**	**519**	**335**
Retail other	**15 046**	16 358	(8)	**11 543**	**1 239**	**2 264**
Temporary stress scenario	**–**	–	–	**(966)**	**966**	**–**
FNB centre	**–**	–	–	**–**	**–**	**–**
CORPORATE AND COMMERCIAL	**493 803**	445 805	11	**451 670**	**34 440**	**7 693**
FNB commercial	**115 657**	106 011	9	**99 493**	**10 570**	**5 594**
– FNB commercial	**114 182**	104 480	9	**98 169**	**10 472**	**5 541**
– SME government-guaranteed loan scheme	**1 475**	1 531	(4)	**1 422**	**–**	**53**
– Temporary stress scenario	**–**	–	–	**(98)**	**98**	**–**
WesBank corporate	**26 982**	26 687	1	**24 797**	**1 636**	**549**
RMB investment and corporate banking*,**	**333 145**	293 838	13	**309 361**	**22 234**	**1 550**
– Lending	**332 884**	293 536	13	**309 100**	**22 234**	**1 550**
– Loans to private equity investee companies	**261**	302	(14)	**261**	**–**	**–**
HQLA corporate advances**,#	**18 019**	19 269	(6)	**18 019**	**–**	**–**
FCC (INCLUDING GROUP TREASURY)	**43 291**	36 425	19	**43 248**	**43**	**–**
Securitisation notes	**32 964**	25 039	32	**32 964**	**–**	**–**
Other	**10 327**	11 386	(9)	**10 284**	**43**	**–**
Total advances excluding MotoNovo	**945 125**	886 523	7	**832 633**	**72 422**	**40 070**
Total MotoNovo (£ million)	**70**	126	(45)	**54**	**2**	**13**
Total MotoNovo (R million)	**1 496**	2 528	(41)	**1 165**	**45**	**286**
Total advances including MotoNovo†	**946 621**	889 051	6	**833 798**	**72 467**	**40 356**
Total advances excluding currency impact of MotoNovo and RMB cross-border‡	**943 617**	889 051	6	**831 060**	**72 220**	**40 337**
Of which:						
Accrual book	**832 378**	804 537	3	**722 882**	**69 301**	**40 195**
Fair value book	**114 243**	84 514	35	**110 916**	**3 166**	**161**

* *Includes activities in India and represents the in-country balance sheet.*

** *Corporate and investment banking including HQLA advances total R351.2 billion (December 2020: R313.1 billion; June 2021: R317.1 billion).*

\# *Managed by the Group Treasurer.*

† *Included in advances is assets under agreement to resell of R87.6 million (December 2020: R55.5 billion; June 2021: R65.1 billion).*

‡ *If the exchange rate had remained unchanged from 31 December 2020.*

Advances				
As at 31 December 2020			**% composition**	As at 30 June
Stage 1	Stage 2	Stage 3	**2021**	2021
325 930	41 512	36 851	**43**	402 829
264 471	29 144	22 635	**34**	316 182
193 551	18 675	12 183	**24**	225 666
70 920	10 469	10 452	**10**	90 516
61 459	12 368	14 216	**9**	86 647
24 325	2 328	3 882	**3**	31 249
25 948	7 300	7 902	**4**	39 686
23 879	5 609	7 649	**4**	36 551
2 069	1 691	253	**–**	3 135
11 186	2 740	2 432	**2**	15 712
–	–	–	**–**	–
–	–	–	**–**	–
405 144	30 457	10 204	**52**	455 238
92 325	7 092	6 594	**12**	111 121
90 881	7 007	6 592	**12**	109 522
1 444	85	2	**–**	1 599
–	–	–	**–**	–
24 190	1 393	1 104	**3**	26 986
269 360	21 972	2 506	**35**	300 282
269 058	21 972	2 506	**35**	299 995
302	–	–	**–**	287
19 269	–	–	**2**	16 849
36 246	76	103	**5**	36 538
25 039	–	–	**4**	25 363
11 207	76	103	**1**	11 175
767 320	72 045	47 158	**100**	894 605
95	11	20		92
1 897	221	410	**–**	1 819
769 217	72 266	47 568	**100**	896 424
769 217	72 266	47 568		897 242
687 225	69 875	47 437	**88**	803 450
81 992	2 391	131	**12**	92 974

Credit continued

CIB ADVANCES BREAKDOWN

R million	Advances As at 31 December 2021	Advances As at 31 December 2020	% change	% com-position 2021	As at 30 June 2021
RMB corporate and investment banking core advances	**261 830**	244 762	7	**75**	241 605
– South Africa	**223 816**	209 282	7	**64**	214 651
– Cross-border (rest of Africa) – $ million	**2 392**	2 417	(1)		1 890
– Cross-border (rest of Africa)	**38 014**	35 480	7	**11**	26 954
HQLA corporate advances*	**18 019**	19 269	(6)	**5**	16 849
CIB total core advances	**279 849**	264 031	6	**80**	258 454
CIB total lending advances	**279 588**	263 729	6	**80**	258 167
CIB shareholder loans to private equity investing companies	**261**	302	(14)	**–**	287
CIB total core advances	**279 849**	264 031	6	**80**	258 454
CIB core advances – South Africa**	**241 835**	228 551	6	**69**	231 500
CIB core advances – rest of Africa#	**38 014**	35 480	7	**11**	26 954
CIB total core advances	**279 849**	264 031	6	**80**	258 454
Assets under agreements to resell	**71 315**	49 076	45	**20**	58 677
CIB total advances	**351 164**	313 107	12	**100**	317 131
Total advances excluding currency impact of RMB cross-border†	**35 108**	35 480	(1)		26 954

* *Managed by the Group Treasurer.*

** *CIB core advances – South Africa is the sum of RMB IB SA core advances, RMB CB SA advances and HQLA corporate advances.*

\# *CIB core advances – rest of Africa is the sum of RMB IB cross-border core advances and RMB CB cross-border core advances.*

† *If the exchange rate had remained unchanged from 31 December 2020.*

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

	Advances				
	As at 31 December			% composition	As at 30 June
R million	2021	2020	% change	2021	2021
Sector analysis					
Agriculture	**46 435**	40 238	15	**5**	40 334
Banks	**55 582**	39 363	41	**6**	41 854
Financial Institutions*	**152 603**	138 310	10	**16**	146 001
Building and property development	**57 037**	55 196	3	**6**	54 824
Government, Land Bank and public authorities	**25 281**	17 670	43	**3**	20 672
Individuals	**393 428**	392 237	–	**41**	388 808
Manufacturing and commerce	**105 978**	101 153	5	**11**	103 816
Mining	**7 882**	12 527	(37)	**1**	7 599
Transport and communication	**27 773**	20 639	35	**3**	21 930
Other services	**74 622**	71 718	4	**8**	70 586
Total advances	**946 621**	889 051	6	**100**	896 424
Geographical analysis					
South Africa	**861 403**	805 553	7	**91**	818 048
Rest of Africa	**23 827**	27 798	(14)	**3**	19 132
UK	**34 118**	32 111	6	**4**	42 058
Other Europe	**11 765**	13 150	(11)	**1**	7 559
North America	**4 557**	2 978	53	**–**	2 169
South America	**2**	3	(33)	**–**	2
Australasia	**7**	3	>100	**–**	4
Asia	**10 942**	7 455	47	**1**	7 452
Total advances	**946 621**	889 051	6	**100**	896 424

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

Credit continued

DISTRIBUTION OF ADVANCES BETWEEN RELIEF PROVIDED AND NO RELIEF PROVIDED

The tables that follow provide additional information on Covid-19 relief provided to customers. They detail:

> Advances for which no relief was provided.
> Advances which received relief.

RETAIL ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
Retail	358 614	303 471	30 438	24 705
Residential mortgages	204 503	182 549	12 111	9 843
WesBank VAF	81 751	67 240	8 904	5 607
FNB card	27 003	22 230	1 887	2 886
Personal loans	32 900	22 382	5 719	4 799
Retail other	12 457	9 070	1 817	1 570
FNB centre	–	–	–	–

RETAIL ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
Retail	49 417	34 244	7 501	7 672
Residential mortgages	27 528	21 544	3 233	2 751
WesBank VAF	9 184	5 713	2 008	1 463
FNB card	4 339	2 782	614	943
Personal loans	3 328	1 003	839	1 486
Personal loans – Covid-19 relief*	2 449	1 595	519	335
Retail other	2 589	1 607	288	694
Total retail advances	408 031	337 715	37 939	32 377

* *Coverage based on exposure at default (EAD).*

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
21 114	9 040	12 074	85.5	2.71	48.9
3 714	1 283	2 431	37.7	0.66	24.7
4 627	1 776	2 851	82.5	2.33	50.8
3 622	1 353	2 269	125.5	5.61	78.6
6 453	3 009	3 444	134.5	10.71	71.8
2 278	1 199	1 079	145.1	11.01	68.7
420	420	–	–	–	–

Balance sheet impairments			Coverage			Liquidity facility	
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3	Utilised	Committed undrawn
4 791	1 217	3 574	62.4	2.92	46.6	2 449	–
620	237	383	22.5	0.96	13.9	450	–
755	201	554	51.6	2.60	37.9	283	–
961	206	755	101.9	6.07	80.1	588	–
1 273	217	1 056	85.7	11.78	71.1	472	–
484	201	283	144.5	9.51	84.5	–	–
698	155	543	100.6	8.18	78.2	656	–
25 905	10 257	15 648	80.0	2.73	48.3		

Credit continued

COMMERCIAL ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

R million	Underlying gross advance	Stage of underlying gross advance		
		Stage 1	Stage 2	Stage 3/ NPLs
FNB commercial	102 722	88 266	9 249	5 207
Overdrafts	17 550	12 716	3 076	1 758
Agricultural	35 648	31 132	3 161	1 355
Asset-backed finance	12 967	10 997	1 590	380
Specialised finance	9 823	9 380	246	197
Commercial property finance	20 038	18 304	750	984
SME government-guaranteed loan scheme	1 475	1 422	–	53
Other	5 221	4 315	426	480
WesBank corporate	21 562	19 730	1 348	484
Total commercial	124 284	107 996	10 597	5 691

COMMERCIAL ADVANCES WHICH RECEIVED RELIEF

R million	Underlying gross advance	Stage of underlying gross advance		
		Stage 1	Stage 2	Stage 3/ NPLs
FNB commercial	12 935	11 227	1 321	387
Overdrafts	176	150	13	13
Agricultural	630	582	20	28
Asset-backed finance	1 745	1 120	530	95
Specialised finance	966	816	92	58
Commercial property finance	9 142	8 286	663	193
Other	276	273	3	–
WesBank corporate	5 420	5 067	288	65
Total commercial	18 355	16 294	1 609	452

Total commercial advances	142 639	124 290	12 206	6 143

	Balance sheet impairments			Coverage		
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
	5 498	2 312	3 186	105.6	2.37	61.2
	2 629	1 080	1 549	149.5	6.84	88.1
	647	236	411	47.7	0.69	30.3
	330	168	162	86.8	1.33	42.6
	259	125	134	131.5	1.30	68.0
	655	227	428	66.6	1.19	43.5
	103	51	52	194.3	3.59	98.1
	875	425	450	182.3	8.96	93.8
	395	196	199	81.6	0.93	41.1
	5 893	2 508	3 385	103.5	2.11	59.5

	Balance sheet impairments			Coverage			SME government-guaranteed loan scheme			
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3	Drawn	Undrawn	Total balance sheet provisions	Total coverage
	265	110	155	68.5	0.88	40.1	1 475	–	104	7.1
	16	5	11	123.1	3.07	84.6	–	–	–	–
	4	4	–	14.3	0.66	–	–	–	–	–
	75	33	42	78.9	2.00	44.2	–	–	–	–
	65	7	58	112.1	0.77	100.0	299	–	19	6.4
	104	60	44	53.9	0.67	22.8	–	–	–	–
	1	1	–	–	0.36	–	1 176	–	85	7.2
	49	24	25	75.4	0.45	38.5				–
	314	134	180	69.5	0.75	39.8	1 475	–	104	7.1
	6 207	2 642	3 565	101.0	1.94	58.0				

Credit continued

CORPORATE AND INVESTMENT BANKING ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
Corporate and investment banking	344 661	322 681	20 430	1 550

CORPORATE AND INVESTMENT BANKING ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
Corporate and investment banking	6 503	4 699	1 804	–
Total corporate and investment banking	351 164	327 380	22 234	1 550

MOTONOVO ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advance		
£ million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
MotoNovo	65	56	1	8

MOTONOVO ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advance		
£ million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
MotoNovo	11	3	1	7
Total MotoNovo	76	59	2	15

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
4 116	3 746	370	265.5	1.09	23.9

Balance sheet impairments			Coverage			Relief provided		
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3	New money	Relaxed payments	Covenant waivers
267	267	–	–	4.11	–	2 681	524	3 615
4 383	4 013	370	282.8	1.15	23.9			

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
14	1	13	182.1	0.71	176.7

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
5	–	5	71.4	–	71.4
19	1	18	128.7	0.66	125.9

Credit continued

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

R million	Total portfolio impairments						
	As at 31 December			As at 31 December			
				2021		2020	
	2021	2020	% change	**Stage 1**	**Stage 2**	Stage 1	Stage 2
Portfolio impairments							
RETAIL	**10 257**	10 605	(3)	**5 294**	**4 963**	4 978	5 627
Retail – secured	**3 452**	3 490	(1)	**1 477**	**1 975**	1 182	2 308
Residential mortgages	**1 520**	1 777	(14)	**719**	**801**	669	1 108
WesBank VAF	**1 932**	1 713	13	**758**	**1 174**	513	1 200
Retail – unsecured	**6 217**	6 495	(4)	**3 334**	**2 883**	3 176	3 319
FNB card	**1 559**	1 578	(1)	**919**	**640**	939	639
Personal loans	**3 427**	3 497	(2)	**1 682**	**1 745**	1 566	1 931
– FNB and DirectAxis	**3 226**	2 986	8	**1 612**	**1 614**	1 410	1 576
– Covid-19 relief	**201**	511	(61)	**70**	**131**	156	355
Retail other	**1 231**	1 420	(13)	**733**	**498**	671	749
Temporary stress scenario	**168**	–	–	**63**	**105**	–	–
FNB centre	**420**	620	(32)	**420**	**–**	620	–
CORPORATE AND COMMERCIAL	**6 655**	7 084	(6)	**2 891**	**3 764**	3 197	3 887
FNB commercial	**2 422**	2 965	(18)	**1 176**	**1 246**	1 500	1 465
– FNB commercial	**2 346**	2 871	(18)	**1 124**	**1 222**	1 412	1 459
– SME government-guaranteed loan scheme	**52**	94	(45)	**52**	**–**	88	6
– Temporary stress scenario	**24**	–	–	**–**	**24**	–	–
WesBank corporate	**220**	174	26	**133**	**87**	102	72
RMB investment and corporate banking*	**4 013**	3 945	2	**1 582**	**2 431**	1 595	2 350
– Lending	**4 009**	3 940	2	**1 578**	**2 431**	1 590	2 350
– Loans to private equity investee companies	**4**	5	(20)	**4**	**–**	5	–
HQLA corporate advances	**–**	–	–	**–**	**–**	–	–
FCC (INCLUDING GROUP TREASURY)	**135**	293	(54)	**128**	**7**	286	7
Securitisation notes	**23**	32	(28)	**23**	**–**	32	–
Other	**112**	261	(57)	**105**	**7**	254	7
Total portfolio impairments excluding MotoNovo	**17 047**	17 982	(5)	**8 313**	**8 734**	8 461	9 521
Total MotoNovo	**8**	67	(88)	**2**	**6**	15	52
Total portfolio impairments including MotoNovo	**17 055**	18 049	(6)	**8 315**	**8 740**	8 476	9 573

* *Includes activities in India and represents the in-country balance sheet.*

Total portfolio impairments							
As at 30 June	Performing book coverage ratio (% of performing advances)						
	As at 31 December						As at 30 June
2021	2021	Stage 1	Stage 2	2020	Stage 1	Stage 2	2021
9 663	**2.73**	**1.57**	**13.08**	2.89	1.53	13.56	2.64
3 234	**1.14**	**0.53**	**7.55**	1.19	0.45	7.92	1.10
1 487	**0.69**	**0.35**	**5.22**	0.84	0.35	5.93	0.70
1 747	**2.30**	**1.04**	**10.86**	2.10	0.72	11.46	2.16
6 141	**8.59**	**5.42**	**26.65**	8.80	5.17	26.84	8.46
1 515	**5.67**	**3.67**	**25.59**	5.92	3.86	27.45	5.57
3 333	**10.69**	**6.73**	**24.66**	10.52	6.04	26.45	10.37
3 077	**10.77**	**6.89**	**24.61**	10.13	5.90	28.10	10.46
256	**9.51**	**4.39**	**25.24**	13.59	7.54	20.99	9.41
1 293	**9.63**	**6.35**	**40.19**	10.20	6.00	27.34	9.78
288	**–**	**(6.52)**	**10.87**	–	–	–	–
–	**–**	**–**	**–**	–	–	–	–
6 973	**1.37**	**0.64**	**10.93**	1.63	0.79	12.76	1.56
2 705	**2.20**	**1.18**	**11.79**	2.98	1.62	20.66	2.58
2 481	**2.16**	**1.14**	**11.67**	2.93	1.55	20.82	2.40
76	**3.66**	**3.66**	**–**	6.15	6.09	7.06	4.84
148	**–**	**–**	**24.49**	–	–	–	–
230	**0.83**	**0.54**	**5.32**	0.68	0.42	5.17	0.88
4 038	**1.21**	**0.51**	**10.93**	1.35	0.59	10.70	1.36
4 034	**1.21**	**0.51**	**10.93**	1.35	0.59	10.70	1.36
4	**1.53**	**1.53**	**–**	1.66	1.66	–	1.39
–	**–**	**–**	**–**	–	–	–	–
134	**0.31**	**0.30**	**16.28**	0.81	0.79	9.21	0.37
24	**0.07**	**0.07**	**–**	0.13	0.13	–	0.09
110	**1.08**	**1.02**	**16.28**	2.31	2.27	9.21	0.98
16 770	**1.88**	**1.00**	**12.06**	2.14	1.10	13.22	1.98
18	**0.66**	**0.17**	**13.33**	3.16	0.79	23.53	1.18
16 788	**1.88**	**1.00**	**12.06**	2.14	1.10	13.25	1.98

Credit continued

Note 3: Analysis of stage 3/NPLs

SEGMENTAL ANALYSIS OF STAGE 3/NPLS

	Stage 3/NPLs					Stage 3/NPLs as a % of advances		
	As at 31 December			% composition	As at 30 June	As at 31 December		As at 30 June
R million	2021	2020	% change	2021	2021	2021	2020	2021
RETAIL	**32 377**	36 851	(12)	**80**	36 899	**7.93**	9.11	9.16
Retail – secured	**19 664**	22 635	(13)	**49**	22 827	**6.09**	7.16	7.22
Residential mortgages	**12 594**	12 183	3	**31**	13 356	**5.43**	5.43	5.92
WesBank VAF	**7 070**	10 452	(32)	**18**	9 471	**7.77**	11.38	10.46
Retail – unsecured	**12 713**	14 216	(11)	**31**	14 072	**14.95**	16.15	16.24
FNB card	**3 829**	3 882	(1)	**9**	4 034	**12.22**	12.71	12.91
Personal loans	**6 620**	7 902	(16)	**16**	7 546	**17.12**	19.20	19.01
– FNB and DirectAxis	**6 285**	7 649	(18)	**15**	7 131	**17.35**	20.60	19.51
– Covid-19 relief	**335**	253	32	**1**	415	**13.68**	6.30	13.24
Retail other	**2 264**	2 432	(7)	**6**	2 492	**15.05**	14.87	15.86
Temporary stress scenario	**–**	–	–	**–**	–	**–**	–	–
FNB centre	**–**	–	–	**–**	–	**–**	–	–
CORPORATE AND COMMERCIAL	**7 693**	10 204	(25)	**19**	9 586	**1.56**	2.29	2.11
FNB commercial	**5 594**	6 594	(15)	**14**	6 378	**4.84**	6.22	5.74
– FNB commercial	**5 541**	6 592	(16)	**14**	6 350	**4.85**	6.31	5.80
– SME government-guaranteed loan scheme	**53**	2	>100	**–**	28	**3.59**	0.13	1.75
– Temporary stress scenario	**–**	–	–	**–**	–	**–**	–	–
WesBank corporate	**549**	1 104	(50)	**1**	814	**2.03**	4.14	3.02
RMB investment and corporate banking*	**1 550**	2 506	(38)	**4**	2 394	**0.47**	0.85	0.80
– Lending	**1 550**	2 506	(38)	**4**	2 394	**0.47**	0.85	0.80
– Loans to private equity investee companies	**–**	–	–	**–**	–	**–**	–	–
HQLA corporate advances	**–**	–	–	**–**	–	**–**	–	–
FCC (INCLUDING GROUP TREASURY)	**–**	103	(100)	**–**	–	**–**	0.28	–
Securitisation notes	**–**	–	–	**–**	–	**–**	–	–
Other	**–**	103	(100)	**–**	–	**–**	0.90	–
Total stage 3/NPLs excluding MotoNovo	**40 070**	47 158	(15)	**99**	46 485	**4.24**	5.32	5.20
Total MotoNovo	**286**	410	(30)	**1**	289	**19.12**	16.22	15.89
Total stage 3/NPLs including MotoNovo	**40 356**	47 568	(15)	**100**	46 774	**4.26**	5.35	5.22
Of which:								
Accrual book	**40 195**	47 437	(15)	**100**	46 618	**4.83**	5.90	5.80
Fair value book	**161**	131	23	**–**	156	**0.14**	0.16	0.17

* *Includes activities in India and represents the in-country balance sheet.*

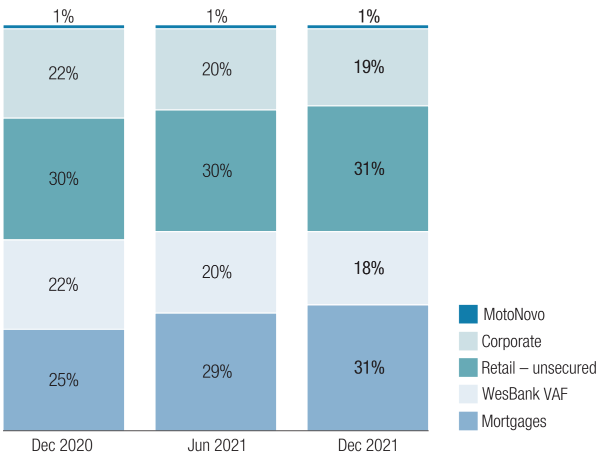
SECTOR AND GEOGRAPHICAL ANALYSIS OF NPLs

	Stage 3/NPLs					Stage 3/NPLs as a % of advances		
	As at 31 December			% composition	As at 30 June	As at 31 December		As at 30 June
R million	**2021**	2020	% change	**2021**	2021	**2021**	2020	2021
Sector analysis								
Agriculture	**1 295**	1 865	(31)	**3**	1 572	**2.79**	4.63	3.90
Financial Institutions*,**	**224**	353	(37)	**1**	350	**0.15**	0.26	0.24
Building and property development	**893**	1 535	(42)	**2**	1 113	**1.57**	2.78	2.03
Government, Land Bank and public authorities	**324**	518	(37)	**1**	825	**1.28**	2.93	3.99
Individuals	**31 243**	34 807	(10)	**77**	35 006	**7.94**	8.87	9.00
Manufacturing and commerce	**2 438**	3 074	(21)	**6**	2 942	**2.30**	3.04	2.83
Mining	**100**	117	(15)	**–**	106	**1.27**	0.93	1.39
Transport and communication	**811**	1 068	(24)	**2**	1 050	**2.92**	5.17	4.79
Other services**	**3 028**	4 231	(28)	**8**	3 810	**4.06**	5.90	5.40
Total stage 3/NPLs	**40 356**	47 568	(15)	**100**	46 774	**4.26**	5.35	5.22
Geographical analysis								
South Africa	**40 047**	46 975	(15)	**99**	46 239	**4.65**	5.83	5.65
Other Africa	**16**	103	(84)	**–**	154	**0.07**	0.37	0.80
UK	**287**	410	(30)	**1**	291	**0.84**	1.28	0.69
Other Europe	**3**	1	>100	**–**	4	**0.03**	0.01	0.05
North America	**–**	–	–	**–**	1	**–**	–	0.05
Asia	**3**	79	(96)	**–**	85	**0.03**	1.06	1.14
Total stage 3/NPLs	**40 356**	47 568	(15)	**100**	46 774	**4.26**	5.35	5.22

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

** *Reclassification error corrected for June 2021 relating to real estate incorrectly classified under financial institutions.*

NPL distribution



Credit continued

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

R million	Operational NPLs*	Covid-19 relief paying NPLs**	Other paying NPLs#	Total stage 3/ NPLs
31 December 2021				
Residential mortgages	**7 844**	**1 089**	**3 661**	**12 594**
WesBank VAF	**4 396**	**114**	**2 560**	**7 070**
FNB card	**3 054**	**49**	**726**	**3 829**
Personal loans	**4 995**	**448**	**1 177**	**6 620**
Retail other	**2 029**	**37**	**198**	**2 264**
Total retail NPLs	**22 318**	**1 737**	**8 322**	**32 377**
FNB commercial	**5 234**	**26**	**334**	**5 594**
WesBank corporate	**452**	**12**	**85**	**549**
Total commercial NPLs	**5 686**	**38**	**419**	**6 143**
Total retail and commercial NPLs	**28 004**	**1 775**	**8 741**	**38 520**

R million	Operational NPLs*	Covid-19 relief paying NPLs**	Other paying NPLs#	Total stage 3/ NPLs
31 December 2020				
Residential mortgages	7 821	877	3 485	12 183
WesBank VAF†	6 811	697	2 944	10 452
FNB card	3 102	293	487	3 882
Personal loans	5 744	996	1 162	7 902
Retail other	1 751	264	417	2 432
Total retail NPLs	25 229	3 127	8 495	36 851
FNB commercial	5 757	175	662	6 594
WesBank corporate	617	101	386	1 104
Total commercial NPLs	6 374	276	1 048	7 698
Total retail and commercial NPLs	31 603	3 403	9 543	44 549

* *Include advances that received Covid-19 relief, other advances and debt-review ≥ 90 days in arrears.*

** *Include Covid-19 relief loans <90 days in arrears still subject to curing criteria.*

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

† *WesBank VAF has been restated for December 2020 in line with the June 2021 and December 2021 disclosures on an ever relief basis.*

R million	Operational NPLs*	Covid-19 relief paying NPLs**	Other paying NPLs#	Total stage 3/ NPLs
30 June 2021				
Residential mortgages	8 031	1 362	3 963	13 356
WesBank VAF	5 522	1 263	2 686	9 471
FNB card	3 139	237	658	4 034
Personal loans	5 675	895	976	7 546
Retail other	2 053	171	268	2 492
Total retail NPLs	24 420	3 928	8 551	36 899
FNB commercial	5 651	116	611	6 378
WesBank corporate	522	53	239	814
Total commercial NPLs	6 173	169	850	7 192
Total retail and commercial NPLs	30 593	4 097	9 401	44 091

* *Include advances that received Covid-19 relief, other advances and debt-review ≥ 90 days in arrears.*

** *Include Covid-19 relief loans <90 days in arrears still subject to curing criteria.*

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

Credit continued

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

	As at 31 December 2021			As at 31 December 2020		
R million	**Stage3/ NPLs**	**Security held and expected recoveries**	**Specific impairment**	Stage3/ NPLs	Security held and expected recoveries	Specific impairment
RETAIL	**32 377**	**16 729**	**15 648**	36 851	19 756	17 095
Retail – secured	**19 664**	**13 446**	**6 218**	22 635	15 857	6 778
Residential mortgages	**12 594**	**9 780**	**2 814**	12 183	9 586	2 597
WesBank VAF	**7 070**	**3 666**	**3 404**	10 452	6 271	4 181
Retail – unsecured	**12 713**	**3 305**	**9 408**	14 216	3 899	10 317
FNB card	**3 829**	**805**	**3 024**	3 882	993	2 889
Personal loans	**6 620**	**1 837**	**4 783**	7 902	2 274	5 628
– FNB and DirectAxis	**6 285**	**1 785**	**4 500**	7 649	2 231	5 418
– Covid-19 relief	**335**	**52**	**283**	253	43	210
Retail other	**2 264**	**663**	**1 601**	2 432	632	1 800
Temporary stress scenario	**–**	**(22)**	**22**	–	–	–
FNB centre	**–**	**–**	**–**	–	–	–
CORPORATE AND COMMERCIAL	**7 693**	**3 758**	**3 935**	10 204	5 688	4 516
FNB commercial	**5 594**	**2 253**	**3 341**	6 594	3 056	3 538
– FNB commercial	**5 541**	**2 252**	**3 289**	6 592	3 054	3 538
– SME government-guaranteed loan scheme	**53**	**1**	**52**	2	2	–
– Temporary stress scenario	**–**	**–**	**–**	–	–	–
WesBank corporate	**549**	**325**	**224**	1 104	710	394
RMB investment and corporate banking*	**1 550**	**1 180**	**370**	2 506	1 922	584
– Lending	**1 550**	**1 180**	**370**	2 506	1 922	584
– Loans to private equity investee companies	**–**	**–**	**–**	–	–	–
HQLA corporate advances	**–**	**–**	**–**	–	–	–
FCC (INCLUDING GROUP TREASURY)	**–**	**–**	**–**	103	14	89
Securitisation notes	**–**	**–**	**–**	–	–	–
Other	**–**	**–**	**–**	103	14	89
Total excluding MotoNovo	**40 070**	**20 487**	**19 583**	47 158	25 458	21 700
Total MotoNovo	**286**	**(74)**	**360**	410	128	282
Total including MotoNovo	**40 356**	**20 413**	**19 943**	47 568	25 586	21 982

* *Includes activities in India and represents the in-country balance sheet.*

			As at 30 June 2021			Coverage ratios (% of stage 3/NPLs)		
						As at 31 December		As at 30 June
	Stage 3/ NPLs % change	Specific impairment % change	Stage3/ NPLs	Security held and expected recoveries	Specific impairment	**2021**	2020	2021
	(12)	(8)	36 899	19 865	17 034	**48.3**	46.4	46.2
	(13)	(8)	22 827	16 128	6 699	**31.6**	29.9	29.3
	3	8	13 356	10 539	2 817	**22.3**	21.3	21.1
	(32)	(19)	9 471	5 589	3 882	**48.1**	40.0	41.0
	(11)	(9)	14 072	3 781	10 291	**74.0**	72.6	73.1
	(1)	5	4 034	866	3 168	**79.0**	74.4	78.5
	(16)	(15)	7 546	2 249	5 297	**72.3**	71.2	70.2
	(18)	(17)	7 131	2 172	4 959	**71.6**	70.8	69.5
	32	35	415	77	338	**84.5**	83.0	81.4
	(7)	(11)	2 492	666	1 826	**70.7**	74.0	73.3
	–	–	–	(44)	44	**–**	–	–
	–	–	–	–	–	–	–	–
	(25)	(13)	9 586	5 177	4 409	**51.2**	44.3	46.0
	(15)	(6)	6 378	2 773	3 605	**59.7**	53.7	56.5
	(16)	(7)	6 350	2 773	3 577	**59.4**	53.7	56.3
	>100	–	28	–	28	**98.1**	–	100.0
	–	–	–	–	–	**–**	–	–
	(50)	(43)	814	489	325	**40.8**	35.7	39.9
	(38)	(37)	2 394	1 915	479	**23.9**	23.3	20.0
	(38)	(37)	2 394	1 915	479	**23.9**	23.3	20.0
	–	–	–	–	–	**–**	–	–
	–	–	–	–	–	**–**	–	–
	(100)	(100)	–	–	–	**–**	86.4	–
	–	–	–	–	–	**–**	–	–
	(100)	(100)	–	–	–	**–**	86.4	–
	(15)	(10)	46 485	25 042	21 443	**48.9**	46.0	46.1
	(30)	28	289	51	238	**125.9**	68.8	82.4
	(15)	(9)	46 774	25 093	21 681	**49.4**	46.2	46.4

Credit continued

Note 4: Analysis of balance sheet total impairments and coverage ratios

	Balance sheet impairments					
	As at 31 December			As at 31 December		
				2021		
R million	2021	2020	% change	Stage 1	Stage 2	Stage 3
RETAIL	**25 905**	27 700	(6)	**5 294**	**4 963**	**15 648**
Retail – secured	**9 670**	10 268	(6)	**1 477**	**1 975**	**6 218**
Residential mortgages	**4 334**	4 374	(1)	**719**	**801**	**2 814**
WesBank VAF	**5 336**	5 894	(9)	**758**	**1 174**	**3 404**
Retail – unsecured	**15 625**	16 812	(7)	**3 334**	**2 883**	**9 408**
FNB card	**4 583**	4 467	3	**919**	**640**	**3 024**
Personal loans	**8 210**	9 125	(10)	**1 682**	**1 745**	**4 783**
– FNB and DirectAxis	**7 726**	8 404	(8)	**1 612**	**1 614**	**4 500**
– Covid-19 relief	**484**	721	(33)	**70**	**131**	**283**
Retail other	**2 832**	3 220	(12)	**733**	**498**	**1 601**
Temporary stress scenario	**190**	–	–	**63**	**105**	**22**
FNB centre	**420**	620	(32)	**420**	**–**	**–**
CORPORATE AND COMMERCIAL	**10 590**	11 600	(9)	**2 891**	**3 764**	**3 935**
FNB commercial	**5 763**	6 503	(11)	**1 176**	**1 246**	**3 341**
– FNB commercial	**5 635**	6 409	(12)	**1 124**	**1 222**	**3 289**
– SME government-guaranteed loan scheme	**104**	94	11	**52**	**–**	**52**
– Temporary stress scenario	**24**	–	–	**–**	**24**	**–**
WesBank corporate	**444**	568	(22)	**133**	**87**	**224**
RMB investment and corporate banking*	**4 383**	4 529	(3)	**1 582**	**2 431**	**370**
– Lending	**4 379**	4 524	(3)	**1 578**	**2 431**	**370**
– Loans to private equity investee companies	**4**	5	(20)	**4**	**–**	**–**
HQLA corporate advances	**–**	–	–	**–**	**–**	**–**
FCC (INCLUDING GROUP TREASURY)	**135**	382	(65)	**128**	**7**	**–**
Securitisation notes	**23**	32	(28)	**23**	**–**	**–**
Other	**112**	350	(68)	**105**	**7**	**–**
Total impairments excluding MotoNovo	**36 630**	39 682	(8)	**8 313**	**8 734**	**19 583**
Total MotoNovo	**368**	349	5	**2**	**6**	**360**
Total impairments including MotoNovo	**36 998**	40 031	(8)	**8 315**	**8 740**	**19 943**

* *Includes activities in India and represents the in-country balance sheet.*

Balance sheet impairments						
As at 31 December			As at 30 June	Coverage ratios (% of stage3/NPLs)		
				As at 31 December		As at 30 June
2020						
Stage 1	Stage 2	Stage 3	2021	**2021**	2020	2021
4 978	5 627	17 095	26 697	**80.0**	75.2	72.4
1 182	2 308	6 778	9 933	**49.2**	45.4	43.5
669	1 108	2 597	4 304	**34.4**	35.9	32.2
513	1 200	4 181	5 629	**75.5**	56.4	59.4
3 176	3 319	10 317	16 432	**122.9**	118.3	116.8
939	639	2 889	4 683	**119.7**	115.1	116.1
1 566	1 931	5 628	8 630	**124.0**	115.5	114.4
1 410	1 576	5 418	8 036	**122.9**	109.9	112.7
156	355	210	594	**144.5**	285.0	143.1
671	749	1 800	3 119	**125.1**	132.4	125.2
–	–	–	332	**–**	–	–
620	–	–	–	**–**	–	–
3 197	3 887	4 516	11 382	**137.7**	113.7	118.7
1 500	1 465	3 538	6 310	**103.0**	98.6	98.9
1 412	1 459	3 538	6 058	**101.7**	97.2	95.4
88	6	–	104	**196.2**	>1000	371.4
–	–	–	148	**–**	–	–
102	72	394	555	**80.9**	51.4	68.2
1 595	2 350	584	4 517	**282.8**	180.7	188.7
1 590	2 350	584	4 513	**282.5**	180.5	188.5
5	–	–	4	**–**	–	–
–	–	–	–	**–**	–	–
286	7	89	134	**–**	370.9	–
32	–	–	24	**–**	–	–
254	7	89	110	**–**	339.8	–
8 461	9 521	21 700	38 213	**91.4**	84.1	82.2
15	52	282	256	**128.7**	85.1	88.6
8 476	9 573	21 982	38 469	**91.7**	84.2	82.2

Credit continued

Note 5: Analysis of income statement credit impairments

	Total impairment charge			
	Six months ended 31 December			Year ended 30 June
R million	2021	2020	% change	2021
RETAIL	**3 427**	5 581	(39)	8 812
Retail – secured	**963**	1 552	(38)	2 414
Residential mortgages	**172**	529	(67)	577
WesBank VAF	**791**	1 023	(23)	1 837
Retail – unsecured	**2 186**	3 409	(36)	6 066
FNB card	**430**	781	(45)	1 428
Personal loans	**1 349**	1 944	(31)	3 600
– FNB and DirectAxis	**1 209**	1 609	(25)	2 999
– Covid-19 relief	**140**	335	(58)	601
Retail other	**407**	684	(40)	1 038
Temporary stress scenario	**(142)**	–	–	332
FNB centre	**420**	620	(32)	–
CORPORATE AND COMMERCIAL	**(70)**	1 489	(>100)	2 265
FNB commercial	**60**	882	(93)	1 307
– FNB commercial	**185**	835	(78)	1 103
– SME government-guaranteed loan scheme	**(1)**	47	(>100)	56
– Temporary stress scenario	**(124)**	–	–	148
WesBank corporate	**(60)**	91	(>100)	106
RMB investment and corporate banking*	**(70)**	516	(>100)	852
– Lending	**(70)**	516	(>100)	853
– Loans to private equity investee companies	**–**	–	–	(1)
HQLA corporate advances	**–**	–	–	–
FNB Africa	**–**	(28)	100	(28)
FCC (INCLUDING GROUP TREASURY)	**1**	22	(95)	18
Securitisation notes	**(1)**	12	(>100)	5
Other	**2**	10	(80)	13
Total impairment charge excluding MotoNovo	**3 358**	7 064	(52)	11 067
Total MotoNovo	**78**	97	(20)	48
Total impairment charge including MotoNovo	**3 436**	7 161	(52)	11 115
Portfolio impairments charge	**987**	3 246	(70)	2 571
Specific impairments charge	**2 449**	3 915	(37)	8 544

* *Includes activities in India and represents the in-country balance sheet.*

As a % of average advances			
Six months ended 31 December		Year ended 30 June	Six months ended 30 June
2021	2020	2021	2021
1.69	2.75	2.18	1.60
0.60	0.98	0.76	0.55
0.15	0.47	0.26	0.04
1.74	2.20	1.99	1.79
5.09	7.71	6.91	6.08
2.75	5.14	4.65	4.19
6.89	9.37	8.83	8.19
6.64	8.39	7.88	7.55
10.03	21.13	22.00	14.89
5.29	8.27	6.40	4.42
–	–	–	–
–	–	–	–
(0.03)	0.66	0.50	0.34
0.11	1.65	1.19	0.78
0.33	1.58	1.02	0.50
(0.13)	10.02	5.76	1.15
–	–	–	–
(0.44)	0.68	0.39	0.11
(0.04)	0.35	0.28	0.23
(0.04)	0.35	0.28	0.23
–	–	(0.32)	(0.68)
–	–	–	–
–	–	–	–
0.01	0.12	0.05	(0.02)
(0.01)	0.09	0.02	(0.06)
0.04	0.18	0.12	0.05
0.73	1.58	1.23	0.90
9.41	6.15	1.71	(4.51)
0.75	1.60	1.23	0.89
0.22	0.73	0.28	(0.16)
0.53	0.87	0.95	1.04

Credit continued

TOTAL TEMPORARY STRESS SCENARIO

	As at 31 December 2021						Six months ended 31 December 2021
	Advances	Balance sheet impairments					
R million	**Migration from stage 1 to 2**	**Total**	**Total portfolio**	**Stage 1**	**Stage 2**	**Stage 3**	**Impairment charge**
Total temporary stress scenario	**1 064**	**214**	**192**	**63**	**129**	**22**	**(266)**
Covid-19 forward-looking uncertainty	**966**	**190**	**168**	**63**	**105**	**22**	**(142)**
Residential mortgages	**652**	**62**	**42**	**10**	**32**	**20**	**(34)**
WesBank VAF	**100**	**46**	**45**	**16**	**29**	**1**	**(22)**
FNB card	**10**	**23**	**23**	**10**	**13**	**–**	**(45)**
Personal loans	**182**	**43**	**43**	**22**	**21**	**–**	**(23)**
– FNB and DirectAxis	**182**	**41**	**41**	**21**	**20**	**–**	**(17)**
– Covid-19 relief	**–**	**2**	**2**	**1**	**1**	**–**	**(6)**
Retail other	**22**	**16**	**15**	**5**	**10**	**1**	**(18)**
FNB commercial	**98**	**24**	**24**	**–**	**24**	**–**	**(124)**

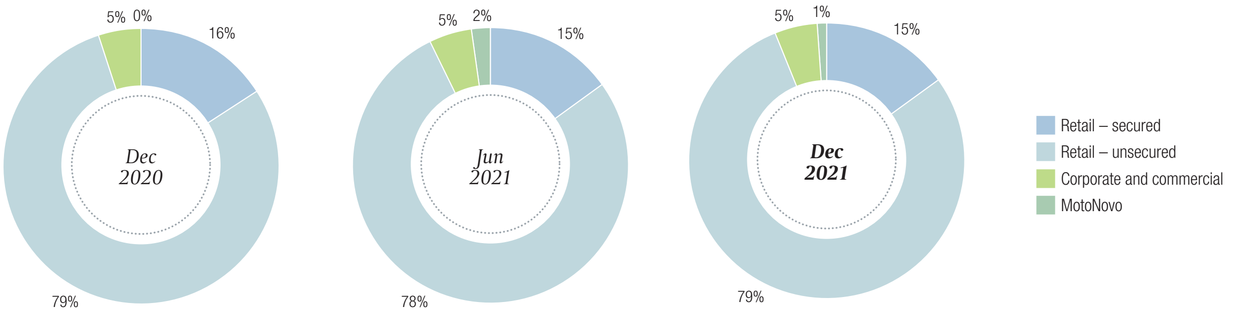
As at 30 June 2021						Year ended 30 June 2021
Advances	Balance sheet impairments					
Migration from stage 1 to 2	Total	Total portfolio	Stage 1	Stage 2	Stage 3	Impairment charge
1 309	480	436	253	183	44	480
1 210	332	288	129	159	44	332
735	96	59	20	39	37	96
109	68	62	23	39	6	68
88	68	68	37	31	–	68
248	66	66	29	37	–	66
248	58	58	24	34	–	58
–	8	8	5	3	–	8
30	34	33	20	13	1	34
99	148	148	124	24	–	148

Credit continued

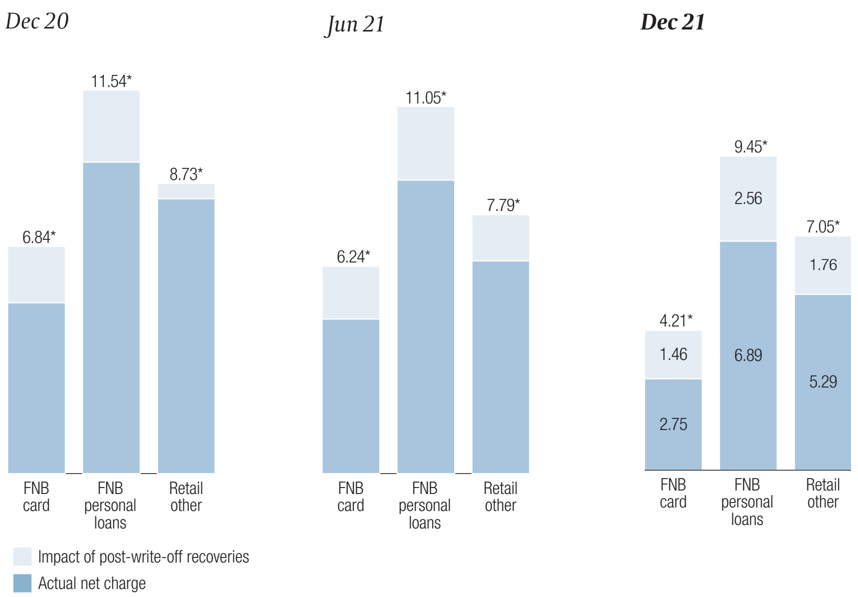
Impact of post write-off recoveries

Post write-off recoveries amounted to R1 107 million (December 2020: R966 million; June 2021: R2 063 million), primarily related to personal loans and FNB card.

Post write-off recoveries



Retail unsecured credit loss ratios and recoveries
%

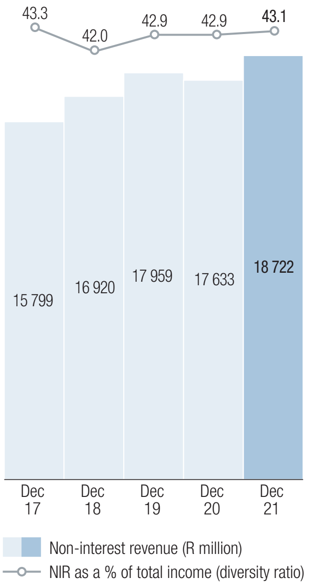


* *Gross of recoveries (%).*

Non-interest revenue

Non-interest revenue – up 6%

Non-interest revenue and diversity ratio
R million
NIR CAGR 4%



Note: 2017 figures are based on IAS 39 and 2018 to 2021 figures on IFRS 9.

ANALYSIS OF NON-INTEREST REVENUE

		Six months ended 31 December			Year ended 30 June
R million	Notes	**2021**	2020	% change	2021
Net fee, commission and insurance income		**14 036**	13 474	4	26 845
– Fee and commission income	1	**13 817**	13 240	4	26 377
– Insurance commission income	2	**219**	234	(6)	468
Trading and other fair value income	3	**2 110**	1 803	17	3 574
Investment income		**97**	6	>100	8
Other non-interest revenue	4	**2 479**	2 350	5	5 122
Non-interest revenue		**18 722**	17 633	6	35 549

Non-interest revenue continued

NOTE 1 – FEE AND COMMISSION INCOME – UP 4%

	Six months ended 31 December			Year ended 30 June
R million	**2021**	2020	% change	2021
Bank commissions and fee income	**14 899**	14 136	5	28 055
– Card commissions	**2 510**	2 122	18	4 229
– Cash deposit fees	**812**	840	(3)	1 579
– Electronic transaction fees*	**1 565**	1 499	4	3 006
– Bank charges	**10 012**	9 675	3	19 241
– Commitment fees	**708**	644	10	1 333
– Other bank charges**	**9 304**	9 031	3	17 908
Knowledge-based fees	**466**	510	(9)	1 049
Management and fiduciary fees	**683**	686	–	1 391
– Investment management fees	**305**	312	(2)	639
– Management fees from associates and joint ventures	**372**	368	1	744
– Other management and brokerage fee income	**6**	6	–	8
Other non-bank commissions	**368**	380	(3)	761
Gross fee and commission income	**16 416**	15 712	4	31 256
Fee and commission expenditure	**(2 599)**	(2 472)	5	(4 879)
– Transaction related fees	**(621)**	(585)	6	(1 059)
– Commission paid	**(124)**	(117)	6	(237)
– Customer loyalty programmes	**(980)**	(849)	15	(1 760)
– Cash sorting, handling and transporting charges	**(528)**	(532)	(1)	(992)
– Card and cheque book related	**(187)**	(207)	(10)	(462)
– Other	**(159)**	(182)	(13)	(369)
Net fee and commission income	**13 817**	13 240	4	26 377

* *The description has been updated to more appropriately reflect the nature of income earned. This line was previously titled "Commissions on bills, drafts and cheques". The amount reported in the prior period has not changed.*

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

KEY DRIVERS

> FNB NIR grew 5%, reflecting higher transaction volumes and 4% growth in the customer base.

> FNB transaction volumes increased 12% overall. Electronic platform logins grew 13% in total across all interfaces, whilst manual volumes declined 1%. Branch and cash centre transaction volumes decreased 45% and 11%, respectively.

> Card swipe volumes increased 12% reflecting the rebound in overall customer activity to pre-pandemic levels, contributing to the 18% overall growth in card commissions.

> FNB did not increase headline fees in the entry and consumer customer bundles. Sub-inflation fee increases were effective for premium and commercial customers. Further, there was a R600 million negative impact from a reduction in certain fees.

%	Change in transaction volumes
ATM/ADT	–
Digital	**13**
Point-of-sale merchants	**24**
Card swipes	**12**

> RMB's fee income was supported by resilient origination activities, providing an uplift to both structuring and commitment fee income. This was, however, partly offset by the non-repeat of material advisory fees reported in the prior period.

> RMB's domestic transactional volumes were impacted by social unrest early in the reporting period and pricing impacts which affected volumes.

> Knowledge-based fees declined 9%, a resilient performance considering the tough operating environment.

> The increase in fee and commission expenses was linked to higher transactional activity levels and larger customer rewards earned as a consequence.

Non-interest revenue continued

NOTE 2 – INSURANCE INCOME – DOWN 6%

	Six months ended 31 December			Year ended 30 June
R million	**2021**	2020	% change	2021
Insurance commission	**65**	81	(20)	161
Insurance brokerage	**154**	153	1	307
Total insurance income	**219**	234	(6)	468

NOTE 3 – TOTAL TRADING AND OTHER FAIR VALUE INCOME – UP 17%

	Six months ended 31 December			Year ended 30 June
R million	**2021**	2020	% change	2021
Trading income	**1 804**	1 865	(3)	3 979
– Equities	**61**	10	>100	(23)
– Commodities	**283**	224	26	446
– Fixed income	**890**	1 209	(26)	2 364
– Currencies	**570**	422	35	1 192
Other fair value income	**306**	(62)	(>100)	(405)
– RMB banking activities and other	**214**	59	>100	187
– Group Treasury economic hedges and other	**92**	(121)	(>100)	(592)
Total trading and other fair value income	**2 110**	1 803	17	3 574

KEY DRIVERS

> Despite the tough operating environment, RMB trading activities delivered a resilient performance.

> Trading income was supported by:
  - a good currency desk performance as a result of exchange rate volatility;
  - the equity desk benefiting from the increased market volumes and corporate activity; and
  - strong client flow and corporate hedging in hard commodities, partially offset by
  - a decline in fixed income, affected by the start of an interest rate hiking cycle in the latter part of the period.

> RMB banking activities included various one-off incomes.

> Group Treasury economic hedges and other fair value income performance improved, mainly due to the increased FX income on the net open foreign position, as well as dividend income received on the total return swap (TRS) which was not received in the prior period due to regulatory authority guidance issued.

NOTE 4 – OTHER NON-INTEREST REVENUE – UP 5%

KEY DRIVERS

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

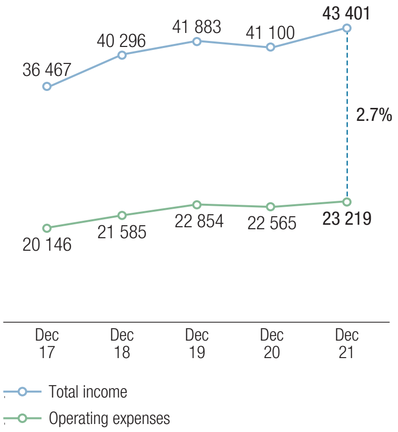
> Rental income is the second largest component and represents 34% (December 2020: 38%) of other NIR.

> Improved other NIR performance was driven by FNB Connect as a result of better pricing of products and lower costs, and an increase in managed maintenance revenue.

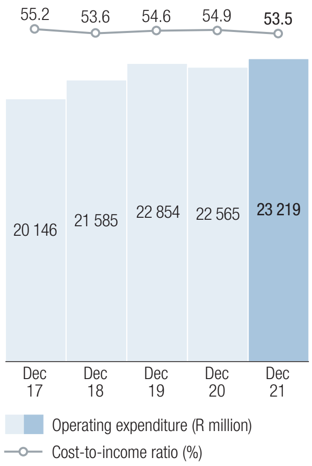
Operating expenses

Operating expenses – up 3%

Operating jaws
R million



Operating efficiency



Note: 2017 figures are based on IAS 39 and 2018 to 2021 figures on IFRS 9.

OPERATING EXPENSES

	Six months ended 31 December			Year ended 30 June
R million	**2021**	2020	% change	2021
Staff expenditure	**13 841**	13 290	4	26 776
– Direct staff expenditure	**10 625**	10 320	3	20 599
– Variable staff expenditure	**2 679**	2 461	9	4 706
– Short-term incentive payments	**1 846**	1 669	11	3 860
– Long-term incentive payments	**833**	792	5	846
– Other staff-related expenditure	**537**	509	6	1 471
Depreciation of property and equipment	**1 616**	1 771	(9)	3 600
Amortisation of intangible assets	**87**	109	(20)	211
Advertising and marketing	**670**	503	33	1 251
Insurance	**123**	125	(2)	245
Lease charges	**231**	177	31	320
Professional fees	**824**	889	(7)	1 717
Audit fees	**174**	206	(16)	411
Computer expenses	**1 473**	1 475	–	3 248
Repairs and maintenance	**602**	568	6	1 140
Telecommunications	**195**	226	(14)	438
Cooperation agreements and joint ventures	**16**	(13)	(>100)	(28)
Property	**490**	462	6	849
Business travel	**54**	41	32	84
Assets costing less than R7 000	**133**	130	2	302
Stationery and printing	**44**	47	(6)	90
Donations	**173**	153	13	227
Other expenditure	**2 473**	2 406	3	4 109
Total operating expenses	**23 219**	22 565	3	44 990

Operating expenses continued

KEY DRIVERS

- Cost growth of 3% includes an overall 4% increase in staff costs as well as ongoing investment in growth strategies and platform infrastructure.
- Staff costs represent 60% (December 2020: 59%) of the bank's operating expenses.

	% CHANGE	REASONS
Direct staff costs	3	Annual salary increases averaged 4% (unionised staff at 4.5%), with headcount (excluding FirstJobs employees) contracting 5% period-on-period.
Short-term incentive expenses	11	With the improvement in net interest after cost of capital (NIACC) (the group's measure of economic profit), the overall short-term incentive (STI) pool increased.
Long-term incentive expenses	5	The increase reflects the combination of a larger long-term incentive (LTI) pool together with higher staff participation.

- Accelerated amortisation and depreciation as a result of a revision to the useful lives of certain assets led to a 20% decline in amortisation of intangible assets and a 9% reduction in depreciation.
- Lease charges increased 31%, mainly due to connectivity infrastructure implementation costs for client-facing employees working from home.
- Advertising and marketing costs increased 33% due to a new marketing campaign and sports sponsorships, which were reinstated in the current period as event-related restrictions were lifted.
- The decrease in audit fees reflect overruns and special audits in the prior period following the additional audit requirements brought on by Covid-19 that were not repeated.
- Business travel increased as borders reopened and certain restrictions were lifted.
- A 13% increase in donations was as a result of payments made to the Solidarity Fund and the FNB Philanthropy Trust, in addition to the usual contribution to the FirstRand Foundation linked to increased profitability.
- Other expenditure includes various items such as entertainment, bank charges, insurance-related acquisition costs, subscriptions and membership fees.

financial resource management

Economic view of the balance sheet

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

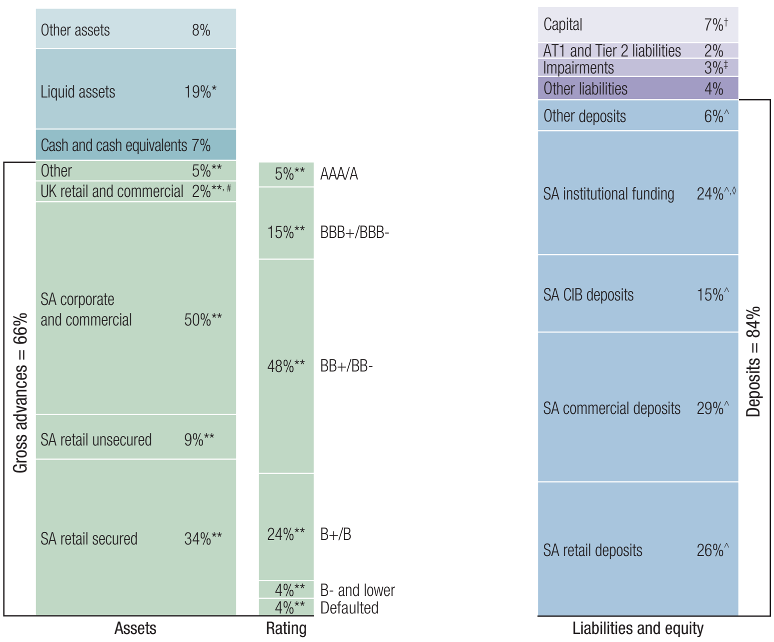
When assessing the underlying risk in the balance sheet, the bank's asset profile reflects a diversified advances portfolio, which constitutes 66% of total assets. The composition of the gross advances portfolio consists of SA retail secured (34%), SA retail unsecured (9%), SA corporate and commercial (50%), UK retail and commercial (2%), and other (5%). At December 2021, the bank reported total NPLs of R40 356 million (4.26% of advances) and a credit loss ratio of 75 bps.

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

FRB has continued to successfully enhance its risk-adjusted funding profile through targeting a lower proportion of institutional funding and growing its deposit franchise. The weighted average remaining term of domestic institutional funding was 40 months at December 2021 (December 2020: 42 months). The reduction reflects a marginal increase in money market issuances relative to longer-dated Tier 2 capital refinancing and senior debt issuances.

The bank remained strongly capitalised with a CET1 ratio of 14.1%, a Tier 1 ratio of 14.7% and a total capital adequacy ratio of 17.6%. Gearing decreased to 13.7 times (December 2020: 14.7 times), driven by 7% growth in average total equity, while average total assets remained flat.

Economic view of the balance sheet



* *Consist of government securities and treasury bills.*

** *As a proportion of gross advances.*

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

† *Ordinary equity.*

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

^ *As a proportion of deposits.*

◊ *Includes CIB institutional funding.*

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

Funding and liquidity

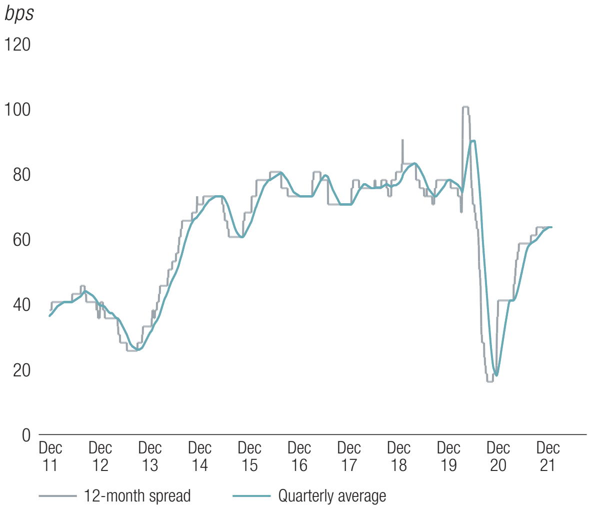
Funding and liquidity management approach

A comprehensive overview of the group's current funding and liquidity management approach was provided in the Basel Pillar 3 disclosure for the year ended 30 June 2021, which is available at *www.firstrand.co.za/investors/basel-pillar-3-disclosure/*.

Funding conditions

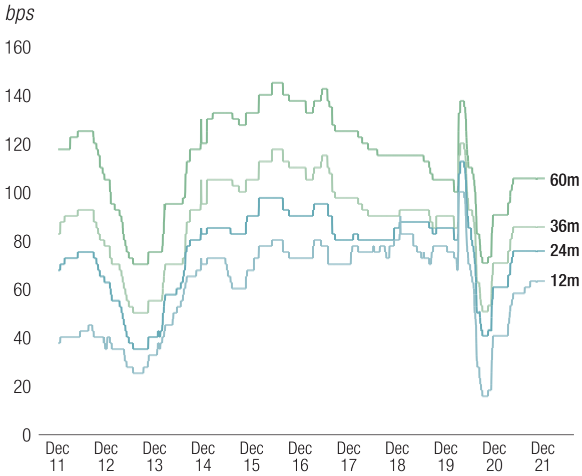
Liquidity conditions and funding markets have normalised following the disruptions caused by the Covid-19 pandemic. The spread to the three-month Johannesburg Interbank Average Rate (JIBAR) paid on 12-month money market instruments is most representative of bank funding costs in the money markets. During the period under review, increased economic activity led to elevated funding demand which, coupled with improved liquidity conditions, saw further normalisation in funding spread levels as banks competed for marginal savings flows. Longer-dated funding spreads increased, but FRB's demand in this area of the curve remained muted. Deposit franchise growth provided a natural buffer to the bank and limited negative repricing effects. The post-crisis period has been characterised by funding conditions that have seen bank spreads falling below government bond spreads in certain tenors as well as general compression of spreads across banks and corporate issuers.

12-month mid-market funding spread



Sources: Bloomberg (RMBP screen) and Reuters.

Long-term funding spreads



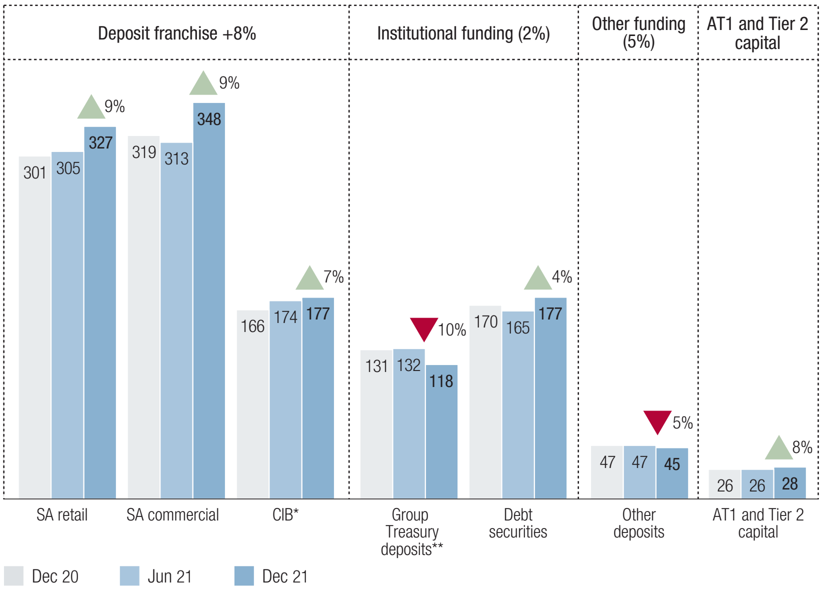
Sources: Bloomberg (RMBP screen) and Reuters.

Funding and liquidity continued

FUNDING MEASUREMENT AND ACTIVITY

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

Funding portfolio growth
R billion



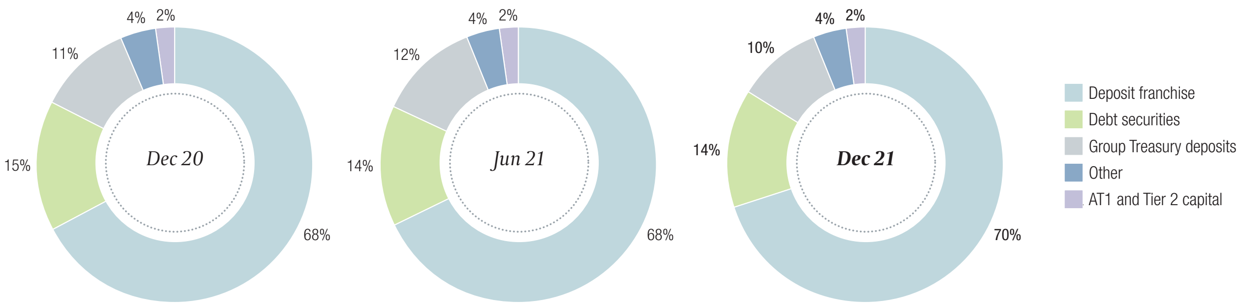
Note 1: Percentage change is based on actual (not rounded) numbers shown in the bar graphs above and reflects period-on-period growth.

** CIB deposits include South Africa and the London and India branches.*

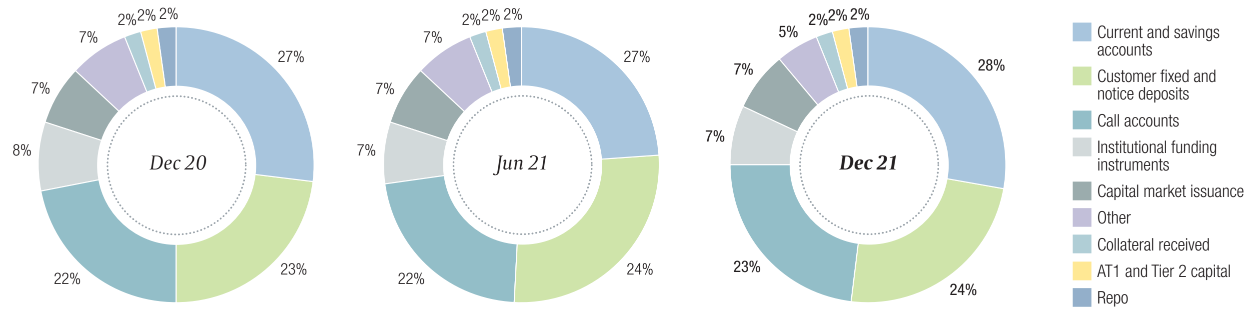
*** Group Treasury deposits include the funding facility related to the South African Covid-19 government-guaranteed loan scheme.*

The bank's funding mix reflects the strength of its deposit franchises, which have continued to grow faster than institutional funding.

Funding mix



Funding by instrument type



Funding and liquidity continued

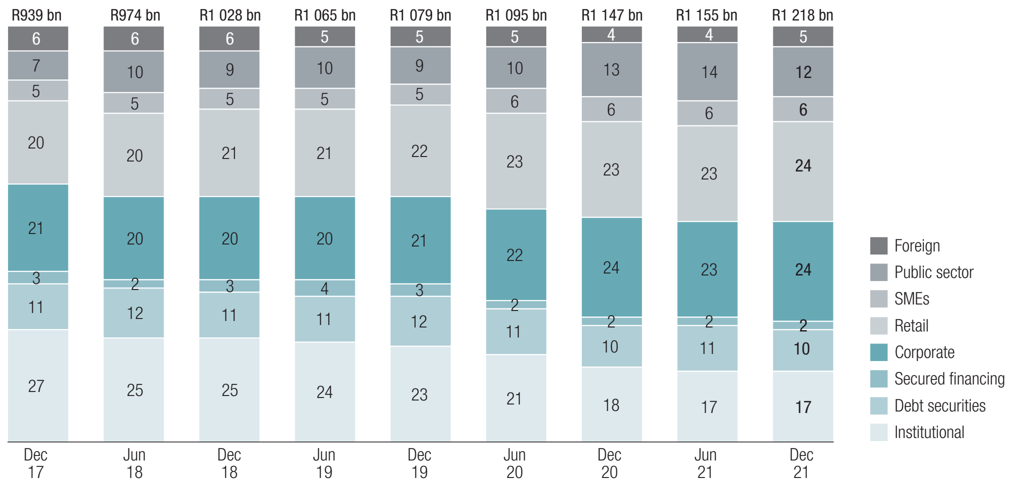
The bank's focus on growing main-banked transactional accounts and investment deposits naturally results in a significant proportion of contractually short-dated funding. Although these deposits are cyclical in nature, reflecting each customer's individual transactional and savings requirements, when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

BANK* COUNTERPARTY FUNDING ANALYSIS

	As at 31 December					As at 30 June
	2021				2020	2021
% of funding liabilities	Total	Short term	Medium term	Long term	Total	Total
Institutional	**17.1**	**8.8**	**2.7**	**5.6**	17.5	17.3
ZAR	**16.8**	**8.5**	**2.7**	**5.6**	17.0	17.0
FX	**0.3**	**0.3**	**–**	**–**	0.5	0.3
Debt securities	**10.5**	**0.2**	**0.6**	**9.7**	10.4	10.6
Secured financing	**1.6**	**1.2**	**0.1**	**0.3**	1.9	2.0
Corporate	**24.2**	**22.2**	**1.8**	**0.2**	23.6	23.3
ZAR	**23.0**	**21.0**	**1.8**	**0.2**	22.1	21.9
FX	**1.2**	**1.2**	**–**	**–**	1.5	1.4
Retail	**23.7**	**18.7**	**3.1**	**1.9**	23.2	23.4
ZAR	**23.1**	**18.1**	**3.1**	**1.9**	22.6	22.8
FX	**0.6**	**0.6**	**–**	**–**	0.6	0.6
SMEs	**5.9**	**5.0**	**0.6**	**0.3**	5.7	5.9
Public sector	**11.9**	**10.1**	**1.1**	**0.7**	13.3	13.4
Foreign	**5.1**	**3.3**	**0.5**	**1.3**	4.4	4.1
Total	**100.0**	**69.5**	**10.5**	**20.0**	100.0	100.0

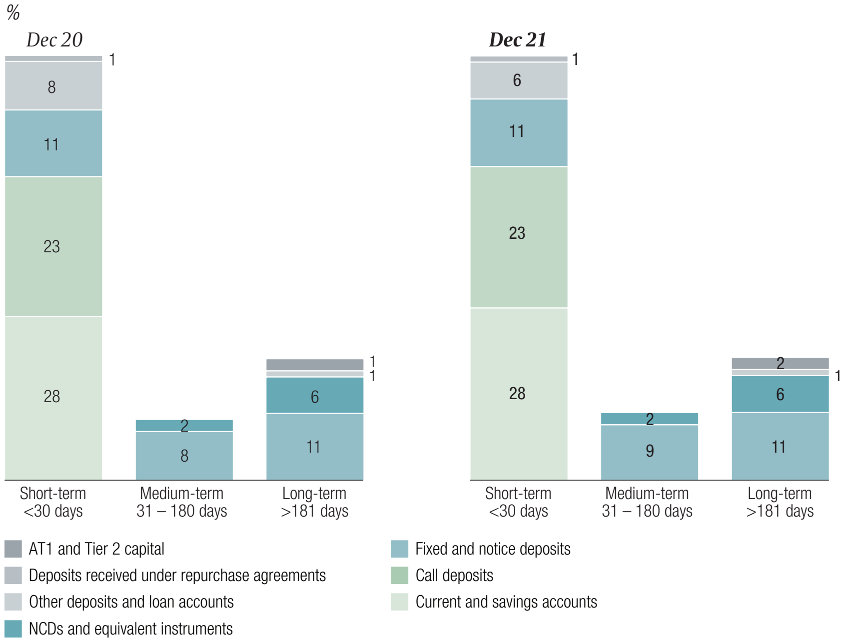
* *Excluding foreign branches.*

Bank funding analysis by source*
%



* *Excluding foreign branches.*

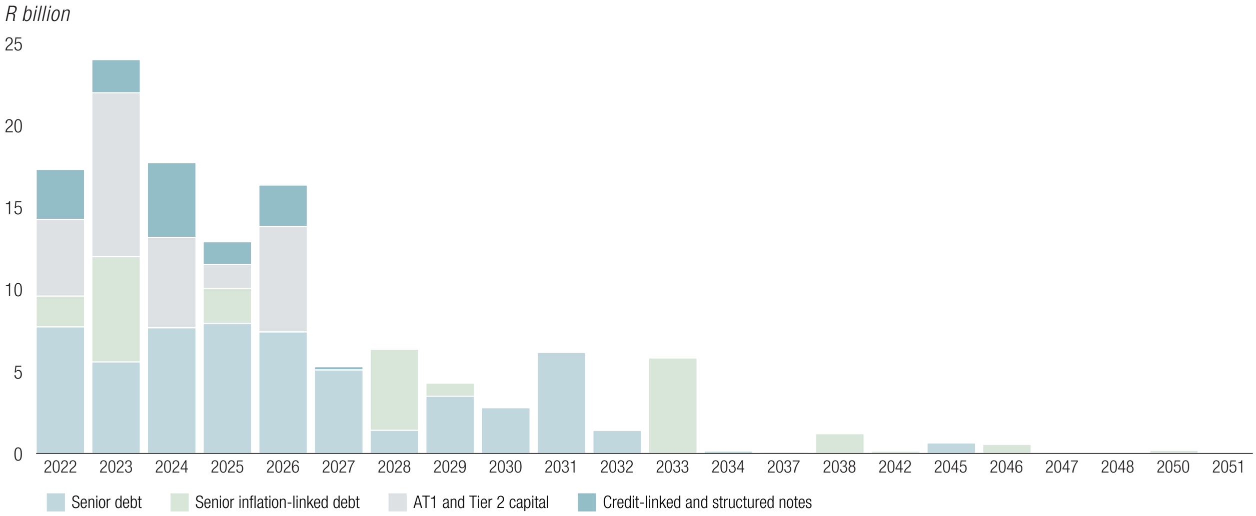
Bank funding liabilities by instrument type and term*



*   *Excluding foreign branches.*

The maturity profile of the bank's capital market instruments is depicted in the following chart. The bank does not have significant instrument-specific concentration risk in any one year and seeks to issue across the maturity spectrum, taking pricing and investor demand into consideration.

Maturity profile of the bank's capital market instruments*



*   *Including foreign branches.*

Funding and liquidity continued

Liquidity risk position

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

COMPOSITION OF LIQUID ASSETS*

	As at 31 December	
R billion	**2021**	2020
Cash and deposits with central banks	**37**	35
Short-term liquidity instruments	**114**	91
Long-term investment securities	**118**	112
Other liquid assets	**41**	61
Total liquid assets	**310**	299

* *The composition of liquid assets is calculated as a simple average of 92 days of daily observations over the period ended 31 December 2021 for FirstRand Bank South Africa.*

Liquidity ratios for the bank at December 2021 are summarised below.

LIQUIDITY RATIOS

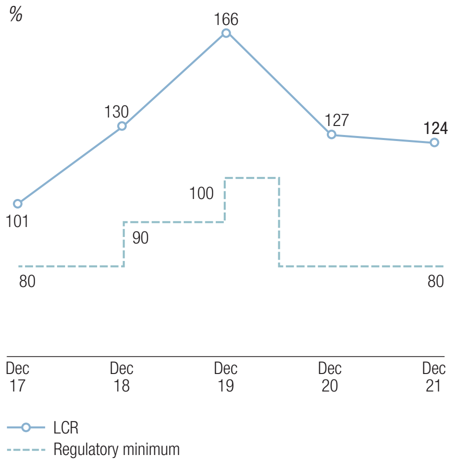
%	LCR*	NSFR*
Regulatory minimum**	80	100
Actual	124	121

* *The bank's LCR and NSFR reflect South African operations only. LCR is calculated as a simple average of 92 days of daily observations over the period ended 31 December 2021 for FirstRand Bank South Africa.*

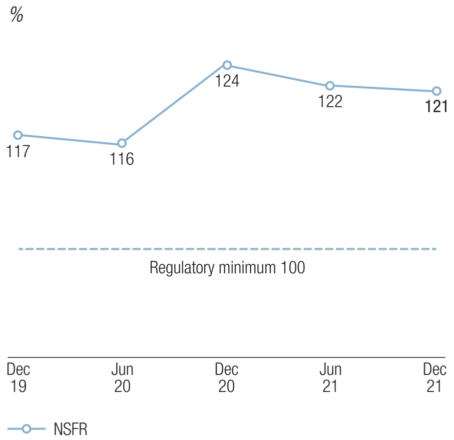
** *In line with Directive 1 of 2020, the LCR requirement reduced from 100% to 80%, effective 1 April 2020. There were no changes to the NSFR minimum requirement.*

The graphs below provide an overview of the bank's liquidity ratios.

LCR



NSFR



Capital

Capital management approach

A comprehensive overview of the group's current capital management approach was provided in the Basel Pillar 3 disclosure for the year ended 30 June 2021, which is available at: www.firstrand.co.za/investors/basel-pillar-3-disclosure/.

Period under review

During the period under review, the bank maintained strong capital and appropriate leverage ratios in excess of regulatory minimums and internal targets.

CAPITAL ADEQUACY AND LEVERAGE*

	Capital			Leverage
%	**CET1**	**Tier 1**	**Total**	**Total**
Regulatory minimum**	8.0	10.0	12.0	4.0
Internal target	11.0 – 12.0	>12.0	>14.25	>5.5
Actual – including unappropriated profits#				
As at 31 December 2021	**14.1**	**14.7**	**17.6**	**7.2**
As at 31 December 2020	13.5	14.2	16.7	7.1

* *Relate to FRB including foreign branches.*
** *Excluding the individual capital requirement (Pillar 2B). The domestic systemically important bank (D-SIB) requirement for the bank is 1.5%. The bank's countercyclical buffer requirement remained at 0%.*
# *Refer to the Basel Pillar 3 standardised disclosures at www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for ratios excluding unappropriated profits.*

The PA published *Directive 5 of 2021*, *Capital framework for South Africa based on the Basel III framework*, which reinstated the Pillar 2A requirement of 1% on 1 January 2022. The bank's internal targets remain appropriate as these were not adjusted for any temporary Covid-19 relief measures.

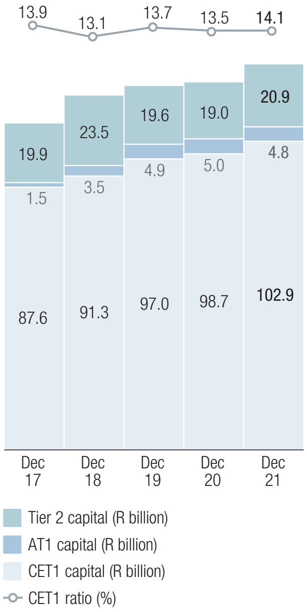
The bank continues to enhance the use of economic capital by facilitating risk-based decisions, including capital allocation. The assessment of economic risk aligns with FirstRand's economic capital framework to ensure the group remains solvent at a confidence interval of 99.93%, and that it can deliver on its commitments to stakeholders over a one-year horizon. Regular reviews of the economic capital position are carried out across businesses, enabling efficient portfolio optimisation with respect to financial resource management and portfolio behaviour. For the period under review, the bank continued to meet its economic capital requirements and reported an economic capital multiple (loss-absorbing capital/economic capital requirement) of 1.8 times on a post-diversified basis.

Capital continued

The capital and leverage information included in the following sections relate to FRB including foreign branches.

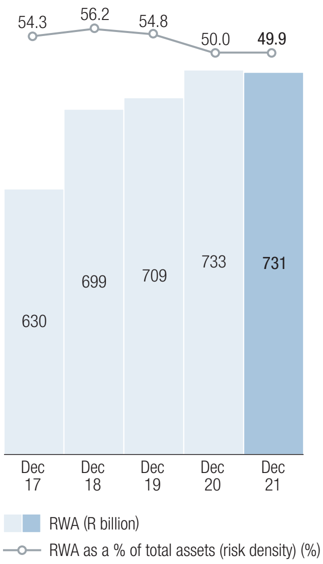
The graphs below provide a historical overview of the bank's capital adequacy, RWA and leverage positions.

*Capital adequacy**

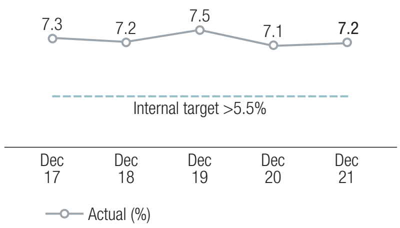


* *Including unappropriated profits.*

RWA history



*Leverage**



* *Including unappropriated profits.*

The Basel III leverage ratio is a supplementary measure to the risk-based capital ratios and is a function of Tier 1 capital, and total on- and off-balance sheet exposures. The movement in the leverage ratio to December 2021 mainly related to an increase in Tier 1 capital, which was partly offset by an increase in total exposures.

Supply of capital

COMPOSITION OF CAPITAL*

	As at		
	31 December		30 June
R million	**2021**	2020	2021
CET1 capital excluding unappropriated profits	**92 186**	90 400	92 439
Unappropriated profits	**10 671**	8 339	11 323
CET1 capital including unappropriated profits	**102 857**	98 739	103 762
Tier 1 capital	**107 665**	103 699	108 758
Total qualifying capital	**128 617**	122 683	127 588

* *Refer to www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for further detail.*

KEY DRIVERS: DECEMBER 2021 VS DECEMBER 2020		
CET1	▲	> Positive earnings partly offset by the payment of dividends for the 2021 financial year. > An increase in the foreign currency translation reserve due to the rand's depreciation. > The final transitional impact of IFRS 9 reduced CET1 capital.
AT1	▼	> The depreciation of the rand against the pound sterling increased intragroup impairments.
Tier 2	▲	> Tier 2 issuance and rand depreciation, partly offset by the redemption of Tier 2 instruments.

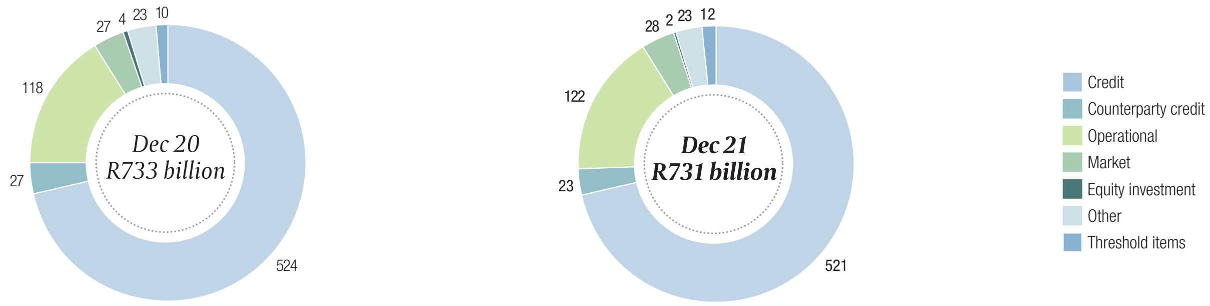
Additional detail on the bank's capital instruments is included on page 168.

Capital continued

Demand for capital

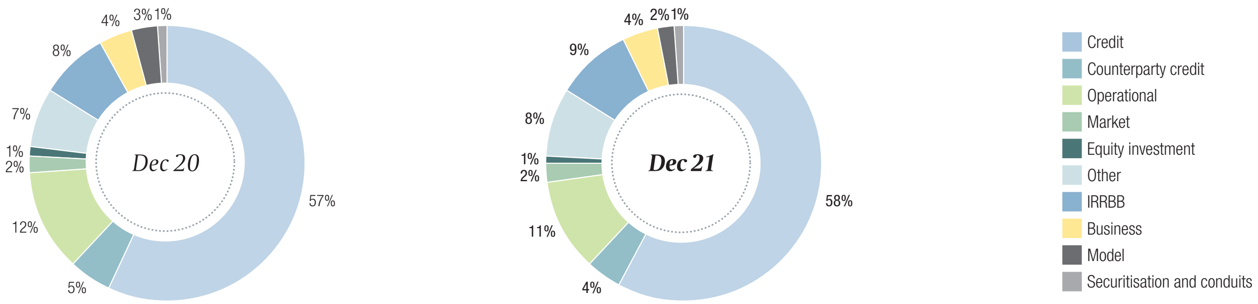
This section provides an analysis of the regulatory RWA and economic capital.

Regulatory RWA analysis



KEY DRIVERS OF REGULATORY RWA: DECEMBER 2021 VS DECEMBER 2020		
Credit	▼	> Muted volumes, model updates and capital optimisation.
Counterparty credit	▼	> Decrease driven by implementation of the standardised approach for measuring counterparty credit risk (SA-CCR), which resulted in reduced effective exposures at default considering collateral offsets.
Operational	▲	> Increase in advanced measurement approach capital due to changes in operational risk scenarios and internal loss data. > Movement in gross income for entities on the standardised approach.
Market	▲	> The interest rate asset class was the main contributor towards the increased capital with non-traded foreign exchange risk providing a partial offset.
Threshold items	▲	> Movement in the deferred income tax assets, and investments in financial and banking entities.

*Economic capital analysis**



* *Economic capital post intra-risk diversification.*

RWA and capital adequacy positions for the bank and its regulated entities

%	As at 31 December					As at 30 June
	2021				2020	2021
	Total minimum requirement*	**RWA** R million**	**Tier 1**	**Total capital adequacy**	Total capital adequacy	Total capital adequacy
Basel III (PA regulations)						
FirstRand Bank[#]		**730 706**	**14.7**	**17.6**	16.7	17.8
FirstRand Bank South Africa[†]		**706 143**	**14.4**	**17.3**	16.6	17.6
FirstRand Bank London	**12.0**	**24 029**	**22.4**	**23.5**	18.0	22.0
FirstRand Bank India		**690**	**>100**	**>100**	39.3	82.9
FirstRand Bank Guernsey		**441**	**39.5**	**39.5**	19.4	27.5

* *Excluding the individual capital requirement (Pillar 2B) for PA regulated entities.*
** *RWA for entities outside of South Africa converted to rand using the closing rate at 31 December 2021.*
# *FRB including foreign branches and unappropriated profits.*
† *Ratios including unappropriated profits: CET1 of 13.7%, Tier 1 of 14.4% and total capital adequacy of 17.3%. Ratios excluding unappropriated profits: CET1 of 12.0%, Tier 1 of 12.7% and total capital adequacy of 15.6%.*

Regulatory update

Basel III reforms

PROPOSED IMPLEMENTATION DATES

2022	2023 onwards
April 2022*	**1 January 2023****
> Large exposures framework > Total loss-absorbing capacity (TLAC) holdings	> Revised standardised approach for credit risk framework > Revised internal ratings based approach framework > Revised operational risk framework > Leverage ratio – revised exposure definition
1 June 2022**	**1 January 2024****
> Interest rate risk in the banking book (including disclosure requirements) > Revisions to the securitisation framework	> Minimum capital requirements for market risk > Revised credit valuation adjustment framework
	1 January 2023 to 2028**
	> Output floor

* *As per Prudential Communication 2 of 2022 (27 January 2022).*

** *Guidance Note 4 of 2021, Proposed implementation dates in respect of specified regulatory reforms (9 July 2021).*

The group continues to participate in quantitative impact studies to assess the impact of the proposed reforms on the group's capital and leverage positions.

Financial conglomerates

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

The PA published the following documents in the last six months:

> January 2022: Draft prudential capital standard for financial conglomerates and the regulatory return were published. The draft capital standard and return will be tested over a period of two years from 1 February 2022. Formal consultation of the standard will commence thereafter.

> December 2021: Final standards for intragroup transactions and exposure requirements, auditor requirements for holding companies of financial conglomerates, governance and risk management requirements, and risk concentration requirements were published.

FirstRand has not been designated as a financial conglomerate, however, its designation will be reassessed on a frequent basis and FirstRand will voluntarily participate in the field testing of the proposed capital standards.

Resolution framework

The FSLAB proposed a new chapter to be inserted into the Financial Sector Regulations Act, i.e. *Chapter 12A – Resolution of Designated Institutions,* to strengthen the ability of the SARB to manage the orderly resolution of a failed bank. The bill also introduced a new tranche of loss-absorbing instruments, i.e. flac instruments, which are subordinated to other unsecured creditors and intended for bail-in in resolution. Flac requirements will be applicable to banks with open-bank resolution plans. Another key amendment contained in the FSLAB is the establishment of the CoDI. The CoDI will be a separate entity within the SARB, mandated to manage a deposit insurance scheme in South Africa which is designed to protect depositors' funds and enhance financial stability.

On 27 January 2022 the President assented the FSLAB and it is now an Act, i.e. the FSLA. One of the key provisions of the FSLA is that the SARB will become the designated resolution authority with the necessary powers to operationalise an effective resolution regime. The provisions of FSLA (including the granting of powers to the SARB to issue resolution standards) will, however, only become operational as outlined in a commencement schedule. This is due to be gazetted by the Minister of Finance in the near future.

The SARB has published a series of discussion papers focusing on the key aspects that will affect and facilitate the implementation of the resolution framework in South Africa, and also commenced the project to begin operationalising the deposit insurance scheme in South Africa.

IFRS information

Presentation

Basis of presentation

The condensed interim financial statements contained in this *Analysis of financial results* booklet are prepared in accordance with the JSE Limited Listings Requirements for interim reports and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

The JSE Listings Requirements require interim reports to be prepared in accordance with and to contain the information required by:

> International Financial Reporting Standard, IAS 34 *Interim Financial Reporting*;
> SAICA Financial Reporting Guides as issued by the Accounting Practices Committee; and
> Financial Pronouncements as issued by the Financial Reporting Standards Council.

The condensed interim financial statements for the six months ended 31 December 2021 have not been audited or independently reviewed by the bank's external auditors.

Any forecast financial information contained herein has not been reviewed or reported on by the bank's external auditors.

Accounting policies

The accounting policies and methods of computation applied in the preparation of the condensed interim financial statements are in terms of IFRS and are consistent with those applied for the year ended 30 June 2021.

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

There were no new or amended IFRS standards that became effective for the six months ended 31 December 2021.

Normalised results

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

All normalised entries, as included and described in the *Analysis of financial results* for the year ended 30 June 2021, remain unchanged.

This *pro forma* financial information, which is the responsibility of the bank's directors, has been prepared for illustrative purposes to more accurately reflect operational performance. Due to its nature it may not fairly present, in terms of IFRS, the bank's financial position, changes in equity, and results of operations or cash flows.

Description of difference between normalised and IFRS results

MARGIN-RELATED ITEMS INCLUDED IN FAIR VALUE INCOME

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

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

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

IAS 19 REMEASUREMENT OF PLAN ASSETS

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

CASH-SETTLED SHARE-BASED PAYMENTS AND THE ECONOMIC HEDGE

The bank entered into various TRSs with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the bank's share schemes.

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

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

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

Headline earnings adjustments

All adjustments required by *Circular 01/2021 – 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 the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 130.

Covid-19 impact

While the specific areas of judgement used at 31 December 2021 have not changed from those used as at 30 June 2021, the dynamic and evolving nature of Covid-19, combined with limited recent experience of the economic and financial impact of such a pandemic, resulted in additional judgement being applied.

Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the bank's forward-looking assumptions for the purposes of ECL calculations, has been provided. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty about the social and economic consequences of Covid-19, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

Condensed income statement – IFRS

R million	Six months ended 31 December 2021	Six months ended 31 December 2020	% change	Year ended 30 June 2021
Interest income calculated using effective interest rate	**41 329**	41 738	(1)	82 290
Interest on other financial instruments and similar income	**655**	776	(16)	1 727
Interest and similar income	**41 984**	42 514	(1)	84 017
Interest expense and similar charges	**(17 606)**	(19 258)	(9)	(37 013)
Net interest income before impairment of advances	**24 378**	23 256	5	47 004
Impairment and fair value of credit on advances	**(3 436)**	(7 161)	(52)	(11 115)
– Impairment on amortised cost advances	**(3 272)**	(7 165)	(54)	(10 947)
– Fair value of credit on advances	**(164)**	4	(>100)	(168)
Net interest income after impairment of advances	**20 942**	16 095	30	35 889
Non-interest revenue	**19 133**	17 871	7	36 685
– Net fee and commission income	**13 817**	13 240	4	26 377
– Fee and commission income	**16 416**	15 712	4	31 256
– Fee and commission expense	**(2 599)**	(2 472)	5	(4 879)
– Insurance income	**219**	234	(6)	468
– Fair value gains or losses	**2 687**	2 517	7	3 637
– Fair value gains or losses	**5 618**	4 443	26	7 963
– Interest expense on fair value activities	**(2 931)**	(1 926)	52	(4 326)
– Gains less losses from investing activities	**97**	6	>100	8
– Other non-interest revenue	**2 313**	1 874	23	6 195
Income from operations	**40 075**	33 966	18	72 574
Operating expenses	**(23 252)**	(22 471)	3	(44 954)
Income before indirect tax	**16 823**	11 495	46	27 620
Indirect tax	**(472)**	(478)	(1)	(1 008)
Profit before income tax	**16 351**	11 017	48	26 612
Income tax expense	**(4 072)**	(2 791)	46	(6 792)
Profit for the period	**12 279**	8 226	49	19 820
Attributable to				
Ordinary equityholders	**11 988**	7 985	50	19 295
Other equity instruments holders	**291**	241	21	525
Profit for the period	**12 279**	8 226	49	19 820

Condensed statement of other comprehensive income – IFRS

R million	Six months ended 31 December 2021	Six months ended 31 December 2020	% change	Year ended 30 June 2021
Profit for the period	**12 279**	8 226	49	19 820
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**(636)**	1 037	(>100)	(727)
(Losses)/gains arising and reclassification adjustments included in profit or loss*	**(883)**	1 304	(>100)	(1 009)
Deferred income tax	**247**	(267)	(>100)	282
FVOCI debt reserve	**(128)**	93	(>100)	256
(Losses)/gains arising and reclassification adjustments included in profit or loss*	**(178)**	129	(>100)	355
Deferred income tax	**50**	(36)	(>100)	(99)
Exchange differences on translating foreign operations	**678**	(954)	(>100)	(1 127)
Gains/(losses) arising during the period	**648**	(916)	(>100)	(1 085)
Deferred income tax	**30**	(38)	(>100)	(42)
Items that may not subsequently be reclassified to profit or loss				
FVOCI equity reserve	**3**	(104)	(>100)	(235)
Gains/(losses) arising during the period	**4**	(134)	(>100)	(303)
Deferred income tax	**(1)**	30	(>100)	68
Remeasurements on defined benefit post-employment plans	**(41)**	(26)	58	(195)
Losses arising during the period	**(57)**	(36)	58	(271)
Deferred income tax	**16**	10	60	76
Other comprehensive (loss)/gain for the period	**(124)**	46	(>100)	(2 028)
Total comprehensive income for the period	**12 155**	8 272	47	17 792
Attributable to				
Ordinary equityholders	**11 864**	8 031	48	17 267
Other equity instrument holders	**291**	241	21	525
Total comprehensive income for the period	**12 155**	8 272	47	17 792

* *The line gains/losses arising during the period has been presented with reclassification adjustments for amounts included in profit or loss. The total as previously reported has not changed.*

Condensed statement of financial position – IFRS

	Six months ended 31 December		Year ended 30 June
R million	**2021**	2020	2021
ASSETS			
Cash and cash equivalents	**93 045**	103 226	99 646
Derivative financial instruments	**60 473**	119 031	70 774
Commodities	**22 261**	20 046	18 641
Investment securities	**286 533**	265 856	273 766
Advances	**909 623**	849 020	857 955
– Advances to customers	**836 058**	779 680	786 643
– Marketable advances	**73 565**	69 340	71 312
Other assets	**6 193**	5 914	4 928
Current tax asset	**14**	–	32
Amounts due by holding company and fellow subsidiaries	**64 785**	81 166	67 108
Property and equipment	**16 594**	17 275	16 865
Intangible assets	**397**	648	338
Investment properties	**249**	–	249
Deferred income tax asset	**4 889**	3 889	4 727
Total assets	**1 465 056**	1 466 071	1 415 029
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**15 683**	16 910	18 660
Derivative financial instruments	**64 220**	117 775	70 722
Creditors, accruals and provisions	**17 840**	14 947	15 814
Current tax liability	**274**	1 089	896
Deposits	**1 192 203**	1 134 330	1 135 585
Employee liabilities	**8 763**	7 294	9 859
Other liabilities	**5 298**	5 361	5 087
Amounts due to holding company and fellow subsidiaries	**28 136**	39 895	27 214
Tier 2 liabilities	**21 036**	19 001	18 813
Total liabilities	**1 353 453**	1 356 602	1 302 650
Equity			
Ordinary shares	**4**	4	4
Share premium	**16 804**	16 804	16 804
Reserves	**87 669**	85 535	88 445
Capital and reserves attributable to ordinary equityholders	**104 477**	102 343	105 253
Other equity instruments	**7 126**	7 126	7 126
Total equity	**111 603**	109 469	112 379
Total equity and liabilities	**1 465 056**	1 466 071	1 415 029

Condensed statement of cash flows – IFRS

	Six months ended 31 December		Year ended 30 June
R million	**2021**	2020	2021
Cash flows from operating activities			
Interest, fee and commission receipts	**52 527**	52 116	102 959
– Interest received	**38 491**	38 642	76 114
– Fee and commission received	**16 416**	15 712	31 256
– Insurance income received	**219**	234	468
– Fee and commission paid	**(2 599)**	(2 472)	(4 879)
Trading and other income	**2 057**	1 866	6 024
Interest payments	**(14 414)**	(15 336)	(30 236)
Other operating expenses	**(17 993)**	(17 512)	(34 972)
Dividends received	**371**	65	318
Dividends paid	**(12 931)**	(241)	(6 795)
Taxation paid	**(4 072)**	(2 807)	(6 840)
Cash generated from operating activities	**5 545**	18 151	30 458
Movements in operating assets and liabilities	**(11 957)**	(12 113)	(26 529)
– Liquid assets and trading securities	**(13 149)**	(55 434)	(58 527)
– Advances	**(52 419)**	11 616	12 643
– Deposits	**59 386**	40 008	40 321
– Other assets	**(706)**	(672)	(276)
– Creditors	**1 124**	(761)	353
– Employee liabilities	**(4 270)**	(3 073)	(3 679)
– Other liabilities*	**(1 923)**	(3 797)	(17 364)
Net cash (utilised)/generated from operating activities	**(6 412)**	6 038	3 929
Cash flows from investing activities			
Acquisition of property and equipment	**(1 089)**	(1 570)	(2 822)
Proceeds on disposal of property and equipment	**123**	210	529
Acquisition of intangible assets and investment properties	**(146)**	(65)	(309)
Net cash outflow from investing activities	**(1 112)**	(1 425)	(2 602)
Cash flows from financing activities			
Proceeds on the issue of other financing liabilities	**202**	630	210
Redemption of other financing liabilities	**(118)**	(349)	(348)
Principal payments towards lease liabilities	**(238)**	(340)	(729)
Proceeds from issue of Tier 2 liabilities	**2 500**	–	3 111
Capital repaid on Tier 2 liabilities	**(1 623)**	(2 221)	(4 770)
Proceeds from issue of AT1 equity instruments	**–**	1 400	1 400
Net cash inflow/(outflow) from financing activities	**723**	(880)	(1 126)
Net (decrease)/increase in cash and cash equivalents	**(6 801)**	3 733	201
Cash and cash equivalents at the beginning of the period	**99 646**	99 781	99 781
Effect of exchange rate changes on cash and cash equivalents	**200**	(288)	(336)
Cash and cash equivalents at the end of the period	**93 045**	103 226	99 646
Mandatory reserve balances included above**	**28 678**	26 557	35 239

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

** *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. The deposit bears no or low interest. Money at short notice constitutes amounts withdrawable in 32 days or less.*

Condensed statement of changes in equity – IFRS

for the six months ended 31 December 2021

	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 2020	4	16 804	**16 808**	(381)	2 060
AT1 instruments issued	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Total comprehensive income for the period#	–	–	**–**	(26)	1 037
– Profit for the period	–	–	**–**	–	–
– Other comprehensive income for the period	–	–	**–**	(26)	1 037
Balance as at 31 December 2020	4	16 804	**16 808**	(407)	3 097
Balance as at 1 July 2021	4	16 804	**16 808**	(576)	1 333
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Total comprehensive income for the period#	–	–	**–**	(41)	(636)
– Profit for the period	–	–	**–**	–	–
– Other comprehensive income for the period	–	–	**–**	(41)	(636)
Balance as at 31 December 2021	4	16 804	**16 808**	(617)	697

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

** *Other equity instruments at 31 December 2021 include R7 126 million AT1 instruments.*

\# *Total comprehensive income for the period has been disaggregated into profit for the period and other comprehensive income for the period. The total comprehensive income for the period as previously reported has however not changed.*

Ordinary share capital and ordinary equityholders' funds					
Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equity-holders**	**Other equity instruments****	**Total equity**
2 019	1 191	72 615	**77 504**	**5 726**	**100 038**
–	–	–	**–**	**1 400**	**1 400**
–	–	–	**–**	**(241)**	**(241)**
(954)	(11)	7 985	**8 031**	**241**	**8 272**
–	–	7 985	**7 985**	**241**	**8 226**
(954)	(11)	–	**46**	**–**	**46**
1 065	1 180	80 600	**85 535**	**7 126**	**109 469**
892	1 212	85 584	**88 445**	**7 126**	**112 379**
–	–	(12 640)	**(12 640)**	**–**	**(12 640)**
–	–	–	**–**	**(291)**	**(291)**
678	(125)	11 988	**11 864**	**291**	**12 155**
–	–	11 988	**11 988**	**291**	**12 279**
678	(125)	–	**(124)**	**–**	**(124)**
1 570	1 087	84 932	**87 669**	**7 126**	**111 603**

Statement of headline earnings – IFRS

R million	Six months ended 31 December 2021	Six months ended 31 December 2020	% change	Year ended 30 June 2021
Profit for the period (refer to page 124)	**12 279**	8 226	49	19 820
Other equity instrument holders	**(291)**	(241)	21	(525)
Earnings attributable to ordinary equityholders	**11 988**	7 985	50	19 295
Adjusted for	**(3)**	1	(>100)	15
(Loss)/gain on the disposal of property and equipment	**(4)**	1	(>100)	12
Impairment of assets in terms of IAS 36	**–**	–	–	12
Tax effects of adjustments	**1**	–	–	(9)
Headline earnings	**11 985**	7 986	50	19 310

Reconciliation from headline to normalised earnings

	Six months ended 31 December			Year ended 30 June
R million	2021	2020	% change	2021
Headline earnings	**11 985**	7 986	50	19 310
Adjusted for	**(52)**	10	(>100)	(278)
TRS and IFRS 2 liability remeasurement*	**(4)**	65	(>100)	(176)
IAS 19 adjustment	**(48)**	(55)	(13)	(102)
Normalised earnings	**11 933**	7 996	49	19 032

* *The bank uses TRSs with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the bank's long-term incentive schemes. A TRS is accounted for as a derivative in terms of IFRS, with the fair value change recognised in NIR unless it qualifies for hedge accounting. FirstRand's share price increased R7.21 in the current period and R12.98 during the prior period. This resulted in a mark-to-market fair value volatility period-on-period being included in the bank's IFRS attributable earnings. The normalised results reflect the adjustment to normalise this period-on-period IFRS fair value volatility, as described in more detail on page 122 and 123.*

Reconciliation of normalised to IFRS condensed income statement

for the six months ended 31 December 2021

R million	**Normalised**	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings	TRS adjustment	**IFRS**
Net interest income before impairment of advances	**24 679**	(438)	–	–	137	**24 378**
Impairment charge	**(3 436)**	–	–	–	–	**(3 436)**
Net interest income after impairment of advances	**21 243**	(438)	–	–	137	**20 942**
Non-interest revenue	**18 722**	438	–	4	(31)	**19 133**
Income from operations	**39 965**	–	–	4	106	**40 075**
Operating expenses	**(23 219)**	–	67	–	(100)	**(23 252)**
Income before indirect tax	**16 746**	–	67	4	6	**16 823**
Indirect tax	**(472)**	–	–	–	–	**(472)**
Profit before income tax	**16 274**	–	67	4	6	**16 351**
Income tax expense	**(4 050)**	–	(19)	(1)	(2)	**(4 072)**
Profit for the period	**12 224**	–	48	3	4	**12 279**
Attributable to						
Other equity instrument holders	**(291)**	–	–	–	–	**(291)**
Ordinary equityholders	**11 933**	–	48	3	4	**11 988**
Headline and normalised earnings adjustments	**–**	–	(48)	(3)	(4)	**(55)**
Normalised earnings attributable to ordinary equityholders of the bank	**11 933**	–	–	–	–	**11 933**

Reconciliation of normalised to IFRS condensed income statement

for the six months ended 31 December 2020

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings	TRS adjustment	IFRS
Net interest income before impairment of advances	23 467	(248)	–	–	37	23 256
Impairment charge	(7 161)	–	–	–	–	(7 161)
Net interest income after impairment of advances	16 306	(248)	–	–	37	16 095
Non-interest revenue	17 633	248	–	(1)	(9)	17 871
Income from operations	33 939	–	–	(1)	28	33 966
Operating expenses	(22 565)	–	76	–	18	(22 471)
Income before indirect tax	11 374	–	76	(1)	46	11 495
Indirect tax	(478)	–	–	–	–	(478)
Profit before income tax	10 896	–	76	(1)	46	11 017
Income tax expense	(2 659)	–	(21)	–	(111)	(2 791)
Profit for the period	8 237	–	55	(1)	(65)	8 226
Attributable to						
Other equity instrument holders	(241)	–	–	–	–	(241)
Ordinary equityholders	7 996	–	55	(1)	(65)	7 985
Headline and normalised earnings adjustments	–	–	(55)	1	65	11
Normalised earnings attributable to ordinary equityholders of the bank	7 996	–	–	–	–	7 996

Reconciliation of normalised to IFRS condensed income statement continued

for the year ended 30 June 2021

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings	TRS adjustment	IFRS
Net interest income before impairment of advances	47 815	(1 023)	–	–	212	47 004
Impairment charge	(11 115)	–	–	–	–	(11 115)
Net interest income after impairment of advances	36 700	(1 023)	–	–	212	35 889
Non-interest revenue	35 549	1 023	–	(12)	125	36 685
Income from operations	72 249	–	–	(12)	337	72 574
Operating expenses	(44 990)	–	142	(12)	(94)	(44 954)
Income before indirect tax	27 259	–	142	(24)	243	27 620
Indirect tax	(1 008)	–	–	–	–	(1 008)
Profit before income tax	26 251	–	142	(24)	243	26 612
Income tax expense	(6 694)	–	(40)	9	(67)	(6 792)
Profit for the year	19 557	–	102	(15)	176	19 820
Attributable to						
Other equity instrument holders	(525)	–	–	–	–	(525)
Ordinary equityholders	19 032	–	102	(15)	176	19 295
Headline and normalised earnings adjustments	–	–	(102)	15	(176)	(263)
Normalised earnings attributable to ordinary equityholders of the bank	19 032	–	–	–	–	19 032

Advances

	As at 31 December			As at 30 June
R million	**2021**	2020	% change	2021
Category analysis				
Overdrafts and cash management accounts	**64 821**	59 641	9	60 481
Term loans	**45 246**	49 095	(8)	48 984
Card loans	**34 657**	32 740	6	34 331
Instalment sales, hire purchase agreements and lease payments receivable	**118 231**	119 574	(1)	117 661
Property finance	**260 236**	251 181	4	253 223
Personal loans	**47 572**	50 963	(7)	49 376
Preference share agreements	**30 814**	37 972	(19)	39 367
Assets under agreements to resell	**87 647**	55 484	58	65 058
Investment bank term loans	**138 086**	130 303	6	126 196
Long-term loans to group associates and joint ventures	**300**	578	(48)	300
Other	**45 446**	32 180	41	30 135
Total customer advances	**873 056**	819 711	7	825 112
Marketable advances	**73 565**	69 340	6	71 312
Gross value of advances	**946 621**	889 051	6	896 424
Impairment and credit of fair value advances	**(36 998)**	(40 031)	(8)	(38 469)
Net advances	**909 623**	849 020	7	857 955

Note 1 – Impairment of advances

	Six months ended at 31 December						Year ended 30 June		
	2021			2020			2021		
R million	**Total**	**Amortised cost**	**Fair value**	Total	Amortised cost	Fair value	Total	Amortised cost	Fair value
Increase in loss allowance	**(4 132)**	**(3 968)**	**(164)**	(7 836)	(7 840)	4	(12 578)	(12 410)	(168)
Recoveries of bad debts	**1 107**	**1 107**	**–**	966	966	–	2 063	2 063	–
Modification loss	**(411)**	**(411)**	**–**	(291)	(291)	–	(600)	(600)	–
Impairment of advances recognised in the income statement	**(3 436)**	**(3 272)**	**(164)**	(7 161)	(7 165)	4	(11 115)	(10 947)	(168)

Note: Refer to note 3 on pages 138 to 143 for a reconciliation of the loss allowance per class.

Basis of presentation of analysis of advances per class

RMB CORPORATE AND INVESTMENT BANKING

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

At 30 June 2021, due to a change in internal structures, the bank no longer made a distinction between RMB corporate and RMB investment banking clients and concluded that a single class of customer would be shown. The bank has therefore combined RMB corporate and RMB investment banking, which had been presented separately in the prior interim period. The bank has voluntarily updated the comparative information and presented totals of the two classes combined.

TEMPORARY STRESS SCENARIO

Despite improvements in the country's balance of payments it remains evident that the loss of economic activity, tax revenue and household and corporate income as a result of the pandemic has left the economy structurally weakened relative to an already weak position before the pandemic. Therefore, uncertainty continues to persist and the bank incorporated an additional stress scenario into the retail and commercial portfolios as at 30 June 2021 and 31 December 2021. The bank believes that the advances within the South African retail and commercial portfolios will be hardest hit in the short term and as such, the stress scenario has only been applied to these portfolios. Due to the temporary nature of this stress scenario, the impact on the staging of the gross carrying amount and the additional ECL attributed to this scenario have been separately presented, in all tables where information per class is shown, in the line *Temporary stress scenario*.

Advances continued

Note 2 – Analysis of advances per class

	As at 31 December 2021			
R million	Total	Amortised cost	Fair value through profit or loss	Loss allowance
Residential mortgages	227 697	232 031	–	(4 334)
WesBank VAF	85 599	90 935	–	(5 336)
Total retail secured	**313 296**	**322 966**	**–**	**(9 670)**
FNB card	26 759	31 342	–	(4 583)
Personal loans	30 467	38 677	–	(8 210)
Other retail*	11 794	15 046	–	(3 252)
Total retail unsecured	**69 020**	**85 065**	**–**	**(16 045)**
Temporary stress scenario	(190)	–	–	(190)
Total retail secured and unsecured	**382 126**	**408 031**	**–**	**(25 905)**
FNB commercial	109 894	115 520	137	(5 763)
– FNB commercial excluding scheme	108 547	114 045	137	(5 635)
– Government guaranteed loan scheme	1 371	1 475	–	(104)
– Temporary stress scenario	(24)	–	–	(24)
WesBank corporate	26 538	26 982	–	(444)
RMB corporate and investment banking	346 781	238 072	113 092	(4 383)
Total corporate and commercial	**483 213**	**380 574**	**113 229**	**(10 590)**
Group Treasury and other	43 156	42 277	1 014	(135)
MotoNovo	1 128	1 496	–	(368)
Total advances	**909 623**	**832 378**	**114 243**	**(36 998)**

* *Loss allowance includes R420 million (December 2020: R620 million and June 2021: R0) relating to the FNB centre as disclosed separately on pages 94 and 95.*

As at 31 December 2020				As at 30 June 2021			
Total	Amortised cost	Fair value through profit or loss	Loss allowance	Total	Amortised cost	Fair value through profit or loss	Loss allowance
220 035	224 409	–	(4 374)	221 362	225 666	–	(4 304)
85 947	91 841	–	(5 894)	84 887	90 516	–	(5 629)
305 982	316 250	–	(10 268)	306 249	316 182	–	(9 933)
26 068	30 535	–	(4 467)	26 566	31 249	–	(4 683)
32 025	41 150	–	(9 125)	31 056	39 686	–	(8 630)
12 518	16 358	–	(3 840)	12 593	15 712	–	(3 119)
70 611	88 043	–	(17 432)	70 215	86 647	–	(16 432)
–	–	–	–	(332)	–	–	(332)
376 593	404 293	–	(27 700)	376 132	402 829	–	(26 697)
99 508	105 924	87	(6 503)	104 811	111 030	91	(6 310)
98 071	104 393	87	(6 409)	103 464	109 431	91	(6 058)
1 437	1 531	–	(94)	1 495	1 599	–	(104)
–	–	–	–	(148)	–	–	(148)
26 119	26 687	–	(568)	26 431	26 986	–	(555)
308 578	230 108	82 999	(4 529)	312 614	225 884	91 247	(4 517)
434 205	362 719	83 086	(11 600)	443 856	363 900	91 338	(11 382)
36 043	34 997	1 428	(382)	36 404	34 902	1 636	(134)
2 179	2 528	–	(349)	1 563	1 819	–	(256)
849 020	804 537	84 514	(40 031)	857 955	803 450	92 974	(38 469)

Advances continued

Note 3 – Reconciliation of the gross advances and loss allowance on total advances as at 31 December 2021

	31 December 2021				
	Gross advances (GCA)				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Amortised cost	803 450	681 912	74 920	45 802	816
Fair value	92 974	90 303	2 515	74	82
Amount as at 1 July 2021	896 424	772 215	77 435	45 876	898
Current period movement in the back book					
Stage 1	(65 448)	(50 185)	(13 596)	(1 667)	–
Transfer from stage 2 to stage 1	–	13 596	(13 596)	–	–
Transfer from stage 3 to stage 1	–	1 667	–	(1 667)	–
Current period change in exposure and net movement on GCA and ECL provided/(released)	(65 448)	(65 448)	–	–	–
Stage 2	(10 360)	(15 241)	8 253	(3 372)	–
Transfer from stage 1 to stage 2	–	(15 241)	15 241	–	–
Transfer from stage 3 to stage 2	–	–	3 372	(3 372)	–
Current period change in exposure and net movement on GCA and ECL provided/(released)	(10 360)	–	(10 360)	–	–
– Exposures with a change in measurement basis from 12 months to lifetime ECL	(4 038)	–	(4 038)	–	–
– Other changes in stage 2 exposures and ECL	(6 322)	–	(6 322)	–	–
Stage 3	(3 362)	(3 243)	(5 760)	5 641	–
Transfer from stage 1 to stage 3	–	(3 243)	–	3 243	–
Transfer from stage 2 to stage 3	–	–	(5 760)	5 760	–
Current period change in exposure and net movement on GCA and ECL provided/(released)	(3 362)	–	–	(3 362)	–
Purchased or originated credit-impaired	(56)	–	–	–	(56)
Current period change in exposure and net movement on GCA and ECL provided/(released)	(56)	–	–	–	(56)
New business	134 062	127 619	6 024	419	–
Current period change in exposure and net movement on GCA and ECL provided/(released)	134 062	127 619	6 024	419	–
Other movements applicable to new business and back book	(4 639)	2 388	356	(7 383)	–
Acquisition/(disposal) of advances	690	690	–	–	–
Modifications that did not give rise to derecognition	(411)	(1)	(42)	(368)	–
Exchange rate differences	2 132	1 699	398	35	–
Bad debts written off	(7 050)	–	–	(7 050)	–
Temporary stress scenario	–	245	(245)	–	–
Amount as at 31 December 2021	946 621	833 798	72 467	39 514	842
Amortised cost	832 378	722 882	69 301	39 440	755
Fair value	114 243	110 916	3 166	74	87

The basis of preparation of this reconciliation remains unchanged from June 2021 and December 2020.

	31 December 2021				
	Loss allowance				
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
	37 756	7 257	8 910	21 499	90
	713	236	385	10	82
	38 469	7 493	9 295	21 509	172
	(1 260)	77	(1 055)	(282)	–
	–	1 055	(1 055)	–	–
	–	282	–	(282)	–
	(1 260)	(1 260)	–	–	–
	284	(315)	1 075	(476)	–
	–	(315)	315	–	–
	–	–	476	(476)	–
	284	–	284	–	–
	73	–	73	–	–
	211	–	211	–	–
	4 395	(133)	(1 317)	5 845	–
	–	(133)	–	133	–
	–	–	(1 317)	1 317	–
	4 395	–	–	4 395	–
	–	–	–	–	–
	–	–	–	–	-
	2 375	1 404	760	211	–
	2 375	1 404	760	211	–
	(6 998)	(21)	36	(7 013)	–
	(35)	(35)	–	–	–
	–	–	–	–	–
	87	14	36	37	–
	(7 050)	–	–	(7 050)	–
	(267)	(190)	(54)	(23)	–
	36 998	8 315	8 740	19 771	172
	36 088	7 935	8 302	19 761	90
	910	380	438	10	82

Advances continued

Note 3 – Reconciliation of the gross advances and loss allowance on total advances as at 31 December 2020

	31 December 2020				
	Gross advances (GCA)				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Amortised cost	839 788	720 723	71 990	46 174	901
Fair value	65 924	61 944	3 802	51	127
Amount as at 1 July 2020	905 712	782 667	75 792	46 225	1 028
Current period movement in the back book					
Stage 1	(68 594)	(53 445)	(14 470)	(679)	–
Transfer from stage 2 to stage 1	–	14 470	(14 470)	–	–
Transfer from stage 3 to stage 1	–	679	–	(679)	–
Current period change in exposure and net movement on GCA and ECL provided/(released)	(68 594)	(68 594)	–	–	–
Stage 2	(16 730)	(29 859)	14 706	(1 577)	–
Transfer from stage 1 to stage 2	–	(29 859)	29 859	–	–
Transfer from stage 3 to stage 2	–	–	1 577	(1 577)	–
Current period change in exposure and net movement on GCA and ECL provided/(released)	(16 730)	–	(16 730)	–	–
– Exposures with a change in measurement basis from 12 months to lifetime ECL	(2 383)	–	(2 383)	–	–
– Other changes in stage 2 exposures and ECL	(14 347)	–	(14 347)	–	–
Stage 3	(3 592)	(5 595)	(7 268)	9 271	–
Transfer from stage 1 to stage 3	–	(5 595)	–	5 595	–
Transfer from stage 2 to stage 3	–	–	(7 268)	7 268	–
Current period change in exposure and net movement on GCA and ECL provided/(released)	(3 592)	–	–	(3 592)	–
Purchased or originated credit-impaired	(182)	–	–	–	(182)
Current period change in exposure and net movement on GCA and ECL provided/(released)	(182)	–	–	–	(182)
New business	85 264	80 465	4 092	515	192
Current period change in exposure and net movement on GCA and ECL provided/(released)	85 264	80 465	4 092	515	192
Other movements applicable to new business and back book	(12 827)	(5 016)	(586)	(7 225)	–
Acquisition/(disposal) of advances	(1 241)	(1 241)	–	–	–
Transfers (to)/from non-current assets or disposal groups held for sale	–	–	–	–	–
Modifications that did not give rise to derecognition	(291)	–	(29)	(262)	–
Exchange rate differences	(4 468)	(3 775)	(557)	(136)	–
Bad debts written off	(6 827)	–	–	(6 827)	–
Amount as at 31 December 2020	889 051	769 217	72 266	46 530	1 038
Amortised cost	804 537	687 225	69 875	46 516	921
Fair value	84 514	81 992	2 391	14	117

The basis of preparation of this reconciliation remains unchanged from June 2021 and December 2020.

	31 December 2020				
	Loss allowance				
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
	37 042	7 699	8 336	21 007	–
	730	348	262	–	120
	37 772	8 047	8 598	21 007	120
	(958)	618	(1 426)	(150)	–
	–	1 426	(1 426)	–	–
	–	150	–	(150)	–
	(958)	(958)	–	–	–
	2 685	(865)	3 823	(273)	–
	–	(865)	865	–	–
	–	–	273	(273)	–
	2 685	–	2 685	–	–
	649	–	649	–	–
	2 036	–	2 036	–	–
	5 851	(372)	(1 768)	7 991	–
	–	(372)	–	372	–
	–	–	(1 768)	1 768	–
	5 851	–	–	5 851	–
	–	–	–	–	–
	–	–	–	–	–
	1 729	1 077	414	238	–
	1 729	1 077	414	238	–
	(7 048)	(29)	(68)	(6 951)	–
	–	–	–	–	–
	–	–	–	–	–
	–	–	–	–	–
	(221)	(29)	(68)	(124)	–
	(6 827)	–	–	(6 827)	–
	40 031	8 476	9 573	21 862	120
	39 328	8 177	9 265	21 862	24
	703	299	308	–	96

Advances continued

Note 3 – Reconciliation of the gross advances and loss allowance on total advances as at 30 June 2021

	2021				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Amortised cost	839 788	720 723	71 990	46 174	901
Fair value	65 924	61 944	3 802	51	127
Amount as at 1 July 2020	905 712	782 667	75 792	46 225	1 028
Current year movement in the back book					
Stage 1	(140 762)	(114 907)	(24 586)	(1 269)	–
Transfer from stage 2 to stage 1	–	24 586	(24 586)	–	–
Transfer from stage 3 to stage 1	–	1 269	–	(1 269)	–
Current year change in exposure and net movement on GCA and ECL provided/(released)	(140 762)	(140 762)	–	–	–
Stage 2	(16 729)	(37 906)	23 807	(2 630)	–
Transfer from stage 1 to stage 2	–	(37 906)	37 906	–	–
Transfer from stage 3 to stage 2	–	–	2 630	(2 630)	–
Current year change in exposure and net movement on GCA and ECL provided/(released)	(16 729)	–	(16 729)	–	–
– Exposures with a change in measurement basis from 12 months to lifetime ECL	(1 828)	–	(1 828)	–	–
– Other changes in stage 2 exposures and ECL	(14 901)	–	(14 901)	–	–
Stage 3	(4 383)	(11 827)	(9 419)	16 863	–
Transfer from stage 1 to stage 3	–	(11 827)	–	11 827	–
Transfer from stage 2 to stage 3	–	–	(9 419)	9 419	–
Current year change in exposure and net movement on GCA and ECL provided/(released)	(4 383)	–	–	(4 383)	–
Purchased or originated credit-impaired	(221)	–	–	–	(221)
Current year change in exposure and net movement on GCA and ECL provided/(released)	(221)	–	–	–	(221)
New business	174 617	161 324	11 143	2 059	91
Current year change in exposure and net movement on GCA and ECL provided/(released)	174 617	161 324	11 143	2 059	91
Other movements applicable to new business and back book	(21 810)	(5 827)	(611)	(15 372)	–
Acquisition/(disposal) of advances	(1 640)	(1 607)	(11)	(22)	–
Modifications that did not give rise to derecognition	(600)	(1)	(60)	(539)	–
Exchange rate differences	(4 906)	(4 219)	(540)	(147)	–
Bad debts written off	(14 664)	–	–	(14 664)	–
Temporary stress scenario	–	(1 309)	1 309	–	–
Amount as at 30 June 2021	896 424	772 215	77 435	45 876	898
Amortised cost	803 450	681 912	74 920	45 802	816
Fair value	92 974	90 303	2 515	74	82

The basis of preparation of this reconciliation remains unchanged from June 2021 and December 2020.

	2021				
	Loss allowance				
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
	37 042	7 699	8 336	21 007	–
	730	348	262	–	120
	37 772	8 047	8 598	21 007	120
	(3 064)	(780)	(2 004)	(280)	–
	–	2 004	(2 004)	–	–
	–	280	–	(280)	–
	(3 064)	(3 064)	–	–	–
	2 470	(747)	3 643	(426)	–
	–	(747)	747	–	–
	–	–	426	(426)	–
	2 470	–	2 470	–	–
	207	–	207	–	–
	2 263	–	2 263	–	–
	12 120	(869)	(2 076)	15 065	–
	–	(869)	–	869	–
	–	–	(2 076)	2 076	–
	12 120	–	–	12 120	–
	49	–	–	–	49
	49	–	–	–	49
	3 582	1 651	1 018	910	3
	3 582	1 651	1 018	910	3
	(14 940)	(62)	(67)	(14 811)	–
	(42)	(24)	(4)	(14)	–
	–	–	–	–	–
	(234)	(38)	(63)	(133)	–
	(14 664)	–	–	(14 664)	–
	480	253	183	44	–
	38 469	7 493	9 295	21 509	172
	37 756	7 257	8 910	21 499	90
	713	236	385	10	82

Advances continued

Note 4 – Reconciliation of the loss allowance on total advances per class

AMORTISED COST

R million	Retail secured		Retail unsecured			Retail secured and unsecured
	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other*	Temporary stress scenario
Amount as at 1 July 2021	4 304	5 629	4 683	8 630	3 119	332
Stage 1	646	708	861	1 611	718	129
Stage 2	841	1 039	654	1 722	575	159
Stage 3	2 817	3 882	3 168	5 297	1 826	44
Acquisition/(disposal) of advances	–	–	–	–	–	–
Exchange rate differences	–	–	–	–	–	–
Bad debts written off	(242)	(1 330)	(828)	(2 594)	(981)	–
Current period provision created/(released)**	272	1 037	728	2 174	1 114	(142)
– Stage 1	(36)	(122)	(41)	37	408	(65)
– Stage 2	112	308	217	491	6	(54)
– Stage 3	196	851	552	1 646	700	(23)
Amount as at 31 December 2021	4 334	5 336	4 583	8 210	3 252	190
Stage 1	719	758	919	1 682	1 153	63
Stage 2	801	1 174	640	1 745	498	105
Stage 3	2 814	3 404	3 024	4 783	1 601	22

* Loss allowance includes R420 million relating to the FNB centre as disclosed separately on pages 94 and 95.

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

- ECL impact of net settlements and changes in exposures of advances included in the opening balance, including changes in ECL on amended off-balance changes in ECL on amended off-balance 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 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 period and the transfers between stages of the new origination.
- Impact of changes in models and risk parameters, including forward-looking macroeconomic information.

FAIR VALUE

R million	2021			
	FNB commercial	RMB corporate and investment banking	Group Treasury and other	Total
Amount as at 1 July 2021	–	602	111	713
Stage 1	–	133	103	236
Stage 2	–	377	8	385
Stage 3	–	92	–	92
Exchange rate differences	–	33	–	33
Bad debts written off	–	–	–	–
Current period provision created/(released)	8	155	1	164
– Stage 1	8	105	–	113
– Stage 2	–	50	1	51
– Stage 3	–	–	–	–
Amount as at 31 December 2021	8	790	112	910
Stage 1	8	270	102	380
Stage 2	–	428	10	438
Stage 3	–	92	–	92

	Corporate and commercial						
	FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Group Treasury and other	MotoNovo	Total amortised cost
	6 162	148	555	3 915	23	256	37 756
	1 033	124	108	1 292	23	4	7 257
	1 524	24	122	2 236	–	14	8 910
	3 605	–	325	387	–	238	21 589
	–	–	–	(35)	–	–	(35)
	–	–	–	26	–	28	54
	(912)	–	(54)	(89)	–	(20)	(7 050)
	481	(124)	(57)	(224)	–	104	5 363
	(171)	(124)	(15)	(50)	(2)	(5)	(186)
	96	–	(22)	(186)	2	(4)	966
	556	–	(20)	12	–	113	4 583
	5 731	24	444	3 593	23	368	36 088
	1 168	–	133	1 312	26	2	7 935
	1 222	24	87	2 003	(3)	6	8 302
	3 341	–	224	278	–	360	19 851

Advances continued

Note 4 – Reconciliation of the loss allowance on total advances per class continued

AMORTISED COST

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Other retail*
Amount as at 1 July 2020	3 916	5 647	4 201	8 697	3 139
Stage 1	731	546	917	1 812	782
Stage 2	777	1 262	562	1 653	701
Stage 3	2 408	3 839	2 722	5 232	1 656
Exchange rate differences	–	–	–	–	–
Bad debts written off	(137)	(980)	(849)	(2 358)	(921)
Current period provision created/(released)**	595	1 227	1 115	2 786	1 622
– Stage 1	(39)	(172)	(63)	(64)	598
– Stage 2	448	274	442	805	120
– Stage 3	186	1 125	736	2 045	904
Amount as at 31 December 2020	4 374	5 894	4 467	9 125	3 840
Stage 1	669	513	939	1 566	1 291
Stage 2	1 108	1 200	639	1 931	749
Stage 3	2 597	4 181	2 889	5 628	1 800

* *Loans allowance includes R620 million relating to the FNB centre as disclosed separately on pages 94 and 95.*

** *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-balance 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.*

FAIR VALUE

	Corporate and commercial		
R million	RMB corporate and investment banking	Group Treasury and other	Total fair value
Amount as at 1 July 2020	485	245	730
– Stage 1	103	245	348
– Stage 2	262	–	262
– Stage 3	120	–	120
Exchange rate differences	(24)	–	(24)
Current period provision created/(released)	(19)	16	(3)
– Stage 1	(81)	11	(70)
– Stage 2	86	5	91
– Stage 3	(24)	–	(24)
Amount as at 31 December 2020	442	261	703
Stage 1	44	255	299
Stage 2	302	6	308
Stage 3	96	–	96

Corporate and commercial						
FNB commercial	WesBank corporate	RMB corporate and investment banking	Group Treasury and other	Rest of Africa	MotoNovo	Total amortised cost
6 028	506	4 408	135	–	365	37 042
1 394	114	1 339	19	–	45	7 699
1 339	111	1 861	–	–	70	8 336
3 295	281	1 208	116	–	250	21 007
–	–	(169)	–	–	(28)	(197)
(727)	(43)	(713)	(42)	28	(85)	(6 827)
1 202	105	561	28	(28)	97	9 310
(323)	(20)	292	9	–	(31)	187
744	(5)	185	3	–	(5)	3 011
781	130	84	16	(28)	133	6 112
6 503	568	4 087	121	–	349	39 328
1 500	102	1 551	31	–	15	8 177
1 465	72	2 048	1	–	52	9 265
3 538	394	488	89	–	282	21 886

Advances continued

Note 4 – Reconciliation of the loss allowance on total advances per class continued

AMORTISED COST

	Retail secured		Retail unsecured			Retail secured and unsecured
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Other retail	Temporary stress scenario
Amount as at 1 July 2020	3 916	5 647	4 201	8 697	3 139	–
Stage 1	731	546	917	1 812	782	–
Stage 2	777	1 262	562	1 653	701	–
Stage 3	2 408	3 839	2 722	5 232	1 656	–
Acquisition/(disposal) of advances	–	–	–	–	(41)	–
Transfers from/(to) other divisions	–	–	182	–	(66)	–
Exchange rate differences	–	–	–	–	–	–
Bad debts written off	(367)	(2 310)	(1 789)	(5 292)	(1 779)	–
Current period provision created/(released)*	755	2 292	2 089	5 225	1 866	332
– Stage 1	(334)	80	(138)	196	6	129
– Stage 2	389	88	477	700	19	159
– Stage 3	700	2 124	1 750	4 329	1 841	44
Amount as at 30 June 2021	4 304	5 629	4 683	8 630	3 119	332
Stage 1	646	708	861	1 611	718	129
Stage 2	841	1 039	654	1 722	575	159
Stage 3	2 817	3 882	3 168	5 297	1 826	44

* *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-balance 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.*

FAIR VALUE

	Corporate and commercial		
R million	RMB corporate and investment banking	Group Treasury and other	Total fair value
Amount as at 1 July 2020	485	245	730
Stage 1	103	245	348
Stage 2	262	–	262
Stage 3	120	–	120
Exchange rate differences	(37)	–	(37)
Bad debts written off	–	(148)	(148)
Current period provision created/(released)	154	14	168
– Stage 1	16	7	23
– Stage 2	166	7	173
– Stage 3	(28)	–	(28)
Amount as at 30 June 2021	602	111	713
Stage 1	133	103	236
Stage 2	377	8	385
Stage 3	92	–	92

Corporate and commercial							
FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Group Treasury and other	Rest of Africa	MotoNovo	Total amortised cost
6 028	–	506	4 408	135	–	365	37 042
1 394	–	114	1 339	19	–	45	7 699
1 339	–	111	1 861	–	–	70	8 336
3 295	–	281	1 208	116	–	250	21 007
–	–	1	(2)	–	–	–	(42)
–	–	–	–	(116)	–	–	–
–	–	–	(163)	–	–	(34)	(197)
(1 686)	–	(84)	(1 060)	–	28	(177)	(14 516)
1 820	148	132	732	4	(28)	102	15 469
(923)	124	(18)	(262)	4	–	(47)	(1 183)
979	24	27	683	–	–	(47)	3 498
1 764	–	123	311	–	(28)	196	13 154
6 162	148	555	3 915	23	–	256	37 756
1 033	124	108	1 292	23	–	4	7 257
1 524	24	122	2 236	–	–	14	8 910
3 605	–	325	387	–	–	238	21 589

Significant estimates, judgements and assumptions relating to the impairment of advances

Overview of forward-looking information included in the 31 December 2021 provisions

The global economic recovery continues to normalise from the elevated levels that followed the initial “technical bounce” out of the Covid-19 shock experienced in 2020. Although the Omicron variant has resulted in a notable increase in Covid-19 cases, this has not translated into significantly weaker real economic activity as economies continue to adapt relatively effectively to pandemic-related constraints. With economic demand returning to normal, supply side factors continue to drive near-term inflation higher. This is expected to have peaked towards the end of 2021 and should begin to soften over the course of 2022 as supply chains catch up with pent-up demand.

Monetary policy guidance from several global central banks, the US Federal Reserve in particular, suggests that central banks will be less tolerant of above-target inflation than they had previously communicated. This signals concern among central banks that significantly higher near-term inflation could translate into higher longer-term inflation expectations. The US Federal Reserve has clearly signalled its vigilance to the risk of rising inflation expectations. Global fiscal policy settings are still extremely supportive and it remains clear that governments plan to reduce fiscal stimulus as their economies recover from the depths of the pandemic. The complexity of these policy signals will continue to drive market volatility as financial markets adjust to changes in the expected monetary and fiscal policy environment. A relative tightening in financial conditions, albeit from an extremely accommodative base, is expected to reduce demand for risk assets and support demand for safe haven assets such as the US dollar in the near term. Commodity prices are in turn likely to soften somewhat off a high base but still remain high compared to pre-pandemic levels. This should still provide some support to commodity producing countries.

SOUTH AFRICA

High commodity prices for South Africa’s main exports have helped to drive a relatively robust rebound from the deep contractions experienced in 2020. As commodity prices begin to soften the country’s growth drivers are expected to shift from being externally driven to internally driven. Domestic inflation is expected to have peaked at the end of 2021 and should soften gradually from the relatively elevated levels observed over the last few months. Although oil prices are also expected to soften from elevated levels, these are expected to remain high by historical standards.

Against this backdrop short-term interest rates are expected to lift from the extremely supportive policy stance induced by the pandemic towards higher, but still accommodative levels, to cater for higher inflation and higher global policy rates.

High-frequency household data confirms that income levels among the employed now continue to normalise after an initial improvement coming out of the pandemic-induced contractions. Although real income growth remains low, the normalising of income levels and low interest rates, along with higher-than-normal household savings, are contributing to an ongoing lift in household credit extension. Against this backdrop the house price outlook remains positive although house prices are expected to vary greatly across regions and price segments. Price growth in the lower end of the market should be the most supported by low interest rates, plus the persistent supply deficit, while higher-end property prices are likely to remain under pressure.

Industry data shows that transactional volumes at a national level are now also normalising across industries. Corporate incomes continue to improve from heavily depressed levels. While investor confidence remains low, corporate credit demand has started to lift slightly as economic activity stabilises. This pick-up in credit should in time accompany a slight draw on precautionary savings.

With an extremely high unemployment rate it remains crucial to differentiate between households with secure employment and irregular or unstable employment. Industry-level data shows that employment remains under considerable strain in industries that are sensitive to Covid-19 disruptions, such as hospitality and tourism, while other firms are increasing headcount tentatively.

Forward-looking information and the temporary stress scenario

Forward-looking information has been incorporated into the expected loss estimates through the application of quantitative modelling and expert judgement-based adjustments. The process of incorporating the forward-looking information into the expected loss estimates has not changed since 30 June 2021, but there have been changes to the probabilities assigned to the scenarios and the inputs used.

For the bank's South African operations, three macroeconomic scenarios are utilised, namely a base scenario, an upside scenario and a downside scenario. Despite improvements in the country’s balance of payments it remains evident that the loss of economic activity, tax revenue and household and corporate income as a result of the pandemic has left the economy structurally weakened relative to an already weak position before the pandemic. Therefore, uncertainty continues to persist, which is non-linear to the developments in the known macroeconomic environment noted in the scenario descriptions below. Given the inability of economic forecasts and existing statistical models to adequately capture short-term shocks, an additional stress scenario was added to the macroeconomic scenarios applied to the retail and commercial portfolios as at 30 June 2021 and 31 December 2021. The reason for including the temporary stress scenario to only these portfolios is that the RMB corporate and investment portfolio already incorporates stressed scenarios for high-risk industries.

The ECL impact of the temporary stress scenario as well as its impact on staging of the gross carrying amount (GCA) has been tracked separately for classes of advances within the retail and commercial portfolios, where the stress scenario continues to have a material impact. Therefore, for the retail and commercial portfolios a weighting of 8% (June 2021: 11%) has been attributed to the temporary scenario, 26% (June 2021: 26%) to the downside, 53% (June 2021: 52%) to the baseline scenario and 13% (June 2021: 11%) to the upside scenario. The bank's expectation is that the temporary stress scenario will not permanently form part of the core scenarios utilised by the bank.

The table below sets out the scenarios and the probabilities assigned to each scenario as at 31 December 2021 for the bank's South African operations. During the period to 31 December 2021 the probabilities assigned to the macro scenarios were adjusted slightly towards the upside regime. These adjustments were made to cater for the change in the perceived balance of risk to the domestic economy resulting from the effectiveness of global policy measures to support the global economy, and the effectiveness of domestic policy measures to manage the economic impact of the pandemic and lift the country's potential growth rate over time.

Although reduced, significant macroeconomic uncertainty remains as it is evident that the loss of economic activity, tax revenue and household and corporate income as a result of the pandemic has left the economy substantially weakened, which is a key risk to the macroeconomic outlook.

Scenario	Probability	Description
Baseline regime	**58% (June 2021: 58%; December 2020: 57%)**	Assumes that global growth improves gradually. Developed market (DM) inflation lifts but remains low by historical standards and global interest rates remain accommodative. The South African domestic economy continues to show a slow recovery. Inflation continues to lift but remains within the SARB's target band. The outlook is characterised by a slow recovery in income and a slight improvement in policy uncertainty.
Upside regime	**14% (June 2021: 13%; December 2020: 16%)**	Assumes that global growth improves gradually. DM inflation lifts but remains low by historical standards and global interest rates remain accommodative. The South African domestic economy experiences a significant lift in economic activity and inflation remains low by historical standards. Policy certainty is gradually restored, and confidence-boosting economic reforms are implemented.
Downside regime	**28% (June 2021: 29%; December 2020: 27%)**	Assumes that global growth improves gradually. DM inflation lifts but remains low by historical standards and global interest rates remain accommodative. The South African domestic economy experiences ongoing contractions in economic activity, which are compounded by policy mistakes and extremely low confidence, which prevent the economy from recovering fully from the Covid-19-induced shock.

Significant estimates, judgements and assumptions relating to the impairment of advances continued

SIGNIFICANT MACROECONOMIC FACTORS AS AT 31 DECEMBER 2021

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

South Africa (%)	Upside scenario			Baseline scenario			Downside scenario		
	2022	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**
	Applicable across all portfolios								
Real GDP growth	3.70	3.40	3.30	2.20	1.70	1.60	(0.30)	(1.80)	1.10
CPI inflation	3.50	3.70	3.50	4.30	4.50	4.80	5.30	7.10	7.00
Repo rate	3.750	4.25	4.25	4.25	5.00	5.00	5.50	7.50	8.50
	Retail-specific								
Retail real growth	3.70	3.40	3.30	1.40	1.50	1.20	(1.30)	(2.80)	0.10
House price index growth*	5.40	4.50	5.00	3.20	2.20	2.40	(0.40)	(2.40)	1.60
Household debt to income	72.30	70.80	70.80	75.80	75.80	75.80	72.30	70.80	70.80
Employment growth	0.70	0.70	0.80	0.40	0.40	0.40	(0.10)	(0.40)	0.20
	Wholesale-specific								
Fixed capital formation	2.40	5.60	5.10	1.40	2.80	2.40	(0.20)	(3.10)	4.60
Foreign exchange rate (USD/ZAR)	12.20	12.80	13.30	14.70	15.10	16.10	17.20	22.60	23.60

** Applicable to the secured portfolio.*

	South Africa – significant macroeconomic factors relevant to the temporary stress scenario						
(%)	**Real GDP growth**	**CPI inflation**	**Repo rate**	**Retail real growth**	**House price index growth***	**Household debt to income**	**Employment growth**
2022	(1.50)	8.00	8.50	(2.00)	(2.20)	76.40	(0.30)
2023	(3.00)	8.30	11.00	(3.50)	(4.00)	76.70	(0.70)
2024	(0.10)	6.70	8.50	(0.60)	(0.20)	76.70	(0.00)

** Applicable to the secured portfolio.*

SIGNIFICANT MACROECONOMIC FACTORS AS AT 30 JUNE 2021

South Africa	Upside scenario			Baseline scenario			Downside scenario		
(%)	2022	2023	2024	2022	2023	2024	2022	2023	2024
	Applicable across all portfolios								
Real GDP growth	4.20	4.70	4.20	3.10	1.70	1.20	(1.90)	(5.00)	(2.90)
CPI inflation	3.10	3.60	4.10	4.10	4.60	5.00	7.20	7.60	8.10
Repo rate	3.25	2.75	2.50	3.50	3.75	3.75	6.35	6.50	6.50
	Retail-specific								
Retail real growth	4.20	4.70	4.20	1.10	1.30	0.80	(1.90)	(5.00)	(2.90)
House price index growth*	3.50	7.50	10.90	2.60	2.80	3.10	(1.60)	(8.00)	(7.50)
Household debt to income	75.90	76.00	76.00	75.80	75.80	75.80	76.20	76.50	76.50
Employment growth	0.60	1.00	1.30	0.45	0.39	0.36	(0.30)	(1.10)	(0.90)
	Wholesale-specific								
Fixed capital formation	0.90	7.10	10.90	0.70	2.60	3.10	(0.40)	(7.50)	(7.50)
Foreign exchange rate (USD/ZAR)	12.00	11.90	12.00	15.20	15.90	16.60	19.70	22.00	23.00

** Applicable to the secured portfolio.*

	South Africa – significant macroeconomic factors relevant to the temporary stress scenario						
(%)	**Real GDP growth**	**CPI inflation**	**Repo rate**	**Retail real growth**	**House price index growth***	**Household debt to income**	**Employment growth**
2022	(1.20)	7.60	3.50	(0.40)	(1.00)	75.90	(0.20)
2023	(5.10)	10.30	6.00	(3.80)	(8.20)	76.00	(1.90)
2024	(6.20)	11.80	8.50	(4.10)	(16.00)	76.00	(1.10)

** Applicable to the secured portfolio.*

Fair value measurements

Valuation methodology

The bank has established control frameworks and processes at an operating business level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At an operating business level, valuation specialists are responsible for the selection and implementation as well as 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 bank level. They are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval at an operating business level by the required valuation specialists, valuation committees and relevant risk committees annually, or more frequently if considered appropriate.

Fair value hierarchy and measurements

LEVEL 2 AND LEVEL 3 VALUATION TECHNIQUES AND SIGNIFICANT INPUTS

		Level 2	Level 3
Instrument	**Valuation technique**	**Significant observable inputs**	**Significant unobservable inputs**
Derivative financial instruments			
Forward rate agreements, forwards and swaps	Discounted cash flow	Market interest rates, credit and currency basis curves, volatilities, dividends and share prices	Volatilities and unlisted share prices
Options and equity derivatives	Option pricing and industry standard models	Strike price of the option, market-related discount rate, spot or forward rate, the volatility of the underlying, dividends and share prices	Volatilities, dividends and unlisted share prices
Advances			
Corporate and investment banking book	Discounted cash flow	N/A	Credit inputs
Advances under repurchase agreements and other advances		Commodity prices, market interest rates and credit spreads	Credit inputs and market risk correlation factors
Investment securities			
Equities listed in an inactive market	Discounted cash flow	Market interest rates	Unobservable P/E ratios
Unlisted equities	P/E model and discounted cash flow	Market transactions	Growth rates and P/E ratios
Unlisted bonds or bonds listed in an inactive market NCD	Discounted cash flow	Market interest rates, credit spreads and market quotes for NCD instruments	Credit inputs
Treasury bills and other government and government-guaranteed stock	JSE debt market bond pricing model	Market quotes for money market and fixed income instruments	N/A
Investments in funds and unit trusts	Third-party valuations	Market transactions (listed)	Third-party valuations used, minority and marketability adjustments
Investment properties			
Investment properties	Discounted cash flow	N/A	Expected rentals, capitalisation, and exit/terminal rates
Deposits			
Call and non-term deposits	Discounted cash flow or the undiscounted amount is used	Discounting curve	N/A
Deposits referencing credit-linked instruments and other deposits	Discounted cash flow	Market interest rates	Credit inputs, market risk and correlation factors
Financial assets and liabilities not measured at fair value but for which fair value is disclosed			
Various	Discounted cash flow	Market interest rates	N/A

Fair value measurements continued

Fair value hierarchy

The following table presents the fair value hierarchy and applicable measurement basis of assets and liabilities of the bank which are recognised at fair value.

	As at 31 December 2021			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	33	58 425	2 015	60 473
Advances	–	72 636	40 698	113 334
Investment securities	81 836	79 116	2 405	163 357
Commodities	22 261	–	–	22 261
Investment properties	–	–	249	249
Amounts due by holding company and fellow subsidiaries	–	7 432	–	7 432
Total assets measured at fair value	**104 130**	**217 609**	**45 367**	**367 106**
Liabilities				
Recurring fair value measurements				
Short trading positions	15 683	–	–	15 683
Derivative financial instruments	175	62 552	1 493	64 220
Deposits	1 096	47 177	4 714	52 987
Other liabilities	–	844	–	844
Amounts due to holding company and fellow subsidiaries	–	8 320	–	8 320
Total liabilities measured at fair value	**16 954**	**118 893**	**6 207**	**142 054**

	As at 31 December 2020			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	28	117 118	1 885	119 031
Advances	–	47 461	36 350	83 811
Investment securities	77 399	86 794	1 817	166 010
Commodities	20 046	–	–	20 046
Amounts due by holding company and fellow subsidiaries	–	15 339	–	15 339
Total assets measured at fair value	97 473	266 712	40 052	404 237
Liabilities				
Recurring fair value measurements				
Short trading positions	16 910	–	–	16 910
Derivative financial instruments	1 183	114 839	1 753	117 775
Deposits	1 266	44 220	3 064	48 550
Other liabilities	–	486	100	586
Amounts due to holding company and fellow subsidiaries	–	17 695	–	17 695
Total liabilities measured at fair value	19 359	177 240	4 917	201 516

	As at 30 June 2021			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	41	69 528	1 205	70 774
Advances	–	60 774	31 487	92 261
Investment securities	81 465	86 451	1 721	169 637
Commodities	18 641	–	–	18 641
Investment properties	–	–	249	249
Amounts due by holding company and fellow subsidiaries	–	8 715	–	8 715
Total assets measured at fair value	100 147	225 468	34 662	360 277
Liabilities				
Recurring fair value measurements				
Short trading positions	18 660	–	–	18 660
Derivative financial instruments	41	69 086	1 595	70 722
Deposits	1 046	39 989	4 254	45 289
Other liabilities	–	669	–	669
Amounts due to holding company and fellow subsidiaries	–	10 047	–	10 047
Total liabilities measured at fair value	19 747	119 791	5 849	145 387

Fair value measurements continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Transfers between fair value hierarchy levels

The following represents the significant transfers into level 1, 2 and 3 and the reasons for the transfers. Transfers between levels of the fair value hierarchy are deemed to occur at the beginning of the reporting period.

	As at 31 December 2021		
R million	**Transfers in**	**Transfers out**	**Reasons for significant transfer in**
Level 1	**269**	**(898)**	The market for certain listed investment securities has become liquid in the current period, resulting in transfers from level 3 into level 1.
Level 2	**1 705**	**–**	The significant inputs for determining the fair value of certain unlisted derivatives and deposits have become observable as the financial instruments approach their respective maturity dates. They are therefore transferred from level 3 to 2.
Level 3	**898**	**(1 974)**	Investment securities whose fair value had been observable in a traded market no longer met the criteria for level 1, as active trading ceased during the period and the inputs into the fair value model were no longer observable.
Total transfers	**2 872**	**(2 872)**	

	As at 31 December 2020		
R million	Transfers in	Transfers out	Reasons for significant transfer in
Level 1	–	(319)	There were no transfers into level 1.
Level 2	108	–	Increased liquidity in the market for certain investment securities resulted in transfers from level 3 to level 2.
Level 3	319	(108)	Investment securities whose fair value had been observable in a traded market no longer met the criteria for level 1, as active trading ceased during the period and the inputs into the fair value model were no longer observable.
Total transfers	427	(427)	

	As at 30 June 2021		
R million	Transfers in	Transfers out	Reasons for significant transfer in
Level 1	945	(24)	Increased liquidity in the market for certain investment securities resulted in transfers from level 3 and level 2 into level 1.
Level 2	210	(992)	Increased liquidity in the market for certain investment securities resulted in transfers from level 3 to level 2.
Level 3	574	(713)	Investment securities whose fair value had been observable in a traded market no longer met the criteria for level 1 and level 2, as active trading ceased during the period and the fair value was determined using significant unobservable inputs.
Total transfers	1 729	(1 729)	

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 and classified as level 3 in terms of the fair value hierarchy.

R million	**Derivative financial assets**	**Advances**	**Investment securities**	**Investment properties**	**Derivative financial liabilities**	**Other liabilities**	**Deposits**
Balance as at 1 July 2021	**1 205**	**31 487**	**1 721**	**249**	**1 595**	**–**	**4 254**
Gains/(losses) recognised in profit or loss	**1 361**	**1 696**	**174**	**–**	**672**	**–**	**585**
Gains/(losses) recognised in other comprehensive income	**–**	**–**	**4**	**–**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**(370)**	**7 103**	**(123)**	**–**	**(285)**	**–**	**909**
Net transfer to level 3	**(181)**	**–**	**629**	**–**	**(489)**	**–**	**(1 034)**
Exchange rate differences	**–**	**412**	**–**	**–**	**–**	**–**	**–**
Balance as at 31 December 2021	**2 015**	**40 698**	**2 405**	**249**	**1 493**	**–**	**4 714**

R million	Derivative financial assets	Advances	Investment securities	Investment properties	Derivative financial liabilities	Other liabilities	Deposits
Balance as at 1 July 2020	924	43 449	2 561	–	1 856	323	4 840
Gains/(losses) recognised in profit or loss	1 058	40	34	–	118	(29)	(190)
Gains/(losses) recognised in other comprehensive income	–	–	(134)	–	–	–	–
Purchases, sales, issue and settlements	(97)	(6 212)	(855)	–	(221)	(194)	(1 586)
Net transfer to level 3	–	–	211	–	–	–	–
Exchange rate differences	–	(927)	–	–	–	–	–
Balance as at 31 December 2020	1 885	36 350	1 817	–	1 753	100	3 064

R million	Derivative financial assets	Advances	Investment securities	Investment properties	Derivative financial liabilities	Other liabilities	Deposits
Balance as at 1 July 2020	924	43 449	2 561	–	1 856	323	4 840
Gains/(losses) recognised in profit or loss	816	250	87	–	319	(72)	(235)
Gains/(losses) recognised in other comprehensive income	–	–	(303)	–	–	–	–
Purchases, sales, issue and settlements	(535)	(11 274)	(487)	249	(580)	(251)	(351)
Acquisitions/disposals of subsidiaries	–	–	2	–	–	–	–
Net transfer to level 3	–	–	(139)	–	–	–	–
Exchange rate differences	–	(938)	–	–	–	–	–
Balance as at 30 June 2021	1 205	31 487	1 721	249	1 595	–	4 254

Fair value measurements continued

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

The valuation models for level 3 assets or liabilities typically rely on a number of inputs that are not readily observable, either directly or indirectly. Thus, the gains or losses presented below include changes in the fair value related to both observable and unobservable inputs.

The table below presents the total gains or losses relating to the remeasurement of assets and liabilities carried at fair value on a recurring basis, classified as level 3, that are still held at reporting date. With the exception of interest on funding instruments designated at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) debt instruments, all gains or losses are recognised in NIR.

	Six months ended 31 December 2021		Six months ended 31 December 2020		Year ended 30 June 2021	
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	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income
Assets						
Derivative financial instruments	**1 160**	**–**	1 139	–	782	–
Advances*	**1 614**	**–**	(17)	–	595	–
Investment securities	**105**	**4**	(36)	(134)	123	(300)
Investment properties	**(15)**	**–**	–	–	–	–
Total	**2 864**	**4**	1 086	(134)	1 500	(300)
Liabilities						
Derivative financial instruments	**(128)**	**–**	164	–	(288)	–
Deposits	**(591)**	**–**	(163)	–	68	–
Other liabilities	**–**	**–**	(29)	–	–	–
Total	**(719)**	**–**	(28)	–	(220)	–

* *Amount is mainly accrued interest on fair value loans and advances, and movements in interest rates that have been economically hedged. These advances are primarily classified as level 3, as credit spreads could be a significant input and are not observable for loans and advances in most of RMB's key markets. Inputs relating to interest rates and foreign currencies are regarded as observable.*

Effect of changes in significant unobservable assumptions of level 3 instruments to reasonably possible alternatives

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

IFRS 9			
Asset/liability	**Significant unobservable inputs**	**Unobservable input to which reasonably possible changes are applied**	**Reasonably 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 in relation to 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	Credit inputs, correlation and devaluation parameters	The deposits included in level 3 of the hierarchy represent 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%.

Fair value measurements continued

R million	Reasonably possible alternative fair value								
	As at 31 December 2021			As at 31 December 2020			As at 30 June 2021		
	Fair value	Using more positive assump-tions	Using more negative assump-tions	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	**2 015**	**2 063**	**1 968**	1 885	1 927	1 843	1 205	1 344	1 067
Advances	**40 698**	**40 766**	**40 588**	36 350	36 379	36 324	31 487	31 643	31 333
Investment securities	**2 405**	**2 443**	**2 271**	1 817	1 877	1 713	1 721	1 780	1 567
Investment properties	**249**	**274**	**225**	–	–	–	249	274	225
Total financial assets measured at fair value in level 3	**45 367**	**45 546**	**45 052**	40 052	40 183	39 880	34 662	35 041	34 192
Liabilities									
Derivative financial instruments	**1 493**	**1 473**	**1 516**	1 753	1 702	1 806	1 595	1 508	1 680
Deposits	**4 714**	**4 708**	**4 719**	3 064	3 061	3 067	4 254	4 226	4 282
Other liabilities	**–**	**–**	**–**	100	99	101	–	–	–
Total financial liabilities measured at fair value in level 3	**6 207**	**6 181**	**6 235**	4 917	4 862	4 974	5 849	5 734	5 962

Financial instruments not measured at fair value

The following represents the fair values of financial instruments not carried at fair value in the statement of financial position, but for which fair value is required to be disclosed. For all other financial instruments, the carrying value is equal to or is a reasonable approximation of the fair value.

	As at 31 December 2021	
R million	**Carrying value**	**Total fair value**
Assets		
Advances	**796 289**	**808 022**
Investment securities	**123 176**	**121 779**
Total assets at amortised cost	**919 465**	**929 801**
Liabilities		
Deposits	**1 139 216**	**1 141 859**
Other liabilities	**2 865**	**2 864**
Tier 2 liabilities	**21 036**	**21 365**
Total liabilities at amortised cost	**1 163 117**	**1 166 088**

	As at 31 December 2020	
R million	Carrying value	Total fair value
Assets		
Advances	765 209	773 713
Investment securities	99 845	100 949
Total assets at amortised cost	865 054	874 662
Liabilities		
Deposits	1 085 779	1 088 359
Other liabilities	2 864	2 911
Tier 2 liabilities	19 001	19 531
Total liabilities at amortised cost	1 107 644	1 110 801

	As at 30 June 2021	
R million	Carrying value	Total fair value
Assets		
Advances	765 694	779 091
Investment securities	104 129	103 726
Total assets at amortised cost	869 823	882 817
Liabilities		
Deposits	1 090 296	1 093 339
Other liabilities	2 864	2 864
Tier 2 liabilities	18 813	19 188
Total liabilities at amortised cost	1 111 973	1 115 391

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.

	As at 31 December		As at 30 June
R million	**2021**	2020	2021
Opening balance	**109**	198	198
Day 1 profits or losses not initially recognised on financial instruments recognised in the current period	**150**	116	281
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(74)**	(120)	(370)
Closing balance	**185**	194	109

Contingencies and commitments

R million	As at 31 December 2021	As at 31 December 2020	% change	As at 30 June 2021
Contingencies and commitments				
Guarantees (endorsements and performance guarantees)	**35 848**	42 045	(15)	36 335
Letters of credit	**13 975**	8 409	66	9 710
Total contingencies	**49 823**	50 454	(1)	46 045
Irrevocable commitments*	**164 093**	133 670	23	151 103
Committed capital expenditure approved by the directors**	**2 167**	2 352	(8)	2 823
Legal proceedings#,†	**187**	363	(48)	212
Other	**5**	9	(44)	7
Total contingencies and commitments	**216 275**	186 848	16	200 190

* *Irrevocable commitments have been restated, following the identification of R5 840 million that had been incorrectly omitted from the December 2020 numbers. The ECL relating to this restatement was recorded in the prior period and as such, the restatement does not require additional ECL to be raised.*

** *Committed capital approved by the directors has been restated, following the identification of R500 million that had been incorrectly included in the June 2021 numbers.*

\# *Legal proceedings were previously shown in a separate section of the note. It has been updated to include legal proceedings as part of contingencies and commitments.*

† *There are a small number of potential legal claims against the group, the outcome of which is uncertain at present. These claims are not regarded as material, either on an individual or a total basis, and arise during the normal course of business. On-balance sheet provisions are only raised for claims that are expected to materialise.*

Events after reporting date

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

Summary segment report

R million	FNB SA	FNB rest of Africa	Total FNB	WesBank	Retail and commercial	RMB	FCC (including Group Treasury and other)	FRB – normalised	Normalised adjustments	FRB – IFRS
	For the six months ended 31 December 2021									
	FNB									
Profit before tax	11 704	(145)	**11 559**	529	**12 088**	**3 432**	754	**16 274**	77	**16 351**
Total assets	432 686	186	**432 872**	116 141	**549 013**	**589 098**	326 945	**1 465 056**	–	**1 465 056**
Total liabilities*	425 812	331	**426 143**	116 738	**542 881**	**586 573**	223 999	**1 353 453**	–	**1 353 453**

* *Total liabilities are net of interdivisional balances.*

R million	FNB SA	FNB rest of Africa	Total FNB	WesBank	Retail and commercial	RMB	FCC (including Group Treasury and other)	FRB – normalised	Normalised adjustments	FRB – IFRS
	For the six months ended 31 December 2020									
	FNB									
Profit before tax	8 914	(120)	**8 794**	398	**9 192**	**2 965**	(1 261)	**10 896**	121	**11 017**
Total assets	416 208	247	**416 455**	116 331	**532 786**	**576 363**	356 922	**1 466 071**	–	**1 466 071**
Total liabilities*	412 115	367	**412 482**	117 059	**529 541**	**574 309**	252 752	**1 356 602**	–	**1 356 602**

* *Total liabilities are net of interdivisional balances.*

R million	FNB SA	FNB rest of Africa	Total FNB	WesBank	Retail and commercial	RMB	FCC (including Group Treasury and other)	FRB – normalised	Normalised adjustments	FRB – IFRS
	For the year ended 30 June 2021									
	FNB									
Profit before tax	20 404	(333)	**20 071**	555	**20 626**	**6 405**	(780)	**26 251**	361	**26 612**
Total assets	419 827	183	**420 010**	115 572	**535 582**	**536 353**	343 094	**1 415 029**	–	**1 415 029**
Total liabilities	404 436	518	**404 954**	116 142	**521 096**	**531 342**	250 212	**1 302 650**	–	**1 302 650**

* *Total liabilities are net of interdivisional balances.*

supplementary information

Company information

Directors

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

Company secretary and registered office

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

JSE debt sponsor

(in terms of JSE Debt Listings Requirements)
Rand Merchant Bank (a division of FirstRand Bank Limited)
Debt Capital Markets
1 Merchant Place, Corner Fredman Drive and Rivonia Road `
Sandton 2196
Tel: +27 11 282 8000
Fax: +27 11 282 4184

Auditors

PRICEWATERHOUSECOOPERS INC.

4 Lisbon Lane
Waterfall City
Jukskei View
Gauteng
South Africa
2090

DELOITTE & TOUCHE

5 Magwa Crescent
Waterfall City
Gauteng
South Africa
2090

Listed financial instruments of the bank

Listed debt

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

– *www.firstrand.co.za/investors/debt-investor-centre/jse-listed-instruments/*

– *www.rmb.co.za/page/krugerrand-custodial-certificate*

– *www.rmb.co.za/page/dollar-custodial-certificate*

The bank also issues debt instruments in the UK:

London Stock Exchange

European medium-term note programme

ISIN code	
Subordinated debt	**Senior unsecured**
XS1810806395	XS1954121031 (unlisted)

Credit ratings

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

Listed financial instruments of the bank continued

Capital instruments

BASEL III COMPLIANT AT1 AND TIER 2 INSTRUMENTS

	Maturity date	Call date	Currency (million)	As at 31 December		As at 30 June
				2021	2020	2021
AT1						
FRB24	Perpetual	8/11/2023	ZAR	**2 265**	2 265	2 265
FRB25	Perpetual	19/9/2024	ZAR	**3 461**	3 461	3 461
FRB28	Perpetual	2/12/2025	ZAR	**1 400**	1 400	1 400
Total AT1			ZAR	**7 126**	7 126	7 126
Tier 2						
FRB13	2/6/2026	2/6/2021	ZAR	**–**	148	–
FRB14	2/6/2026	2/6/2021	ZAR	**–**	125	–
FRB17	8/1/2027	8/1/2022	ZAR	**601**	601	601
FRB18	13/4/2026	13/4/2021	ZAR	**–**	1 500	–
FRB19	14/4/2026	14/4/2021	ZAR	**–**	500	–
FRB20	15/4/2026	15/4/2021	ZAR	**–**	645	–
FRB21	24/11/2026	24/11/2021	ZAR	**–**	1 000	1 000
FRB22	8/12/2027	8/12/2022	ZAR	**1 250**	1 250	1 250
FRB23	20/9/2027	20/9/2022	ZAR	**2 750**	2 750	2 750
FRB26	3/6/2029	3/6/2024	ZAR	**1 910**	1 910	1 910
FRB27	3/6/2031	3/6/2026	ZAR	**715**	715	715
FRB29	19/4/2031	19/4/2026	ZAR	**2 374**	–	2 374
FRB30	19/4/2031	19/4/2026	ZAR	**698**	–	698
FRB31	24/11/2031	24/11/2026	ZAR	**2 500**	–	–
Reg S	23/4/2028	23/4/2023	USD	**500**	500	500
Total Tier 2*			ZAR	**20 744**	18 483	18 427

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

Refer to the www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for additional information on the terms and conditions of the capital instruments.

Definitions

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

Abbreviations

AC and FV	Amortised cost and fair value
ALM	Asset and liability management
APE	Annual premium equivalent
AT1	Additional Tier 1
AUM	Assets under management
BoE	Bank of England
BSE	Botswana Stock Exchange
CAGR	Compound annual growth rate
CET1	Common Equity Tier 1
CIB	Corporate and investment banking
CPI	Consumer price inflation
CLR	Credit loss ratio
CoDI	Corporation for Deposit Insurance
Covid-19	Coronavirus disease
DM	Developed market
Directive 3	Covid-19 relief loans
D-SIB	Domestic systemically important bank
EAD	Exposure at default
ECL	Expected credit loss
EU	European Union
FCC	FirstRand Corporate Centre
Flac	First loss after capital
FLI	Forward-looking information
IFRS	International Financial Reporting Standards
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRI	FirstRand International Limited
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRISCOL	FirstRand Insurance Services Company
FRM	Financial resources management
FSLA	Financial Sector Laws Amendment Act 23 of 2022
FSLAB	The Financial Sector Laws Amendment Bill
FSR	FirstRand Limited
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FX	Foreign exchange
GCA	Gross carrying amount
HQLA	High-quality liquid assets
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange

LCH	London Clearing House
LCR	Liquidity coverage ratio
LGD	Loss given default
LSE	London Stock Exchange
LTI	Long-term incentive
LTV	Loan to value
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
OEM	Original equipment manufacturer
P2P	Private-to-private
P/E	Price earnings
PA	Prudential Authority
PBT	Profit before tax
ROA	Return on assets
ROE	Return on equity
RWA	Risk-weighted assets
SA	South Africa
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SME	Small- and medium-sized enterprise
SPV	Special purpose vehicles
STI	Short-term incentive
STI	FirstRand Short Term Insurance
TLAC	Total loss-absorbing capacity
TRS	Total return swap
UK	United Kingdom
VAF	Vehicle asset finance
VSI	Vertical sales index

Abbreviations of financial reporting standards

International Financial Reporting Standards

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

STUDIO⑤

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