

DEBT INVESTOR UPDATE

June 2017



FIRSTRAND BANK

Presentation team

- Melanie Kleinhans (FirstRand Investor Relations)
- Jaco van Wyk (Head: Group Finance)
- Bhulesh Singh (Group Treasury – Head: Funding and Liquidity)
- Tammy Crotty (Group Treasury – Manager: Funding and Liquidity)



OVERVIEW OF THE FIRSTRAND GROUP AND FIRSTRAND BANK (ISSUER)



FIRSTRAND BANK

Introducing the FirstRand group – financial position and track record

FINANCIAL HIGHLIGHTS for the year ended 30 June 2016	ZAR million	USD million
Total assets (normalised)	1 149 326	78 399
Normalised net asset value	99 794	6 807
Normalised earnings	22 855	1 575
Normalised ROE	24.0%	
Capital adequacy – CET1 ratio	13.9%	

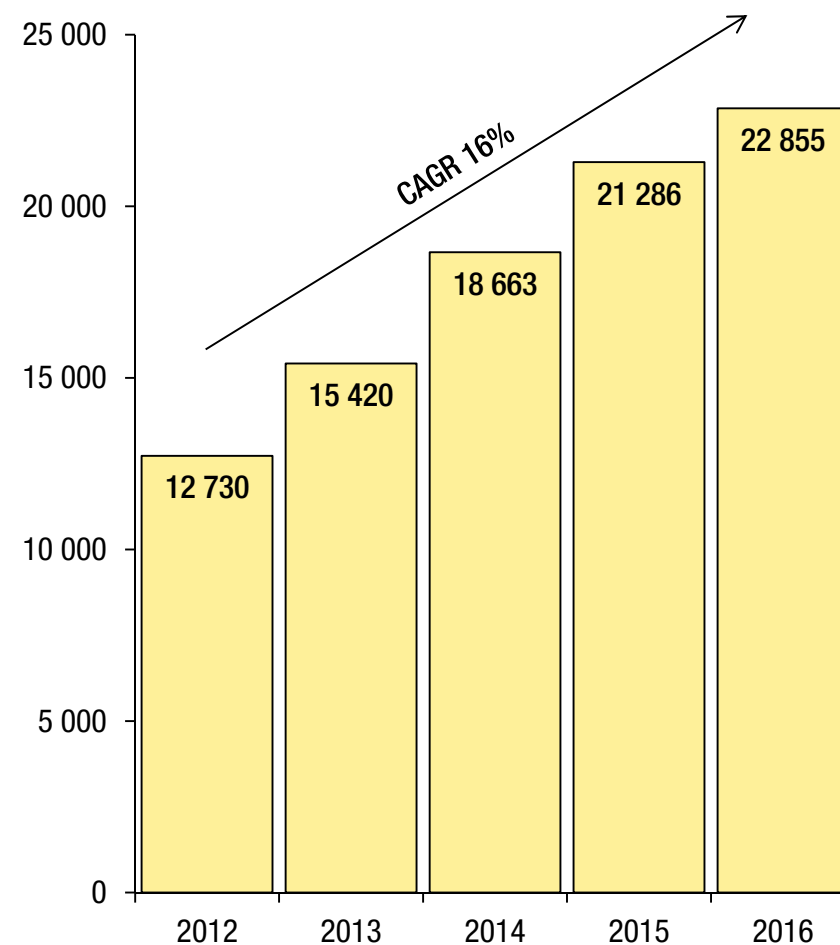
Conversion rates at 30 June 2016: Income statement: USD1 = ZAR14.51, balance sheet: USD1 = ZAR14.66.

KEY OPERATING STATISTICS for the six months ended 31 December 2016	Number
Employees	45 490
Physical representation points*	831
ATMs*	7 487

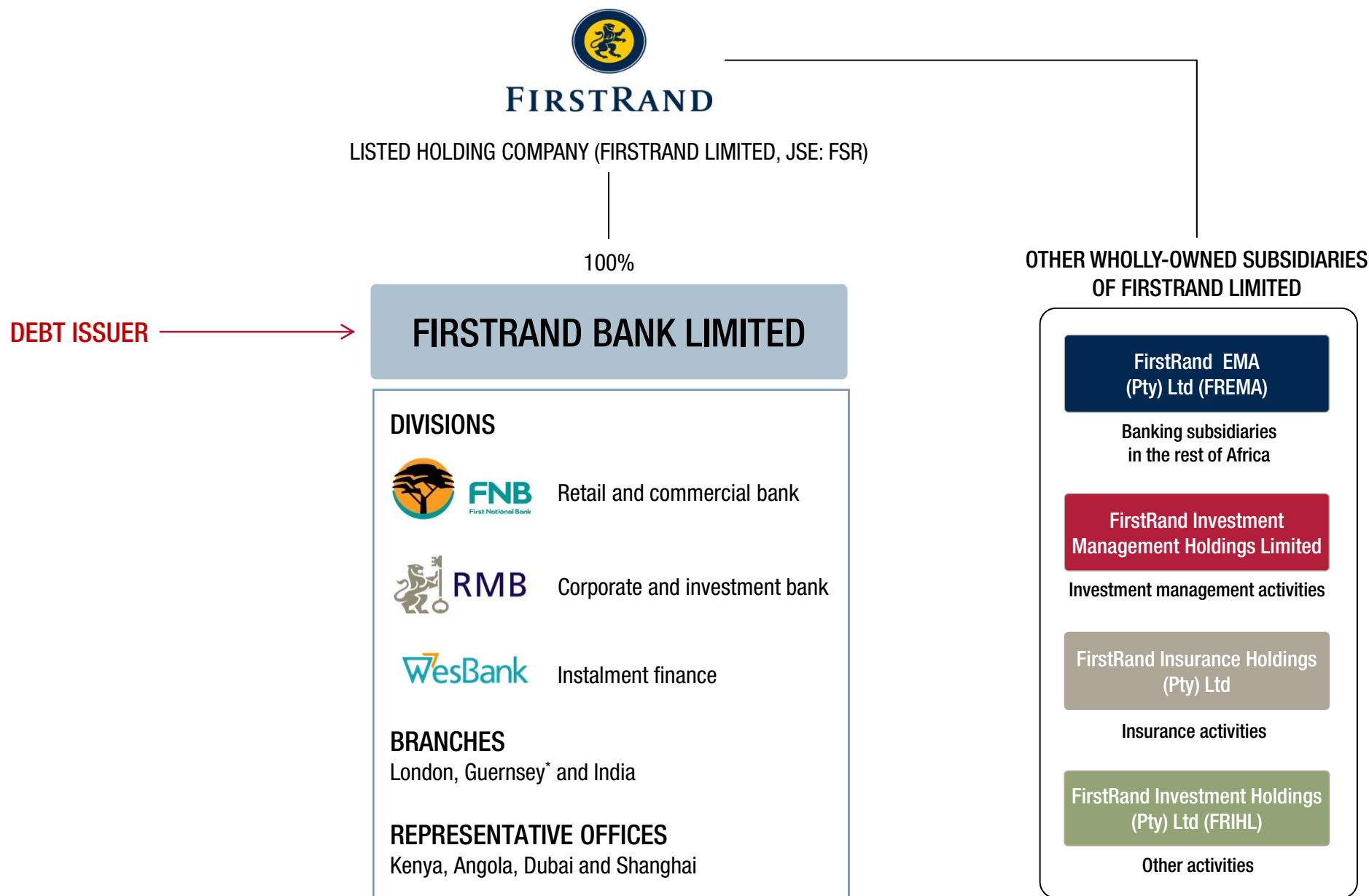
* Relates to FNB's representation points and ATMs in South Africa and rest of Africa.

NORMALISED EARNINGS – YEAR ENDED 30 JUNE

ZAR million



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

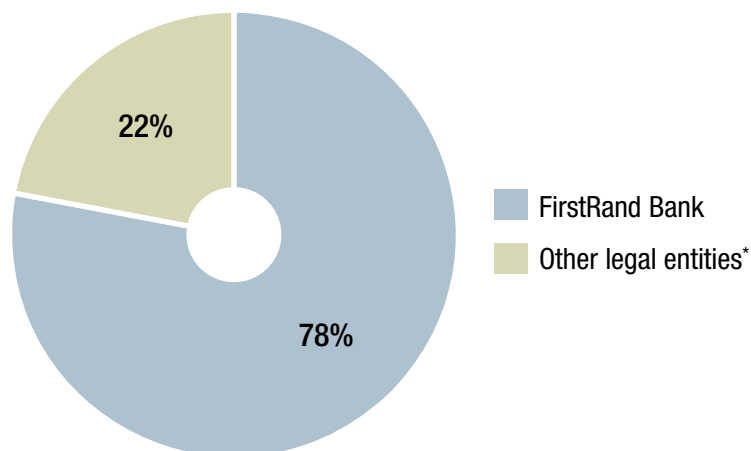


* Trading as FNB Channel Islands.

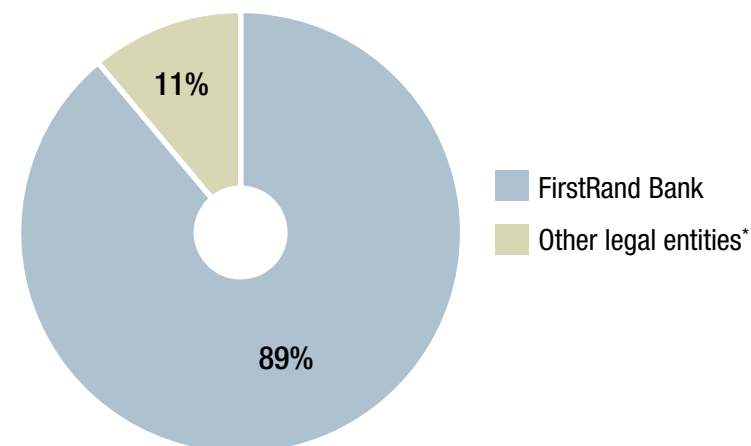


... and a significant contributor to the group's financial position

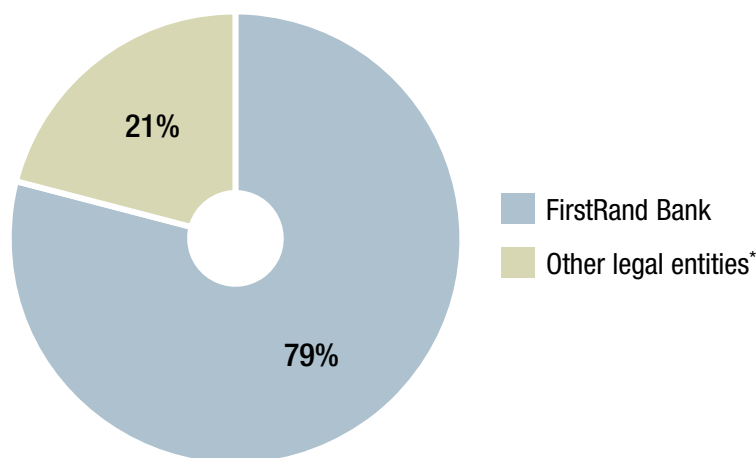
FirstRand normalised earnings



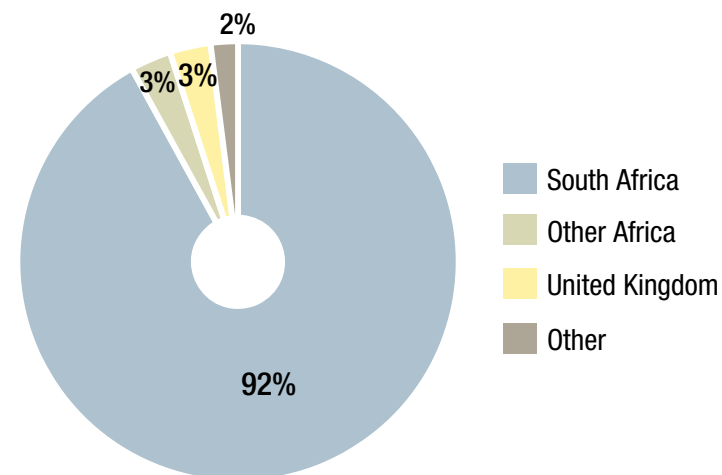
FirstRand normalised assets



FirstRand normalised net asset value



FRB geographical advances split

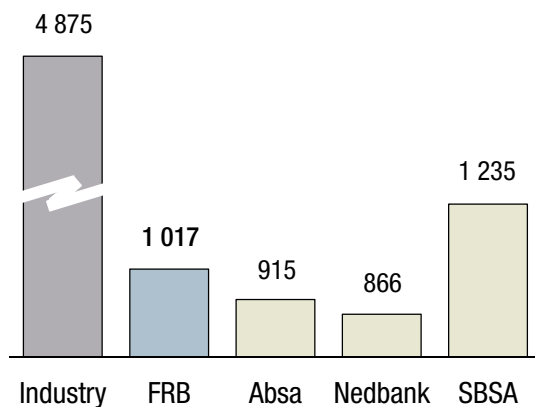


* Comprises FREMA, FRIHL, FirstRand Investment Management Holdings Ltd and FirstRand Insurance Holdings (Pty) Ltd.

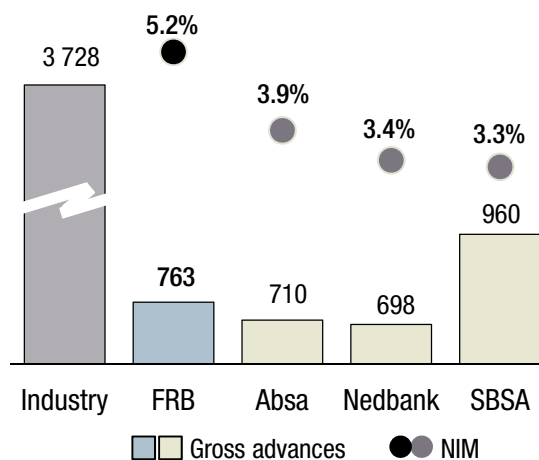


FirstRand Bank is one of South Africa's 'Big 4' banks

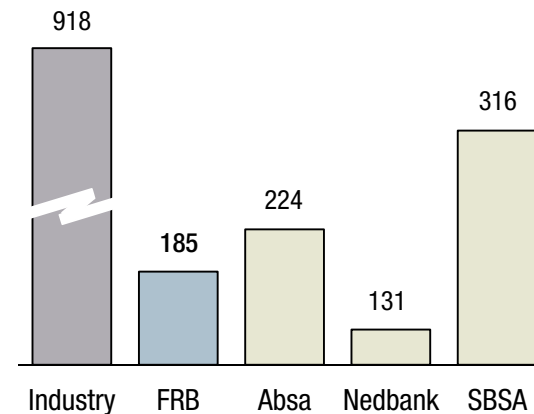
Assets (ZAR billion)



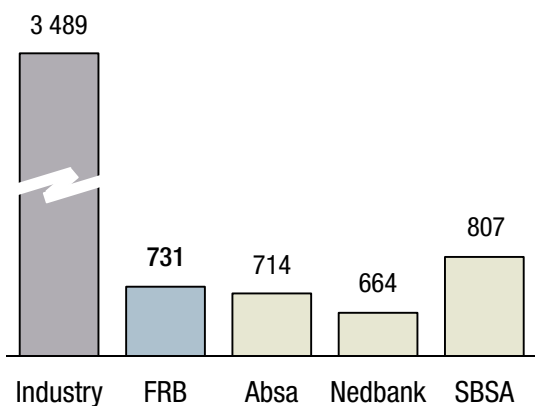
Gross advances (ZAR billion) and NIM (%)



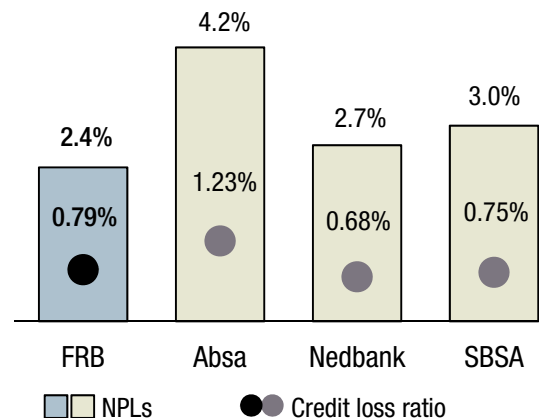
Residential mortgages (ZAR billion)



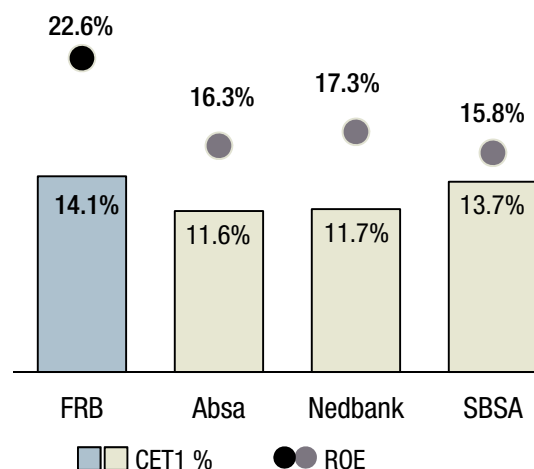
Deposits (ZAR billion)



NPL and credit loss ratios (%)



CET1 ratio and ROE (%)



Sources: SARB BA900 returns (IFRS) and company reports as at December 2016. CET1 ratios include unappropriated profits.



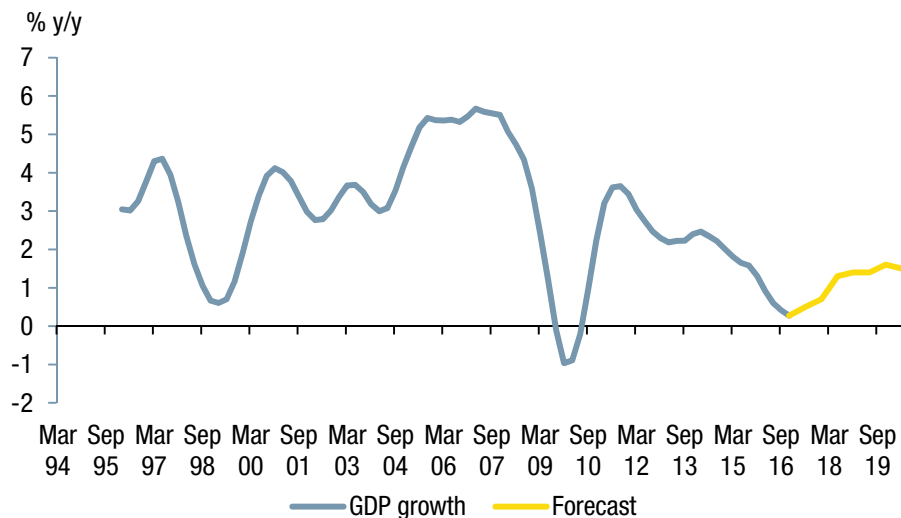
MACROECONOMIC ENVIRONMENT



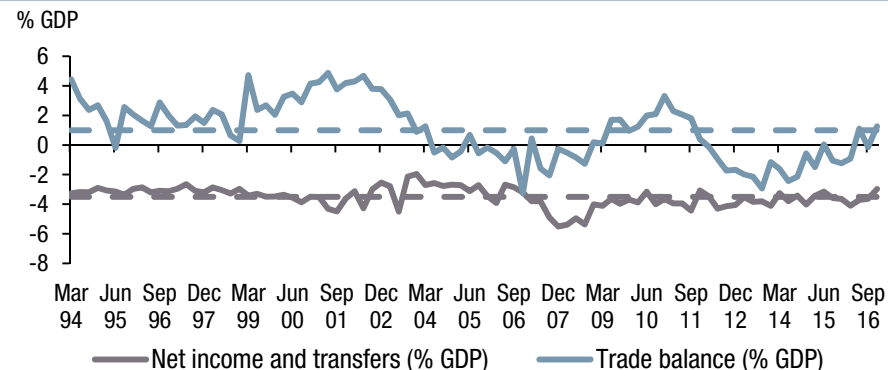
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The macroeconomic cycle has turned

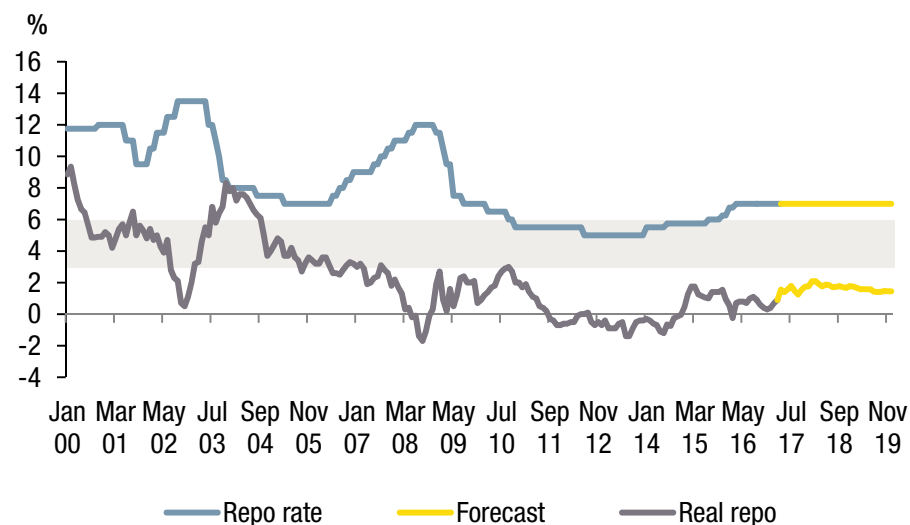
Economic growth at cyclical lows



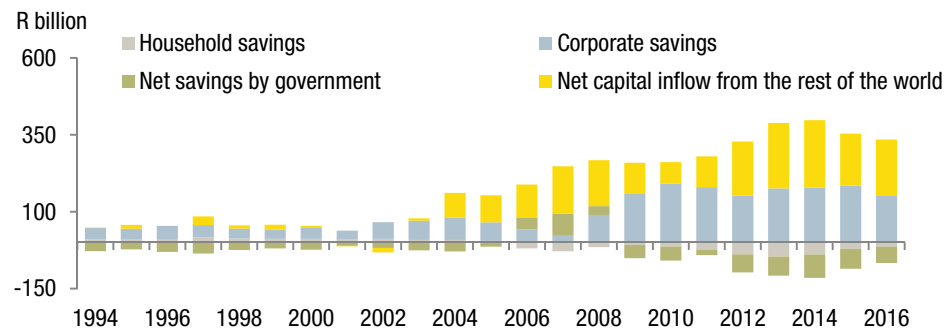
Trade balance has pushed the CA deficit



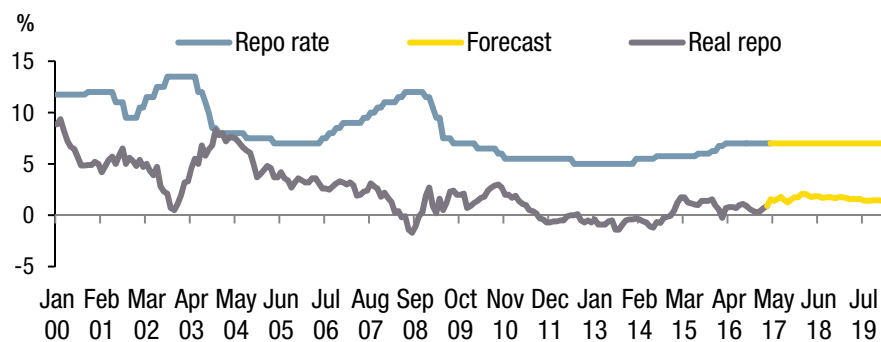
Inflation back in the target band



A lower rate of household and government dissaving



Repo rate has peaked

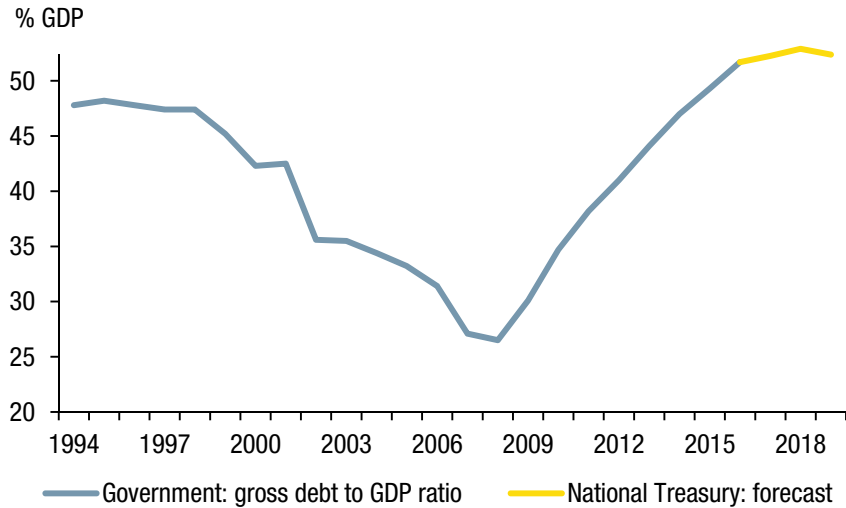


Sources: SARB, StatsSA, FirstRand.

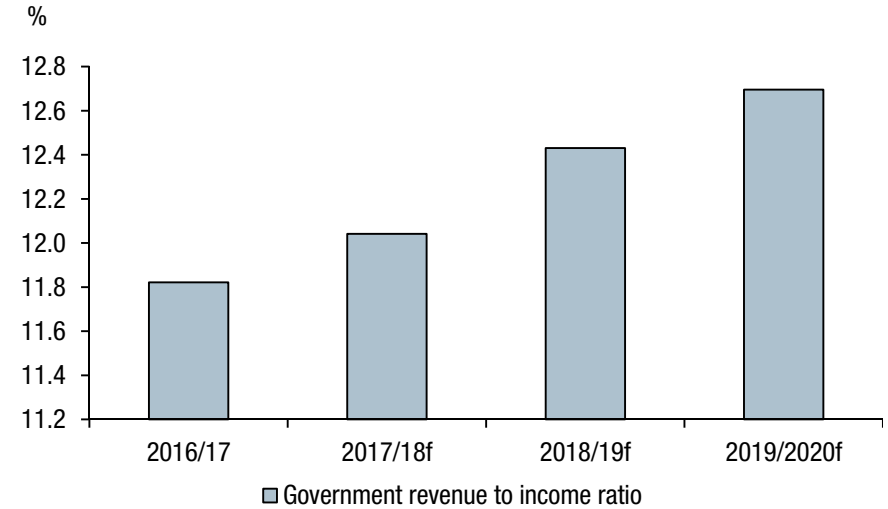


Government debt has lifted; households have deleveraged

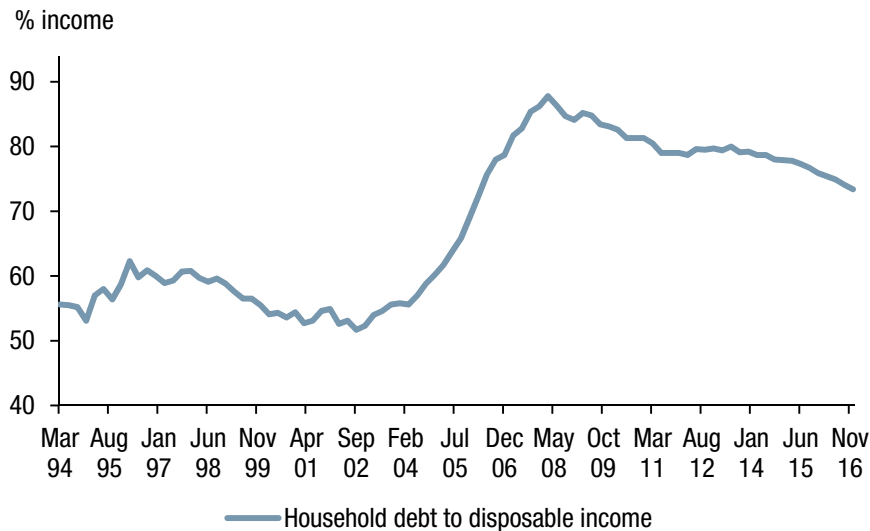
Government debt to GDP ratio



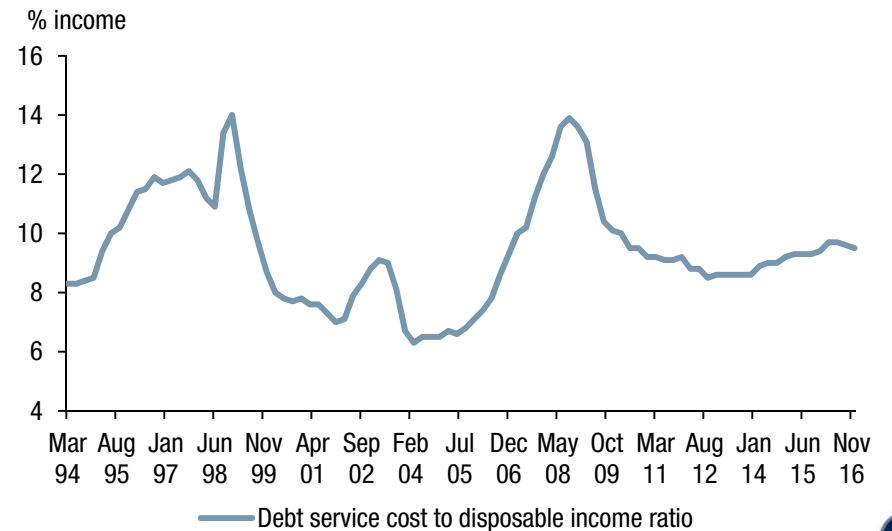
Government debt service costs



Household debt to disposable income growth



Household debt service cost to disposable income

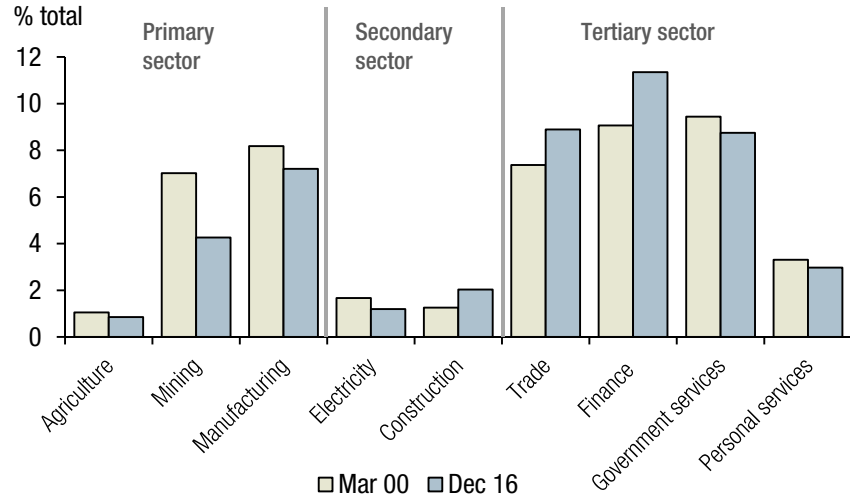


Sources: SARB, StatsSA, FirstRand.

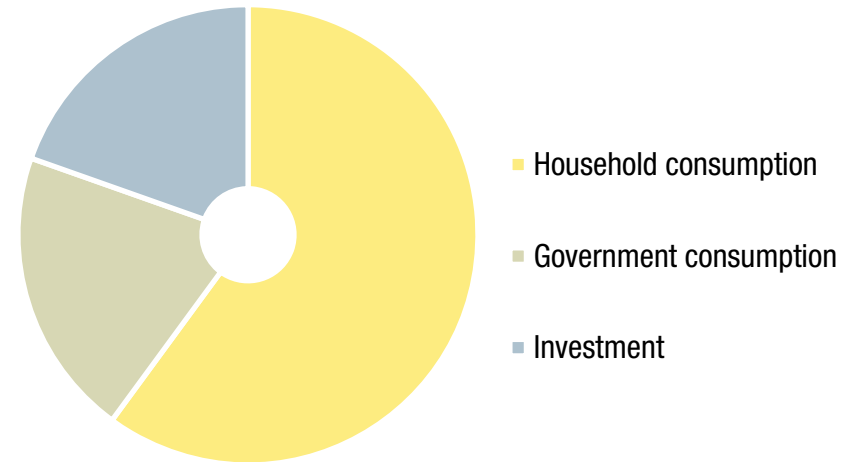


Structural composition of SA's GDP and exports reflect linkages to China and EU

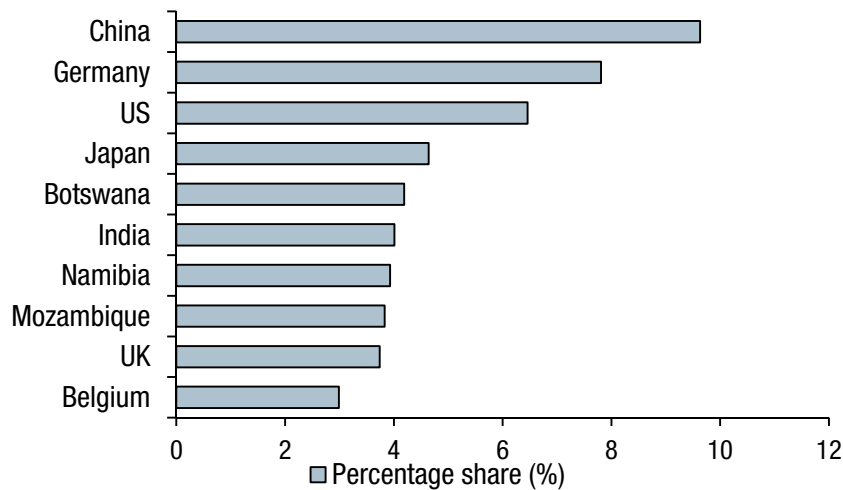
Sectoral breakdown of SA GDP



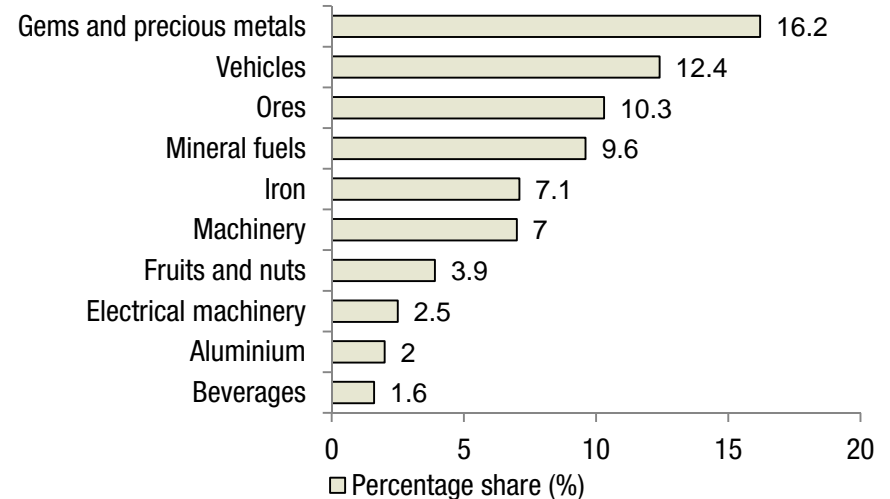
Demand-side breakdown of SA GDP



SA major export partners



SA major export products



Sources: DTI, StatsSA, FirstRand.



FINANCIAL SECTOR AND MARKET INFRASTRUCTURE



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Further strengthening the SA financial system

- SA benefits from world class market infrastructure in payments, exchanges and securities clearing
- SA benefits in financial stability from the closed rand system
- SA is adopting the Twin Peaks model of financial sector regulation
 - Prudential Authority with the SARB
 - Financial Sector Conduct Authority
- Regulation and legislative frameworks

REGULATION	LEGISLATION
<p>Prudential</p> <ul style="list-style-type: none"> • Basel III • Solvency assessment and management (Solvency II) • Financial conglomerates <p>Market conduct</p> <ul style="list-style-type: none"> • JIBAR code of conduct • Code of conduct for OTC market • Treating customers fairly 	<ul style="list-style-type: none"> • Financial Markets Bill 2012 • Financial Services General Laws Amendment Act, 2013 • Banks Act Amendment Bill (B17 2014) • Financial Markets Act • Credit Ratings Services Bill • Resolution policy framework (2015) • Deposit insurance policy framework (2017)



SA is progressing on G20 reforms and alignment



Table on implementation of reforms in priority areas by FSB jurisdictions (as of 31 August 2016)

The table provides a snapshot of the status of implementation progress by FSB jurisdiction across priority reform areas, based on information collected by FSB and standard-setting bodies' (SSBs) monitoring mechanisms. The colours and symbols in the table indicate the timeliness of implementation, while the letters indicate the extent to which implementation is consistent with the international standard (Basel III) or its effectiveness is hampered by identified obstacles (trade reporting).

Reform Area	Basel III ^A						Compen- sation	Over-the-counter (OTC) derivatives				Resolution			Shadow banking+	
	Risk-based capital	Liquidity coverage ratio (LCR)	Higher loss absorbency for G-SIBs (home jurisdictions)	Requirements for D-SIBs	Leverage ratio	Net Stable Funding Ratio (NSFR)		Trade reporting	Central clearing	Platform trading	Margin (as of 1 Sep 2016)	Transfer / bail-in / temporary stay powers for banks	Recovery and resolution planning for systemic banks	Transfer / bridge / run-off powers for insurers	Money market funds (MMFs)	Securitisation
	2013 (2019)	2015 (2019)	2016 (2019)	2016	2018	2018		end-2012	end-2012	end-2012	Sep 2016 (2019)					
Agreed phase-in (completed) date																
Argentina							△							na	**	**
Australia	C														*	**
Brazil	C						△									**
Canada	C, △							D, F							**	**
China	C, △		C				△	R, D, F								
France	MNC	△	C												**	*
Germany	MNC	△	C												**	
Hong Kong	C	C													**	
India	C	LC					△	D, F								
Indonesia							△	R							**	
Italy	MNC	△	C													*
Japan	C		C					D								
Mexico	C	C		&				D							**	*
Netherlands	MNC	△	C												**	*
Rep. of Korea								D							**	**
Russia	C	C					△								**	
Saudi Arabia	C	LC						R, D							**	**
Singapore	C														**	**
South Africa	C	C					△	D, F							**	**
Spain	MNC	△	C													*
Switzerland	C		C				△								**	**
Turkey	C	C						D, F							**	**
United Kingdom	MNC	△	C												**	*
United States	LC	△	C			&	△									

Source: FSB.



IMF Review: South Africa's financial stability assessment

- Financial sector operates in challenging economic environment
- Relatively high capital buffers as well as sound regulation and supervision have helped mitigate risks
- Stress tests confirm the capital adequacy resilience of banks and insurance companies to severe shocks but illustrate a vulnerability to liquidity shortfalls
- Given significant downside risks to the economy, strong regulation and supervision are essential to ensure financial sector resilience
- Crisis management and resolution framework – work in progress
- Twin Peaks reform to the regulatory architecture provides an opportunity to strengthen areas needing improvement
- Authorities should promote a more competitive financial system to make it more efficient



FirstRand Bank's credit ratings

	SOUTH AFRICA SOVEREIGN RATINGS	FIRSTRAND BANK LIMITED CREDIT RATINGS		
	FOREIGN CURRENCY	LOCAL AND FOREIGN CURRENCY		
	Long term/ outlook	Long term/ outlook	National scale	Standalone credit rating
S&P Global	BB+/Negative	BB+/Negative	zaA	bbb
Moody's	Baa2/Rating under review	Baa2/Rating under review	Aaa.za*	baa2

* Highest rated in South Africa.

Credit ratings as at 2 June 2017.

Sources: S&P Global Ratings and Moody's Investors Service.

Sovereign rating is a ceiling to standalone
credit rating and credit profile



Protect and enhance market access

- Protect the balance sheet
 - Within our external balance sheet consider both liquidity risk and business risks
 - Rating downgrade risk had been reflected in stress testing, credit origination and balance sheet strength
- Protect the counterparty status
 - FRB is an operating CLS member, FRB is a Euroclear and Clearstream member
 - FRB is an LCH member via FirstRand Securities Limited (UK entity)
- Foreign currency funding
 - Create flexibility, enhance availability, efficiency and more diversified foreign currency funding
 - Considering structured and secured funding solutions
- Developed markets
 - To provide sustainable funding access for MotoNovo alternative funding strategies are being explored



FIRSTRAND BANK FINANCIAL PERFORMANCE



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FRB normalised performance highlights

	Dec 2016	Dec 2015	% change
Profit before tax (ZAR million)	12 269	10 661	15% ▲
Earnings (ZAR million)	9 081	7 712	18% ▲
Return on equity (%)	22.6	21.1	▲
Return on assets (%)	1.75	1.57	▲
Credit loss ratio (%) *	0.79	0.79	-
Cost-to-income ratio (%)	53.8	55.4	▼
Tier 1 ratio (%) **	14.5	14.0	▲
Common Equity Tier 1 ratio (%) **	14.1	13.6	▲
Net interest margin (%)	5.22	4.95	▲
Average gross loan-to-deposit ratio (%)	93.2	93.3	▼
Gross advances (ZAR billion)	782	760	3% ▲

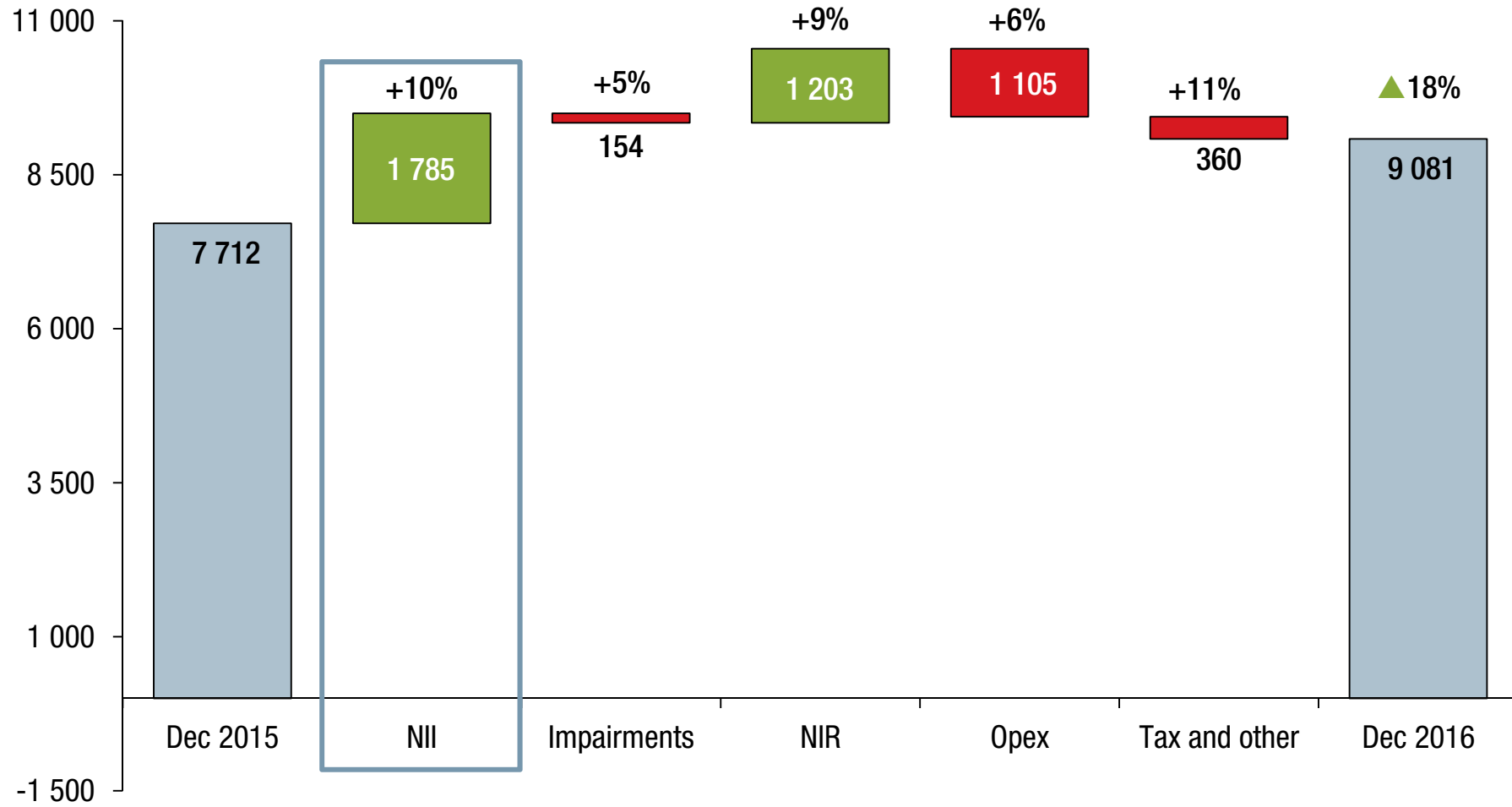
* Credit loss ratio = impairments/average gross advances.

** Reflects FRB including foreign branches. Ratios include unappropriated profits.



Topline growth resilient

NORMALISED EARNINGS (R million)



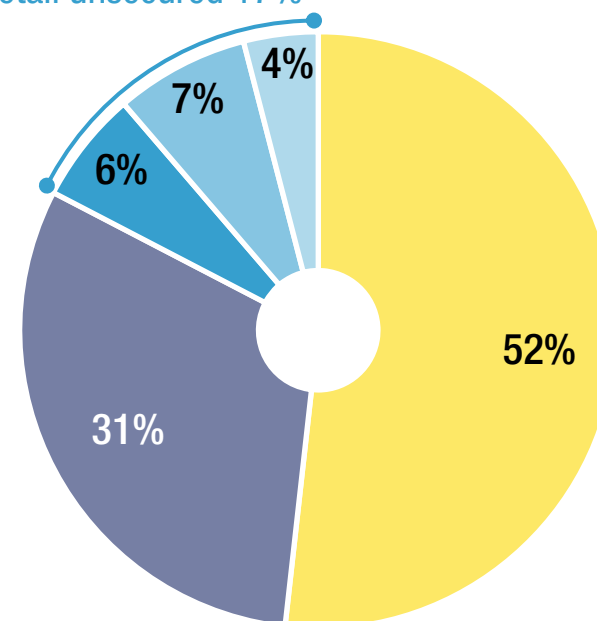
Retail advances reflect specific origination strategies

<i>R million</i>	Dec 2016	Dec 2015	% change
Residential mortgages	191 693	186 217	3
VAF	114 252	125 198	(9)
- SA	92 016	96 748	(5)
- MotoNovo (UK)*	22 236	28 450	(22)
Card	22 495	20 855	8
Personal loans	26 899	24 895	8
- FNB	14 431	13 630	6
- WesBank	12 468	11 265	11
Transactional account-linked overdrafts and revolving term loans	14 911	13 689	9
Retail advances	370 250	370 854	-

* GBP 1.32 billion (-7%).

RETAIL ADVANCES BREAKDOWN

Retail unsecured 17%



- Residential mortgages
- VAF
- Card
- Personal loans
- Overdrafts and revolving loans

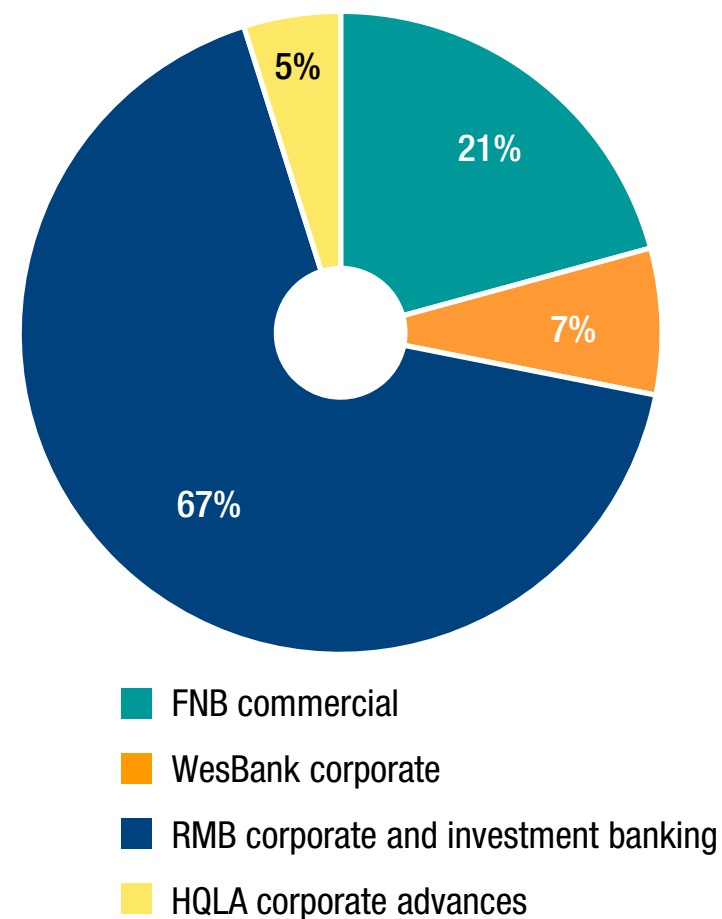


Corporate and commercial advances growth remained resilient

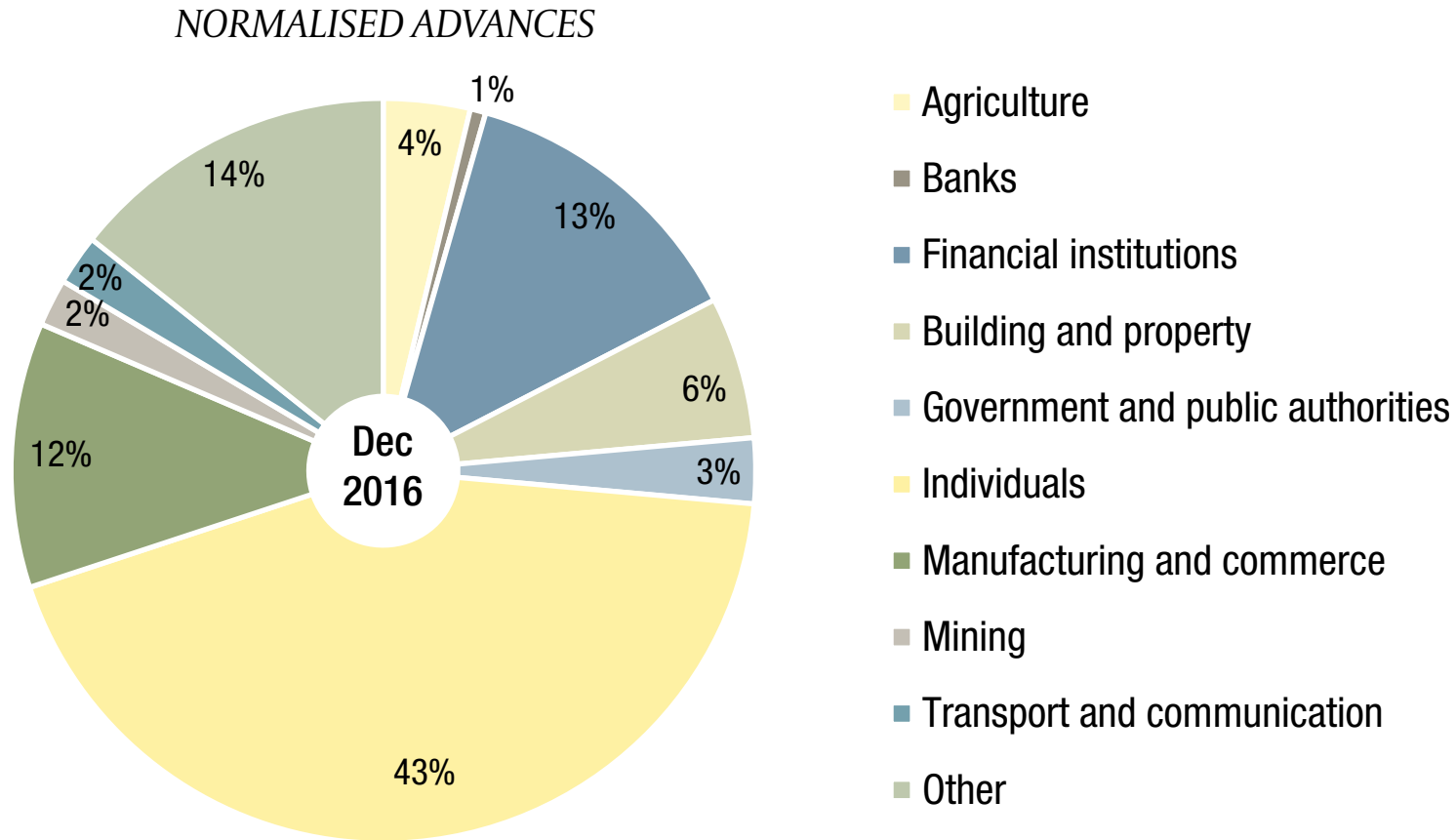
<i>R million</i>	Dec 2016	Dec 2015	% change
RMB IB core South Africa	169 780	149 748	13
HQLA corporate advances	18 862	15 280	23
Investment banking-related corporate advances	188 642	165 028	14
RMB cross-border	30 324	29 670	2
RMB CB core South Africa	29 150	35 669	(18)
WesBank corporate	28 485	31 253	(9)
FNB commercial	80 349	72 262	11
RMB repurchase agreements	30 246	39 439	(23)
Total corporate and commercial advances	387 196	373 321	4

* Cross-border advances increased 17% in USD terms.

CORPORATE ADVANCES BREAKDOWN

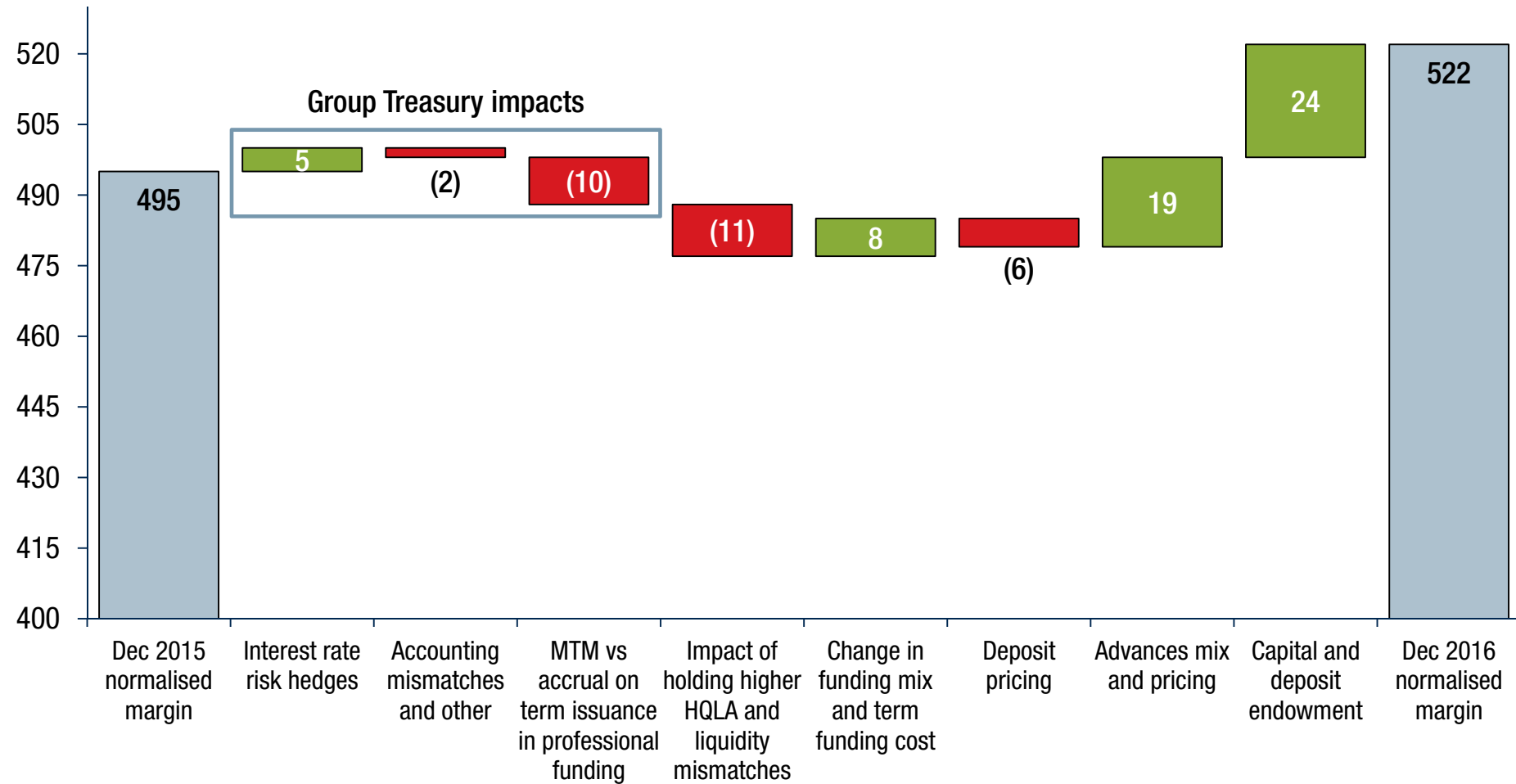


Diversified portfolio of advances



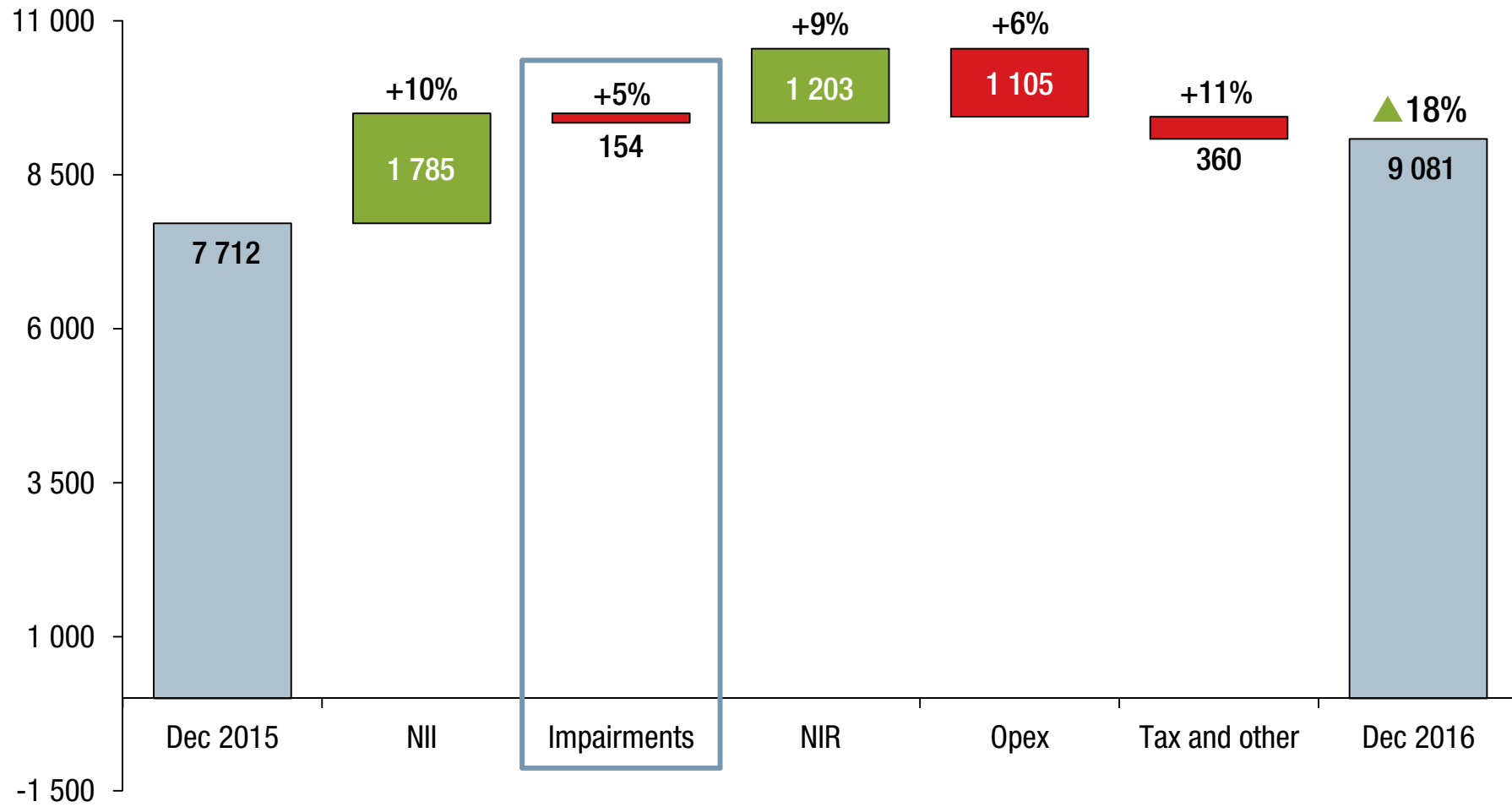
Margin benefited from positive endowment

MARGIN (bps)



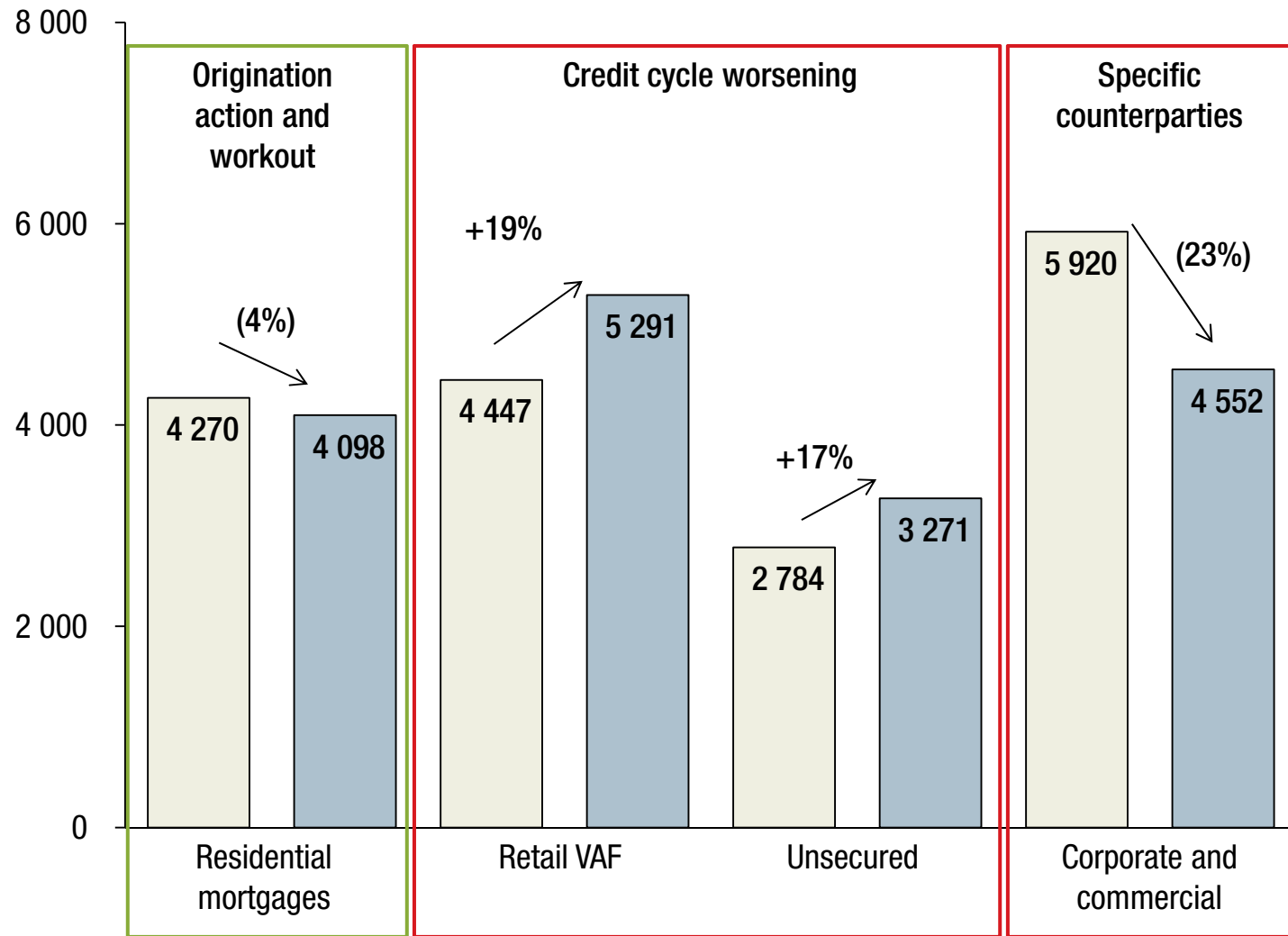
Topline growth resilient

NORMALISED EARNINGS (R million)

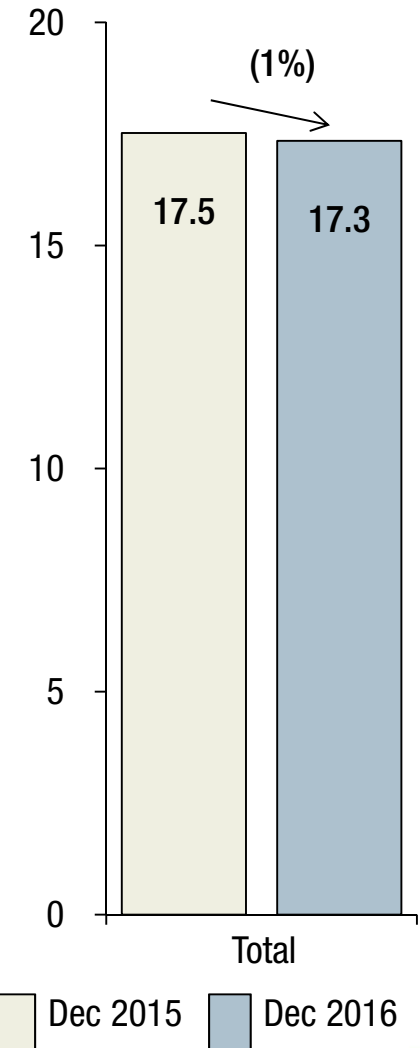


Operational NPL trend reflects macros and cycle

NPLs* (R million)



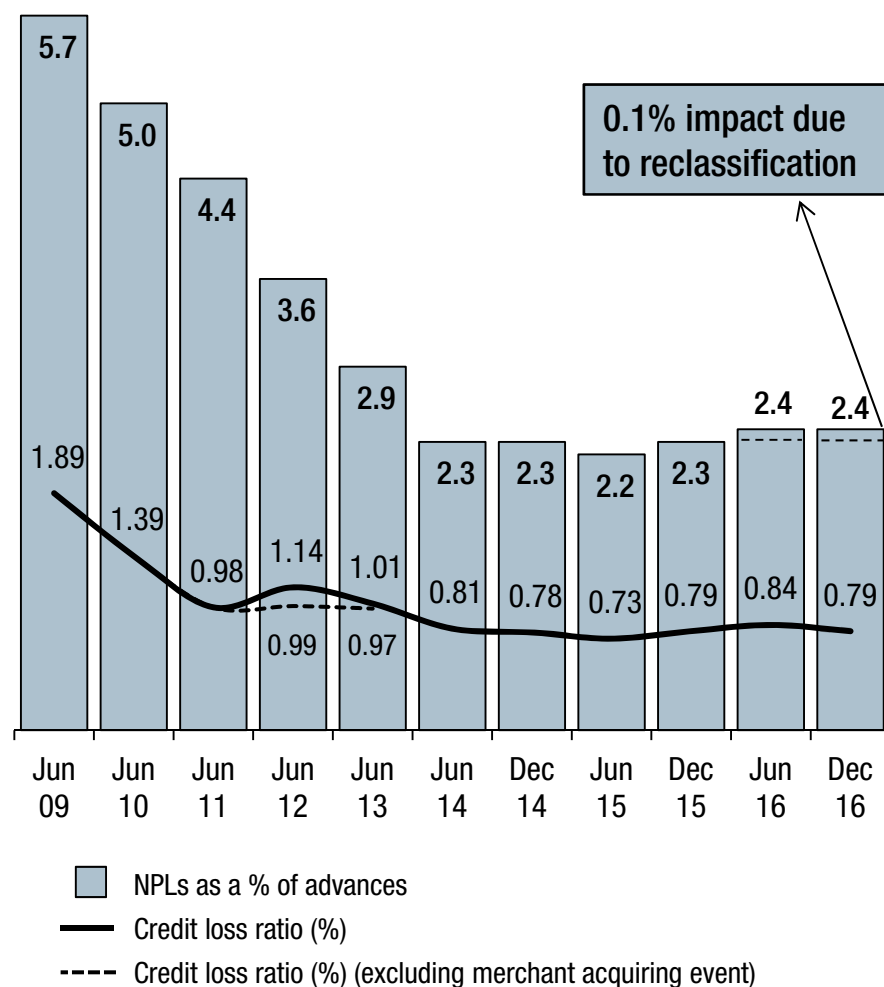
NPLs* (R billion)



* Operational NPLs – excludes the impact of the distressed debt reclassification in FNB (R1 090 million – this increased NPLs by 6%).



Cycle emergence now reflecting in credit performance

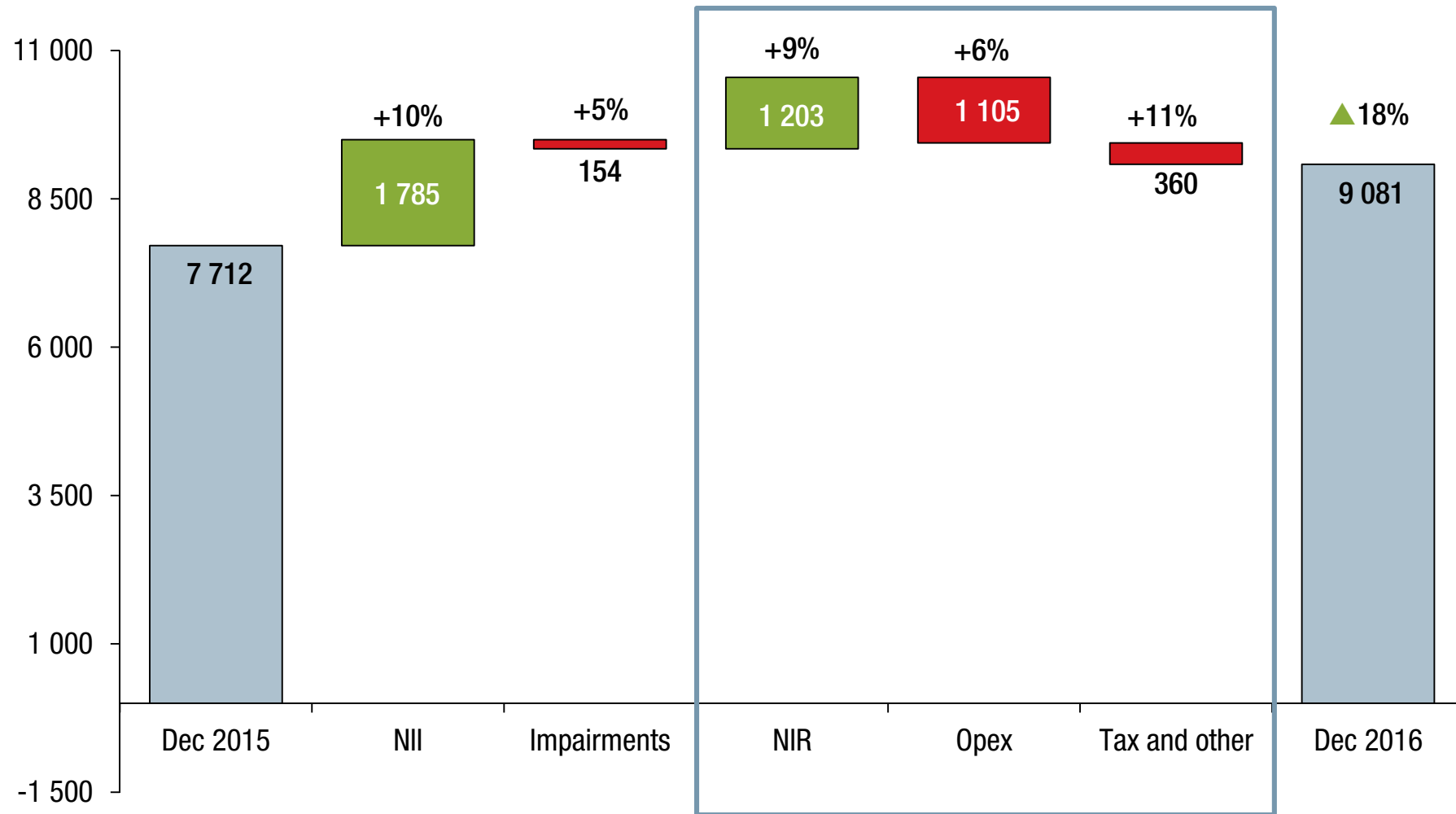


<i>CREDIT LOSS RATIO (%)</i>	Dec 2016	Dec 2015
Retail – secured	0.67	0.61
Residential mortgages	0.14	0.17
VAF	1.50	1.27
- SA	1.44	1.30
- MotoNovo (UK)	1.74	1.11
Retail – unsecured	5.89	5.12
Card	2.60	2.18
Personal loans	8.04	7.48
- FNB	7.83	6.77
- WesBank	8.30	8.34
Retail – other	6.97	5.32
Total retail	1.55	1.32
Corporate and commercial	0.22	0.40
FNB Africa	1.82	0.37
FCC (including Group Treasury)	(0.06)	(0.04)
Total credit loss ratio	0.79	0.79



NIR driven by strong client franchise; costs up on the back of investment strategy

NORMALISED EARNINGS (R million)



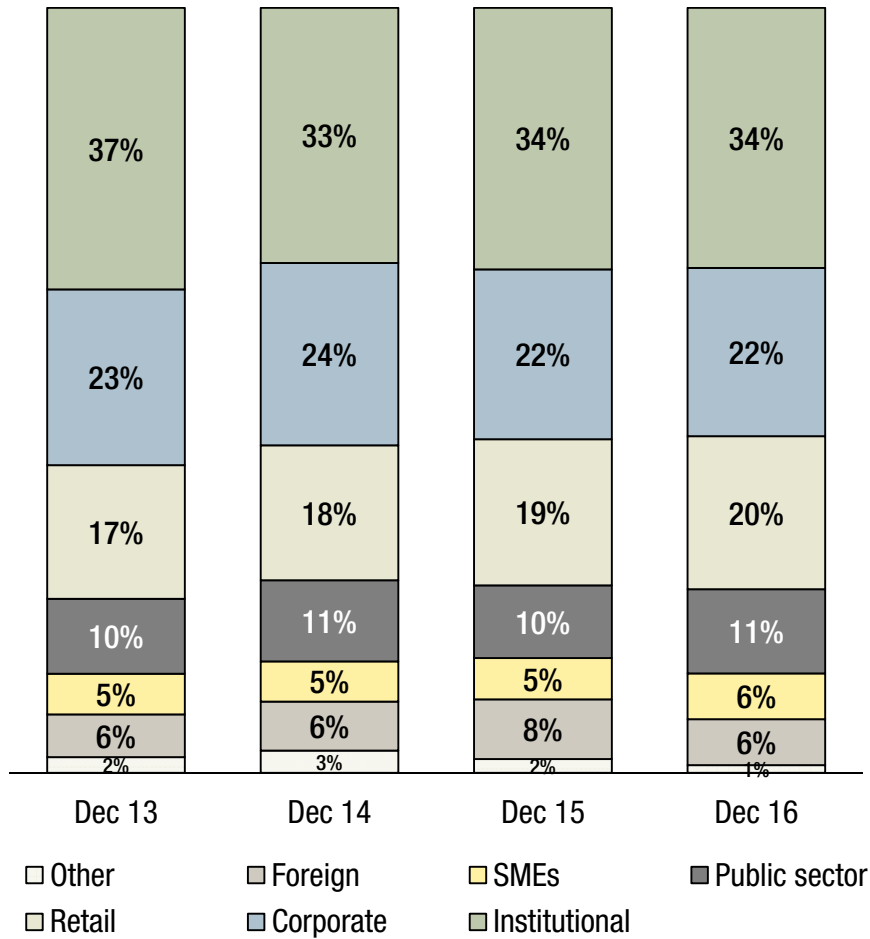
FUNDING AND LIQUIDITY



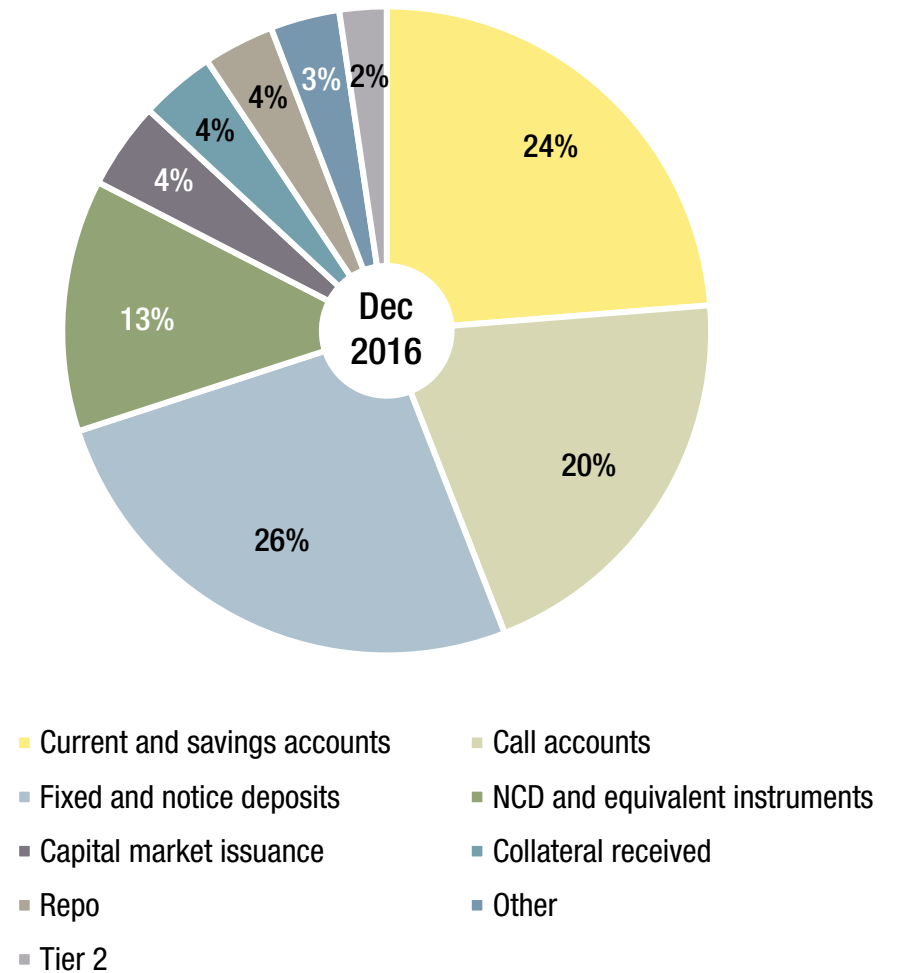
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Strong focus on building a diversified funding base

SOURCES OF FUNDING



FUNDING INSTRUMENTS

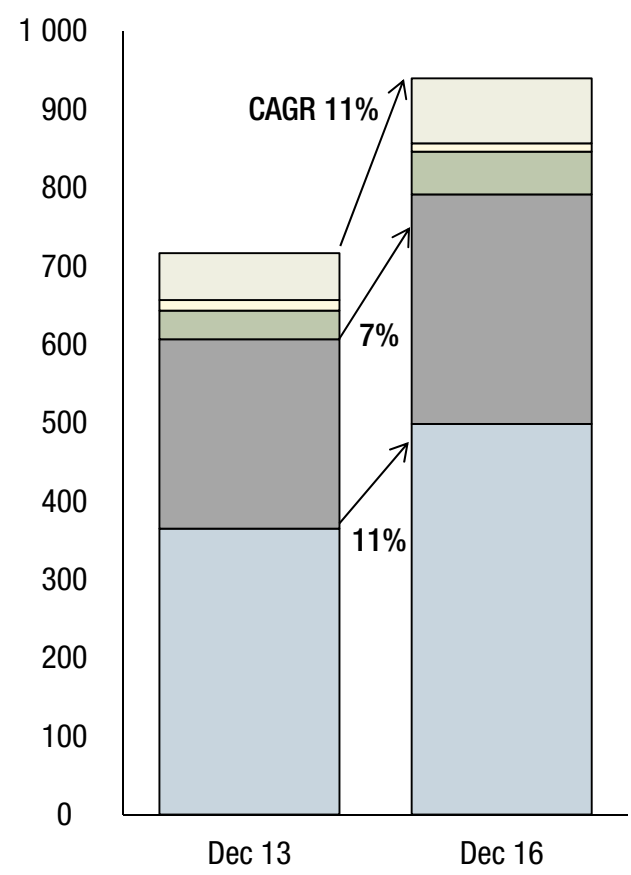


Source: FRB SARB BA900, BA100, Dec 2016.



FRB's funding and liquidity strategy is anchored to growing the deposit franchise and improving balance sheet liquidity

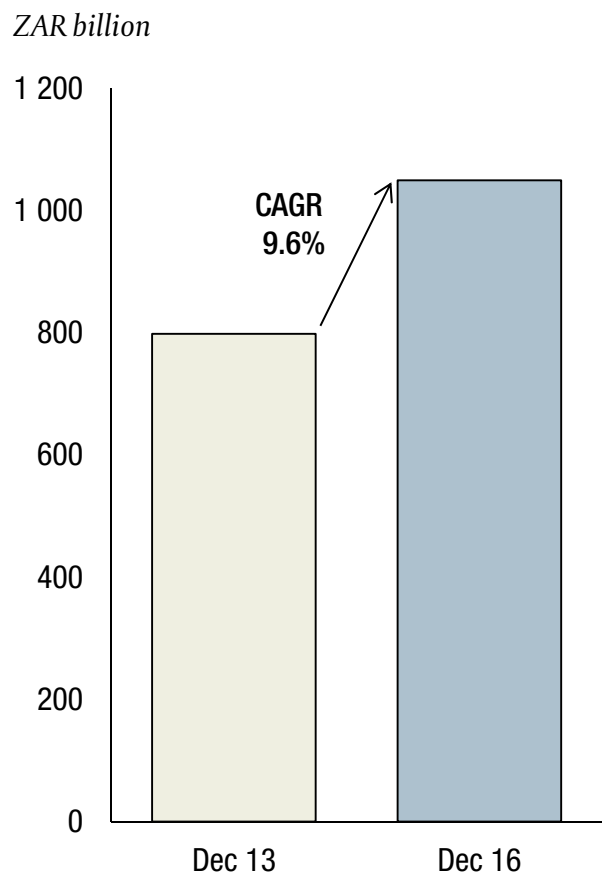
Funding composition (ZAR billion)



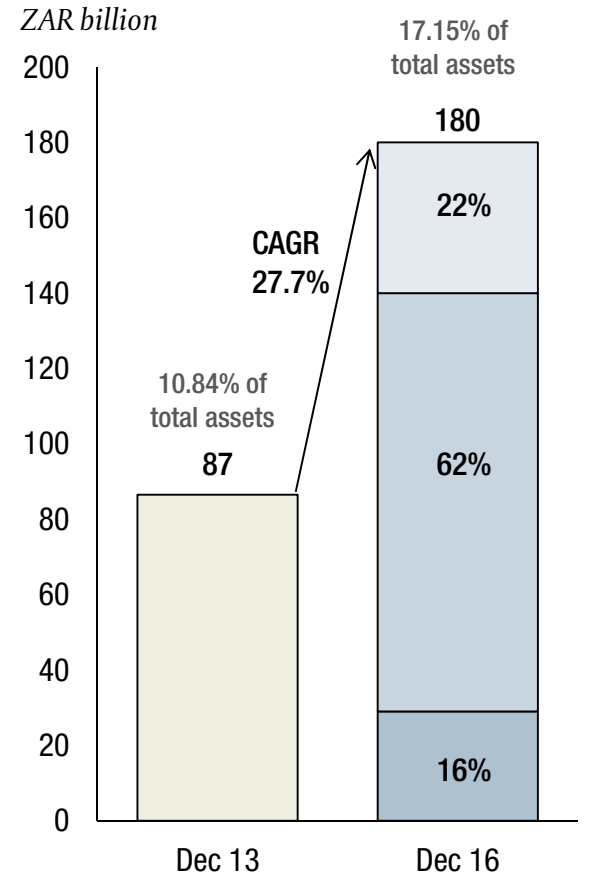
- Capital and retained earnings
- Foreign funding
- Customer deposits
- Other
- Institutional funding

Source: SARB BA900.

Balance sheet growth



Liquid asset* growth and mix



- HQLA
- Other liquid assets
- Government bonds and bills

* Includes cash, HQLA and central bank eligible collateral.



Update on liquidity ratios

LCR – 104% (Dec 2016)

- LCR phase-in requirements continue with minimum requirement
 - 2017: 80% and 2018: 90%
- Exceed minimum requirements incorporating a management range for seasonal volatility
- Industry work groups to improve reporting consistency to enable a fair and efficient market

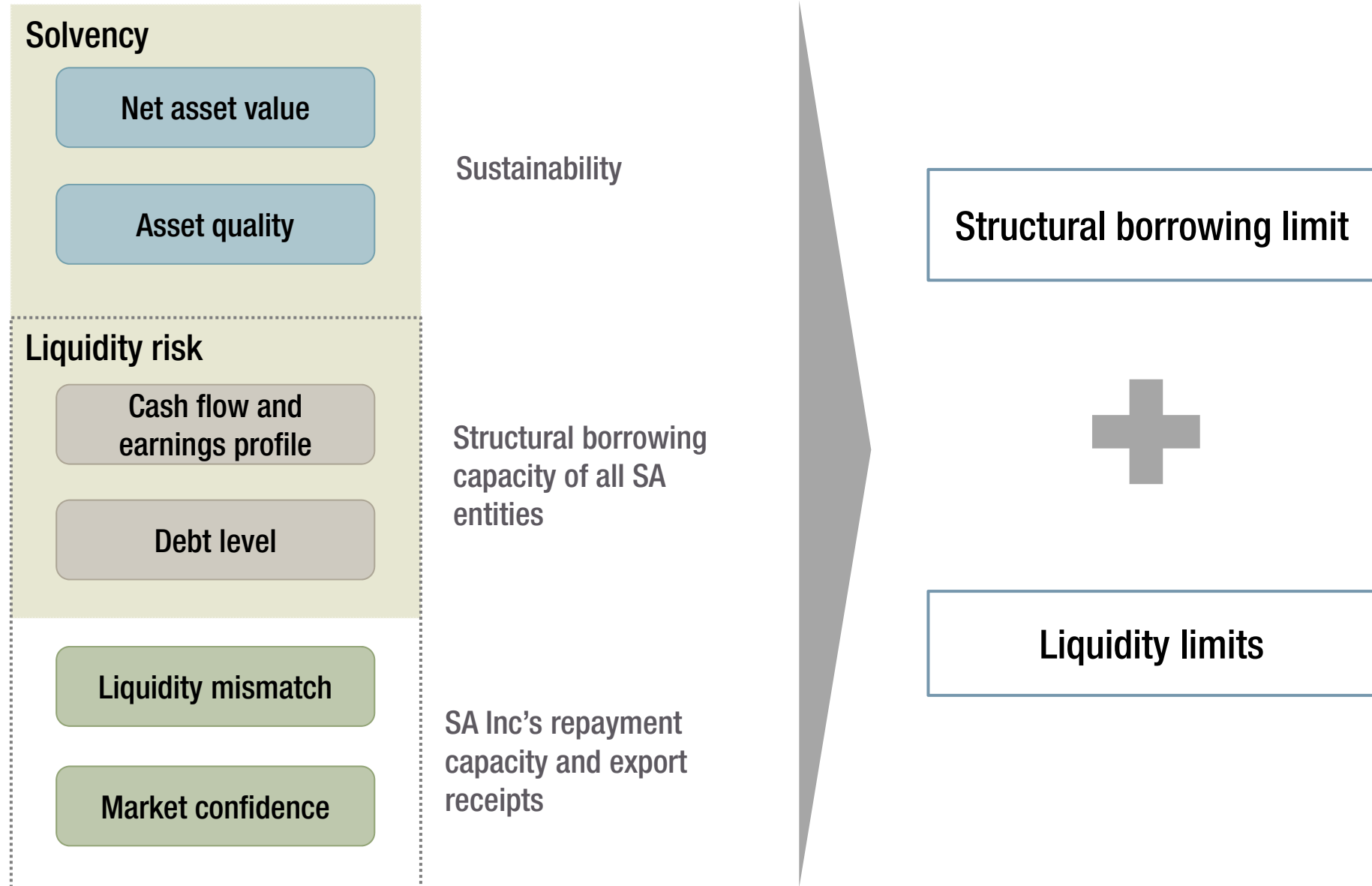
NSFR – effective Dec 2018

- SARB adopted an ASF for FI deposits <6m of 35%, considering regulatory and economic barriers that prevent liquidity from flowing out of the domestic economy
- In addressing the LCR, the bank adopted strategies that improve structural liquidity risk thereby also assisting with NSFR compliance
- The bank estimates that it exceeds minimum requirements on a *pro forma* basis
- SARB has excluded the CLF from NSFR

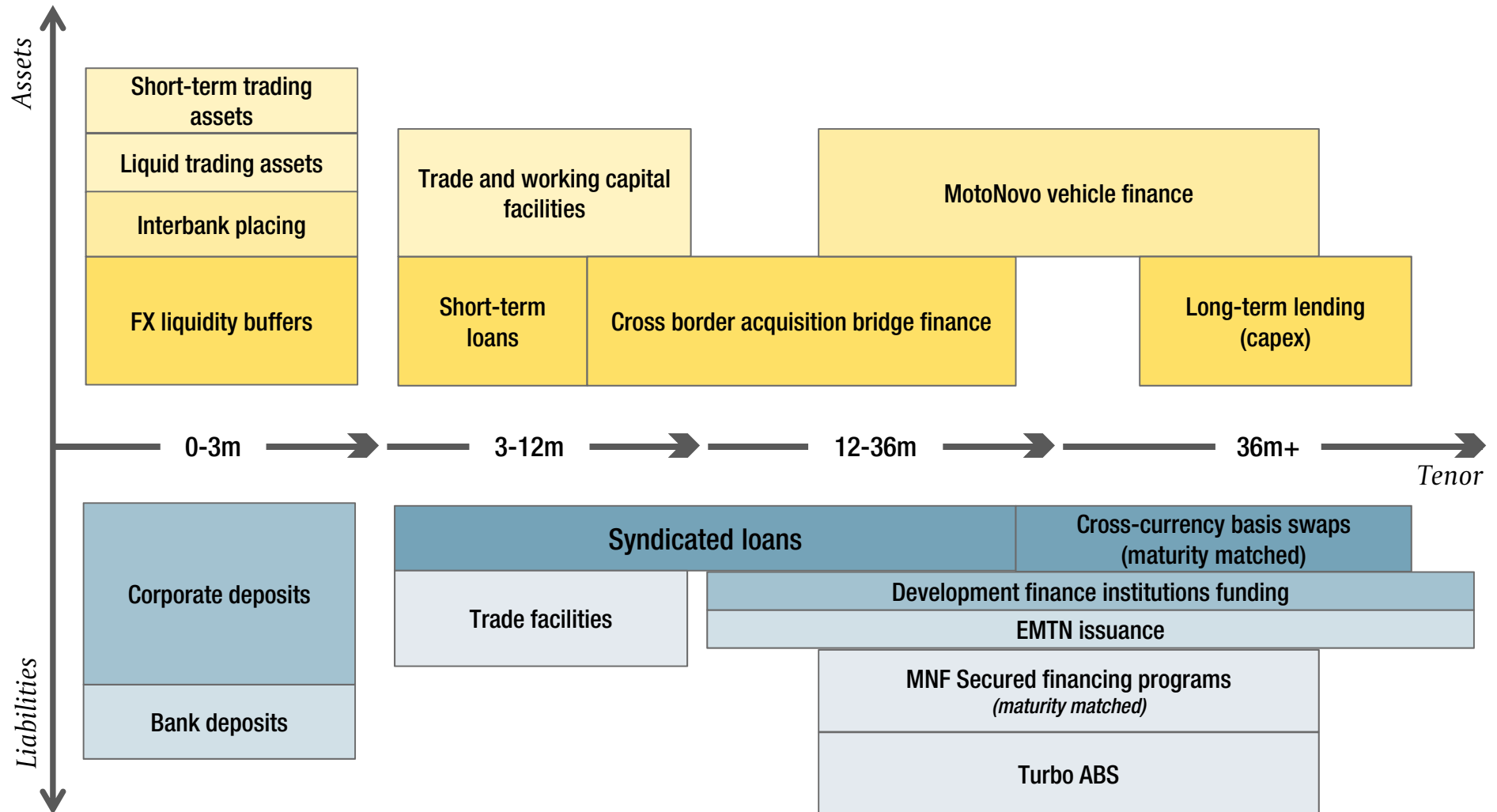
FRB on track to comply with end-state requirements



Stylised view of FirstRand's external debt philosophy ...



FirstRand's philosophy results in a sustainable FX balance sheet structure



Cross-border investment banking a key growth strategy for RMB



USD150 million
Murabaha Sukuk

Joint lead managers
and bookrunner
2017
PAN Africa



USD300 million
syndicated loan facility

Mandated lead arranger
2017
PAN Africa



USD1 billion syndicated loan
facility

Mandated lead arranger
2017
Kenya



USD500 million bridge
to bond

Joint lead manager
2016
PAN Africa



NEW LOOK

Acquisition of 90% of New Look
by Brait for GBP780 million

2015
General Resources



Acquisition of 29.9% of UK
leading private healthcare
group, Spire Healthcare, and
R10 billion rights offer

2015



Corporate facility for First
Quantum Minerals Ltd
USD3 billion

2014
Co-funder



USD800 million Capex Facility
for shared tower
infrastructure

Mandated lead arranger
2015
Nigeria



Kenya Pipeline Company
Syndicated Loan Facility
USD350 million

Mandated lead arranger
2015



USD350 million syndicated
loan facility

Mandated lead arranger
2016
Kenya



Acquisition of
Virgin Active
by Brait

2015



GBP1.3 billion reverse
take-over of Al Noor Hospitals
Group by Mediclinic and primary
listing on the LSE/secondary
listing on the JSE

2015

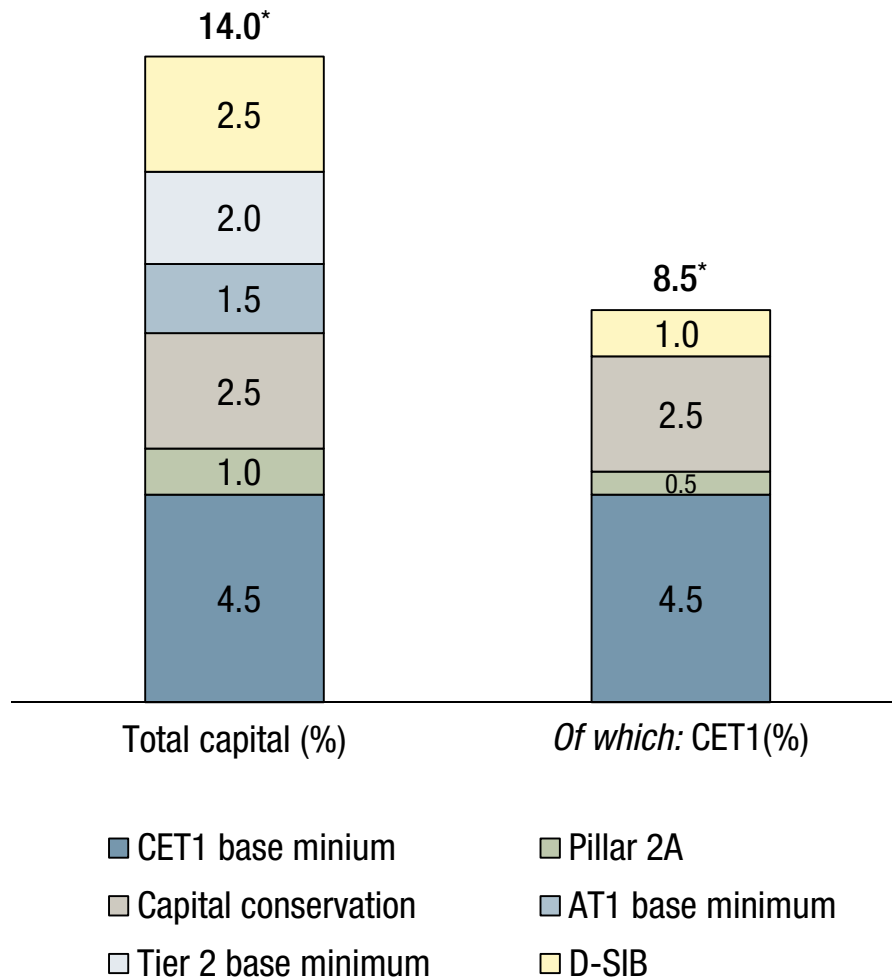


CAPITAL



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Final capital framework for South Africa fully aligned to Basel III



Individual capital requirement or Pillar 2B

- Bank-specific individual capital requirement
- Not disclosed externally
- Met with all components of capital

D-SIB

- Systemic importance of banks
- Reflects higher loss absorbency requirements
- Met with all components of capital

Capital conservation

- Restrictions on dividends and other discretionary payments
- Met solely with CET1 capital

Pillar 2A

- Systemic risk capital requirement
- Met with all components of capital

* Excludes bank-specific individual capital requirement or Pillar 2B. Assumes a maximum D-SIB requirement.



Comfortably exceed internal target and regulatory minimums

%	December 2016	Targets	Regulatory minimum*
CAPITAL			
CET1	14.1	10.0 – 11.0	8.50
Tier 1	14.5	>12.0	10.75
Total	17.7	>14.0	14.0
LEVERAGE	7.4	>5.0	4.0

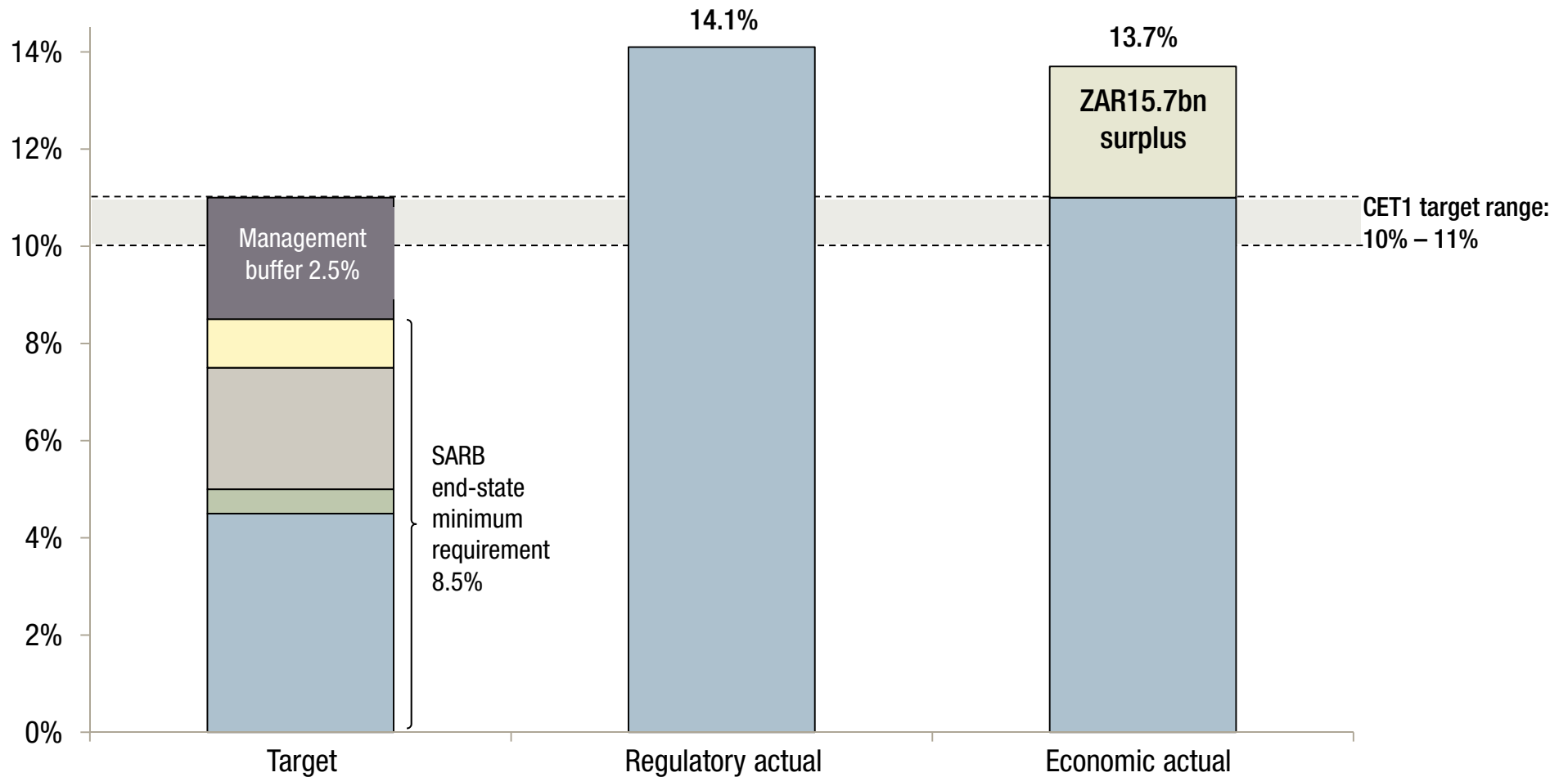
- Targets aligned to end-state minimum requirements
- Target and maintain optimal level and composition of capital
- Raise capital in good times, not when needed (all capital types)
- Basel III compliant Tier 2 instruments \approx 75% of total Tier 2

* Excludes bank-specific individual capital requirement or Pillar 2B. Assumes a maximum D-SIB requirement.



Solid CET1 ratio as at 31 December 2016

CET1 RATIO

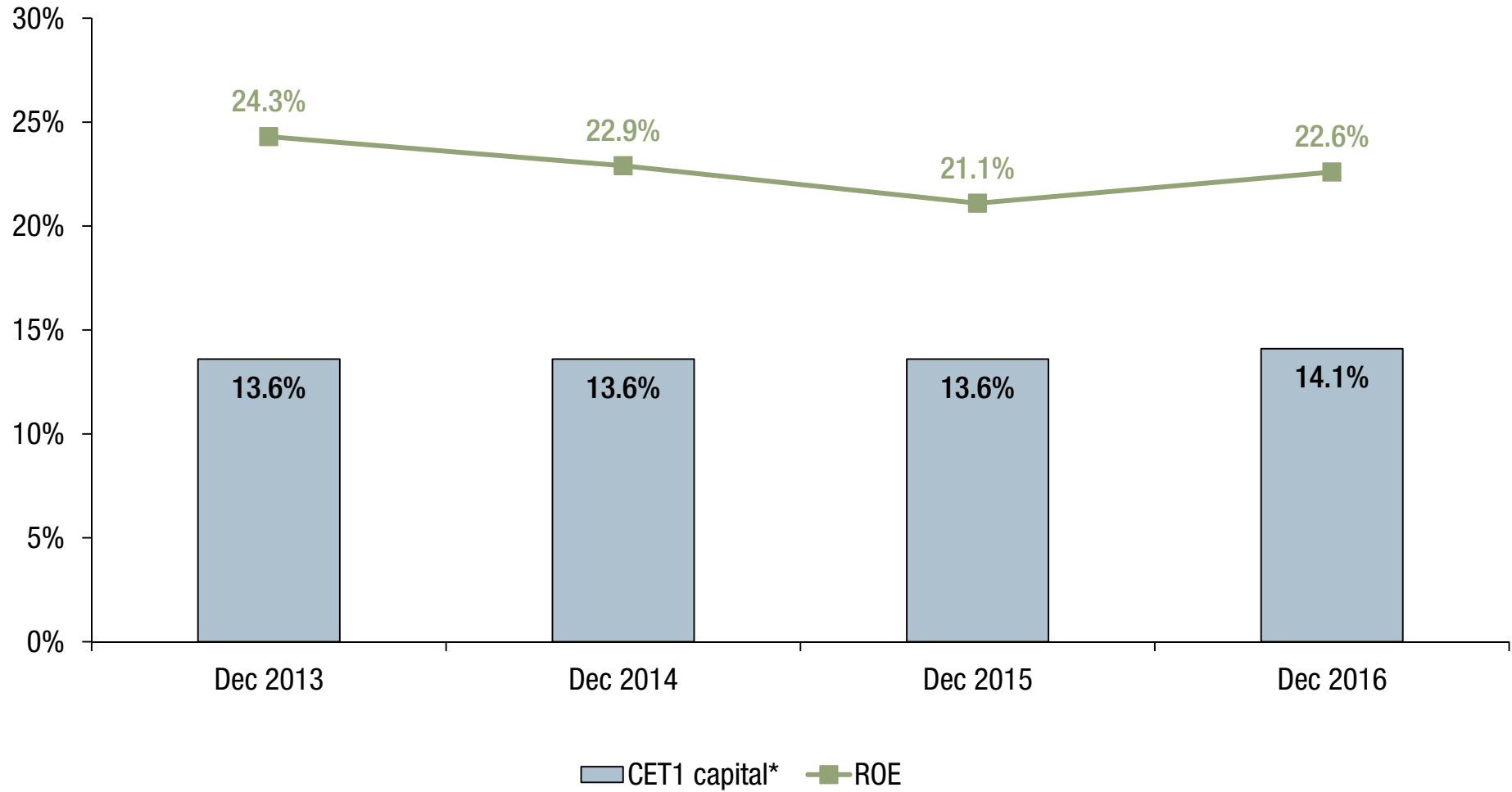


Appropriately positioned for future regulatory and accounting changes

Note: Includes foreign branches and unappropriated profits. Economic capital excludes volatile reserves, i.e. available-for-sale and foreign currency translation reserves.



Superior returns and strong capital positioned maintained

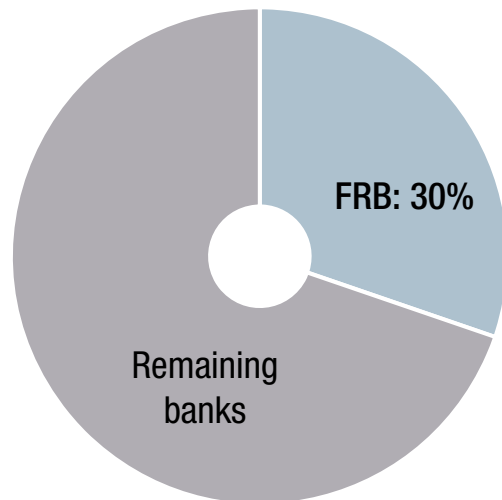


* Reflects FRB including foreign branches. Ratios include unappropriated profits.



Domestic market already embracing new generation instruments; language aligned to Basel III

TIER 2 ISSUANCE IN SOUTH AFRICA



FRB TIER 2 ISSUANCE

	R billion
2014	4.4
2015	4.4
2016	4.9
Total	13.7
= 2.4% of RWA	

- Tier 2 issuance since 2014; limited AT1 issuance
- Well understood by investor base in South Africa
- Frequent issuer, managing roll-over profile
- Issuance primarily from operating company; some competitors shifting to holding company



South Africa evolving resolution regime

- Broadly in line with FSB's *Key Attributes of Effective Resolution Regimes for Financial Institutions*
- White paper jointly released in September 2015, *Strengthening South Africa's Resolution Framework for Financial Institutions*
 - Concept of point of resolution (POR) and related criteria
 - No creditor worse off (NCWO)
 - Total loss absorbing capacity (TLAC) – requirement, definition and composition
- Finalisation of paper will form the basis of a Special Resolution Bill (SRB)
- To date various workshops and industry initiatives held
- Draft framework expected in 2017



A framework to differentiate between issuers

Balance sheet strength	Capital management	<ul style="list-style-type: none"> • Strong capital position <ul style="list-style-type: none"> • Appropriate buffers in excess of minimum • Distance-to-trigger/default • Quality • Integrated funding and liquidity
	Assets	
	Liabilities	
Earnings resilience, volatility and growth		<ul style="list-style-type: none"> • Quality • Diversification • Risk appetite



CONCLUSION



FIRSTRAND BANK

In summary, FirstRand Bank is well positioned for the cycle

- Strong financial position
 - Proactively provided for credit cycle
 - Strong capital position
 - Integrated funding and liquidity management
 - Pre-emptive action was taken to in the event of a downgrade:
 - Protect market access
 - Diversify funding
 - Maintain balance sheet strength
- Earnings should remain resilient
 - Underpinned by quality of franchises and diversification of income streams
 - Bad debts likely to increase, but in line with cycle and portfolio expectations



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South African sovereign credit rating update

SOUTH AFRICAN SOVEREIGN CREDIT RATING

	Action date	FC	LC	Outlook
S&P	3 April 2017	BB+	BBB-	Negative
Fitch	7 April 2017	BB+	BB+	Stable
Moody's	3 April 2017	Baa2	Baa2	Review for downgrade

South Africa's FC is rated as sub-IG status by 2 agencies –
only Fitch currently rates SA LC as sub-IG



Proactive funding strategies

EMTN programme

- USD 500 million 5-year bond due 2020

CHF programme (Six Swiss Exchange)

MotoNovo Finance

- Turbo ABS securitisation programme
 - 6 successful issues
- Committed secured financing

Bilateral facilities

Syndicated loans

DFI facilities

Trade finance facilities

- USA, Europe
- Middle East and Asia

Secured financing facilities

Bespoke structured financing



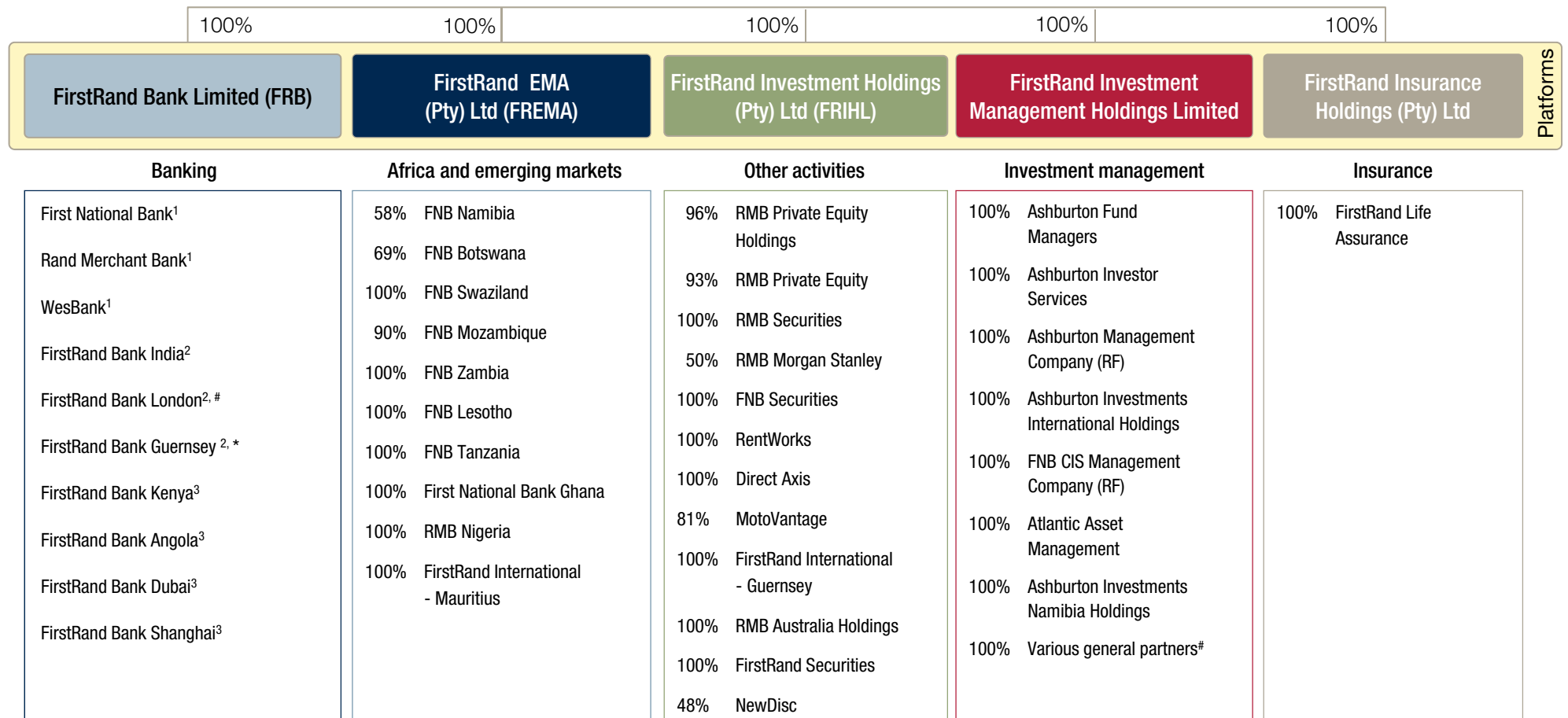
Simplified legal structure



FIRSTRAND

Listed holding company (FirstRand Limited, JSE: FSR)

Strategy set at group level



Structure shows effective consolidated shareholding.

- 1 Division
- 2 Branch
- 3 Representative office

[#] MotoNovo Finance is a business segment of FirstRand Bank Limited (London Branch)

^{*} Trading as FNB Channel Islands

[#] Ashburton Investments has a number of general partners for fund seeding purposes – all of these entities fall under FirstRand Investment Management Holdings Limited.



Difference between group and bank

FIRSTRAND GROUP

	<i>INSIDE THE BANK</i>	<i>OUTSIDE THE BANK</i>
<i>GEOGRAPHICAL PRESENCE</i>	<p>Branches:</p> <ul style="list-style-type: none"> ⊕ London (incl. MotoNovo Finance) ⊕ Guernsey ⊕ India <p>Representative offices:</p> <ul style="list-style-type: none"> ⊕ Kenya ⊕ Angola ⊕ Dubai ⊕ Shanghai 	<p>Full service banking subsidiaries in:</p> <ul style="list-style-type: none"> ⊕ Namibia ⊕ Botswana ⊕ Swaziland ⊕ Lesotho ⊕ Zambia ⊕ Mozambique ⊕ Tanzania ⊕ Ghana <p>Corporate and investment banking subsidiary in:</p> <ul style="list-style-type: none"> ⊕ Nigeria
<i>ACTIVITIES</i>	<ul style="list-style-type: none"> ⊕ Banking in South Africa and in the jurisdictions outlined above ⊕ Cross-border activities booked on FRB's balance sheet ⊕ Insurance (commissions) 	<ul style="list-style-type: none"> ⊕ Banking in the subsidiaries outlined above ⊕ RMB's private equity businesses ⊕ Insurance (life licence and MotoVantage, cell captives) ⊕ Asset management



Paying debt review customers require lower coverage

COVERAGE RATIOS (%)	DEBT REVIEW COVERAGE		NON-DEBT REVIEW		TOTAL NPL COVERAGE	
	Dec 2016	Dec 2015*	Dec 2016	Dec 2015	Dec 2016	Dec 2015
FNB credit card	42.2	-	75.7	71.8	67.6	71.8 ▼
FNB retail other	43.4	-	79.8	78.3	71.6	78.3 ▼
FNB loans	71.5	-	70.1	77.3	70.5	77.3 ▼
WesBank loans	31.4	38.6	69.1	87.4	39.4	51.5 ▼
SA retail VAF	17.0	21.5	40.9	46.1	28.6	33.5 ▼

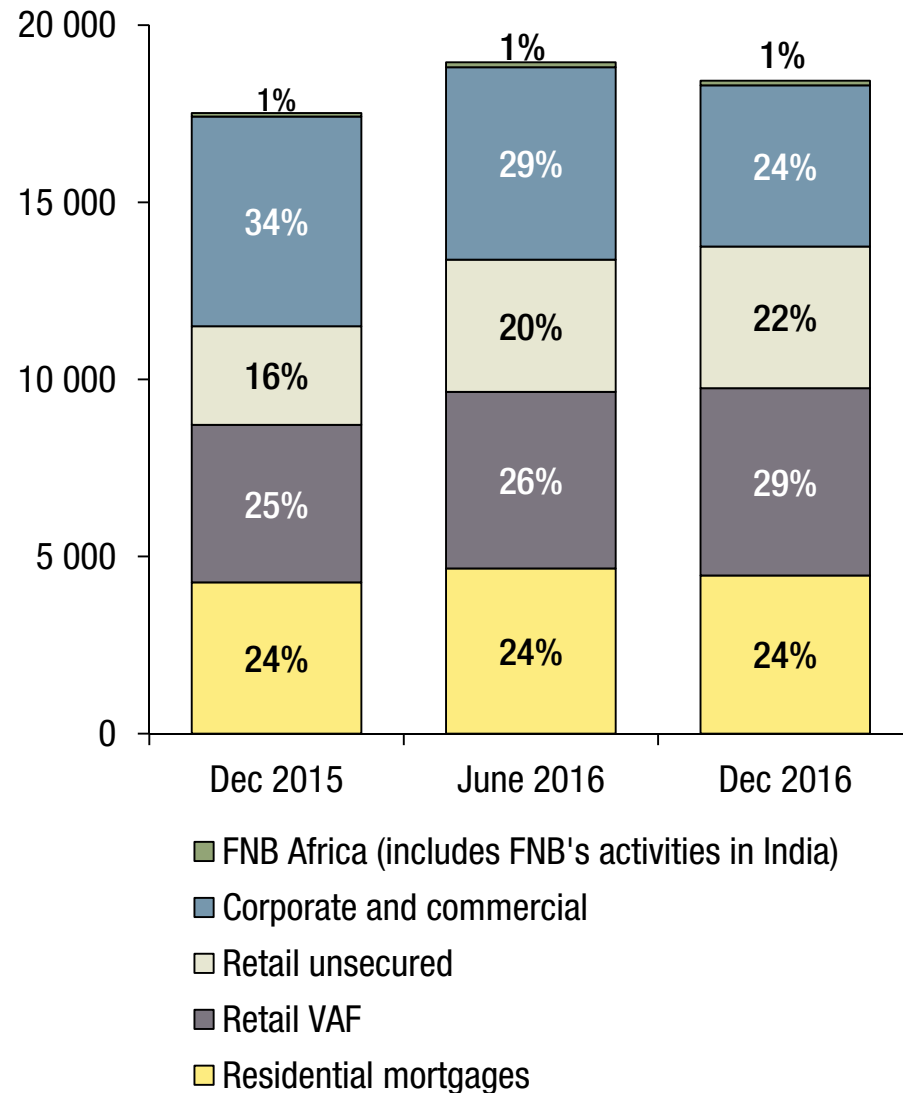
Coverage appropriate given higher payment profile of reclassified NPLs

* December 2015 not restated for FNB and coverage not calculated.



Overall coverage remains appropriate

NPLs (R million)



COVERAGE RATIOS (%)	Dec 2016	Dec 2015
Retail – secured	26.3	28.2
Residential mortgages	22.1	21.9
VAF	29.8	34.2
- SA	28.6	33.5
- MotoNovo (UK)	60.9	60.0
Retail – unsecured	60.5	67.1
- Card	67.6	71.8
- Personal loans*	54.9	62.0
- Retail other	71.6	78.3
Corporate and commercial	43.2	50.2
FNB Africa	71.2	75.2
Specific impairments	38.2	42.1
Portfolio impairments**	40.4	41.7
Total coverage ratio	78.7	83.8

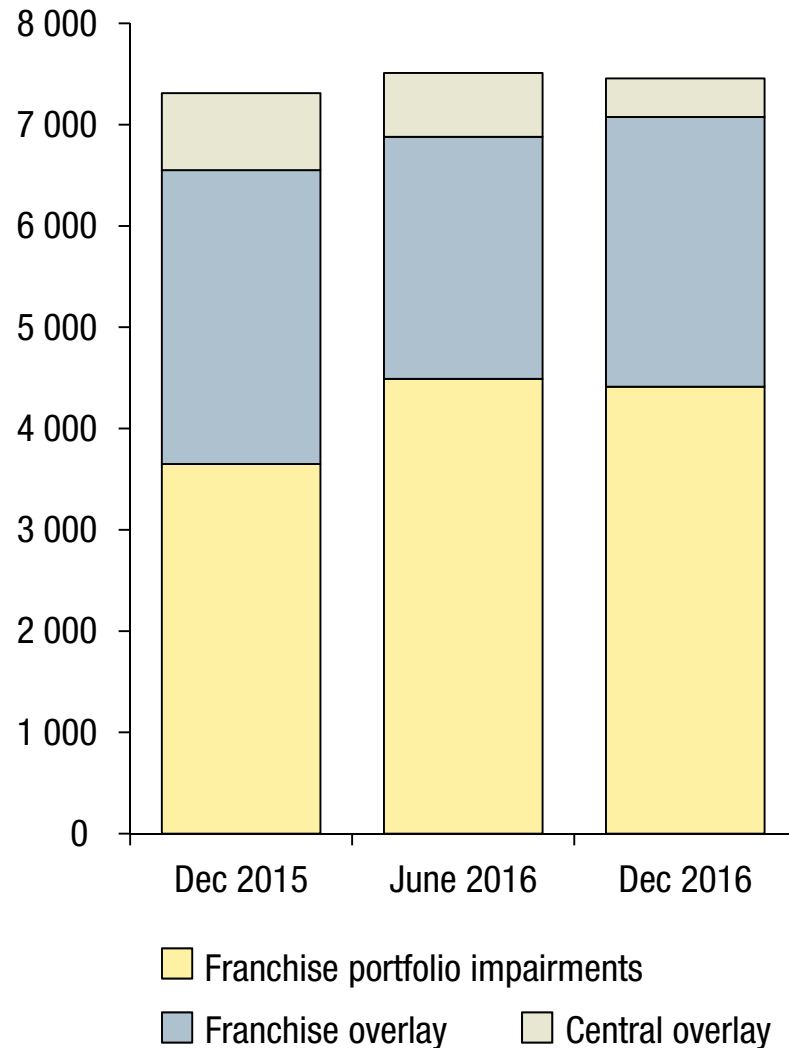
* Includes FNB and WesBank loans.

** Includes portfolio overlays.



Total portfolio provisions increased with franchise overlays maintained

PORTFOLIO IMPAIRMENTS (R million)



	Dec 2016	Dec 2015
Portfolio impairments as % of performing book	0.98	0.99
Credit loss ratio (%)	0.79	0.79
Portfolio impairments (R million)	7 456	7 311



Market developments

- Clearstream collateral management has gone live in SA:
 - Implementation of automated bond transfers and settlements
 - Enables efficient collateralization & secured square-off between clearing banks
- Improving domestic market liquidity conditions and liquidity of National Treasury TBs
 - Proposals with workgroup including SARB, National Treasury and the banking sector
- National Treasury's funding models for SA Inc workgroup (NT, Banking Association, JSE, ASISA)
 - Draft regulations on securitisations exemption notice
 - Draft regulations on commercial paper regulations
 - Draft regulations on introduction of covered bond regulations



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