



BASEL PILLAR 3 STANDARDISED DISCLOSURES **2020**

as at 30 September

introduction

In accordance with the Basel Pillar 3 framework and Regulation 43 of the amended Regulations relating to banks, the group is required to publish standardised disclosure templates that provide users with key quantitative and qualitative information that is comparable and consistent.



FirstRand

1966/010753/06
Certain entities within the FirstRand group are authorised financial services and credit providers. This analysis is available on the group's website:

www.firstrand.co.za

Email questions to
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LEVERAGE

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LIQUIDITY

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KM1 – Key metrics (at consolidated group)

| R million | FirstRand Limited | | | | |
|--|-------------------|-----------|-----------|-------------|--------------|
| | September 20 | June 20 | March 20 | December 19 | September 19 |
| AVAILABLE CAPITAL (AMOUNTS)* | | | | | |
| 1 Common Equity Tier 1 | 125 303 | 126 903 | 127 133 | 117 081 | 118 757 |
| 1a Fully loaded ECL accounting model | 124 222 | 124 740 | 124 970 | 114 918 | 116 594 |
| 2 Tier 1 | 132 049 | 133 568 | 135 046 | 125 376 | 127 192 |
| 2a Fully loaded ECL accounting model Tier 1 | 130 968 | 131 404 | 132 883 | 123 213 | 125 029 |
| 3 Total capital | 158 312 | 160 512 | 159 862 | 149 210 | 152 032 |
| 3a Fully loaded ECL accounting model total capital | 157 230 | 158 458 | 158 875 | 148 178 | 151 356 |
| RISK WEIGHTED ASSETS (AMOUNTS) | | | | | |
| 4 Total risk weighted assets | 1 121 131 | 1 114 321 | 1 116 352 | 1 024 252 | 1 044 259 |
| RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA* | | | | | |
| 5 Common Equity Tier 1 (%) | 11.2% | 11.4% | 11.4% | 11.4% | 11.4% |
| 5a Fully loaded ECL accounting model Common Equity Tier 1 (%) | 11.1% | 11.2% | 11.2% | 11.2% | 11.2% |
| 6 Tier 1 (%) | 11.8% | 12.0% | 12.1% | 12.2% | 12.2% |
| 6a Fully loaded ECL accounting model Tier 1 (%) | 11.7% | 11.8% | 11.9% | 12.0% | 12.0% |
| 7 Total capital (%) | 14.1% | 14.4% | 14.3% | 14.6% | 14.6% |
| 7a Fully loaded ECL accounting model total capital (%) | 14.0% | 14.2% | 14.2% | 14.5% | 14.5% |
| ADDITIONAL CET1 BUFFER REQUIREMENTS AS A PERCENTAGE OF RWA | | | | | |
| 8 Capital conservation buffer requirement (2.5% from 2019) (%) | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| 9 Countercyclical buffer requirement (%)** | 0.0% | 0.0% | 0.0% | 0.2% | 0.2% |
| 10 Bank domestic systemically important bank (D-SIB) additional requirements (%)# | 1.5% | – | – | – | – |
| 11 Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10) | 4.0% | 2.5% | 2.5% | 2.7% | 2.7% |
| 12 CET1 available after meeting the bank's minimum capital requirements (%) | 2.1% | 3.5% | 2.8% | 2.8% | 2.7% |
| BASEL III LEVERAGE RATIO† | | | | | |
| 13 Total Basel III leverage ratio exposure measure | 1 915 294 | 1 898 460 | 1 930 289 | 1 765 746 | 1 781 542 |
| 14 Basel III leverage ratio (%) (row 2/row13) | 6.9% | 7.0% | 7.0% | 7.1% | 7.1% |
| 14a Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a/row 13) | 6.8% | 6.9% | 6.9% | 7.0% | 7.0% |
| LIQUIDITY COVERAGE RATIO (LCR) | | | | | |
| 15 Total HQLA | 309 106 | 279 854 | 264 924 | 276 704 | 269 369 |
| 16 Total net cash outflow | 248 283 | 243 331 | 218 318 | 187 377 | 194 505 |
| 17 LCR ratio (%) | 124% | 115% | 121% | 148% | 138% |
| NET STABLE FUNDING RATIO (NSFR) | | | | | |
| 18 Total available stable funding | 1 237 864 | 1 193 182 | 1 210 650 | 1 120 492 | 1 096 495 |
| 19 Total required stable funding | 1 004 557 | 1 020 727 | 1 051 231 | 945 482 | 930 446 |
| 20 NSFR ratio | 123% | 117% | 115% | 119% | 118% |

* Excludes unappropriated profits.

** In March 2020, the Prudential Regulation Authority reduced the UK countercyclical capital buffer (CCyB) requirement from 1% to 0%. This resulted in the FirstRand CCyB reducing to nil from March 2020 onwards. Comparative CCyB buffers are as follows: December 19 (0.18%) and September 19 (0.19%).

Disclosure of D-SIB in line with Directive 4 of 2020, Capital framework for South Africa based on Basel III framework.

† Based on month-end balances.

KEY DRIVERS: SEPTEMBER 2020 vs JUNE 2020

| | |
|-----------------------------------|--|
| Risk-based capital ratios* | <p>Available capital</p> <ul style="list-style-type: none"> Tier 1: Decrease due to the reduction in the foreign currency translation reserve given the appreciation of the rand and the transitional impact of IFRS 9 on 1 July 2020. Tier 2: Decrease driven by the redemption of the FRB16 (R1.75 billion) in July 2020 and foreign currency translation movements. <p>Risk weighted assets (RWA)</p> <ul style="list-style-type: none"> Increase in total RWA driven primarily by market risk and other assets. |
| Leverage ratio | <p>Total exposure measure</p> <ul style="list-style-type: none"> Increase in total exposure due to an increase in securities financing transactions. <p>Tier 1 capital measure</p> <ul style="list-style-type: none"> Decrease in Tier 1 explained above. |
| Liquidity ratios | <ul style="list-style-type: none"> The increase in the LCR represents improved funding conditions and replenishment of the group's liquidity buffers. The group's LCR continues to exceed the revised minimum requirement of 80% and the NSFR is above the minimum requirement of 100%. |

* Reflects the transitional Day 1 impact of IFRS 9.

OV1 – Overview of RWA

| R million | FirstRand Limited | | | |
|--|-------------------------|--------------------|-------------------------|------------------------------|
| | RWA | | | Minimum capital requirement* |
| | As at 30 September 2020 | As at 30 June 2020 | As at 30 September 2019 | As at 30 September 2020 |
| 1 Credit risk (excluding counterparty credit risk)** | 782 611 | 786 183 | 728 351 | 93 913 |
| 2 – Standardised approach | 309 750 | 313 949 | 267 939 | 37 170 |
| 5 – AIRB | 472 861 | 472 234 | 460 412 | 56 743 |
| 16 Securitisation exposures in banking book | 32 278 | 29 140 | 38 274 | 3 873 |
| 17 – IRB ratings-based approach | – | – | – | – |
| 18 – IRB supervisory formula approach | 4 417 | 2 074 | 2 032 | 530 |
| 19 – Standardised approach/simplified supervisory formula approach | 27 861 | 27 066 | 36 242 | 3 343 |
| Total credit risk | 814 889 | 815 323 | 766 625 | 97 786 |
| 6 Counterparty credit risk# | 15 758 | 16 376 | 9 870 | 1 891 |
| 7 – Standardised approach | 15 758 | 16 376 | 9 870 | 1 891 |
| 10 Credit valuation adjustment | 17 996 | 17 422 | 8 578 | 2 160 |
| 11 Equity positions in banking book under market-based approach† | 27 915 | 27 397 | 29 913 | 3 350 |
| 15 Settlement risk | – | – | – | – |
| 20 Market risk‡ | 32 622 | 28 352 | 26 261 | 3 915 |
| 21 – Standardised approach | 13 536 | 12 021 | 9 479 | 1 625 |
| 22 – Internal model approach | 19 086 | 16 331 | 16 782 | 2 290 |
| 24 Operational risk | 139 332 | 139 332 | 137 573 | 16 720 |
| – Basic indicator approach | 15 721 | 15 721 | 14 697 | 1 887 |
| – Standardised approach | 25 616 | 25 616 | 25 516 | 3 074 |
| – Advanced measurement approach | 97 995 | 97 995 | 97 360 | 11 759 |
| 25 Amounts below the thresholds for deduction (subject to 250% risk weight) | 25 269 | 24 811 | 24 454 | 3 032 |
| 26 Floor adjustment | 11 914 | 11 914 | 6 169 | 1 430 |
| Other assets | 35 436 | 33 394 | 34 816 | 4 252 |
| 27 Total | 1 121 131 | 1 114 321 | 1 044 259 | 134 536 |

* Capital requirement calculated at 12.0% of RWA. The minimum requirement excludes the Pillar 2B capital requirement. The difference to the BCBS base minimum (8%) relates to the buffer add-ons for Pillar 2A, CCyB, capital conservation and the D-SIB as prescribed in the Regulations. The Pillar 2A and CCyB requirements were 0% at 30 September 2020.

** The group does not apply the foundation internal ratings-based and the supervisory slotting approaches (rows 3 and 4 of OV1 template).

The current exposure and standardised methods are applied to counterparty credit risk. The group does not apply the internal model method to counterparty credit risk (row 8 of OV1 template) and there were no other CCR (row 9 of OV1 template). Implementation of the standardised approach for measuring counterparty credit risk (SA-CCR) is 1 January 2021.

† Implementation of the capital requirements for equity investment in funds is 1 January 2021. Rows 12 – 14 of the OV1 template have, therefore, been excluded from this table.

‡ There were no switches between trading and banking book during the year (row 23 of OV1 template).

CR8 – RWA flow statements of credit risk exposures under advanced internal ratings-based approach (AIRB)

| <i>R million</i> | | RWA |
|------------------|----------------------------------|----------------|
| 1 | RWA at 30 June 2020* | 472 234 |
| 2 | Asset size | (1 549) |
| 3 | Asset quality | 2 176 |
| 4 | Model updates | – |
| 5 | Methodology and policy | – |
| 6 | Acquisitions and disposals | – |
| 7 | Foreign exchange movements | – |
| 8 | Other | – |
| 9 | RWA at 30 September 2020* | 472 861 |

* The RWA represents AIRB credit risk exposures excluding securitisation exposure per OV1 table on page 3.

MR2 – RWA flow statements of market risk exposures under internal models approach (IMA)*

| <i>R million</i> | | VaR | sVaR | RWA |
|------------------|---------------------------------|---------------|--------------|---------------|
| 1 | RWA at 30 June 2020 | 8 385 | 7 946 | 16 331 |
| 2 | Movement in risk levels | 3 762 | (1 007) | 2 755 |
| 3 | Model updates/changes | – | – | – |
| 4 | Methodology and policy | – | – | – |
| 5 | Acquisitions and disposals | – | – | – |
| 6 | Foreign exchange movements | – | – | – |
| 7 | Other | – | – | – |
| 8 | RWA at 30 September 2020 | 12 147 | 6 939 | 19 086 |

* The group does not use the incremental risk charge and comprehensive risk measure approaches.

LR1 – Summary comparison of accounting assets vs leverage ratio exposure measure*

| | | As at 30 September 2020 | |
|------------------|---|-------------------------|--------------------------|
| | | FirstRand Limited | FirstRand Bank Limited** |
| <i>R million</i> | | | |
| 1 | Total consolidated assets as per published financial statements | 1 946 521 | 1 437 321 |
| 2 | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation [#] | (7 362) | – |
| 3 | Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure | – | – |
| 4 | Adjustments for derivative financial instruments | (110 714) | (96 884) |
| 5 | Adjustment for securities financing transactions (i.e. repos and similar secured lending) | 1 494 | 1 494 |
| 6 | Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) | 69 765 | 75 997 |
| 7 | Other adjustments | 15 590 | 17 791 |
| 8 | Leverage ratio exposure | 1 915 294 | 1 435 719 |

* Based on month-end balances.

** FirstRand Bank Limited including foreign branches.

Balances relating to insurance entities outside the scope of regulatory consolidation reclassified from line 7 to line 2.

LR2 – Leverage ratio common disclosure template*

| | | FirstRand Limited | | FirstRand Bank Limited** | |
|---|--|----------------------------|-----------------------|----------------------------|-----------------------|
| | | As at 30 September 2020 | As at 30 June 2020 | As at 30 September 2020 | As at 30 June 2020 |
| <i>R million</i> | | | | | |
| ON-BALANCE SHEET EXPOSURES | | | | | |
| 1 | On-balance sheet items (excluding derivatives and SFTs, but including collateral) | 1 791 839 | 1 791 103 | 1 289 794 | 1 286 057 |
| 2 | (Asset amounts deducted in determining Basel III Tier 1 capital) | (36 785) | (34 368) | (22 891) | (21 066) |
| 3 | Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2) | 1 755 054 | 1 756 735 | 1 266 903 | 1 264 991 |
| DERIVATIVE EXPOSURES | | | | | |
| 4 | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | 11 179 | 12 931 | 12 265 | 13 720 |
| 5 | Add-on amounts for PFE associated with all derivatives transactions | 16 312 | 18 724 | 19 260 | 23 153 |
| 6 | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework | – | – | – | – |
| 7 | (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | – | – | – | – |
| 8 | (Exempted CCP leg of client-cleared trade exposures) | – | – | – | – |
| 9 | Adjusted effective notional amount of written credit derivatives | 6 674 | 6 874 | 6 674 | 6 874 |
| 10 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | (5 503) | (5 021) | (5 503) | (5 021) |
| 11 | Total derivative exposures (sum of lines 4 to 10) | 28 662 | 32 968 | 32 696 | 38 726 |
| SECURITIES FINANCING TRANSACTION EXPOSURES | | | | | |
| 12 | Gross SFT assets (with no recognition of netting) after adjusting for sale accounting transactions | 60 318 | 30 324 | 58 629 | 29 977 |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | – | – | – | – |
| 14 | CCR exposure for SFT assets | 1 494 | 8 723 | 1 494 | 8 723 |
| 15 | Agent transaction exposures | – | – | – | – |
| 16 | Total securities financing transaction exposures (sum of lines 12 to 15) | 61 812 | 39 047 | 60 123 | 38 700 |
| OTHER OFF-BALANCE SHEET EXPOSURES | | | | | |
| 17 | Off-balance sheet exposure at gross notional amount | 384 465 | 375 302 | 363 761 | 362 125 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (314 699) | (305 592) | (287 764) | (280 385) |
| 19 | Off-balance sheet items (sum of lines 17 and 18) | 69 766 | 69 710 | 75 997 | 81 740 |
| CAPITAL AND TOTAL EXPOSURES | | | | | |
| 20 | Tier 1 capital[#] | 132 049 | 133 568 | 94 499 | 95 376 |
| 21 | Total exposures (sum of lines 3, 11, 16 and 19) | 1 915 294 | 1 898 460 | 1 435 719 | 1 424 157 |
| LEVERAGE RATIO | | | | | |
| 22 | Basel III leverage ratio | 6.9% | 7.0% | 6.6% | 6.7% |

* Based on month-end balances.

** FirstRand Bank Limited including foreign branches.

Excluding unappropriated profits.

LIQ1 – Liquidity coverage ratio (LCR)

| | FirstRand Limited consolidated* | | FirstRand Bank Limited South Africa* | |
|---|----------------------------------|--------------------------------|--------------------------------------|--------------------------------|
| | Total unweighted value (average) | Total weighted value (average) | Total unweighted value (average) | Total weighted value (average) |
| <i>R million</i> | | | | |
| HIGH-QUALITY LIQUID ASSETS | | | | |
| 1 Total high-quality liquid assets (HQLA) | | 370 536 | | 283 189 |
| CASH OUTFLOWS | | | | |
| 2 Retail deposits and deposits from small business customers, of which: | 442 288 | 38 576 | 303 326 | 30 333 |
| 3 Stable deposits | 84 943 | 2 841 | – | – |
| 4 Less stable deposits | 357 345 | 35 735 | 303 326 | 30 333 |
| 5 Unsecured wholesale funding, of which: | 516 568 | 263 302 | 429 447 | 212 005 |
| 6 Operational deposits (all counterparties) and deposits in networks of cooperative banks | 145 962 | 36 490 | 129 067 | 32 267 |
| 7 Non-operational deposits (all counterparties) | 363 095 | 219 301 | 293 481 | 172 839 |
| 8 Unsecured debt | 7 511 | 7 511 | 6 899 | 6 899 |
| 9 Secured wholesale funding | | 3 571 | | 3 571 |
| 10 Additional requirements, of which: | 259 376 | 47 445 | 236 151 | 44 935 |
| 11 Outflows related to derivative exposures and other collateral requirements | 20 184 | 20 184 | 19 408 | 19 408 |
| 12 Outflows related to loss of funding on debt products | 107 772 | 5 389 | 101 436 | 5 072 |
| 13 Credit and liquidity facilities | 131 420 | 21 872 | 115 307 | 20 455 |
| 14 Other contractual funding obligations | 5 | 5 | – | – |
| 15 Other contingent funding obligations | 239 474 | 9 733 | 214 856 | 8 588 |
| 16 Total cash outflows | | 362 632 | | 299 432 |
| CASH INFLOWS | | | | |
| 17 Secured lending (e.g. reverse repos) | 3 296 | 3 296 | 3 296 | 3 296 |
| 18 Inflows from fully performing exposures | 130 505 | 107 346 | 101 643 | 82 746 |
| 19 Other cash inflows | 5 034 | 4 980 | 4 886 | 4 844 |
| 20 Total cash inflows | 138 835 | 115 622 | 109 825 | 90 886 |
| 21 Total HQLA** | | 309 106 | | 283 189 |
| 22 Total net cash outflow# | | 248 283 | | 208 546 |
| 23 Liquidity coverage ratio (%)† | | 124% | | 136% |

* The consolidated LCR for the group (FirstRand) includes FirstRand Bank Limited operations in South Africa and all registered banks and foreign branches within the group. FirstRand Bank Limited's LCR reflects its operations in South Africa.

** The weighted value has been calculated after the application of the respective haircuts for HQLA, outflows and inflows. The surplus HQLA holdings by subsidiaries and foreign branches in excess of the minimum required LCR which is not considered as fully transferable has been excluded in the calculation of the consolidated LCR for the group.

The regulatory cap on inflows is applied per entity and is reflected in total net cash outflows. The total cash inflows balance is prior to the application of the cap.

† The LCR is calculated as a simple average of 92 days of daily observations over the quarter ended 30 September 2020 for FirstRand Bank Limited South Africa. The remaining international banking entities including Aldermore and the London, India and Channel Island branches are based on the month-end or quarter-end values. The figures are based on the regulatory submission to the Prudential Authority.