FirstRand

BASEL PILLAR 3 DISCLOSURE

for the year ended 30 June 2024

contents

FirstRand Basel Pillar 3 disclosure

FirstRand

1966/010753/06
Certain entities within the FirstRand group are authorised financial services and credit providers. This report is available on the group's website: **www.firstrand.co.za**

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

INDEX OF PILLAR 3 DISCLOSURE TEMPLATES, REGULATION 43 AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES RECOMMENDATIONS

The following table provides a list of the Basel Committee on Banking Supervision (BCBS) Pillar 3 standards, directives for standardised disclosures including *Directive 1 of 2019*, Prudential Standards under the Insurance Act (2017) and Regulation 43 disclosure requirements, as well as the respective page numbers where the information is provided in this disclosure. The table also provides coverage of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations on risk management, governance and key metrics and targets that are included in this disclosure.

Section and table		Pillar 3 standard	Regulation/ recommendation/ directive	Page
Remuneration and compensation		✓	Regulation 43	174
Standardised disclosures			Directives 1 of 2019, 1 0f 2022, 1 0f 2024 and Circular 3 of 2020	
KM1: Key metrics (at consolidated group and FirstRand Bank Limited)		✓		182
CC1 Composition of regulatory capital		✓		184, 192
CC2 Reconciliation of regulatory capital to balance sheet		✓		187,195
OV1 Overview of risk-weighted assets		✓		188,196
CCA Main features of regulatory capital instruments and of other TLAC-eligible instruments		✓		189
CCyB 1 Geographical distribution of credit exposures used in the calculation of the bank-specific countercyclical capital buffer requirement		✓		191
LR1 Summary comparison of accounting assets vs leverage ratio exposure measure		✓		197
LR2 Leverage ratio common disclosure template		✓		197
LIQ1 Liquidity coverage ratio		✓		198
LIQ2 Net stable funding ratio		✓		199
IRRBB1 – Quantitative information on IRRBB		✓		201
CR6 Credit risk exposure by portfolio and PD range				202
CR9 Backtesting of PD per portfolio				220
CCR4 IRB CCR exposure by portfolio and PD scale				229
Climate risk				120
Governance	a) Board oversight of climate-related risks and opportunities.		TCFD	https://www.firstrand.co.za/investors/integrated-reporting-hub/governance/
	b) Management's role in assessing and managing climate-related risks and opportunities.		TCFD	122
Strategy	a) Identification of climate-related risks and opportunities over the short, medium and long term.		TCFD	129, 130
	b) Impact of climate-related risks and opportunities on strategy and business planning.		TCFD	https://www.firstrand.co.za/investors/integrated-reporting-hub/climate/
	c) Assessment of business resilience over varying climate scenarios, including a 2°C or lower scenario.		TCFD	128, 129
Risk management	a) Processes for identifying and assessing climate-related risks.		TCFD	124, 125
	b) Processes for managing climate-related risks.		TCFD	126
	c) Processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.		TCFD	127
Metrics and targets	a) Disclosure of metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.		TCFD	124
	b) Disclosure of scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas emissions, and the related risks.		TCFD	132-143
	c) Summary of the targets used to manage climate-related risks and opportunities and performance against targets.		TCFD	123, 124

OVERVIEW OF THE GROUP

FirstRand's portfolio of financial services businesses in South Africa comprises FNB, WesBank and RMB. Outside of South Africa, the group has a presence in eight jurisdictions on the broader Africa continent, and owns Aldermore Group, a specialist lender in the UK. The activities of these businesses represent a universal set of transactional, lending, investment and insurance products and services. FirstRand Corporate Centre (the Centre) represents group-wide functions.

RISK MANAGEMENT OVERVIEW

Introduction

This risk and capital management report (Pillar 3 disclosure) covers the operations of FirstRand Limited (FirstRand or the group) and complies with:

- the BCBS's Pillar 3 disclosure requirements (Pillar 3 standard), BCBS 309 (January 2015), the consolidated and enhanced framework BCBS 400 (March 2017), and the BCBS 446 (August 2018) technical amendment on the regulatory treatment of accounting provisions);
- Regulation 43 of the Regulations relating to Banks (Regulations), issued in terms of the Banks Act 94 of 1990; *Directive 1 of 2019, Matters related to Pillar 3 disclosure requirement framework;* and all other Pillar 3 disclosure-related directives issued by the Prudential Authority (PA); and
- certain disclosures recommended by the TCFD, specifically relating to risk management, governance and key metrics and targets, (covered in the *Climate risk* section).

The final amendments to the Basel III post-crisis reforms published in December 2017 are being finalised by the PA for implementation as per its communicated guidance notes in accordance with its regulatory roadmap for the transition. The remaining changes to the regulatory capital framework have been shared with the banking industry, with parallel reporting expected to commence for most risk types in the first quarter of 2025. During the transition period, changes to the fixed-format Pillar III tables will be effected for a 1 July 2025 capitalisation date in the interim and annual reports in December 2025 and June 2026, respectively.

The table references used throughout are in accordance with the Pillar 3 standard, as required.

Some differences exist between the practices, approaches, processes and policies of FirstRand Bank Limited (FRB or the bank) and the group's other wholly owned subsidiaries. These are highlighted by reference to the appropriate entity, where applicable. There is further distinction between FRB (which includes foreign branches) and FirstRand Bank Limited South Africa (FRBSA), (which excludes foreign branches). Refer to the simplified group structure on page 6.

This report has been internally verified through the group's governance processes, in line with its external communication and disclosure policy, which defines the responsibilities and duties of senior management and the board in the preparation and review of the Pillar 3 disclosure. It aims to ensure that:

- the minimum disclosure requirements of the Regulations, standards and directives are met;
- disclosed information is consistent with the manner in which the board assesses the group's risk portfolio;
- the disclosure provides a true reflection of the group's financial condition and risk profile; and
- quantitative and qualitative disclosures are appropriately reviewed.

The board and senior management have ensured that appropriate review of the relevant disclosures have taken place. The review process was approved by the FirstRand risk, capital management and compliance committee (RCCC).

The information within this report has not been audited or reported on by the group's external auditors. However, the group has subjected certain information in this report to an independent review, including the group's internal procedures, to assess the consistency and accuracy of information.

Year under review

The 2023/4 financial year (FY24) was characterised by a combination of domestic and global factors in the economic and geopolitical landscape. Economically, nations continued to grapple with inflation and high debt. From a geopolitical perspective the world continued to face heightened tensions, with conflicts such as the Russia-Ukraine war continuing and new crises emerging in the Middle East. With reference to the group, the risk function continued to improve the maturity of the risk practices used to manage its risk profile, enhanced governance structures and efficiencies, and changed a few operating structures with the intention to positively shift the risk profile.

The emerging risks landscape has not changed significantly during FY24, but the focus and intensity for each of the risks has shifted while the extent of the interconnectedness of risks has increased. Pertinent emerging risk themes during the financial year included litigation and associated regulatory change risk arising from class action type lawsuits in the UK, localisation risks due to the scale of potential impact on the operations of the group, and an increase in regional conflicts and social unrest.

From a financial risk perspective, the profile remained within appetite and was well managed. The performance of the overall credit book largely aligned with expectations given the macroeconomic environment. The equity investment portfolios remained well diversified and portfolio companies have demonstrated resilience in a challenging macroeconomic environment. Trading desks also seamlessly executed flow trading and hedging in local markets on behalf of clients. In the broader Africa markets, sovereign debts and liquidity challenges have persisted throughout the year, impacting foreign exchange rates against hard currency and devaluations in key markets such as Nigeria and Ghana.

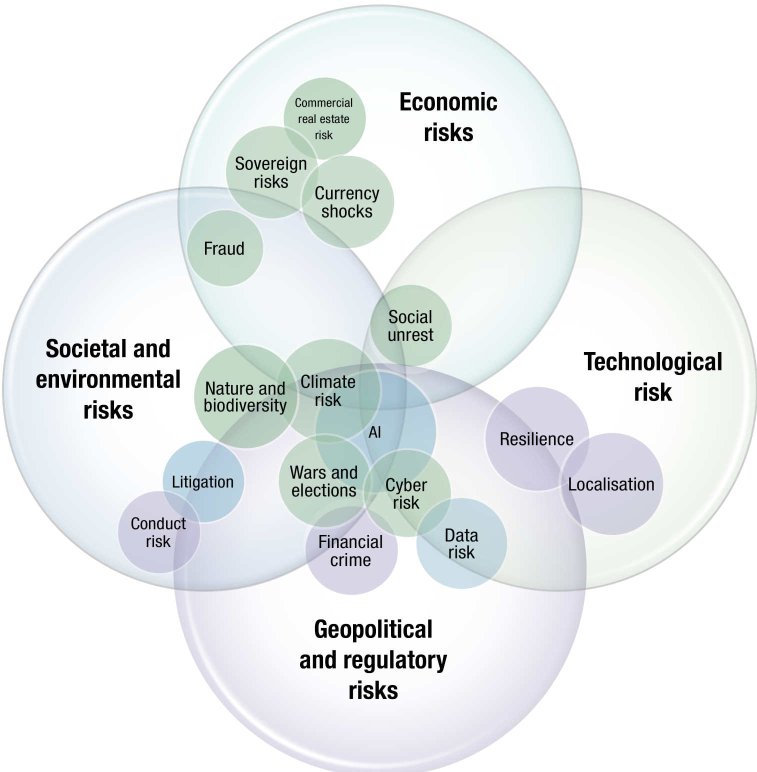
The non-financial risk (NFR) profile focuses on delivery of current operations as well as resilience in times of stress. From a resilience perspective, limited challenges were experienced during FY24. From an operations perspective, the NFR profile demonstrated improvement in various areas including the cyber, IT, change and vendor risk profiles. The NFR function also had its inaugural conference with the NFR community across the group. It was facilitated with the intention of promoting the NFR vision and mission statement as well as collaboration between risk and compliance. Payments risk and financial crime were topical themes during FY24. There has also been progress on the group artificial intelligence (AI) governance structures and the use of AI for efficiencies.

A heightened regulatory environment continued to manifest within broader Africa, with multiple regulatory engagements and enforcements having taken place across multiple jurisdictions, focusing on different risk themes such as cyber-security, and conduct risk. Localisation remains a key strategic matter which continues to elicit substantial collaboration across the group.

Current and emerging risks

The risk identification process requires several sources and inputs to ensure adequate coverage of any potential emerging risks. These sources include external publications from bodies such as the South African Reserve Bank (SARB) and World Economic Forum (WEF), as well as internal data sources such as the emerging risk surveys that are carried out across the group. This process has identified a set of prioritised group-wide interconnected risks which largely align with risks identified by the WEF and SARB. The landscape of the most material emerging risks categorised by an underlying risk driver has been defined as follows:

- Economic risks: Sovereign default risk, commercial real estate risk, currency shocks and social unrest.
- Technological risks: Localisation risks driven by regulatory requirements, resilience risks, data risks, cyber risks and AI deployment and operational risks.
- Geopolitical and regulatory risks: Localisation and resilience, cyber risk, financial crime, wars and elections, litigation, social unrest and conduct risk.
- Societal and environmental risks: Fraud risk, conduct risk, litigation, war escalation, election impacts, financial crime, social unrest, climate risk, and nature and biodiversity risk.



Listed below is some additional context to the risks that have a material impact on the group.

Societal risks – legal and conduct

Litigation risk

The inherent litigation risk for financial services companies has increased in recent years. Traditionally, it was largely confined to contractual risks, where the primary concern was the potential for disputes arising from the failure to meet contractual obligations. However, in today's complex legal environment, litigation risk has expanded to encompass a broad spectrum of legal risks. This shift reflects the growing recognition that legal challenges can arise from sources beyond contract law, including regulatory compliance, environmental considerations, operational procedures, and broader societal and ethical concerns.

The group's legal teams monitor and respond to existing and new legal matters. The approach includes the appointment of leading legal firms to advise and determine strategies to deal with these matters. Where necessary, legal matters are escalated to executive management and the board for direct input and guidance.

Conduct risk

Conduct has been receiving heightened focus from the regulator due to the evolving regulatory landscape and heightened expectations from consumers and society of ethical business practices. The scope and ambit of conduct risk has increased materially to include business conduct, market conduct, employee conduct, client conduct, vendor/third-party conduct and, in some instances, sovereign conduct.

Additionally, the broader Africa environment has diverse regulatory engagement approaches, with each jurisdiction applying varying levels of maturity in respect of conduct requirements and focus areas. Potential new regulations and inspections referencing conduct, with changing requirements and areas of coverage, give rise to uncertainty.

FirstRand continually aims to foster open, transparent and collaborative engagement with regulators, particularly in respect of matters reported. Furthermore, there is significant internal capacity dedicated to the key conduct focus areas.

Socio-political

Geopolitical risk

Two material emerging components of geopolitical risk include wars and elections, given their potential to rapidly alter the geopolitical and social landscape. Wars, by their nature, can lead to significant loss of life, displacement of populations and destruction of infrastructure, which can have long-term impacts on regional and global stability. Elections, while a fundamental component of democratic societies, can also pose risks such as significant political/policy shifts, heightened economic uncertainty, or social conflict. The outcomes of elections can also lead to changes in policies that affect international relations, economic conditions and social cohesion.

The operating environment over the past twelve months was characterised by elevated uncertainty due to the number of elections occurring globally, as well as a rise in social unrest and regional conflicts. The group is actively monitoring the external environment and responding to risks such as elevated sanctions and terrorist financing risks, as well as managing risks of damage to own and clients' infrastructure as a result of social unrest.

Environmental

Climate risk

Geopolitics influence climate risk policies, as nations navigate the complex interplay between environmental sustainability and political stability. A number of countries have reassessed their climate priorities following election outcomes. This creates heightened policy uncertainty and elevates the risks that progress towards country targets may slow down.

Despite the above circumstances, FirstRand continues to actively incorporate climate change considerations into capital allocation, origination strategies and portfolio diversification, and to refine its overall climate transition risk management approach.

Nature and biodiversity

Nature and biodiversity are emerging risks due to their integral role in maintaining ecosystem services that support life on earth. The loss of biodiversity disrupts these services and exacerbates climate change impacts. The loss of biodiversity also poses a fundamental risk to the global economy, with a large portion of it dependent on nature.

Given the increased focus on nature and biodiversity, financial institutions and broader business are creating corresponding solutions such as nature bonds.

The group's environmental risk framework was expanded to include aspects of nature and biodiversity. Additionally, portfolio assessment enhancements have been initiated to mature the broader environmental risk footprint inclusive of nature and biodiversity. FirstRand will continue to assess and monitor nature and biodiversity.

Technological

Artificial intelligence

AI presents a multifaceted emerging risk due to its impact on multiple risk types including data risk, privacy risk and third-party risk. The rapid pace of AI development means that it can be difficult for regulators and policymakers to keep up, creating the potential for gaps in oversight and accountability.

The group is actively refining as well as establishing responses, including that specific to governance, to ensure that risks associated with AI is appropriately managed. The group has also started to deploy AI models into its operations (particularly generative AI models) and has placed enhanced focus on this to proactively identify and manage new risks related to modelling, data, privacy, and operations. Additional capacity has been recruited in the past year to increase the focus on these areas.

Group strategy

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

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

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

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

The group's UK operations represent long-term growth opportunities decoupled from South Africa and broader Africa, with the UK market offering attractive risk-adjusted returns through the cycle.

As a specialist lender, Aldermore's business model targets the credit needs of individuals and entities which are underserved by mainstream providers. These customer pools in the UK market are large and growing. They also represent quality risk that is not catered for by the large incumbent players as it requires a bespoke approach to structuring and underwriting. The group remains confident the UK business can grow at a higher rate than the domestic franchise, given its presence in large profit pools, and given that UK system growth is expected to be stronger than current SA projections for GDP. The UK management team is executing on strategies to grow market share in core product sets where it has strong value propositions, to modernise its platforms to achieve scale and efficiencies, and to build a more diversified and sustainable funding franchise.

Simplified group structure

FirstRand

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100% FirstRand Bank Limited (FRB)

SA banking

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

100% FirstRand EMA Holdings (Pty) Ltd (FREMA)

Broader Africa

58%	FirstRand Namibia
70%	FNB Botswana
75%	FNB Eswatini
100%	FNB Mozambique
100%	FNB Zambia
100%	FNB Lesotho
100%	First National Bank Ghana
100%	RMB Nigeria

100% FirstRand International Limited (Guernsey) (FRI)

UK banking and hard currency platform

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

100% FirstRand Insurance Holdings (Pty) Ltd

Insurance

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

100% FirstRand Investment Management Holdings Limited

Investment management

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

100% FirstRand Investment Holdings (Pty) Ltd (FRIHL)

Other activities

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

** Division.*
*** Branch.*
 # Trading as FNB Channel Islands.
† Representative office.
DirectAxis is a business unit of FirstRand Bank Limited.
‡ Wholly owned subsidiary of Aldermore Group.
^ Wholly owned subsidiary of FirstRand Securities.
◊ Ashburton Investments has a number of general partners for fund seeding purposes.
All of these entities fall under FirstRand Investment Management Holdings Limited (FRIMHL).

Notes:

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

Structure shows effective consolidated shareholding.

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

Business activities and resultant risks

Business activities are delivered through the group's operating businesses and give rise to the risks shown below.

	FNB	WesBank	RMB	Aldermore	FCC
Key activities	Retail and commercial banking, insurance, wealth and investment management	Asset-based finance and fleet management services	Corporate and investment banking and asset management (Ashburton Investments)	Specialist lending and savings products	Group-wide functions
Market segments	• Retail – Personal – Private • Small business • Agricultural • Medium corporate • Public sector	• Retail • Commercial • Corporate • Public sector	• Financial institutions • Large corporates • SOEs*	• Retail and commercial	• Institutional and internal/ intragroup
Products and services	• Transactional • Deposit services • Mortgage and personal loans • Credit and debit cards • Investment products • Insurance products (funeral, risk, credit life and short-term insurance products) • Card acquiring • Credit facilities • Connect (MVNO**) • Wealth and investment management	• Vehicle asset finance • Full maintenance leasing • VAPS# • Other assets	• Advisory • Structured finance • Markets and structuring • Transactional banking • Deposits • Principal investing solutions and private equity	• Asset finance • Invoice finance • Commercial, buy-to-let and residential mortgages • Vehicle asset finance (MotoNovo) • Deposits	• Asset/liability management • Funding and liquidity management • Funding instruments • Capital management • Capital instruments • Foreign exchange management • Tax risk management

Pillar 1 and Pillar 2 risks

- Credit risk
- Interest rate risk in the banking book
- Liquidity risk
- Structural foreign exchange risk
- Insurance risk
- Traded market risk
- Counterparty credit risk
- Equity investment risk
- Operational risk (including IT and cyber risk)

Other risks

- Strategic, business, reputational, model, environmental and social, tax, compliance and conduct, climate and step-in risks

* *SOEs = state-owned enterprises.*

** *Mobile virtual network operator.*

Value-added products and services.

Group risk profile

The following table provides a high-level overview of the group's risk profile in relation to its quantitative return and risk appetite measures. For further details of the group's financial performance, refer to the FirstRand analysis of financial results for the year ended 30 June 2024 at https://www.firstrand.co.za/investors/integrated-reporting-hub/financial-reporting/.

	Year ended 30 June 2024	Key performance and risk measures	Year under review
GROWTH AND RETURNS	**Normalised ROE**		Given the quality of the group's customer-facing franchises, the consistent approach to new business origination and ongoing discipline in the allocation of financial resources, FirstRand delivered a strong operational performance, particularly evident in the second six months of the financial year. This performance enabled the group to absorb the impact of a R3.0 billion (£127.4 million) pre-tax accounting provision relating to the previously disclosed ongoing investigation by the UK's Financial Conduct Authority (FCA) with regards to dealer commissions in the motor finance sector. In addition c. R300 million (£12.7 million) of legal and professional fees were incurred in relation to the investigation. The total pre-tax impact of these two items relating to the UK motor commission matter is R3.3 billion (£140.1 million). Despite this impact, normalised earnings increased 4% and the group delivered a normalised ROE of 20.1% (which remains well within the group's stated range of 18% to 22%), R10 billion of net income after cost of capital and net asset value (NAV) growth of 8%.
	20.1% 2023: 21.1%*	Long-term target range **18% – 22%**	
	Normalised earnings growth **4%** 2023: 12%	**Normalised earnings growth** Long-term target **Real GDP growth plus CPI plus (>0% – 3%)**	
SOLVENCY**	**CET1**		The group reported strong capital and leverage ratios in excess of regulatory minimums and internal targets. The group's internal targets for CET1, Tier 1 and total capital remained unchanged, and will be revised following the finalisation of the positive cycle-neutral countercyclical buffer (CCyB) add-on. There is ongoing focus on optimising the overall level and mix of capital across the group and its regulated subsidiaries. The bank has issued a combination of Additional Tier 1 (AT1) and Tier 2 instruments to ensure sustainable support for ongoing growth initiatives and redemption of existing capital instruments.
	13.5% 2023: 13.2%	Target **11.0% – 12.0%**	
	Tier 1		
	14.4% 2023: 13.8%	Target **>12.0%**	
	Capital adequacy		
	16.1% 2023: 15.6%	Target **>14.75%**	
	Leverage		
	8.2% 2023: 7.8%	Target **>5.5%**	
LIQUIDITY#	**LCR**		The group exceeded the minimum liquidity coverage ratio (LCR), with an average LCR of 118% over the quarter ended 30 June 2024. At 30 June 2024, the group's average available high-quality liquid asset (HQLA) holdings amounted to R449 billion.
	118% 2023: 124%	Minimum regulatory requirement: **100%**	
	NSFR		The group exceeded the 100% minimum requirement with a net stable funding ratio (NSFR) of 120% at 30 June 2024.
	120% 2023: 121%	Minimum regulatory requirement: **100%**	

* *On 1 July 2022 the group adopted IFRS 17 and applied the requirements retrospectively, therefore the normalised ROE was restated.*

** *Ratios include unappropriated profits.*

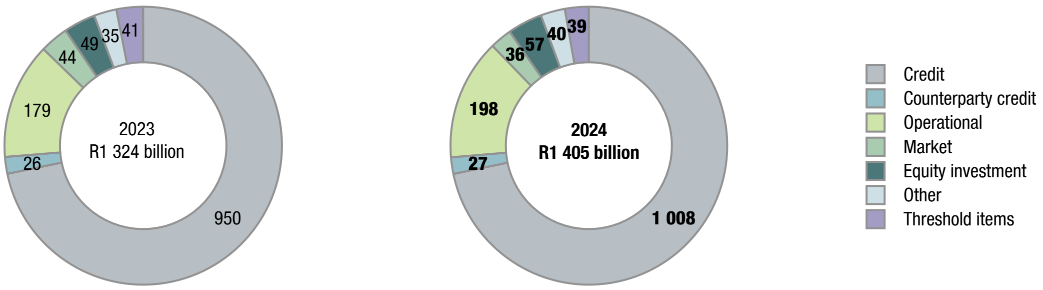
Ratios include all registered banks and foreign branches in the group.

	Year ended 30 June 2024	Key performance and risk measures	Year under review
EXPOSURES PER RISK TYPE	**Credit risk**	**NPLs as a % of core lending advances** **4.25%** 2023: 3.80%	The overall credit performance continued to trend slightly better than FirstRand's initial through-the-cycle (TTC) expectations at 81bps, and is a direct outcome of the group's origination approach in SA and broader Africa.
		Credit loss ratio* **81 bps** (including UK operations) 2023: 78 bps **109 bps** (excluding UK operations) 2023: 84 bps **Long-run average** **80 – 110 bps**	Additional benefit emanated from the improving credit experience in the UK operations, including the completion of the notice of sums in arrears (NOSIA) remediation, and which resulted in a R1.08 billion (£46 million) release of credit provisions and provided a 7 bps benefit to the group credit loss ratio. Excluding the benefit of the NOSIA provision release, the group CLR is still below the mid point of its TTC range. This is a positive outcome given the higher-for-longer rate cycle.
	Market risk	**10-day ETL** **R656 million** 2023: R465 million	The group's increase in overall expected tail loss (ETL) exposure stemmed from activity in foreign exchange and interest rate asset classes in response to emerging market developments impacting currency strength and muted economic growth.
	Equity investment risk	**Equity investment carrying value as % of Tier 1**** **9.5%** 2023: 9.6%	The year was characterised by a number of smaller realisations in the portfolio and further acquisitions as the RMB private equity team focused on the deployment of capital. The private equity portfolio remains resilient despite the challenging macros, which was evidenced by an increase in market value and unrealised reserves. The unrealised value of the portfolio as at 30 June 2024 was R6.6 billion (2023: R5.7 billion). The slight year-on-year reduction in the carrying value as a percentage of Tier 1 capital was due to a higher increase in capital as compared to the exposure value.
	Interest rate risk in the banking book (IRRBB)	**Net interest income (NII) sensitivity** **Parallel down shock** **-R3.45 billion** 2023: -R3.25 billion **Parallel up shock** **R2.71 billion** 2023: R2.76 billion	The group's average endowment book (excluding UK operations) was R362 billion. The banking book regulatory assumptions have been applied on a behavioural basis and assume: • demand deposits will behave according to modelled expectations; • there is no management action in response to interest rate movements; and • an instantaneous, sustained parallel increase/decrease in interest rates will take place.

* *As a percentage of core lending advances.*
** *Excluding unappropriated profits.*

The group's risk-weighted assets (RWA) distribution shows that credit risk and operational risk remain the most significant contributors to the group's overall risk profile.

Group RWA analysis
R billion



Bank risk profile

The table below provides a high-level overview of the bank's risk profile in relation to its quantitative return and risk appetite measures.

The bank's normalised earnings were driven by good topline growth, reflecting resilient new business origination in most of the large lending portfolios. The bank's transactional franchise, measured by customer growth and volumes, supported higher deposits and fee and commission income. This was offset by 8% growth in operating expenses given the cost associated with the UK motor commission matter, and a 48% increase in the impairment charge due to book growth and the constrained macroeconomic environment. The bank delivered a normalised ROE of 22.6%.

		Year ended 30 June 2024	Key performance and risk measures
SOLVENCY*	CET1	**12.4%** 2023: 12.6%	Target **11.0% – 12.0%**
	Tier 1	**13.6%** 2023: 13.5%	Target **>12.0%**
	Capital adequacy	**15.6%** 2023: 15.4%	Target **>14.25%**
	Leverage	**6.9%** 2023: 6.6%	Target **>5.5%**
LIQUIDITY**	LCR	**121%** 2023: 129%	Minimum regulatory requirement: **100%**
	NSFR	**116%** 2023: 120%	Minimum regulatory requirement: **100%**

* *Ratios for FRB including foreign branches and unappropriated profits.*

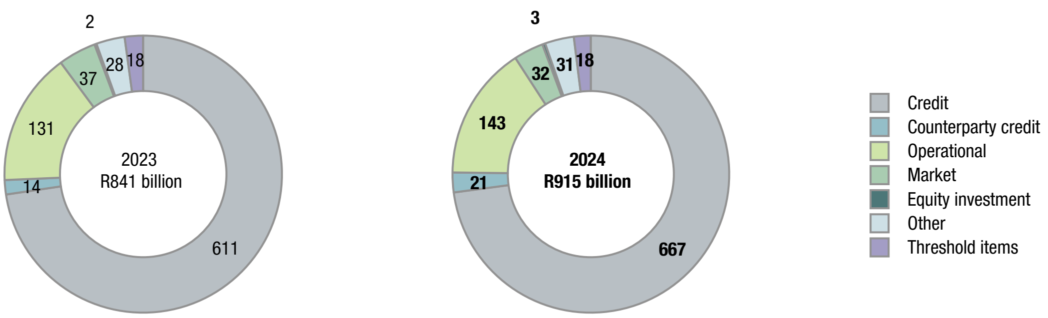
** *Ratios for FRBSA.*

	Year ended 30 June 2024	Key performance and risk measures
EXPOSURES PER RISK TYPE	**Credit risk**	**NPLs as a % of core lending advances** **4.58%** 2023: 4.28%
		Credit loss ratio* **116 bps** 2023: 87 bps
	Market risk	**10-day ETL** **R527 million** 2023: R457 million
	Interest rate risk in the banking book	**NII sensitivity** **Parallel down shock** **-R2.16 billion** 2023: -R2.20 billion **Parallel up shock** **R1.80 billion** 2023: R1.93 billion

* *As a percentage of core lending advances.*

The bank's RWA distribution shows that credit risk and operational risk remain the most significant contributors to the bank's overall risk profile.

FRB RWA analysis
R billion



Risk management approach

FirstRand believes that the effective management of risk, and disciplined allocation of financial resources, including risk capacity, underpins the delivery of sustainable returns and earnings growth to shareholders. These disciplines are therefore deeply embedded in the group's tactical and strategic decision-making.

The group believes a strong balance sheet and resilient earnings streams are key to sustainability. FirstRand's businesses have consistently executed on a set of strategies which are aligned to group financial resource management (FRM) principles and frameworks designed to ensure earnings resilience and growth, superior returns, balance sheet strength, an appropriate risk-return profile and an acceptable level of earnings volatility under adverse conditions. These deliverables are underpinned by core central frameworks to ensure financial discipline, and incorporate performance metrics, risk appetite and FRM into long-term strategic planning and tactical decision-making. These frameworks are outlined in the table below.

Risk-return framework	FRM executive committee terms of reference	Performance measurement framework	Risk appetite framework	Risk management framework
• Outlines quantitative return and growth targets and links to risk appetite thresholds to balance the trade-off between returns, growth and risk in decision-making. • Links group strategy to the allocation of risk capacity, resource management and risk appetite through the quantification of top-of-the-house earnings volatility limits.	• Ensure delivery on commitments to stakeholders at a defined confidence level. • Execute sustainable funding and liquidity strategies. • Protect credit ratings. • Ensure the group remains appropriately capitalised with an efficient capital structure with appropriate/ conservative gearing. • Ensure discipline in the allocation and pricing of financial resources. • Preserve balance sheet strength to be able to absorb shocks through the cycle.	• Drives economic value creation, which is defined as NIACC, the group's key performance measure. • Measures business delivery on a risk adjusted basis. • Cascades group targets to business activities.	• Articulates the types of risk and the level of risk that the group is willing to accept to achieve its strategic goals. • Articulates risk appetite statements, risk limits and earnings volatility assessment approaches per material risk type. • Ensures appropriate behaviour and conduct through qualitative risk appetite principles designed to support a strong risk culture across the group.	• Ensures material risks are identified, measured, monitored, mitigated and reported. • Assesses the impact of the cycle on the group's portfolio. • Ensures risk is understood and appropriately priced for. • Ensures origination within cycle-appropriate risk appetite and volatility parameters.

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

Risk taking is an essential part of the group's business and the group explicitly recognises core risk competencies as a key differentiator and competitive advantage. These core risk competencies include identifying, assessing, measuring, monitoring and managing risk, and are integrated in all management functions and business areas across the group.

The risk management process provides the checks and balances necessary to ensure sustainability and performance, identify opportunities, achieve desired objectives, and avoid adverse outcomes.

A business can profit from taking risks but will only generate an acceptable profit commensurate with the associated risk if these risks are properly managed and controlled. The group's aim is not to eliminate risk, but to achieve an appropriate balance between risk and reward. This balance requires the control of risk at the level of individual exposures, at portfolio level and across all risk types and activities, through the application of the risk-return and risk appetite frameworks. The group's risk-return and risk appetite frameworks enable organisational decision-making and are aligned with FirstRand's strategic objectives. Refer to page 24 for more detail on the group's risk-return and risk appetite frameworks.

CORE RISK COMPETENCIES AND PRINCIPAL RISKS

The following table illustrates the core competencies that form part of the group's risk management processes across key risk types and components.

Risk limits for all risk types are integral to risk management and instrumental in containing risk taking to within appetite. Qualitative risk appetite principles are designed to support a strong risk culture in the group and provide a foundation to ensure appropriate behaviour and conduct. The risks, roles and responsibilities of the various stakeholders across business, support and control functions are described in the group's risk management framework.

Core competencies

Qualitative risk appetite principles

- Identification
- Assessment
- Measurement
- Monitoring
- Management

Principal risks	Supporting risks
Liquidity risk	• Funding liquidity risk • Market liquidity risk
Credit risk	• Settlement risk • Country risk • Credit default risk • Concentration risk • Securitisation risk • Large exposure risk
Counterparty credit risk	• Pre-settlement risk
Traded market risk	• Interest rate risk in the trading book • Traded equity and credit risk • Foreign exchange risk • Commodity risk
Non-traded market risk	• Interest rate risk in the banking book • Structural foreign exchange risk
Equity investment risk	• Price risk • Equity investment liquidity risk
Climate risk	• Physical risk • Transition risk
Operational risk (including information technology (IT) and cyber risk)	• Internal and external fraud risk • People risk • Information technology risk • Information risk • Legal risk • Business resilience risk • Process risk • Cyber risk • Third-party risk • Data risk • Payment risk
Compliance and conduct risk	• Compliance risk • Conduct risk • Financial crime risk
Other risks	• Insurance risk • Model risk • Tax risk • Strategic risk • Business risk: – Margin and volume changes – Expansion activities • Environmental and social risk: – Social risk – Nature and biodiversity risks • Step-in risk • Reputational risk • Capital risk

Risk governance

The group believes that effective risk management must be supported by effective governance structures, robust policy frameworks and an appropriate risk-sensitive culture. This ensures that risk considerations are embedded in business processes and that consistent standards exist across the group. In line with the group's corporate governance framework, the board retains ultimate responsibility for providing strategic direction, approving risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on.

Risk governance framework

The group's risk management framework defines FirstRand's risk management structure and approach to risk management. Effective risk management requires multiple points of control or safeguards that should be applied consistently at various levels throughout the organisation. The group's risk management framework recognises three lines of defence across the group's operations, as illustrated in the diagram below.

LINES OF RISK DEFENCE

First line of defence

RISK OWNERSHIP
Risk inherent in business activities – risk identification, measurement and control

Group executive management

Segment/operating business executive management

Business unit heads/management

Group Treasury
Supports business owners, the board and the strategic executive committee

Deployed business unit risk and compliance managers
- Involved in frontline risk decisions
- Represented at business executive committees

FIRSTRAND STRATEGIC EXECUTIVE COMMITTEE
- FRM EXCO
- SUSTAINABILITY AND GOVERNANCE EXCO
- PLATFORM EXCO
- HUMAN CAPITAL LEADERSHIP FORUM
- BROADER AFRICA EXCO

Segment/operating business executive committees

Second line of defence

RISK CONTROL
Risk control, assurance, independent oversight and monitoring

Central functions

Group Chief Risk Officer (CRO)
Member of strategic executive committee

Group Risk/Enterprise Risk Management (ERM)
Group risk heads
Independent oversight and monitoring
ERM reports to group CRO

Group Compliance
Chief Compliance Officer is represented on the sustainability and governance executive committee

Insurance control functions
Heads report to FNB Life CEO, group CRO and Chief Compliance Officer

Deployed functions

Segment CROs
Report to segment CEOs and group CRO

Segment/operating business central risk management functions
Independent oversight and monitoring
Support segment/operating business CROs

Third line of defence

INDEPENDENT ASSURANCE
Adequacy and effectiveness of internal control, governance and risk management

Group Internal Audit (GIA)
Headed by Chief Audit Executive with direct, unrestricted access to audit committee chairman, group CEO, businesses, records, property and personnel

External audit

Risk governance structure

The risk governance and management structure is set out in the group's risk management framework. As a policy of the board, the group risk management framework delineates the roles and responsibilities of key stakeholders in business, support and control functions across the group.

The primary board committee overseeing these risk matters is the FirstRand RCCC, which in turn delegates responsibility for a number of specialist topics and key risk types to various risk subcommittees.

The RCCC and its delegated subcommittees represent the group's risk governance structure with appropriate decision-making mandates. Segment/operating business risk and governance committees support the RCCC by:

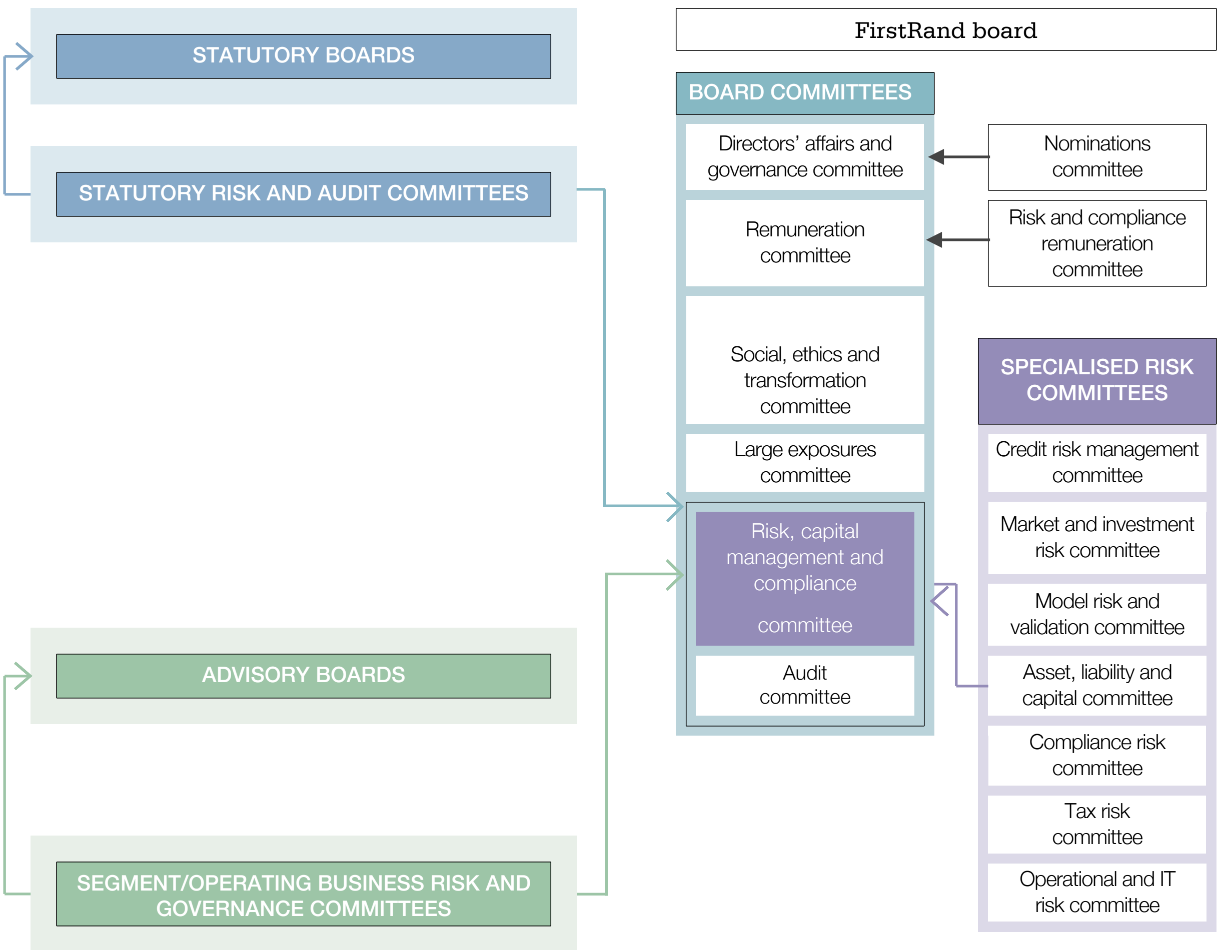
- providing executive risk oversight for segment CEOs and CROs from a risk and governance perspective; and
- providing a systematic screening mechanism to filter and escalate material risk concerns into the RCCC and its delegated subcommittees.

Non-executive directors are members of the group and segment/operating business risk and governance committees as independent contributors of specialist oversight and specialised knowledge where required, e.g. model validation, cyber risk and climate risk. Further support is provided by additional specialist risk committees, including the investment management, insurance and broader Africa risk committees. Statutory risk and audit committees exist where there are separate legal entity or jurisdiction requirements, e.g. Aldermore and FRIMHL. These committees report to the relevant statutory boards.

There are also additional board committees with clearly defined responsibilities. These committees comprise members of segment/operating business advisory boards and audit and risk committees to ensure a common understanding of the challenges that businesses face and how these are addressed. The group strategic executive committee ensures alignment of business strategies and the implementation of the risk-return and risk appetite frameworks, and the optimal deployment of the group's resources.

Further details on the roles and responsibilities of the RCCC and its subcommittees relating to each risk type are provided in the major risk sections of this report. The following diagram illustrates how the risk committees fit into the board risk committee structure and the risk coverage of each committee.

RISK GOVERNANCE STRUCTURE



BOARD COMMITTEE RESPONSIBILITIES

Committee	Responsibilities
Audit committee	• Assists the board with its duties relating to the safeguarding of assets, the implementation of adequate financial reporting systems and internal financial controls, and the assessment of going-concern status. • Reviews the quality, independence and effectiveness of the statutory audit work performed by the external auditors. • Ensures the application of a combined assurance model to provide a coordinated approach to assurance activities through GIA, external audit, group compliance, group risk and other internal control functions. • Provides independent oversight of financial risks and internal financial controls, including risks relating to the validity, integrity, accuracy and completeness of financial information and annual financial statements provided to shareholders and other stakeholders. • Assesses the adequacy and effectiveness of the group's internal financial control environment, accounting policies and the financial reporting control framework. • Ensures the effectiveness of the group's processes regarding compliance with applicable legal and regulatory requirements related to financial reporting.
RCCC	• Approves group risk management policies, frameworks, strategies and processes, including its subcommittees' terms of reference and memberships. • Delegates the approval of risk-type frameworks and policies to the RCCC subcommittees. • Monitors management and containment of risk exposures within the risk-return, risk appetite and group risk management frameworks. • Monitors the implementation of risk and compliance management approaches and processes, and the effectiveness of the management of existing and emerging risks. • Approves, ratifies and monitors corrective risk related initiatives by management. • Monitors that the group takes appropriate action to manage its compliance, conduct and prudential risks, and complies with applicable laws, regulations, rules, codes and standards. • Delegates and monitors the approval of regulatory capital models, risk and capital targets, limits and thresholds. • Monitors capital adequacy and ensures that a sound capital management process exists. • Reports on assessments of the adequacy and effectiveness of risk appetite and risk management processes, BCBS 239, the group's internal capital adequacy assessment process (ICAAP), the recovery plan and compliance and information governance processes. • Oversees the group's climate risk management programme and approves the climate-related disclosure jointly with the group social, ethics and transformation committee (Setcom).
Large exposures committee	• Reviews and declines or approves new applications for and/or renewals of investments, advances or other credit instruments in excess of 10% of the group's qualifying Tier 1 capital and reserves. • Reviews and declines or approves transactions with a related party and the write-off of any related party exposure exceeding 1% of the group's qualifying CET1 capital and reserve funds. • Reviews and declines or approves new applications and/or renewals outside the mandate of the wholesale credit approval committee. • Delegates the mandate for declining or approving non-large exposure group and individual facilities to the wholesale credit approval committee, the commercial credit approval committee and the retail credit policy and risk appetite approval committee, as appropriate. • Ensures that for large exposures: – credit activities are conducted within the risk strategy, policies and tolerances approved by the board; – the group operates within sound and well-defined credit-granting criteria; – all extensions of credit are made on an arm's length basis; – senior management is fully capable of managing the credit activities conducted by FirstRand; – credit activities are subject to adequate internal controls and appropriate internal audit coverage; and – the group has adequate capital for the risks that it assumes. • Monitors large exposures on an ongoing basis and performs periodic reviews of the credit portfolio and regulatory returns detailing information of the 20 largest exposures.

RESPONSIBILITIES OF RCCC SUBCOMMITTEES

RCCC subcommittee	Responsibilities
Credit risk management committee	• Approves the group's credit risk management framework and related credit risk policies. • Monitors quality of the in-force book and new business origination in terms of FirstRand's view of the credit economic outlook. • Ensures the uniform interpretation of the credit regulatory requirements and the acceptable standard of credit reporting. • Initiates and monitors corrective actions, where required. • Reviews and sets the group's credit risk appetite statement and monitors compliance thereof, approves prudential limits and monitors performance relative to prudential limits and segment risk limits. • Reviews, debates and approves results of credit loss forecasting, scenario analysis, stress testing and economic capital (EC) utilisation. • Monitors and measures the group's credit climate risk exposure. • Monitors the group's ongoing compliance with the principles and requirements stipulated in the group's risk data aggregation and reporting requirements (RDARR) framework for credit risk in line with the requirements of BCBS 239. • Oversees the credit Banks Act returns and the implementation of Basel III reforms.
Market and investment risk committee (MIRC) • Traded market risk • Equity investment risk • Counterparty credit risk	• Approves market, investment and counterparty credit risk management frameworks, policies, standards and processes. • Monitors the market, investment and counterparty credit risk profile, the effectiveness of related risk management processes, and the implementation of corrective action, where required. • Approves and monitors market, investment and counterparty credit risk appetite and limits. • Monitors the group's ongoing compliance with the principles and requirements stipulated in the group's RDARR framework for market, counterparty and investment risk, in line with the requirements of BCBS 239.
Model risk and validation committee (MRVC)	• Approves model risk management frameworks, policies and standards as well as model risk appetite. • Considers and approves all material aspects of model governance and validation processes, including but not limited to those processes related to credit risk rating and estimation, internal models for market risk and advanced measurement operational risk models. • Monitors the group's model risk profile, including ensuring that models are within risk tolerance. • Monitors material model risk issues and associated corrective actions.
Asset, liability and capital committee (ALCCO) • Liquidity risk and funding • Capital management • IRRBB • Structural foreign exchange risk	• Approves and monitors the effectiveness of management policies; assumptions, limits and processes for liquidity risk and funding, capital and non-traded market risk. • Approves and monitors the group's asset-liability management (ALM) risk appetite. • Monitors the group's funding management. • Monitors capital management, including the level, composition, supply and demand of capital and capital adequacy ratios. • Approves frameworks and policies relating to internal funds transfer pricing for the group. • Provides oversight of balance sheet management.

RCCC subcommittee	Responsibilities
Compliance risk committee	• Approves compliance risk management frameworks, coverage plans, and related risk management policies, standards and governance arrangements. • Monitors the effectiveness of compliance risk management across the group and initiates corrective action where required. • Monitors compliance with the regulations and supervisory requirements relating to banks. • Reviews matters relating to the financial crime, market conduct, prudential compliance, privacy and general compliance subrisk types, as well as any other matter relating to compliance.
Tax risk committee	• Approves and monitors tax strategy and tax risk appetite. • Approves tax risk management frameworks and policies. • Monitors tax risk assessments, risk profiles, compliance tax risk, concentration tax risk and information governance relating to tax risk data. • Escalates relevant risk items to the RCCC.
Operational and IT risk committee	• Monitors the effectiveness of the implementation and oversight of operational and IT risk (including cyber risk) management. • Initiates, when appropriate, actions, instructions and recommendations to improve the overall status of operational and IT (including cyber) risk. • Delegates to the specialist risk type management forums the authority to draft and approve frameworks and policies within their mandates, in accordance with the delegation framework as set out in the operational risk management framework. Oversees the maintenance of an independent operational and IT risk management function, which is appropriately staffed. • Approves, where appropriate, operational and IT risk appetites and risk management frameworks, policies and specialist risk type management forum terms of reference in respect of operational and IT risk. • Receives and monitors operational and IT risk profiles for the group. Monitors specialist risk type profiles and escalations, as contained in the operational and IT risk profile reports. Receives and reviews reports from specialist risk type management forums, evidencing monitoring and containment of risk exposures within the risk type risk appetite statements and board risk limits. • Ensures that operational and IT risk reports include the current status of agreed management actions. Discloses to FirstRand operational and IT risk committee and RCCC any risk data limitations that prevent full operational and IT risk data aggregation and risk reporting.

Combined assurance

The group has a mature combined assurance forum, which primarily assists the audit committee in discharging its responsibilities concerning the integration, coordination and alignment of the various risk management and assurance activities within the group. The combined assurance forum is supported by segment/operating business unit level structures to deliver appropriate assurance on top-of-mind risks. Assurance providers in this model include GIA, senior management, ERM supported by segment risk teams, Group Compliance and the external auditors.

The group applies a consistent methodology to govern independent oversight, review, validation and audits performed by the respective assurance providers to ensure a high standard in the operational processes of the group's risk and assurance functions. Combined assurance is firmly embedded across the group and drives consistent reporting to relevant governance committees.

Good progress has been achieved in enhancing the combined assurance processes to ensure greater efficiency through reducing duplication, optimising the use of available resources and promoting collaboration across all assurance providers. Through the implementation of coordinated assurance plans, a comprehensive risk-based assurance coverage of key risk themes and control areas is achieved. In addition, the combined assurance forum enhances the identification and awareness of emerging risks across the group.

Risk information reporting

Process of risk reporting

The group's robust and transparent risk-reporting process enables key stakeholders (including the board and senior executives) to get an accurate, complete and reliable view of the group's financial and non-financial risk profile, and enables management to make appropriate strategic and business decisions.

Reporting of risk information follows the governance structure illustrated on page 15. Specialist risk committees and segment/operating business risk and compliance committees report to the RCCC and its subcommittees. Relevant executive committees receive reports on the risk profile, material risk exposures, risk-adjusted business performance and key risk issues. The RCCC submits reports to the board and highlights control issues to the audit committee.

Regular risk reporting enables the board, senior management, the RCCC and relevant subcommittees to evaluate and understand the level and trend of material risk exposures and their impact on the group's capital position, and to make timely adjustments to the group's future capital and strategic plans.

The RCCC submits reports to the board on:

- the macroeconomic house view, emerging external risks likely to affect the group and top-of-mind internal risks;
- the group's risk profile, significant issues, key risk exposures, risk rating trends, risk appetite principles and board risk limits;
- the effectiveness of corporate governance, risk management, capital management and capital adequacy;
- the level of compliance or non-compliance with laws, regulations and supervisory requirements;
- material internal control or regulatory malfunctions;
- contravention of codes of conduct, personal trading or unethical behaviour; and
- limits, authorities and delegations granted to the RCCC.

GIA provides a written assessment of the adequacy and effectiveness of the system of internal controls (including financial controls) and risk management to the audit committee. This enables the board to report on the effectiveness of the system of internal controls in the annual financial statements.

Scope and content of risk reporting

Risk reports to the board, board risk committees, segment/operating business risk committees and senior management include the following:

- risk exposure and risk-adjusted business performance;
- feedback on implementation and monitoring of risk management processes;
- comparison of risk management performance against risk appetite, limits and indicators;
- periodical reviews of progress against and deviations from the risk management plan;
- changes in the external or internal environment and their potential impact on the group's risk profile;
- the impact of climate change on the risk profile of the group;
- an assessment of whether risk responses are effective and efficient in design and operation;
- tracking of the implementation of risk responses;
- analysis and lessons learned from significant audit findings, changes, trends, successes, failures and events; and
- the identification of emerging risks.

As part of the reporting, interrogation and control processes, ERM drives the implementation of more sophisticated risk assessment methodologies through the design of appropriate policies and processes, including the deployment of skilled risk management personnel in every business.

ERM ensures (and GIA provides periodic assurance) that all policies, processes and systems are adequately designed and effectively implemented for pertinent risk information to be accurately captured, evaluated and escalated appropriately and timeously. This forms part of risk maturity assessments of which outcomes are shared with relevant RCCC subcommittees. This enables the board and its designated committees to retain effective control over the group's risk position.

Risk data aggregation and risk reporting

BCBS 239 was published in January 2013, setting out principles to strengthen banks' risk data aggregation capabilities and internal risk reporting practices. In turn, effective implementation of the principles is expected to enhance banks' risk management and decision-making processes. Domestic systemically important banks (D-SIBs) were required to comply with the principles by 1 January 2017.

BCBS 239 introduces key information management principles into regulation and these have been incorporated into the group's information governance and risk management frameworks as required.

FirstRand regards data as a strategic asset and, as such, the implementation of RDARR requirements is considered foundational to the group's data journey. The data strategy is designed through the lens of risk and data capabilities and in support of the group's integrated data architecture. Risk data governance has been incorporated into the overall risk management framework, supported by a culture of accountability for data set by executive management.

FirstRand met the RDARR compliance requirements for the group's principle risk types in December 2022 and has maintained compliance for the year ended 30 June 2024.

A programme is in place at Aldermore to implement RDARR requirements within the agreed compliance timelines, and regular updates are provided to the PA.

FirstRand's implementation of BCBS 239 resulted in enhanced risk management and decision-making processes, as well as risk data maturity. Focus has shifted from remediation of compliance gaps to maintaining compliance.

Risk culture

The group recognises that effective risk management requires an appropriate risk culture (attitudes towards risk management). Significant determinants are ethical leadership, flow of information, reporting integrity and treating customers fairly.

The group's risk culture supports effective risk management and controls. It ensures appropriate levels of responsibility and ownership for risk management throughout the group. There are clear and robust mechanisms for ensuring that each of the three lines of defence (risk ownership, risk control and independent assurance) discharge their functions fully.

In support of a sound risk culture, the group manages ethics and risk culture programmes with appropriate levels of advocacy, employee training and communication to ensure responsible conduct and positive risk management outcomes. Programmes include the assessment of risk culture, oversight of client desirability and related reviews, the management of whistle-blowing and conflicts of interest, and other risk culture monitoring mechanisms. In the year under review the group's risk culture has been further strengthened by:

- enhanced whistle-blowing and declaration of interest monitoring, enabled by digital platforms;
- regular and formal assessments of risk culture and risk maturity across key segments and business lines throughout the group;
- leveraging digital technologies to enhance risk and compliance protocols, policies and better surface insights and strategic themes;
- better collaboration to improve the management of ethical matters; and
- the establishment and scoping of a dedicated human rights programme.

The group's risk culture is underpinned by the following:

- a deep understanding of the risks that are faced by the business in support of its strategy and the embedment of an ethical culture within the organisation that is linked to the overarching FirstRand code of ethics;
- robust risk governance structures to ensure that risk policy frameworks are visible and implemented, with appropriate supporting committee structures;
- best-practice risk identification, measurement, monitoring, management and reporting; and
- an organisational culture which supports appropriate ethics practices and risk management goals, and which ensures accountability for performance.

The group has established clear parameters to assess its risk culture rating, as outlined in the following diagram.

RISK CULTURE ASSESSMENT FRAMEWORK

Themes

Ethical and competent leadership	**Accurate and timely flow of information with appropriate disclosure**	**Ethical customers and the ethical treatment of customers**

Parameters	Activities
Tone from the top	• Ensuring an ethical and competent leadership pipeline – recruitment, promotion and dismissal • Developing management structures and forums that encourage openness
Setting risk goals	• Ensuring that risk management goals, policies and standards are set and communicated effectively • Ensuring that ethics and accountability for operating within risk management parameters are considered to be as important as efficiency, innovation and profit
Providing resources and sound platforms	• Applying fit-and-proper tests for key risk roles • Embedding risk controls in business platforms
Aligning measurement and rewards	• Ensuring accurate and relevant performance metrics

Risk measurement approaches

The following approaches are adopted by the group for the calculation of RWA.

Risk type	FRBSA	PA implementation date for FirstRand	Remaining group subsidiaries and FRB branches
Credit risk	FRBSA and FRB London branch: The advanced internal ratings-based (AIRB) approach and the standardised approach for certain portfolios (where applicable)	FRBSA: January 2008 FRB London branch: June 2024	Standardised approach
Securitisations	Securitisation internal ratings-based approach (SEC-IRBA) and securitisation standardised approach (SEC-SA)	October 2022	SEC-SA
Counterparty credit risk	• Default risk: derivatives – standardised approach for measuring counterparty credit risk (SA-CCR) and AIRB approach • Default risk: Securities financing transactions (SFTs) – comprehensive approach and AIRB approach • Credit value adjustment (CVA) – SA-CCR and standardised approach for CVA	January 2021	• Default risk: derivatives – SA-CCR for exposure measurement and standardised approach for default risk • Default risk: SFTs – comprehensive approach for exposure measurement and standardised approach for default risk • CVA: SA-CCR and standardised approach for CVA
Traded market risk	• Internal model approach • Standardised approach for specific risk	July 2007	Standardised approach for market risk
Equity investment risk	Market-based approach: • Simple risk-weighted method Equity investments in funds: • Look-through approach (LTA) • Mandate-based approach (MBA) • Fall-back approach (FBA)	June 2011 January 2021	Market-based approach: • Simple risk-weighted method Equity investments in funds: • LTA • MBA • FBA
Operational risk	Advanced measurement approach (AMA)	January 2009	AMA, basic indicator approach (BIA) and the standardised approach for operational risk (TSA)
Other assets*	Standardised approach	January 2008	Standardised approach

* *Including RWA related to investments in financial, banking and insurance entities, as well as deferred tax assets relating to temporary differences, as per the threshold rules under Regulation 38(5).*

Credit risk

The calculation of credit RWA for the bank's domestic operations is based on internally developed quantitative models in line with the AIRB approach. The three credit risk measures, namely probability of default (PD), exposure at default (EAD) and loss given default (LGD), are used along with prescribed correlations, dependent on the asset class and estimates of maturity, where applicable, to derive credit RWA. The quantitative models also adhere to the AIRB requirements related to annual validation.

For the remaining entities, credit RWA is based on the standardised approach where regulatory risk weights are prescribed per asset class. Even though the remaining entities do not have regulatory approval to use the AIRB approach, internally developed quantitative models are used for internal assessment of credit risk.

Securitisations

A hierarchy of approaches is available to calculate the capital requirement for securitisation exposures. The prescribed hierarchy consists of three approaches: SEC-IRBA, securitisation external ratings-based approach (SEC-ERBA) and SEC-SA. The regulatory capital treatment for securitisations is based on the most conservative approach in order of the hierarchy, with 1) SEC-IRBA being the most conservative, followed by 2) SEC-ERBA and lastly 3) SEC-SA. Banks are expected to apply the most conservative approach, as is applicable to their portfolios, otherwise a fallback risk weight of 1 250% should be applied.

SEC-IRBA is used to calculate capital requirements if the bank has supervisory approval and sufficient information to determine the capital charge for the underlying exposures. SEC-ERBA is used to calculate capital requirements if the exposure has an external credit rating (or has an inferred rating), and the jurisdiction permits the use of external credit ratings for regulatory reporting purposes. SEC-SA uses more conservative calibration to calculate the capital requirements. The group has adopted the SEC-IRBA and SEC-SA approaches.

Counterparty credit risk

The current regulatory capital approach used to calculate EAD for derivative transactions is based on SA-CCR. This methodology is applied by allocating trades to margin/netting sets, which determine key features such as how exposure netting is applied, as well as specific unmargined or margined treatment. EAD is determined by measuring the replacement cost, i.e. current exposure net of collateral, combined with potential future exposure. Potential future exposure, in this regulatory context, is a simplified method to determine the variability in the future valuation of the applicable trades based on notional position and supervisory factors per asset class. Additionally, exposure reduction is considered for over-collateralised or far-out-of-the-money positions via an exposure multiplier.

Final EAD is quantified at a netting set level by summing the replacement cost and the net potential future exposure across margin sets, before finally scaling by an alpha factor of 1.4 and aggregating per counterparty.

The regulatory capital approach to calculate EAD of SFTs is based on the comprehensive approach with standardised supervisory haircuts. This approach considers a potential increase in the exposure, whilst applying a haircut to the collateral used to offset the exposure. The collateral offset is either applied at a transaction or a margin/netting set level, depending on the presence of a master netting agreement. The size of the supervisory haircut or exposure increase is dependent on the prescribed holding period for the transaction, which is in turn dependent on the type of underlying instrument, type of transaction, residual maturity and the frequency of margining.

Regulatory default risk RWA and capital for counterparty credit risk is based on the approved credit risk model approach, i.e. AIRB approach for domestic entities, using four primary inputs, namely EAD, effective maturity, LGD and PD. Similarly, for the remaining non-domestic entities, the regulatory default risk RWA is based on the standardised approach where regulatory risk weights are prescribed based on counterparty sector and rating. In addition, capital is held for CVA risk, limited to derivative transactions under the current regulatory regime. CVA refers to the fair value adjustment to reflect counterparty credit risk in the valuation of financial transactions. It is the mark-to-market adjustment required to account for credit quality deterioration experienced by a counterparty. CVA capital, for all domestic and foreign entities, is computed in accordance with the standardised method.

For domestic entities, the EC calculation for default risk capital is based on regulatory capital EAD with an applied internal default model, while for CVA as well as the remainder of the group entities for both default and CVA capital, regulatory capital serves as a proxy for EC.

Traded market risk

Regulatory capital for domestic trading units is based on the internal value-at-risk (VaR) model supplemented with a stressed VaR (sVaR). Both VaR and sVaR are calculated at the 99% confidence level, 10-day actual holding period level using 250 scenarios each. VaR is calculated using the last 260 trading days' data and sVaR using 260 trading days during a predefined static stress period (2008 – 2009). For internal risk reporting purposes, an expected shortfall methodology calculated at a 99% confidence level, 10-day actual holding period is used over the same periods as VaR and sVaR. One-day VaR calculations are also used as an additional tool in the assessment of market risk.

The group's subsidiaries in broader Africa and the bank's foreign branches are measured using the standardised approach for market risk regulatory capital. Internal stress loss methodology applies to broader Africa for internal measurement of risk. Capital is calculated for general market risk using the duration methodology.

In addition to general market risk, specific risk capital is held based on the regulatory building block method Basel III standardised approach for domestic trading units, the group's subsidiaries in broader Africa and the bank's foreign branches.

Equity investment risk

The simple risk-weighted method under the market-based approach (300% for listed equities or 400% for unlisted equities) is applied with the scaling factor for the quantification of RWA. In terms of Regulation 38, a specific risk weight is applied to qualifying investments in financial, banking and insurance entities (threshold rules). This is dependent on the size of the portfolio of the investments in relation to the group's qualifying CET1 capital. The full deduction method is applied to insurance entities, i.e. deduction of IFRS consolidated NAV and risk weighting of investment into insurance entity. Economic and regulatory capital calculations are augmented by regular stress tests of market values and underlying drivers of valuations, including assessments of stress resulting from portfolio concentrations.

Equity investments in funds are risk weighted using LTA, MBA or FBA, depending on the criteria met by the fund. For LTA, the underlying exposures in the funds are risk weighted as if those exposures were directly held by the group. For MBA, funds are risk weighted according to the fund's mandate or information obtained from other relevant fund disclosures. Where the fund mandate further permits the use of leverage and/or derivatives, RWA is adjusted to take these into account. FBA applies a 1 250% risk weighting, which is the maximum risk weighting permissible under either of the approaches.

Where price discovery is reliable, the risk of listed equity investments is measured based on a 90-day ETL calculated using RMB's internal market risk model for EC quantification. The ETL risk measure is supplemented by a measure of the specific (idiosyncratic) risk of the individual securities per the specific risk measurement methodology.

Operational risk

The group applies AMA for its domestic operations. Offshore subsidiaries and operations use TSA. All previously unregulated entities (prior to 2010) in FRIHL use BIA. FRIMHL and Aldermore also apply BIA. Under AMA, the group uses a sophisticated statistical model for the calculation of capital requirements, which enables more accurate, risk-based measures of capital for business units on this approach. Operational risk scenarios and internal loss data are used as direct inputs into this model, while risk and control assessments, key risk indicators and external data are used to inform the operational risk scenario analysis process. TSA and BIA capital calculations are based on a multiplication factor applied to gross income, as specified by Basel and PA regulations. No risk-based information is used in these capital calculations and allocations.

Other assets

The group applies the standardised approach to cash, investment property, property and equipment, accounts receivable and other assets. Deferred tax assets relating to temporary differences, and qualifying investments in financial, banking and insurance entities, are also included under other assets, and are risk weighted at 250% subject to the threshold rules as per Regulation 38.

Risk mitigation

The group is exposed to a number of risks inherent in its operations and uses a range of techniques and strategies to actively mitigate these risks.

Interest rate risk in the banking book

A change in interest rates impacts the group's short-term financial performance (earnings) and its long-term economic value. The internal funds transfer pricing process is used to transfer IRRBB from the operating businesses to Group Treasury. This process allows risk to be managed centrally and holistically, in line with the group's macroeconomic outlook.

Group Treasury is mandated by the board to manage the group's IRRBB and operates within a set of risk limits aligned to the group's risk appetite. The exposures against these limits are monitored daily, with oversight by Centre Risk Management and group ALCCO.

The two key drivers of IRRBB, the endowment effect and the fixed-rate book, are managed by Group Treasury through balance sheet optimisation or the use of financial market instruments.

Fixed-rate book	Interest rate risk from the net fixed-rate asset/liability position is managed to low levels, with residual risk stemming from timing mismatches, basis and reset risk.
Endowment effect	The endowment effect is the most significant driver of IRRBB because of the utilisation of large portfolios of low/non-rate liabilities to fund variable-rate assets. Consequently, the group's margins naturally expand in a rate-hiking cycle, but contract in a rate-cutting cycle. Group Treasury employs a variety of ALM strategies to manage endowment risk. It actively monitors the macroeconomic environment to assess inherent risk in each stage of the cycle and deploys various financial instruments to manage this risk and enhance earnings and economic value on a through-the-cycle basis. Only instruments with appropriate liquidity are utilised and, where possible, hedge accounting is applied to minimise accounting mismatches.

Credit risk

Managing credit risk is core to all lending activities, which are a material driver of earnings growth and return profile. The group therefore aims to optimise the amount of credit risk it takes to achieve its growth and return objectives. Mitigation of credit risk is an important component of this, beginning with the structuring and approval of facilities that fall within those parameters and within risk appetite.

Although in principle credit assessment focuses on the counterparty's ability to repay debt, credit mitigation instruments are used, where appropriate, to reduce the group's lending risk, resulting in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are determined by portfolio, product or counterparty type.

Credit risk mitigation (CRM) instruments

- Mortgage and instalment finance portfolios in FNB, WesBank and Aldermore are secured by the underlying assets financed.
- FNB and Aldermore commercial credit exposures are secured by the assets of small and medium-sized enterprise (SME) counterparties. Commercial property finance deals are secured by the underlying property and associated cash flows.
- Personal loans, overdrafts and credit card exposures are generally unsecured or secured by guarantees and sureties.
- For FNB and WesBank retail customers, life insurance and insurance against disability and retrenchment are prescribed, where applicable.
- Structured facilities in RMB are secured as part of the structure through financial or other collateral, including guarantees, credit derivative instruments and assets.
- Counterparty credit risk in RMB is mitigated through the use of netting agreements and financial collateral.
- Working capital facilities in RMB can be secured or unsecured.

The group employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained for collateral taken over the life of the transaction. Collateral is valued at inception of the credit agreement and subsequently, where necessary, through physical inspection or index valuation methods. For corporate and commercial counterparties, collateral is reassessed during the annual review of the counterparty's creditworthiness to ensure that proper title is retained. For mortgage portfolios, collateral is revalued on an ongoing basis using an index model, and physical inspection is performed at the beginning of the recovery process. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

Concentrations in CRM types, such as property, are monitored and managed at a product and segment level, in line with the requirements of the group credit risk appetite framework. Collateral is taken into account for capital calculation purposes through the determination of LGD. Collateral reduces LGD, and LGD levels are determined through statistical modelling techniques based on historical experience of the recovery processes.

Counterparty credit risk

The group uses various methods to mitigate potential exposure to certain counterparties. These include financial or other collateral in line with common credit risk practices, as well as netting agreements, guarantees and credit derivatives. In addition, the group has set up a function to clear over-the-counter (OTC) derivatives centrally as part of risk mitigation.

The group uses International Swaps and Derivatives Association (ISDA) Master Agreements and Global Master Repurchase Agreements for netting derivative transactions and repurchase transactions, respectively. These master agreements as well as associated credit support annexes (CSA) set out internationally accepted valuation and default covenants, which are evaluated and applied daily, including frequent margin calls based on the approved CSA thresholds and minimum transfer amounts.

The effectiveness of the hedges and mitigants in place are monitored through a combination of counterparty risk limits and market risk limits. The setting of these limits is in accordance with the wholesale credit risk framework and the market risk limit framework. The counterparty credit risk team in RMB Markets is the custodian of the policies that set collateral requirements for counterparties and portfolios. Business units are responsible for executing these policies and the RMB Business Resource Management desk is responsible for the overall management of the funding costs/benefits of the collateral. Client and portfolio exposures, concentrations and effectiveness of collateral and hedges are monitored on an ongoing basis via the relevant derivative risk committees and the monthly financial risk forum in RMB Markets.

Collateral, in the form of cash and/or cash equivalents, is the primary credit risk mitigant for counterparty credit risk. Collateral arises from margin arrangements, which are stipulated within netting agreements, and is also a function of providing market access to clients across certain business lines. The nature of the collateral determines its effectiveness in mitigation, where tradable and highly liquid collateral is preferable and will typically attract lower economic and regulatory haircuts.

Risk insurance

The group's insurance buying philosophy is to self-insure as much as is economically viable, in line with its risk appetite, and to only protect itself against catastrophic risks through the use of third-party insurers. The insurance programme includes, *inter alia*, cover for key insurable operational risk exposures such as professional indemnity, directors' and officers' liability, crime, cyber-liability, public and general liability, and property. The group does not consider insurance as a mitigant in the calculation of capital for operational risk purposes.

Risk return and risk appetite

The group's risk-return and risk appetite frameworks inform decision-making and are aligned to FirstRand's strategic objectives. Business and strategic decisions are aligned to risk-return and risk appetite targets and measures to ensure that these are met through the cycle. Constraints are also set for stressed conditions. At a business unit level, strategy and execution are influenced by the availability and price of financial resources, risk appetite thresholds, earnings volatility limits and required hurdle rates and targets.

The risk-return framework drives the discipline of balancing risk, return and sustainable growth across all portfolios and assists the group to achieve an optimal trade-off between its ability to take on risk, and the sustainability of the returns delivered to shareholders. The framework connects the group's performance targets, resource constraints and aggregated risk appetite statement, establishing a link between returns, growth and risk. Through the risk-return and FRM frameworks, the group sets quantitative measures, thresholds and targets which underpin its commitments to stakeholders.

The group risk appetite statement is outlined below. It is constrained ultimately by the group's risk capacity – informed by its size, capital structure, financial resources and expected risk-adjusted returns. As such, risk appetite is captured by a number of qualitative principles and quantitative measures. The qualitative principles are designed to drive a strong risk culture within the organisation in pursuit of strategic objectives. Risk appetite is approved by the board.

GROUP RISK APPETITE STATEMENT

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

The risk appetite framework, in conjunction with the risk-return framework, aims to ensure that the group maintains an appropriate balance between risk and reward. Return targets and risk appetite limits are set to ensure the group achieves its overall strategic objectives, namely to:

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

The group's long-term strategic objectives and financial targets frame its risk appetite in the context of risk, reward and growth. The targets contextualises the value the group expects to deliver to stakeholders under normal and stressed conditions for the direct and consequential risks assumed in the normal course of business.

Qualitative risk appetite principles

The group has implemented qualitative risk appetite principles that support the group's risk culture and drive appropriate behaviour and conduct. The quantitative measures (outlined on page 27) as well as the qualitative principles listed below are integral to the group's risk appetite.

1	Inculcate a sound risk culture across the group through aligned risk management beliefs and values. Do not take risk without a deep understanding of consequences for franchise value, profitability and risk to commitments to stakeholders. Adhere to escalation mandates for risk concerns. Openly debate to reach consensus.
2	Always act with a fiduciary mindset. Ensure honourable and ethical market, business and employee conduct in dealings with stakeholders. Treat customers and stakeholders fairly. Always aim to deliver excellent stakeholder outcomes.
3	Drive effective compliance with all accounting and regulatory requirements, legislation and corporate governance in its widest sense, including, amongst others, anti-money laundering (AML), anti-bribery and anti-corruption, and data privacy and protection measures.
4	Always consider and actively mitigate risks to the group's reputation.
5	Commit to creating shared prosperity and upholding sound environmental, social and governance (ESG) principles in all business activities to build a long-term sustainable business. Balance the needs of all stakeholders (investors, customers, society and employees).
6	Ensure that climate change risks (physical and transition) are prudently considered, understood and managed in both own operations and financing and investment activities.
7	Drive operational excellence and efficiency within a robust control environment.
8	Ensure appropriate allocation of all financial resources, including capital, funding, liquidity, risk appetite and capacity in support of portfolio optimisation. Explicitly manage trade-offs between risk, return, NIACC and growth.
9	Manage risk on a TTC basis, with an understanding of the cyclicality and behaviour of the business under stressed conditions and taking the lifetime risk profile of each transaction/customer into account. Manage risk appetite to ensure acceptable earnings volatility for the overall portfolio, as well as for each risk type and business segment.
10	Maintain a strong balance sheet which reflects prudence in funding, liquidity, capital, credit origination and provisioning strategies. Avoid excessive gearing through on- or off-balance sheet leverage. Avoid excessive concentrations in risky asset classes, sectors, instruments, segments and customer sets. Ensure the group's earnings mix remains appropriately diversified across segments, business lines, products, markets and regions.

The following diagram illustrates the processes to align risk and return metrics with the group's strategic objectives, commitments to stakeholders, performance measurement objectives and the management of financial resources.

GROUP RISK AND RETURN METRICS

The group's risk-return profile is monitored regularly using risk appetite limits, which are measured on a point-in-time and forward-looking basis. Business performance targets for ROE and NIACC are set to ensure delivery of appropriate sustainable risk-adjusted returns given financial resource utilisation. Principles are set to ensure these are appropriately captured in pricing.

Quantitative risk appetite measures

The following diagram outlines the long-term quantitative measures of the risk-return framework, supported by the risk appetite statements per risk type, risk limits and qualitative principles.

Quantitative measures

Normal cycle

Long-term performance targets	
Returns	ROE **18% – 22%**
Earnings growth	**Real GDP plus CPI plus (>0% – 3%)**

Resource objectives and constraints		
Solvency	Capital – CET1 **11% – 12%**	Basel III leverage **>5.5%**
Liquidity	**To exceed minimum regulatory requirements with appropriate buffers**	

FRB credit rating*
Equal to highest in SA banking industry

Stressed downturns

Limits are set for stress scenario CET1, leverage and liquidity ratios
Maximum earnings volatility threshold is set for a specified risk appetite event severity

Risk appetite statements and limits

Risk appetite statements per principal risk type

Risk limits and tolerances

* *Refers to a rating agency's measure of a bank's intrinsic creditworthiness before considering external factors.*

Application of the risk-return and risk appetite frameworks and risk limits

Risk appetite, targets and limits are used to monitor the group's risk-return profile on an ongoing basis and are measured point-in-time and on a forward-looking basis. Risk appetite influences business plans, risk-taking activities and strategies. The risk-return and risk appetite framework provides for a structured approach to define risk appetite, targets and limits that apply to each key resource, as well as the level of risk that can be assumed in this context. Overall appetite is embedded into targets and limits at risk type and, business, product and activity level. This ensures that the constraints the group imposes to ensure it will deliver on its commitments at a defined confidence level are inculcated across the portfolio. Risk management roles and responsibilities are outlined in the group risk management framework. The specific risk-type appetites are described in the applicable risk sections.

Financial resource management

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

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

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

The group's macroeconomic house view provides portfolio-wide context for budgeting, forecasting and business origination strategies. The house view focuses on the key macroeconomic variables that affect the group's financial performance and risk position.

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

The group's philosophy is that, in the longer term, as it diversifies, geographically foreign currency assets should be supported by foreign currency liabilities, primarily in the same jurisdiction.This is evidenced by the funding of MotoNovo by the savings platform of Aldermore Bank in the UK, as well as the utilisation of the RMB International Mauritius platform for the group's broader Africa foreign exchange exposures.

Stress testing and scenario planning

Stress testing and scenario planning serve a number of regulatory and internal business purposes. The group employs a comprehensive, consistent and integrated approach to stress testing and scenario analysis, evaluating the impact of various macroeconomic scenarios on the business and any requirement to adjust origination or other appropriate actions. More severe macroeconomic scenarios are run less frequently but are critical to determine or test capital buffers and other risk appetite measures, enhance capital and liquidity planning, validate existing quantitative risk models and improve the understanding of management actions/responses.

Stress tests are conducted throughout the group for all regulated entities and several unregulated legal entities. The various stress test processes are supported by a robust and holistic framework, underpinned by principles and sound governance, and aligned to best practice and regulatory requirements (where relevant).

Stress testing and scenario analysis provide the board and management with important insights into the group's future financial position, level of earnings volatility, risk profile and capital position. Results are used to challenge and review certain of the group's risk appetite measures, which, over time, influence the allocation of financial resources across businesses, also informing performance measurement.

From a regulatory perspective, stress testing and scenario analysis feed into the group's ICAAP and recovery plan. The ICAAP stress test is an enterprise-wide, macroeconomic stress test covering material risks that the group is exposed to. It typically covers a three-year horizon, with separate ICAAP submissions completed for the group's regulated banking entities. The macroeconomic scenarios range from a mild downturn to severe stress. In addition to macroeconomic scenarios, the group incorporates event risks and reverse stress test scenarios that highlight contagion between risk types. Techniques and methodologies range from multi-factor and regression analyses for macroeconomic stress tests to single-factor sensitivities and qualitative impact analysis for event risks and reverse stress tests.

The group's recovery plan builds on its ICAAP. The scenarios defined for ICAAP are extended and incorporate the following scenarios:

- systemic;
- idiosyncratic;
- fast-moving; and
- slow-moving.

The results of the ICAAP and recovery plan process are submitted to the PA annually and are key inputs into:

- determination of the capital buffer and targets;
- dividend proposals;
- the group's earnings volatility measures; and
- performance management requirements.

The group regularly runs additional *ad hoc* stress tests for both internal and regulatory purposes. Internally, risk-specific stress tests may utilise various techniques depending on the purpose (e.g. limit setting or risk identification).

These stress events and scenario analyses are not only focused on the downside impacts on earnings and capital, but generally allow the group to also assess its operational resilience. The process is further used to identify and deploy mitigating measures to support customers and the broader economy within the boundaries of prudential constraints.

The group continues to evolve its approach to incorporate climate change and related risks in stress testing and scenario analysis.

It is the SARB's intention to run a further climate stress test in the 2024 calender year. Similarly to the 2023 common stress and scenario analysis (CSST), the climate stress test will consist of both top-down and bottom-up assessments to assess the resilience of the banking sector to transition and physical risk, and evaluate the vulnerabilities of the sector's credit and market risk exposures in the event of certain climate risks materialising. Further information on climate risk scenarios is provided in the *Climate risk* section of this report.

Recovery and resolution regime

Financial Stability Board (FSB) member countries are required to have recovery and resolution plans in place for all systemically significant financial institutions as per the *Key Attributes of Effective Resolution Regime*s. The PA adopted this requirement and has, as part of the first phase, required D-SIBs to develop their own recovery plans. Improving the stability of the banking system by strengthening banks' ability to manage themselves through a potentially severe stress situation is of national importance. Guidance issued by the FSB and PA has been incorporated into the group's comprehensive recovery plan.

Recovery planning

The purpose of the recovery plan is to document how the group's board and management, including its operating businesses and key subsidiaries, namely FRB (including its foreign branches), Aldermore Group, FirstRand Namibia and FNB Botswana, will recover from a severe stress event/scenario that threatens commercial viability.

The recovery plan:

- analyses the potential for severe stress in the group or bank that could cause material disruption to the financial system;
- considers the type of stress event(s) that would be necessary to trigger its activation;
- analyses how the entity might potentially be affected by the event(s);
- considers how to limit the impact of the event(s) and reduce or prevent any negative contagion across the group;
- lists a menu of potential recovery actions available to the board and management to counteract the event(s); and
- assesses how the entity might recover from the event(s) as a result of those actions.

The recovery plan requires the group to perform an extensive self-assessment exercise to determine if there are any potential idiosyncratic vulnerabilities that it may be exposed to, and to then reconcile these exposures to its own risk mitigation, appetite and strategy. Strategies to optimise the balance sheet structure and preserve the group's critical functions to support recovery from a severe stress event with the least negative impact are considered. This process enables banks to better understand critical functions for customers and the financial system, as well as which assets are most marketable to facilitate recovery. Where inefficiencies are identified, these can be addressed to ensure the group is more streamlined, adaptable and resilient to stress.

FirstRand has submitted multiple annually revised versions of its recovery plan to the PA, most recently in December 2023.

Resolution framework

In line with its commitment to implement the key attributes and address the "too big to fail" principle, South Africa's National Treasury and the SARB jointly published a discussion paper, entitled *Strengthening South Africa's resolution framework for financial institutions* (the resolution paper) in August 2015. The proposals set out in the discussion paper were incorporated into the Financial Sector Laws Amendment Bill, 2018 (FSLAB) and tabled in Parliament in 2018. In January 2022, the President signed into law the Financial Sector Laws Amendment Act 23 of 2021 (FSLAA), which amends the Financial Sector Regulation Act 9 of 2017.

The objective of the FSLAA is to assist in maintaining financial stability by:

- making provision for the orderly resolution of designated institutions, which include all banks and non-bank systemically important financial institutions (SIFIs); and
- protecting depositors through the establishment of an explicit deposit insurance scheme to protect covered depositors in the event of a bank's failure.

A commencement schedule for the provisions of the FSLAA was published on 24 March 2023 and sets out the implementation dates for key elements of the resolution framework.

One of the pivotal provisions effected by the schedule was the designation of the SARB as the Resolution Authority (RA), effective 1 June 2023, and providing it with the necessary powers to operationalise an effective resolution regime and issue resolution standards. The RA has initiated the resolution planning process during the second half of 2023, by requesting the SIFI banks to complete different batches of resolution planning information templates. It is the expectation that these templates will evolve as the RA continues to engage with banks to support the development of the resolution planning process, and eventually final resolution standards.

To date the RA has released the following three standards relating to the resolution framework:

- Stays on early-termination rights and resolution moratoria on contracts of designated institutions in resolution.
- Transfers of assets and liabilities of a designated institution in resolution.
- Flac instrument requirements for designated institutions.

The Corporation for Deposit Insurance (CoDI) was created as a legal entity on 24 March 2023 and became fully operational in April 2024. FirstRand Bank made its first annual Deposit Insurance Scheme (DIS) levy and monthly premium payments, and paid the full fund liquidity loan balance to the CoDI in the month of April 2024. The bank has subsequently successfully settled the monthly premium and fund liquidity top-up invoices based on the actual covered deposit balance for each month thereafter. A detailed analysis of actual DIS costs incurred within the current year is included in the group's *Analysis of financial results for the year ended 30 June 2024* booklet, which can be found at https://www.firstrand.co.za/investors/integrated-reporting-hub/financial-reporting/.

The RA and CoDI are expected to release further standards over the next 12 months.

LINK BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

Basis of consolidation

Consolidation of all group entities is in accordance with IFRS® Accounting Standards for financial reporting, and in accordance with the Regulations for regulatory reporting. There are some differences in the manner in which entities are consolidated for financial and regulatory reporting. The following table provides the basis on which the different types of entities are treated for regulatory and IFRS Accounting Standards purposes.

REGULATORY AND IFRS CONSOLIDATION TREATMENT

<table>
<tr><th rowspan="2">Shareholding</th><th colspan="3">Regulatory*</th><th rowspan="2">IFRS</th></tr>
<tr><th>Banking, security firm, financial</th><th>Insurance</th><th>Commercial</th></tr>
<tr><td>Less than 10%</td><td colspan="2">Aggregate of investments (CET1, AT1, Tier 2 and total loss-absorbing capacity (TLAC)):
• Amount exceeding 10% CET1 – deduction against corresponding component of capital except TLAC deducted against Tier 2 capital.
• Up to 10% – risk weight based on nature of instrument and measurement approach.</td><td rowspan="2">Standardised approach:
• Minimum risk weight of 100%.
Internal ratings-based (IRB) approach:
• Maximum risk weight of 1 250%.</td><td>Financial asset equity instruments at mandatory fair value through profit or loss, or fair value through other comprehensive income.</td></tr>
<tr><td>Between 10% and 20%</td><td colspan="2">CET1:
• Individual investments in excess of 10% CET1 – deduction against CET1.
• Individual investments up to 10% apply threshold rules.
AT1 and Tier 2:
• Deduct against corresponding component of capital.
TLAC:
• Deduct full amount of TLAC holdings from Tier 2 capital.</td><td>As noted above, except where the substance of the transaction indicates that the group is able to exercise significant influence or joint control over the entity, equity accounting is applied.</td></tr>
<tr><td>Between 20% and 50%</td><td>• Legal or de facto support (other significant shareholder) – proportionately consolidate.
• No other significant shareholder – apply threshold rules as set out above for shareholding between 10% and 20%.</td><td rowspan="2">• Apply deduction methodology, with 100% derecognition of IFRS consolidated NAV.
• Cost of investment subject to threshold rules.</td><td rowspan="2">Standardised and IRB approach:
• Individual investment greater than 15% of CET1, AT1 and Tier 2: risk weight at 1 250%.
• Individual investment up to 15% of CET1, AT1 and Tier 2: risk weight at no less than 100%.
• Aggregate of investments exceeding 60% of CET1, AT1 and Tier 2: excess risk weighted at 1 250% (standardised only).</td><td>Equity accounting, as the group is deemed to have the ability to exercise significant influence or joint control, but does not control the entity.</td></tr>
<tr><td>Greater than 50%</td><td>Entity conducting trading activities/other bank, security firm or financial entity – consolidate.</td><td>Consolidate, unless the transaction indicates that the group has joint control, in which case equity accounting will apply.</td></tr>
</table>

* *As per Regulation 38.*

Threshold rules

As per Regulation 38(5), investments are aggregated as part of threshold deductions (significant investments and deferred tax assets relating to temporary differences). Aggregate investments up to 15% of CET1 capital are risk weighted at 250% and amounts exceeding 15% of CET1 capital are deducted against CET1 capital.

Insurance entities

Material wholly owned insurance subsidiaries incorporated in South Africa include FirstRand Life Assurance Limited with a NAV of R2 923 million (2023: R1 922 million), FirstRand Insurance Services Company with a NAV of R845 million (2023: R515 million) and FirstRand Short Term Insurance with a NAV of R791 million (2023: R883 million).

Mapping of financial statement categories to regulatory risk categories

The Pillar 3 disclosure is prepared in accordance with the regulatory frameworks applicable to the group, while the annual financial statements are prepared in accordance with IFRS Accounting Standards. The values included under the regulatory scope excludes balances related to insurance entities. The risk measurement approaches to calculate regulatory capital, applicable to each of the risk frameworks, are described on page 21.

The following table provides the differences between the values included in the balance sheet, the values included in the regulatory frameworks and the mapping of financial statement categories with regulatory risk categories.

LI1: DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION AND MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES

	As at 30 June 2024							
	Carrying values							
			Items under regulatory frameworks					
R million	**Statement of financial position**	**Regulatory scope**	**Credit risk**	**Counter-party credit risk**	**Securi-tisations**	**Market risk**	**Equity investment risk**	**No capital/ deducted from capital**
Assets								
Cash and cash equivalents	158 477	158 277	152 651	4 221	1 405	–	–	–
Derivative financial instruments*	55 284	55 284	–	55 225	59	47 480	–	–
Commodities	15 109	15 109	1 152	–	–	13 957	–	–
Investment securities**	433 516	421 745	337 273	–	–	75 167	18 413	–
Advances#	1 611 541	1 611 541	1 529 490	60 241	21 810	–	–	–
Collateral, settlement balances and other assets	36 052	35 788	35 788	–	–	–	–	–
Current tax asset	451	451	451	–	–	–	–	–
Non-current assets and disposal groups held for sale	1 498	1 498	318	692	–	–	147	341
Insurance contract assets	760	–	–	–	–	–	–	–
Reinsurance contract assets	509	–	–	–	–	–	–	–
Investments in associates	10 332	10 332	–	–	–	–	10 332	–
Investments in joint ventures	3 510	3 510	–	–	–	–	3 510	–
Property and equipment	23 326	23 304	23 304	–	–	–	–	–
Intangible assets	9 701	9 665	–	–	–	–	–	9 665
Investment properties	704	704	704	–	–	–	–	–
Defined benefit post-employment asset	7	7	–	–	–	–	–	7
Deferred income tax asset	8 562	8 510	8 161	–	–	–	–	349
Investment in subsidiaries	–	2 312	–	–	–	–	2 312	–
Total assets	**2 369 339**	**2 358 037**	**2 089 292**	**120 379**	**23 274**	**136 604**	**34 714**	**10 362**
Liabilities								
Short trading positions	10 273	10 273	–	–	–	10 273	–	–
Derivative financial instruments*	44 645	44 645	–	44 639	6	43 433	–	–
Creditors, accruals and provisions	42 447	42 464	–	–	1 783	–	–	40 681
Current tax liability	719	654	–	–	–	–	–	654
Liabilities directly associated with disposal groups classified as held for sale	1 126	1 126	–	–	–	–	–	1 126
Deposits	2 003 151	2 003 148	–	48 862	19 865	–	–	1 934 421
Employee liabilities	16 572	16 373	–	–	–	–	–	16 373
Other liabilities	5 806	5 805	–	–	–	–	–	5 805
Insurance contract liabilities	968	–	–	–	–	–	–	–
Reinsurance contract liabilities	48	–	–	–	–	–	–	–
Policyholder liabilities under investment contracts	7 669	–	–	–	–	–	–	–
Tier 2 liabilities	17 268	15 056	–	–	–	–	–	15 056
Deferred income tax liability	843	460	–	–	–	–	–	460
Amounts due to holding company and fellow subsidiary companies	–	360	–	–	–	–	–	360
Total liabilities	**2 151 535**	**2 140 364**	**–**	**93 501**	**21 654**	**53 706**	**–**	**2 014 936**

* *The amounts shown in the regulatory scope column do not equal the sum of the amounts shown in the remaining columns due to derivative financial instruments subject to regulatory capital for both counterparty credit risk, securitisations and market risk (trading book).*

** *The amounts shown in the regulatory scope column do not equal the sum of the amounts shown in the remaining columns due to investment securities subject to regulatory capital under credit and market risk frameworks, and listed and unlisted equities under the equity investment risk framework.*

Advances net of impairments.

The amounts from different balance sheet line items included in the risk frameworks are described in the following table.

Balance sheet line items included in different risk frameworks

Risk framework	Description
Credit risk	• Cash and cash equivalents, debt investment securities and commodities in the banking book. • Advances included in the credit risk framework are shown net of impairments in the balance sheet, while impairments are not used to reduce advances when determining the regulatory EAD. • EAD also includes off-balance sheet items, such as guarantees, irrevocable commitments, letters of credit and credit derivatives. CRM is included in the calculation of EAD. • Other assets including accounts receivable; non-current assets (and related liabilities) and disposal groups held for sale, if applicable; current tax assets, property and equipment; investment properties; and deferred tax assets related to temporary differences are included in the credit risk framework.
Counterparty credit risk	Collateral cash and deposits as part of netting agreements, derivative financial assets and liabilities and reverse repurchase advances. Exposures included in counterparty credit risk relate both to trading and banking book activities.
Securitisations	Cash, advances, derivative financial instruments held for trading, payables and deposits. Capital is determined on the investment security note exposure retained by the group.
Market risk	Derivative financial instruments (assets and liabilities), commodities, held for trading and elected fair value investment securities and short trading position liabilities.
Equity investment risk	Listed and non-listed equity investment securities, investments in money market funds, non-current assets held for sale related to equity investments, if applicable, and investments in associates and joint ventures.
No capital/deducted from capital	Intangible assets, defined benefit post-employment assets and deferred tax assets, excluding temporary differences, are deducted from capital.

The table below provides information on the main sources of differences (other than those due to different scopes of consolidation, which are shown in table LI1) between financial statement carrying amounts and the exposure amounts used for regulatory purposes.

LI2: MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENT

	As at 30 June 2024				
	Items subject to regulatory frameworks				
R million	Credit risk	Counter-party credit risk	Securi-tisations	Market risk	Equity investment risk
Assets carrying value per regulatory scope of consolidation	**2 089 292**	**120 379**	**23 274**	**136 604**	**34 714**
Liabilities carrying value per regulatory scope of consolidation	**–**	**93 501**	**21 654**	**53 706**	**–**
Total net amount under regulatory scope of consolidation	**2 089 292**	**26 878**	**1 620**	**82 898**	**34 714**
Off-balance sheet amounts	**293 942**	**–**	**1**	**–**	**–**
Differences in valuations	**257 752**	**153 061**	**–**	**–**	**–**
Differences due to netting rules and CRM	**(331 460)**	**(149 875)**	**–**	**–**	**–**
Differences due to provisions	**48 110**	**–**	**–**	**–**	**–**
Difference due to potential future exposure for counterparty credit risk (CCR)	**–**	**11 989**	**–**	**–**	**–**
Differences due to prudential filters	**(104 080)**	**–**	**26 697**	**–**	**(15 990)**
Exposure amounts considered for regulatory purposes	**2 253 556**	**42 053**	**28 318**	**82 898**	**18 724**
Reconciliation to regulatory amounts in Pillar 3 tables	**–**	**–**	**–**	**–**	**–**
CR6: AIRB – FRBSA EAD post-credit conversion factors (CCF) and CRM	**1 559 054**	**–**	**–**	**–**	**–**
CR4: Standardised approach on- and off-balance sheet amount of exposure post CCF and CRM	**693 902**	**–**	**–**	**–**	**–**
CR10: Specialised lending exposures under slotting on- and off-balance sheet amount	**600**	**–**	**–**	**–**	**–**
CCR1: EAD post CRM	**–**	**39 397**	**–**	**–**	**–**
CCR3: Standardised approach for derivatives for subsidiaries in broader Africa and foreign branches – total credit exposure	**–**	**2 656**	**–**	**–**	**–**
SEC1: Total securitisation exposures in the banking book	**–**	**–**	**28 318**	**–**	**–**
Carrying value of investments*	**–**	**–**	**–**	**–**	**18 724**
Total	**2 253 556**	**42 053**	**28 318**	**82 898**	**18 724**

* *For the carrying value of investments refer to page 116 of this report.*

Refer to the group's *Analysis of financial results for the year ended 30 June 2024* booklet, available on the group's website at https://www.firstrand.co.za/investors/integrated-reporting-hub/financial-reporting/, for the economic view of the balance sheet.

Prudent valuations

Valuation methodology and validation process

The group has established control frameworks and processes at segment/operating business level for independent price verification (IPV) and bid offer, which ensure that asset and liability prices are verified against independently sourced instrument prices or market data to ensure trading positions are correctly valued. The IPV is therefore the adjustment to assets or liabilities valued, using a valuation technique, to observable market data levels, i.e. to fair value. Bid offer is the adjustment to assets or liabilities valued at mid-market value by the trading system, and used in profit and loss reporting, to a fair value figure. At an operating business level, valuation specialists are responsible for the selection and implementation of the valuation techniques used to determine fair value measurements, as well as any changes required.

Valuation committees comprising key management representatives have been established within each segment/operating business and at an overall group level. They are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval at an operating business level by the required valuation specialists, valuation committees and relevant risk committees annually, or more frequently if considered appropriate.

Financial instruments

Fair value hierarchy	Valuation methodology
Instruments where fair value is determined using unadjusted quoted prices in an active market – level 1 The fair value of these instruments is determined using unadjusted quoted prices in an active market for identical assets. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.	This category includes listed bonds and equity, exchange-traded derivatives, commodities and short-trading positions.
Instruments where fair value is determined using inputs from observable market data or an inactive market – level 2 Valuation uses quoted prices in an active market of similar instruments, or valuation models using observable inputs from observable market data.	This category includes loans and advances to customers, equities listed in an inactive market, non-recourse investments, non-recourse deposits, certain debt instruments, deposits, other liabilities and OTC derivatives, or exchange-traded derivatives where a market price is not available. Valuation techniques include: • discounted cash flows; • option pricing models; • industry standard models; and • specific debt market bond pricing models.
Instruments where fair value is determined using inputs from unobservable data or an inactive market – level 3 Valuation uses quoted prices in an inactive market, or valuation models using unobservable inputs from derived market data.	This category includes loans and advances to customers, equities listed in an inactive market, unlisted equities, certain debt instruments, OTC derivatives or exchange-traded derivatives where a market price is not available, deposits, and other liabilities. Valuation techniques include: • discounted cash flows; • option pricing models; and • industry standard models.

Non-financial assets

Non-financial assets that are measured at fair value include commodities and investment properties.

- Commodities are classified as level 1 in the fair value hierarchy. Fair value is measured using quoted prices in active markets.
- Investment properties are classified as level 3 and fair value is determined using a discounted cash flow valuation technique.

Prudent valuation adjustments

Capital regulatory frameworks require financial institutions to apply prudent valuations to all fair value assets and liabilities. The difference between prudent value and fair value in terms of IFRS Accounting Standards is called a prudent valuation adjustment (PVA), and is deducted from CET1 capital. The following table provides descriptions and methodologies adopted for different PVAs.

PVA	Description
Close-out uncertainty, of which:	
• Mid-market value: market price uncertainty	This adjustment is required should there be uncertainty around the absolute level at which positions are fair-valued under financial reporting standards.
• Close-out costs	This PVA is required to take account of the valuation uncertainty to adjust for the fact that the position level valuations calculated do not reflect an exit price for the position or portfolio (for example, where such valuations are calibrated to a mid-market price).
• Concentration	This PVA is an estimate of the valuation impact arising from concentrated valuation positions that a bank may have at any point in time. It should capture the risk associated with holding a relatively large position in relation to market liquidity.
Early termination	This PVA considers the potential losses arising from the early termination of client trades.
Model risk	This PVA considers the variation in valuation estimates arising due to the potential existence of a range of models or model calibrations, and the lack of a firm exit price for the specific product.
Operational risk	This PVA considers the potential losses that may be incurred as a result of operational risk related to valuation processes.
Investing and funding costs	Reflect the valuation uncertainty in the funding costs that other users of Pillar 3 data would factor into the exit prices for a position or portfolio. These include funding valuation adjustments or derivative exposures.
Unearned credit spreads	PVA to take account of the valuation uncertainty in the adjustment necessary to include the current value of expected losses due to counterparty default on derivative positions, including the valuation uncertainty on CVAs.
Future administrative costs	This adjustment considers the administrative costs and future hedging costs over the expected life of the exposures, for which a direct exit price is not applied for the close-out costs. This valuation adjustment has to include the operational costs arising from hedging, administration and settlement of contracts in the portfolio. The future administrative costs are incurred by the portfolio or position, but are not reflected in the core valuation model or the prices used to calibrate inputs to that model.
Other	Other PVAs which are required to take into account factors that will influence the exit price but which do not fall into any of the categories listed above.

The group has opted to apply the simplified approach for the calculation of PVAs for the subsidiaries in broader Africa, as this is permitted for subsidiaries that make up less than 5% of a group's gross assets and liabilities. The simplified approach requires banks to set the PVA at 0.1% of the sum of the absolute value of fair-valued assets and liabilities, which are included in the materiality threshold calculation.

PV1: PVA

		As at 30 June 2024							
R million		**Equity**	**Interest rates**	**Foreign exchange**	**Credit**	**Commo-dities**	**Total**	**Of which: In the trading book**	**Of which: In the banking book**
1.	Close-out uncertainty, of which:	**23**	**274**	**2.47**	**–**	**1.14**	**301**	**240**	**61**
2.	*Mid-market value*	**15**	**97**	**–**	**–**	**–**	**112**	**102**	**10**
3.	Close-out cost	**8**	**143**	**2.47**	**–**	**1.14**	**155**	**104**	**51**
4.	Concentration	**–**	**34**	**–**	**–**	**–**	**34**	**34**	**–**
9.	Unearned credit spreads	**–**	**–**	**–**	**5**	**–**	**5**	**5**	**–**
11.	Other	**–**	**8**	**–**	**–**	**–**	**8**	**8**	**–**
12.	**Total adjustment**	**23**	**282**	**2.47**	**5**	**1.14**	**314**	**253**	**61**

		As at 30 June 2023							
R million		Equity	Interest rates	Foreign exchange	Credit	Commo-dities	Total	Of which: In the trading book	Of which: In the banking book
1.	Close-out uncertainty, of which:	43	341	2.02	–	0.83	387	302	85
2.	*Mid-market value*	43	106	–	–	–	149	140	9
3.	Close-out cost	–	155	2.02	–	0.83	158	82	76
4.	Concentration	–	80	–	–	–	80	80	–
9.	Unearned credit spreads	–	–	–	3	–	3	3	–
11.	Other	–	13	–	–	–	13	13	–
12.	**Total adjustment**	43	354	2.02	3	0.83	403	318	85

Mid-market value, close-out cost and concentration are the most significant PVAs for the group. A reduction in concentrated positions and a decrease in close-out spreads contributed to a decrease in interest rate close-out uncertainty for the current year. Other refers to the simplified approach PVA result that was estimated for broader Africa. The group estimates operational risk, model risk, early termination, investing and funding and future administration cost PVAs to be zero, given internal controls and processes in place, which mitigate against the mentioned PVAs. Lines 5 – 8 and 10 of the PV1: *Prudent valuation adjustments* template have, therefore, been omitted.

CAPITAL MANAGEMENT

Introduction and objectives

The group actively manages capital aligned to strategy and risk appetite/profile. The capital planning process ensures that the CET1, Tier 1 and total capital adequacy ratios remain within or above target ranges and regulatory minima across economic and business cycles.

Capital is managed on a forward-looking basis and the group remains appropriately capitalised under a range of normal and severe stress scenarios. The group aims to back all economic risk with loss-absorbing capital and remains well capitalised in the current environment. FirstRand actively manages its capital stack to ensure an efficient capital structure, closely aligned to group internal targets and strategic growth plans. The optimal level and composition of capital are determined after taking the following into account:

- prudential requirements, including prescribed buffers;
- rating agencies' considerations;
- investor expectations;
- peer comparisons;
- strategic and organic growth plans, including the management buffer;
- economic capital;
- proposed regulatory, tax and accounting changes;
- macroeconomic environment and stress test impacts; and
- the issuance of capital instruments.

ICAAP is integral to the group's risk, capital management and decision-making processes and is deeply embedded across the group. Best-practice standards and methodologies are adopted to assess the overall risk profile of the group. A key input into ICAAP is an assessment of economic risk, with the outcome used to evaluate the group's capital position and targeted level of capitalisation. The group is capitalised at the higher of economic or regulatory capital requirements.

ICAAP is considered in:

- the setting of strategy and risk appetite;
- risk assessment and management;
- forward-looking capital planning:
  - budget and earnings volatility;
  - stress and scenario analysis;
  - capital target setting; and
  - dividend decisions;
- performance measurement; and
- recovery planning, which is an extension of ICAAP.

The group's ICAAP includes the assessment of all new and emerging risks. Climate risk continues to feature prominently in strategic and business conversations and is currently captured as part of the group's stress and scenario analysis.

Capital adequacy and leverage

The following diagram defines the main components of capital and leverage as per the Regulations.

CAPITAL AND LEVERAGE

TOTAL QUALIFYING CAPITAL AND RESERVES =

Tier 1 capital

CET1 capital

- Share capital and premium
- Retained earnings (appropriated)
- Other reserves
- Non-controlling interests

Deductions
- Goodwill and intangibles
- Deferred tax assets (other than temporary differences)
- Investment in own shares
- Expected losses in excess of provisions under the AIRB approach
- Cash flow hedging reserve
- Investments in financial, banking and insurance institutions*
- Other

AT1 capital

- AT1 capital instruments
- Instruments issued out of consolidated subsidiaries to third parties

Deductions
- Investments in financial, banking and insurance institutions* (AT1 instruments)
- Surplus third-party capital

+

Tier 2 capital

- Subordinated debt instruments
- General provisions under standardised approach
- Provisions in excess of expected losses under the AIRB approach
- Instruments issued out of consolidated subsidiaries to third parties

Deductions
- Investment in financial, banking and insurance institutions* (Tier 2 instruments) and other TLAC instruments or liabilities
- Surplus third-party capital

CAPITAL RATIOS

Qualifying capital		RWA		RATIOS
CET1 capital	÷	Total of: + Credit + Counterparty credit + Operational + Market + Equity investment + Other and threshold items	=	CET1 %
Tier 1 capital				TIER 1 %
Total capital				TOTAL %

LEVERAGE RATIO =

Capital measure

Tier 1 capital

÷

Total exposure

- Accounting value for on-balance sheet, non-derivative exposures (net of provisions) – no netting of loans and deposits
- Derivative exposures using the replacement cost and potential future exposure
- Securities financing transaction exposures including a measure of counterparty credit risk
- Adjusted off-balance sheet exposures
- Regulatory adjustments

* *As per Regulation 38(5) threshold rules. For insurance entities, consolidated NAV is derecognised from qualifying capital and the investment is risk weighted subject to the threshold deduction method.*

Year under review

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

CAPITAL ADEQUACY AND LEVERAGE POSITIONS

	As at 30 June 2024			
	Capital			Leverage
%	CET1	Tier 1	Total	Total
Regulatory minimum*	9.0	11.2	13.5	4.0
Internal target**	11.0 – 12.0	>12.0	>14.75	>5.5
FirstRand actual				
– Including unappropriated profits	**13.5**	**14.4**	**16.1**	**8.2**
– Excluding unappropriated profits	13.1	14.0	15.7	8.0
FRB actual#				
– Including unappropriated profits	**12.4**	**13.6**	**15.6**	**6.9**
– Excluding unappropriated profits	12.0	13.2	15.3	6.7

* *Group minimum requirement excluding the individual capital requirement (Pillar 2B). The D-SIB requirement for both the group and bank is 1.5% and the group's CCyB add-on was 47 bps at 30 June 2024.*

** *Bank total capital target is >14.25%.*

FRB including foreign branches.

The Bank of England increased the UK CCyB requirement to 2% in July 2023, resulting in a 47 bps add-on at 30 June 2024. The PA has also released a proposed directive requiring banks to maintain a positive cycle-neutral CCyB of 1% with effect from January 2026. This increased requirement will be incorporated into the group's internal targets upon finalisation of the directive.

There is ongoing focus on optimising the overall level and mix of capital across the group and its regulated subsidiaries. During the year under review, the bank issued a combination of AT1 and Tier 2 instruments to ensure sustainable support for ongoing growth initiatives and redemption of existing capital instruments, as well as a focus on filling the buckets for AT1 and Tier 2.

A detailed analysis of key drivers of the year-on-year movements in the supply of capital and RWA, as well as a regulatory update, is included in the group's *Analysis of financial results for the year ended 30 June 2024*, and the FRB *Annual report for the year ended 30 June 2024*, which can be found at https://www.firstrand.co.za/investors/integrated-reporting-hub/financial-reporting/.

Supply of capital

COMPOSITION OF CAPITAL

	As at 30 June			
	FirstRand		FRB*	
R million	**2024**	2023	**2024**	2023
CET1 capital excluding unappropriated profits	**183 747**	168 647	**110 191**	101 027
Unappropriated profits	**5 411**	5 487	**3 380**	5 141
CET1 capital including unappropriated profits	**189 158**	174 134	**113 571**	106 168
AT1 capital	**12 986**	9 194	**11 053**	7 343
Tier 1 capital	**202 144**	183 328	**124 624**	113 511
Tier 2 capital	**23 901**	23 433	**18 561**	16 496
Total qualifying capital	**226 045**	206 761	**143 185**	130 007

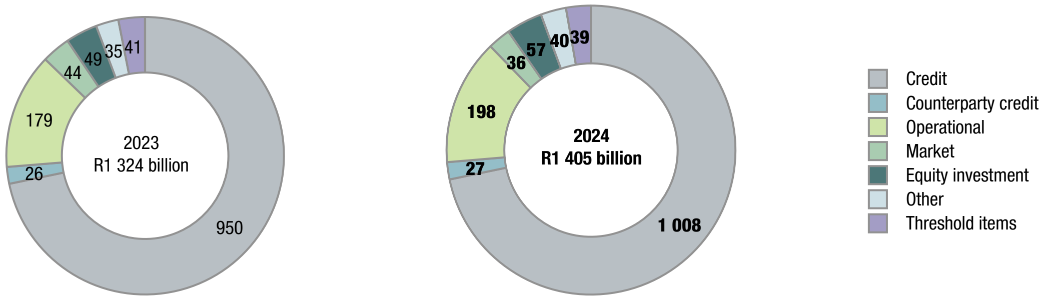
* *FRB including foreign branches.*

Demand for capital

The following sections provide an analysis of RWA per risk type.

Group RWA analysis

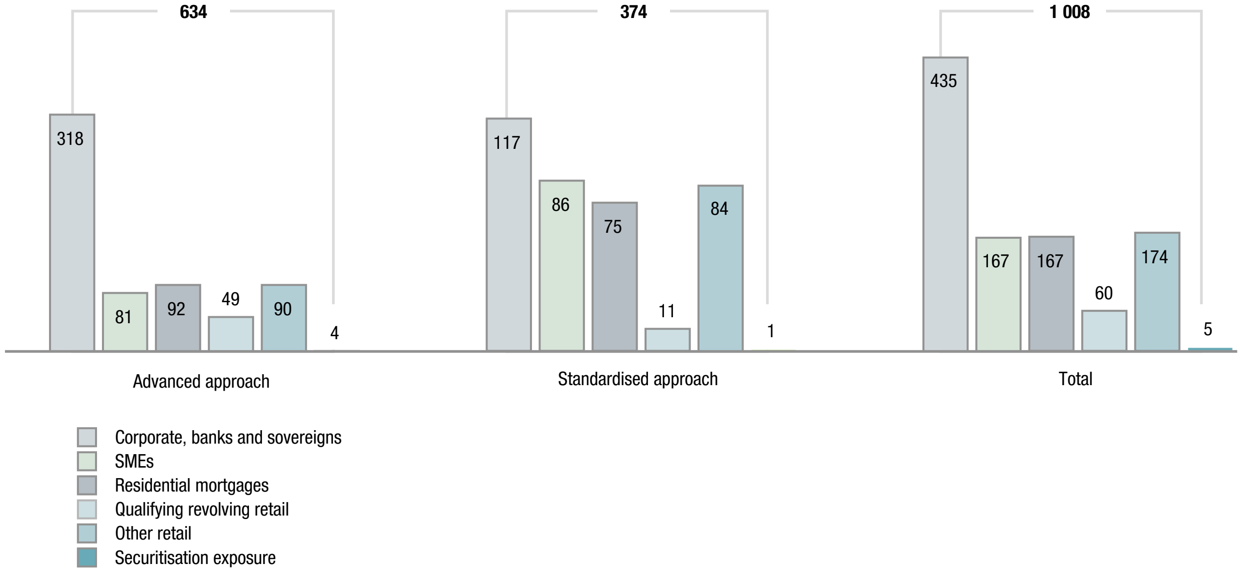
R billion



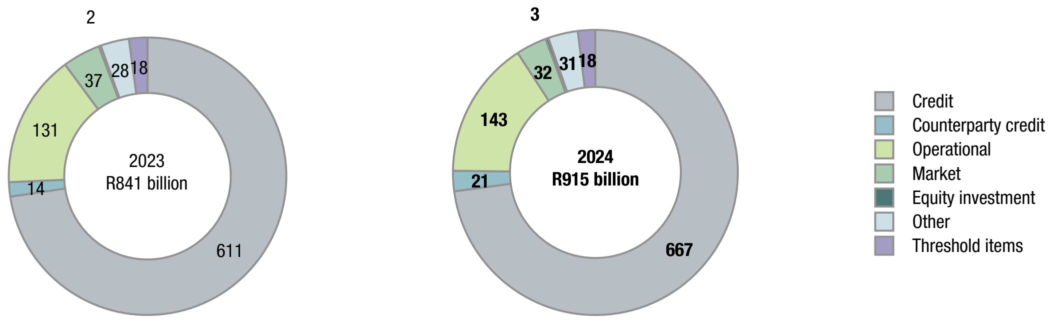
Overview of group credit RWA

R billion

Credit risk remains the most significant contributor to the group's overall risk profile and the below diagram provides further detail as at 30 June 2024.



FRB RWA analysis*
R billion



* *Including foreign branches.*

Refer to the *Standardised disclosures* section of this report for additional capital and leverage disclosures required in terms of the Regulations.

Capital adequacy position for the group and its regulated entities

The group's registered banking subsidiaries and foreign branches must comply with PA regulations and those of their respective in-country regulators, with the primary focus placed on Tier 1 and total capital adequacy ratios. The group's approach is that all entities must be adequately capitalised on a standalone basis. Based on the outcome of detailed stress testing, each entity targets a capital level in excess of in-country regulatory minimums.

Adequate controls and processes are in place to ensure that each entity is adequately capitalised to meet regulatory and EC requirements. Capital generated by subsidiaries in excess of targeted levels is returned to FirstRand, usually in the form of dividends, unless retained for organic or inorganic growth. No restrictions were experienced on the repayment of dividends during the year under review.

Capital for insurance entities is calculated on a regulatory basis in line with the Insurance Act 18 of 2017 and Regulations, as well as on an economic basis. Capital requirements are risk sensitive and also used to understand the exposure to insurance risk. The insurance group's own risk and solvency assessment (ORSA) assesses the impact of various stresses on the solvency position of the insurance entities and informs capital targets. Target levels for capital coverage are specified in the insurance risk appetite statement and have been met over the year under review. Insurance entities remain appropriately capitalised.

CAPITAL ADEQUACY POSITIONS OF FIRSTRAND AND ITS REGULATED ENTITIES

	As at 30 June				
	2024				2023
	Total minimum requirement*	**RWA****	**Tier 1**	**Total capital adequacy**	Total capital adequacy
	%	**R million**	**%**	**%**	%
BANKING (%)					
Basel III (PA regulations)					
FirstRand[#]	**13.5**	**1 404 760**	**14.4**	**16.1**	15.6
FirstRand Bank[#,†]	**13.0**	**915 172**	**13.6**	**15.6**	15.4
FirstRand Bank South Africa[#]	**13.0**	**884 389**	**13.3**	**15.4**	15.1
FirstRand Bank London	**13.6**	**28 508**	**17.3**	**17.8**	19.6
FirstRand Bank India[‡]	**13.0**	**494**	**>100**	**>100**	>100
FirstRand Bank Guernsey	**13.0**	**1 009**	**98.1**	**98.1**	68.5
Basel III (local regulations)					
Aldermore Bank[^]	**14.6**	**158 095**	**20.1**	**21.6**	21.0
FNB Namibia[◊]	**12.5**	**36 873**	**15.5**	**16.6**	17.1
Basel II (local regulations)					
FNB Botswana	**12.5**	**29 288**	**14.6**	**18.8**	18.1
RMB Nigeria	**10.0**	**3 374**	**25.1**	**25.1**	22.6
FNB Eswatini	**8.0**	**6 272**	**21.0**	**21.8**	21.5
FNB Lesotho[◊]	**10.0**	**2 080**	**12.5**	**13.5**	16.5
FNB National Bank Ghana	**13.0**	**2 701**	**16.2**	**16.4**	16.1
FNB Mozambique	**12.0**	**3 574**	**24.2**	**24.2**	20.5
Basel I (local regulations)					
FNB Zambia	**10.0**	**8 289**	**26.9**	**26.9**	29.3
INSURANCE (times)[§]					
FirstRand Life Assurance (FNB Life)[Δ]	**1.0**		**1.5**		1.8
FirstRand STI (FNB Short Term Insurance)	**1.0**		**4.2**		5.0
FRISCOL	**1.0**		**2.2**		2.5

* *Excluding any confidential bank-specific add-ons.*

** *RWA for entities outside of South Africa converted to rand using the closing rates at 30 June 2024.*

\# *Including unappropriated profits.*

† *FRB including foreign branches.*

‡ *The branch is in the process of being wound down.*

^ *Aldermore Group Tier 1 and total capital adequacy ratios at 30 June 2024 were 17.5% and 18.4% respectively.*

◊ *Bank of Namibia increased the minimum requirement to 12.5% from 10% effective for the September 2024 reporting period. FNB Lesotho transitioned from Basel I to Basel 2.5 in March 2024.*

§ *Solvency capital requirements per quarterly returns as at 30 June 2024.*

Δ *Post allowance of future dividends.*

Economic capital

EC is included in the group's strategic capital planning, risk measurement and portfolio management. It is defined as an internal measure of risk which estimates the amount of capital required to cover unexpected losses. EC is incorporated in the group's internal target assessment, more specifically the level of loss-absorbing capital required to cover the group's economic risk. A granular bottom-up calculation, incorporating correlations, concentration risks and diversification benefits attributable to the group's aggregate portfolio, forms the basis for the risk-based capital methodology. The group continues to enhance the use of EC 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. The economic capital framework is subject to annual review and appropriate governance, and covers the following:

- the risk universe and refinements;
- consistent standards and measurements for each risk type;
- transparent and verifiable results; and
- alignment and integration with the group's risk and capital frameworks.

EC incorporates inter-risk aggregation/diversification for both FirstRand and FRBSA. Various approaches (such as variance-covariance, copula, constant factor), which vary in complexity, are used in aggregating EC across risk types and legal entities.

Regular reviews of the EC position are carried out across businesses, enabling efficient portfolio optimisation with respect to financial resources and portfolio behaviour.

The group's and bank's EC demands, available financial resources and EC multiples are summarised in the table below.

EC DEMAND* AND MULTIPLE

	As at 30 June 2024	
	FirstRand	**FRBSA**
Credit risk**	70 724	44 863
Market risk	1 666	907
Operational risk	12 914	6 672
Equity investment risk	3 012	276
Model risk	2 037	1 802
Interest rate risk in the banking book	9 309	7 952
Business risk	4 297	4 282
Other	12 394	5 465
Total EC requirement	**116 353**	**72 219**
Available financial resources	**179 787**	**106 898**
EC multiple	**1.5**	**1.5**

* *Post intra-risk diversification and inter-risk diversification (which has been allocated on a proportionate basis).*

** *Including counterparty credit risk.*

LIQUIDITY RISK AND FUNDING

Introduction and objectives

The group recognises two types of liquidity risk:

Funding liquidity risk – the risk that the group is unable to effectively meet current and future cash flow and collateral obligations, without negatively affecting its ability to meet the needs of its customers in a responsible manner, and its overall financial position and reputation.

Market liquidity risk – the risk that market disruptions or the lack of market liquidity inhibits the group's ability to trade in specific markets without significantly affecting market prices.

Liquidity risk is a natural outcome of the group's business activities. To manage and mitigate this risk, the group optimises its funding composition within structural and regulatory constraints in order to operate in an efficient and sustainable manner. The group aims to fund its activities from diverse and sustainable funding pools, targeting a funding profile with inherent liquidity risk offsets. Compliance with prudential liquidity ratios is a key consideration in the group's funding strategy.

The group's primary funding objective is to maintain and grow its customer deposit franchise by appropriately rewarding depositors. This has been achieved through innovative and competitive products to customers and has resulted in the reduction of reliance on more expensive institutional funding.

The group's liquidity risk management approach includes oversight of key liquidity risk metrics and early warning indicators, regular forecasts of its liquidity position, and scenario analysis for liquidity planning and decisioning. FirstRand continues to be well funded, with appropriate liquidity buffers in place to meet both prudential liquidity requirements and internal targets.

Organisational structure and governance

LIQUIDITY RISK AND FUNDING GOVERNANCE STRUCTURE FOR GROUP AND BANK

Board-level oversight

RCCC

Provides oversight of the group's liquidity risk and funding risk profile.

Group ALCCO

- Provides oversight of ALM functions and ALCCOs across the group.
- Monitors implementation of the ALM framework.
- The ALM framework prescribes the standards, principles and policies for effective liquidity risk management across the group.
- Approves liquidity risk appetite across the group.

Broader Africa ALCCO

The broader Africa ALCCO provides oversight of ALM risk management for the group's subsidiaries in broader Africa.

Executive management oversight

FRM executive committee

Ensures appropriate and optimal funding for the group's activities. Approves strategic funding initiatives.

Segment FRM executive committees

Enables execution of group liability strategies.

Management structures*

Group Treasury

- Manages the group's liquidity and funding position.
- Sets and implements liquidity strategies in line with risk appetite and prudential liquidity limits across all entities in the group.
- Responsible for the group's liquidity risk management processes.

Centre Risk Management

- Supports management in identifying and quantifying key ALM risks.
- Ensures that board-approved risk policies, frameworks, standards, methodologies and tools are adhered to.
- Recommends and reviews liquidity risk appetite.
- Compiles, analyses and escalates risk reports on performance, risk exposures and corrective actions.

Segment RCCCs

Provide oversight of liquidity and funding risks as part of the segment risk profile.

Group Internal Audit

- Assesses the adequacy and effectiveness of liquidity risk management controls.
- Identifies risk control shortcomings and recommends corrective actions.

* *The group's liquidity position, exposures and management aspects are reported daily, weekly and monthly to various management committees, Group Treasury and Centre Risk Management, as appropriate.*

LIQUIDITY RISK AND FUNDING GOVERNANCE STRUCTURE FOR BROADER AFRICA AND FOREIGN BRANCHES

Board-level oversight

RCCC

Provides oversight of the group's liquidity risk and funding risk profile.

Group ALCCO

- Provides oversight of ALM functions and ALCCOs across the group.
- Monitors implementation of the ALM framework.
- The ALM framework prescribes the standards, principles and policies for effective liquidity risk management across the group.
- Approves liquidity risk appetite across the group.

Broader Africa ALCCO

- The broader Africa ALCCO provides oversight of ALM risk management for the group's subsidiaries in broader Africa.
- Meets quarterly to discuss region-specific liquidity issues.

Subsidiary ALCCO

Manages liquidity in each subsidiary in line with group principles.

Management structures*

Subsidiary treasury function

- Provides day-to-day management of funding and liquidity risk.
- Manages in-country capital base.
- Focuses on growing the deposit franchise.

Group Treasury

- Provides overall ALM framework and mandates.
- Dedicated resources to assist with technical expertise in ALM and fundraising activities.
- Alignment to international best practice and latest regulatory developments.

Group Internal Audit

- Assesses the adequacy and effectiveness of liquidity risk management controls.
- Identifies risk control shortcomings and recommends corrective actions.

* *The group's liquidity position, exposures and management aspects are reported daily, weekly and monthly to various management committees, Group Treasury and FCC Risk Management, as appropriate.*

Funding management

South Africa is characterised by a low discretionary savings rate and a high degree of contractual savings captured by non-bank financial institutions, including pension funds, life insurers and asset managers. A portion of these contractual savings is invested with banks in the form of institutional funding instruments, which is riskier from a liquidity perspective than funding provided by customer deposit balances. South African corporates and the public sector also make use of financial intermediaries that provide bulking and maturity transformation services for their cyclical cash surpluses. Liquidity risk is, therefore, structurally higher in South Africa than in most financial markets. The risk is, however, to some extent mitigated by the following market dynamics:

- the concentration of customer current accounts with large South African banks;
- the closed rand system, where rand transactions are cleared and settled through registered banks and clearing institutions domiciled in South Africa;
- the prudential exchange control framework; and
- South African banks' low dependence on foreign currency funding.

Considering the structural features of the South African market, the group's focus remains on achieving an improved risk-adjusted and diversified funding profile, enabling it to meet prudential liquidity requirements.

FRB is the primary debt-issuing entity in the group. Although its funding profile reflects the structural features described above, it derives a greater proportion of total funding from customer deposits and therefore has a lower reliance on institutional funding compared to the wider South African banking industry. The group utilises both domestic and international debt programmes to maximise efficiency and flexibility in accessing institutional funding opportunities. The group's strategy for domestic vanilla public issuances is to offer benchmark tenor bonds to meet investor requirements and facilitate secondary market liquidity. This enables the group to identify cost-effective funding opportunities whilst maintaining an understanding of available market liquidity.

In addition to vanilla issuances, the group issues thematic debt utilising its sustainability bond framework, which targets funding for identified green, social and sustainability-linked asset origination. This aligns to the group's shared prosperity purpose.

Securitisation transactions are concluded periodically, which provides the group with access to alternative funders and a means to assess market clearing levels for typically illiquid assets such as home loans and vehicle finance.

Funds transfer pricing

The group operates a funds transfer pricing framework that incorporates the relevant base interest rates and the cost or benefit of liquidity into product pricing by currency, for all significant business activities on- and off-balance sheet. Where fixed-rate commitments are undertaken (fixed-rate loans or deposits), transfer pricing also includes the cost of immunising businesses against interest rate risk. Businesses are thus incentivised to:

- enhance and preserve funding stability;
- ensure that asset pricing is aligned to the group's liquidity risk appetite;
- reward liabilities in accordance with behavioural characteristics and maturity profile; and
- manage contingent funding requirements.

Funding measurement and activity

The group manages its funding profile by source, counterparty type, market, product and currency. The deposit franchise remains the most efficient and stable source of funding, representing 76% of total group funding liabilities at June 2024 (2023: 74%).

Growing its deposit franchise across all market segments remains the group's primary focus from a funding perspective, with continued emphasis on savings and investment products. The group continues to refine its product offering across the maturity spectrum to attract a greater proportion of available deposits. In addition to customer deposits, the group accesses the domestic money markets frequently and the debt capital markets periodically. The group issues various capital and funding instruments in the capital markets on an auction and reverse-enquiry basis, with strong support from investors.

Refer to the group's *Analysis of financial results for the year ended 30 June 2024* booklet, which is available at https://www.firstrand.co.za/investors/integrated-reporting-hub/financial-reporting, for an update on the group's funding portfolio.

Foreign currency balance sheet

Funding structure of operations

In line with the group's strategy to build strong deposit franchises across all operations, foreign operations are categorised in terms of their stage of development from greenfield start-ups to mature subsidiaries, and can be characterised from a funding perspective as follows:

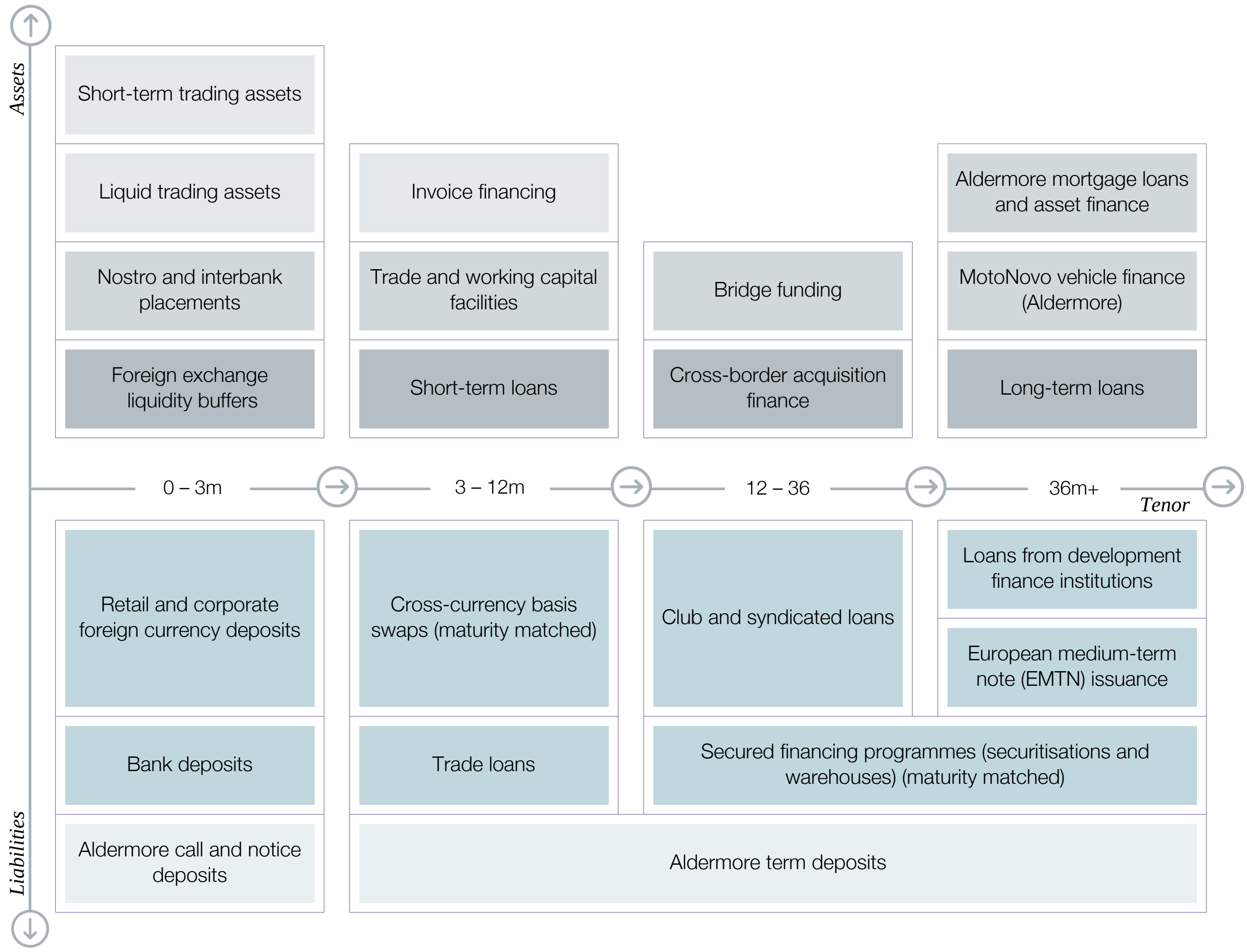
- **Mature deposit franchises:** All assets are largely funded in-country. The pricing of funding is determined via in-country funds transfer pricing frameworks.
- **Growing deposit franchises:** Assets are first funded in-country at relevant funds transfer pricing rates. Any excess funding requirement over and above in-country capacity is funded by the group's hard currency funding platforms. This is a temporary arrangement, which enables these entities to develop adequate in-country deposit bases.
- **No deposit franchises:** All activities are funded by the group's hard currency funding platforms in the professional market.

In all categories, the pricing of funding is determined from the established in-country funds transfer pricing frameworks.

Group funding support

Any funding provided by the group is constrained by the appetite set independently by the credit risk management committee. In arriving at limits, the credit risk management committee considers the operating jurisdiction and any sovereign risk limits that should apply. Group Treasury must, therefore, ensure that any resources provided to foreign entities are priced appropriately at arm's length and do not exceed agreed credit limits.

GRAPHICAL REPRESENTATION OF THE FOREIGN CURRENCY BALANCE SHEET



Liquidity risk management

Overview

Liquidity risk is a consequential risk. The group, therefore, continually monitors and analyses the potential impact of exogenous risks on its funding and liquidity position to ensure that the group's activities preserve and improve funding stability. This ensures that the group operate through periods of stress when access to funding may be constrained.

Mitigation of funding and market liquidity risks is achieved via contingent liquidity risk management. A portfolio of high-quality, highly liquid assets are held either to provide collateral for loans or to be sold into the market to cover any unforeseen cash shortfalls that may arise.

The group's approach to liquidity risk management distinguishes between structural, daily and contingency liquidity risk management across all currencies. Various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis, as illustrated in the following table.

LIQUIDITY RISK MANAGEMENT APPROACHES

Daily liquidity risk	Structural liquidity risk	Contingency liquidity risk
Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations are met by maintaining a sustainable balance between liquidity inflows and outflows.	Managing the risk that structural, long-term, on- and off-balance sheet exposures cannot be funded timeously or at reasonable cost.	Maintaining several contingent funding sources to draw upon in times of economic stress.
• Managing intraday liquidity positions. • Managing daily payment queues. • Monitoring net funding requirements. • Performing short-term cash flow projections for all currencies (individually and in aggregate). • Managing intragroup liquidity. • Managing central bank clearing. • Managing net daily cash positions. • Managing and maintaining market access. • Managing and maintaining collateral.	• Setting liquidity risk tolerance. • Setting liquidity strategy. • Ensuring diversification of funding sources. • Assessing the impact of future funding and liquidity needs by considering anticipated liquidity shortfalls or excesses. • Setting the approach to liquidity management in different currencies and countries. • Ensuring compliance with prudential liquidity ratios. • Ensuring an appropriate structural liquidity gap. • Maintaining a funds transfer pricing methodology and process.	• Managing early warning and key risk indicators. • Performing stress testing, including sensitivity analysis and scenario testing. • Maintaining product behaviour and optionality assumptions. • Ensuring that an adequate and diversified portfolio of liquid assets with appropriate buffers is in place. • Maintaining the contingency funding plan.

Liquidity risk appetite

Risk appetite levels are set in relation to the composition of funding as well as the marketability of the group's assets, in particular the mix and size of liquid asset buffers. These strategies are informed by prudential requirements that include regulatory liquidity requirements, LCR and NSFR, among others. These regulatory constraints and risk appetite levels are incorporated into the group's internal funds transfer pricing framework.

The funds transfer pricing process is a key management tool for funding appetite, allowing for the pricing of products within the group's desired risk appetite levels.

The liquidity risk appetite is additionally monitored in terms of contractual, behavioural and stress survival periods. Survival periods are the minimum timeframes over which the cumulative cash inflows and liquidity buffers exceed cash outflows. Survival periods provide management with sufficient time to take mitigating steps to adjust the group's liquidity profile. Risk appetite levels in relation to survival periods are analysed at various reporting levels. Monitoring of actual performance against limits and limit utilisation is performed and reported daily, weekly and monthly, as appropriate, to various management and governance committees.

Stress testing and scenario analysis

Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress testing framework, with a focus on:

- quantifying the potential exposure to future liquidity stresses;
- analysing the possible impact of economic and event risks on cash flows, liquidity, profitability and the solvency position; and
- proactively evaluating the potential secondary and tertiary effects of other risks on the group.

Liquidity contingency planning

Frequent volatility in funding markets and the fact that financial institutions can, and have, experienced liquidity problems even during benign economic conditions highlight the importance of a portfolio of HQLA and contingency management processes.

The group's ability to meet its daily funding obligations and emergency liquidity needs is of paramount importance. The group maintains a liquidity contingency plan to ensure that this is always adequately managed.

The objective of liquidity contingency planning is to achieve and maintain funding levels in a manner that allows the group to emerge from a potential funding crisis with its financial position intact.The plan is designed to:

- support effective management of liquidity and funding risk under stressed conditions;
- establish clear roles and responsibilities in the event of a liquidity crisis; and
- establish clear invocation and escalation procedures.

The liquidity contingency plan provides a pre-defined response mechanism to facilitate swift and effective responses to stress events necessitating access to contingent funding. These stress events may be triggered by financial distress in the market (systemic) or bank-specific events (idiosyncratic) that could result in the loss of funding sources.

The plan is reviewed annually and tested regularly via an externally facilitated liquidity stress simulation exercise. This is done to ensure the plan remains current, relevant and familiar to all key personnel in the event that the group should experience an extreme liquidity stress event.

Liquidity risk position

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

COMPOSITION OF GROUP HQLA*

	As at 30 June	
R billion	**2024**	2023
Cash and deposits with central banks	**106**	99
Short-term liquidity instruments**	**149**	154
Including reverse repos#	**65**	85
Long-term investment securities**	**159**	136
Other liquid assets	**35**	27
Total liquid assets	**449**	416

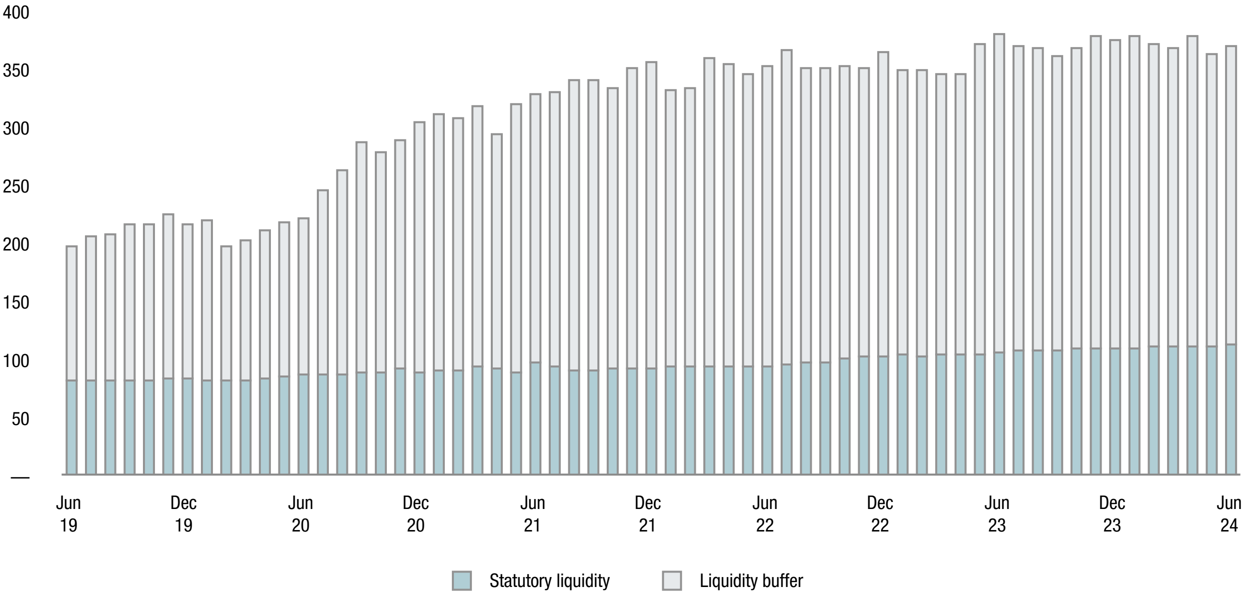
* *The composition of HQLA is calculated as a simple average of 91 days of daily observations over the period ended 30 June 2024 for FRBSA and the London branch, as well as FNB Botswana and FNB Namibia. The remaining banking entities, including Aldermore and the FNB Channel Islands branch, are based on quarter-end values.*

** *Restated to reflect a portion of reverse repos as short-term liquidity instruments reflecting the transaction tenor rather than the tenor of the underlying repo asset.*

Reverse repos represent underlying HQLA sourced both externally and internally in accordance with prudential regulations.

The group'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 its operating businesses. The HQLA portfolio has been formulated in line with the group's funding composition, asset growth, liquidity risk appetite and regulatory requirements. The composition and quantum of available liquid assets is determined behaviourally by considering both funding liquidity risk and the market liquidity depth of the assets. Additional liquidity overlays in excess of prudential requirements are determined based on stress testing and scenario analysis of the cash inflows and outflows that result from the group's balance sheet profile. The HQLA portfolio is reviewed continually and actively managed to ensure optimal composition, return and size.

FRBSA assets held as a source of stress funding*
R billion



* *The assets held as a source of stress funding, observed at each month end, consist of highly liquid assets that can secure funding. They form part of FRBSA's liquidity buffer and statutory liquidity portfolio.*

Liquidity ratios for the group and bank at June 2024

	Group*		FRBSA*	
%	**LCR**	**NSFR**	**LCR**	**NSFR**
Regulatory minimum	**100**	**100**	**100**	**100**
Actual	**118**	**120**	**121**	**116**

* *The group's LCR and NSFR include FRB and all other banking subsidiaries. The FRBSA LCR and NSFR reflect South African operations only. The group LCR is calculated as a simple average of 91 days of daily observations over the period ended 30 June 2024 for FRBSA, the London branch, FNB Botswana and FNB Namibia. The remaining banking entities, including Aldermore and the FNB Channel Islands branch, are based on quarter-end values. The FRBSA LCR is calculated as a simple average of 91 days of daily observations over the period ended 30 June 2024.*

Funding from institutional clients is a large contributor to the group's net cash outflows measured under the LCR. Other significant contributors to cash outflows are deposits raised from corporate and commercial clients. The group continues to execute on strategies to increase deposit franchise funding whilst selectively accessing institutional funding sources.

Refer to the *Standardised disclosures* section of this report for additional liquidity disclosures required in terms of the Regulations.

CREDIT RISK

Introduction and objectives

Credit risk is the risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads. Credit risk considerations extend to pre-settlement, country, industry, concentration, securitisation and climate (physical and transitional) risks.

Credit risk management across the group is split into three distinct portfolios, which are aligned to customer profiles. These portfolios are retail, commercial and corporate:

- retail credit is offered by FNB, WesBank and Aldermore to individuals and SMEs (with a turnover of up to R12.5 million);
- commercial credit is offered by FNB and WesBank to businesses that are mainly single-banked, and also includes structured and specialist finance in Aldermore; and
- corporate credit is offered by RMB and WesBank to large corporate and institutional (C&I) multi-banked clients.

As advances are split across the operating businesses, default risk is allocated to the income generating portfolio.

The objective of credit risk management is to optimise the group’s measure of economic profit, i.e. NIACC, within acceptable levels of earnings volatility by maintaining credit risk exposures and credit performance within acceptable parameters.

Credit risk is managed through the implementation of comprehensive policies, processes and controls. This ensures consistent high-quality execution across the credit value chain, including credit risk appetite, underwriting, risk-based pricing, portfolio monitoring and reporting, impairing for expected credit losses (ECL), capital assessment, stress testing, collections and recoveries.

Credit risk reporting

Credit risk information reporting follows the credit governance structure illustrated on the next page. Segment (retail, commercial, corporate and Aldermore) credit performance, outlook and adherence to credit risk appetite are reported to the relevant segment portfolio committees. A consolidated group credit risk report is thereafter tabled by Group Credit Risk Management in ERM at the FirstRand credit risk management committee and RCCC.

Credit risk appetite

A key discipline in the credit value chain is the credit risk appetite statement, which adheres to the overall group risk appetite statement.

The group credit risk appetite statement articulates the maximum acceptable downside risk (i.e. credit loss ratio) under specified severities. This top-down statement is articulated at a group level and cascaded to segment and product-class levels.

The group aims to manage its credit portfolio and outcomes:

- within a through-the-cycle target impairment loss range reflecting portfolio credit quality;
- whilst ensuring that variability around the impairment loss target range is kept to acceptable levels; and
- ensuring its credit concentrations and portfolio structure are managed within risk appetite, in such a way that the group does not become an outlier relative to its peer group due to outsized downside volatility arising from event risks or amplification of macroeconomic downturns through high-volatility portfolio over-concentration.

To give effect to this, credit risk concentration limits are set and reviewed at least annually and monitored monthly. In addition, credit performance triggers (e.g. on new business vintages or early default rates) are set and monitored.

Types of credit risk limits are outlined below.

Business unit limits	
Counterparty	Borrower's risk grades are mapped to the FirstRand rating scale.
Collateral	For secured loans, limits are based on collateral profiles, e.g. loan-to-value bands.
Capacity	Customer affordability measures.
Concentration	Limits for concentrations to, for example, customer segments or high-collateral risk.

Portfolio-level limits
Additional limits are put in place for subportfolios subject to excessive credit loss volatility and elevated climate risk, e.g. thermal coal, and oil and gas (refer to the *Climate risk* section of this report).

Key credit performance measures considered include credit loss ratios, ROE and NIACC.

Output from portfolio simulation models and periodic stress tests are further used to assess whether the credit portfolio remains within appetite.

YEAR UNDER REVIEW AND FOCUS AREAS

Year under review	Risk management focus areas
• Continued to monitor and respond to the higher interest rate and inflation environment, contributing to elevated consumer affordability pressure and associated increased propensity for debt review. • Enhanced incorporation of climate risk-related considerations including exploring transition opportunities, e.g. renewable energy. • Achieved BCBS 239 compliance for credit risk in Aldermore. • Continued to monitor sovereign risk profiles and strengthened mitigation efforts. • Despite challenging economic conditions, the group benefited from prudent risk mitigation and proactive portfolio provisioning.	• Prepare for the implementation of remaining Basel III reforms, including parallel run testing prior to go-live. • Continue extension of credit risk aggregation capability to include climate risk-related metrics. • Monitor development of economic outlook and ensure origination criteria, provisions and collection capacity remain appropriately positioned. • Leverage BCBS 239 capabilities to integrate credit risk aggregation, reporting and stress testing activities.

Regulatory developments

The PA issued *Guidance Note 3 of 2023, Proposed implementation dates in respect of specified regulatory reforms*, on 18 July 2023. It stipulated that the proposed implementation date of the revised standardised approach for credit risk and the revised IRB approaches for credit risk and the output floor is 1 July 2025.

Key revisions for credit risk include:

- enhancing the robustness and risk sensitivity of the standardised approach for credit risk;
- constraining the use of the internal model approaches, by placing limits on certain inputs used to calculate capital requirements under the IRB approaches for credit risk; and
- replacing the existing Basel II output floor with a more robust risk-sensitive floor based on the BCBS's revised Basel III standardised approaches.

Organisational structure and governance

CREDIT RISK GOVERNANCE STRUCTURE

Board-level oversight

Large exposures committee

Approves credit applications:
- in excess of 10% of the group's qualifying Tier 1 capital and reserves.

RCCC

Reviews reports on:
- adequacy and robustness of credit risk identification, management and control; and
- current and projected credit risk profile.

Credit risk management committee

- Oversees credit risk profile, adequacy of impairments and management across the group.
- Monitors implementation of the credit risk management framework that prescribes the governance structures, roles, responsibilities and lines of accountability for credit risk management.

Model risk and validation committee

Reviews and approves material changes to credit risk capital, credit rating, estimation and impairment models.

Executive management oversight

Segment credit committees

Segment credit portfolio oversight, credit policy and risk appetite approval and approval of credit applications (corporate and SME corporate) per level of delegated mandate. Segment credit committees include representation from segment CEOs and business unit heads.

Management structures

Business credit risk functions

Portfolio heads (retail, commercial, corporate and Aldermore):
- Accountable to the group's governance forums.
- Ensure alignment with credit origination strategy and appetite.
- Implement and assess frameworks/policy compliance.
- Calculate volatility profile for aggregate portfolios.

ERM Group Credit Risk Management

- Provides an independent view of the group credit risk profile.
- Responsible for credit risk governance.
- Monitors implementation of credit risk-related frameworks across the group.
- Implements methodologies and capabilities.
- Facilitates credit risk appetite processes.

Segment credit technical committees

Approve and recommend credit risk models used across the credit value chain (e.g. underwriting, impairments and capital).

Group Internal Audit

- Assesses the adequacy and effectiveness of credit risk management controls.
- Identifies risk control shortcomings and recommends corrective actions.
- Verifies the appropriateness and use of credit rating systems, credit risk models and scorecards.

Credit assets

CREDIT ASSETS BY TYPE, SEGMENT AND PA APPROACH

	As at 30 June				
	2024				2023
		AIRB approach	Standardised approach		
R million	Total	FRBSA	Regulated banking entities in broader Africa	Other subsidiaries and foreign branches	Total
On-balance sheet exposures	**2 169 613**	**1 478 150**	**127 153**	**564 310**	2 075 573
Cash and short-term funds	**147 798**	**76 962**	**13 098**	**57 738**	136 577
– Money at call and short notice*	**88 436**	**24 991**	**5 742**	**57 703**	79 740
– Balances with central banks	**59 362**	**51 971**	**7 356**	**35**	56 837
Gross advances**	**1 665 706**	**1 148 802**	**80 773**	**436 131**	1 590 447
Less: impairments#	**54 165**	**39 386**	**4 125**	**10 654**	51 072
Net advances	**1 611 541**	**1 109 416**	**76 648**	**425 477**	1 539 375
Debt investment securities (excluding non-recourse investments)†	**410 274**	**291 772**	**37 407**	**81 095**	399 621
Off-balance sheet exposures	**293 942**	**229 481**	**12 267**	**52 194**	277 619
Total contingencies‡	**91 829**	**50 895**	**6 186**	**34 748**	78 002
– Guarantees	**78 460**	**38 635**	**5 077**	**34 748**	63 894
– Letters of credit	**13 369**	**12 260**	**1 109**	**–**	14 108
Loan commitments	**198 355**	**174 828**	**6 081**	**17 446**	193 026
Credit derivatives	**3 758**	**3 758**	**–**	**–**	6 591
Total	**2 463 555**	**1 707 631**	**139 420**	**616 504**	2 353 192

* *Restated in June 2023 due to reclassification of margin balances from derivative transactions to other assets.*
** *The business split of gross advances is provided in the CR1: Credit quality of assets table.*
# *Impairments include ECL on both on- and off-balance sheet exposures.*
† *Debt investment securities are net of allowances and impairments.*
‡ *Include acceptances.*

Credit quality of assets

The group adopted the PD/LGD approach for the calculation of ECL for advances. ECL is based on an average of three macroeconomic scenarios incorporating a base scenario, an upside scenario and a downside scenario, weighted by the probability of occurrence. The relevance of the scenarios is reviewed on an ongoing basis

Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. This results in the production of models that are used to predict impairment parameters (PD, LGD and EAD) based on the predictive characteristics identified through the regression process.

Impairment of financial assets

The adequacy of impairments is assessed through an ongoing review of the quality of credit exposures in line with IFRS 9 requirements. Individual advances are classified into one of the following categories and an impairment allowance is recognised accordingly.

Credit risk has not increased significantly since initial recognition (stage 1)	Credit risk has increased significantly since initial recognition, but asset is not credit impaired (stage 2)	Asset has become credit impaired since initial recognition (stage 3)	Purchased or originated credit impaired
Twelve-month expected credit losses are recognised.	Lifetime expected credit losses (LECL) recognised.	LECL recognised.	Movement in LECL since initial recognition.

IMPAIRMENT CLASSIFICATION

Description	
Determination of whether the credit risk of financial instruments has increased significantly since initial recognition	In order to determine whether an advance has experienced a significant increase in credit risk, the PD of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined as the most recent date at which the group has repriced an advance/facility. A change in terms results in derecognition of the original advance/facility and recognition of a new advance/facility. A significant increase in credit risk test thresholds is reassessed and, if necessary, updated on at least an annual basis. Any facility that is more than 30 days past due, or in the case of instalment-based products, one instalment past due, is automatically considered to have experienced a significant increase in credit risk. In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a significant increase in credit risk. One such qualitative consideration is the appearance of corporate or commercial facilities on a credit watchlist. Any up-to-date facility that has undergone a distressed restructure (i.e. a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a significant increase in credit risk and will be disclosed as stage 2 at a minimum. The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred. No minimum period for transition from stage 2 back to stage 1 is applied, with the exception of cured distressed restructured exposures that are required to remain in stage 2 for a minimum period of six months before re-entering stage 1, as per the requirements of *Directive 7 of 2015*.
Credit-impaired financial assets	Advances are considered credit impaired if they meet the definition of default. The group's definition of default applied for calculating provisions under IFRS 9 has been aligned to the definition applied for regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes. Exposures are considered to be in default when they are more than 90 days past due or, in the case of amortising products, have more than three unpaid instalments. In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without recourse by the group to actions such as the realisation of security. Indicators of unlikeliness to pay are determined based on the requirements of Regulation 67 of the Banks Act. Examples include application for bankruptcy or obligor insolvency. All distressed restructures are considered to be of increased credit risk, with unsecured distressed restructures all being considered as default events, and secured distressed restructures only being considered a default event if the account was in arrears at the point of restructuring. Retail accounts are considered to no longer be in default if they meet the stringent cure definition, which has been determined at portfolio level based on analysis of re-defaulted rates. Curing from default within corporate and commercial is determined judgementally through a committee process.
Purchased or originated credit impaired	Financial assets that meet the above-mentioned definition of credit-impaired at initial recognition.

IMPAIRMENT ASSESSMENT

Impairment classification	Description
Significant increase in credit risk since initial recognition	Quantitative and qualitative factors are considered when determining whether there has been a significant increase in credit risk. **Quantitative test:** The PDs used to perform the test for a significant increase in credit risk are calculated by applying the PD model in-force as at the reporting date. This model is retro-applied using data as at the origination date to determine origination date PDs. **Qualitative test:** Furthermore, a qualitative assessment is performed in order to assess if additional exposures should be migrated from stage 1 to stage 2. This assessment would consider, at a minimum, forward-looking information not taken into account in the quantitative assessment. Origination date PDs are measured at initial recognition of an instrument, unless there has been a subsequent risk-based repricing, or a change in terms has taken place which requires the derecognition of the initial advance and recognition of a new advance. Where the models used to determine PDs cannot discriminate good credit risks from bad credit risks effectively at initial recognition due to a lack of behavioural information, proxy origination dates of up to six months post initial recognition are applied. Where proxy origination dates are applied, early qualitative indicators of significant increases in credit risk, such as fraudulent account activity or partial arrears, are applied to trigger movement into stage 2. Reporting date PDs are calculated on a forward-looking basis, with PDs adjusted where appropriate to incorporate the impacts of multiple forward-looking macroeconomic scenarios.
Credit-impaired financial assets	Exposures are classified as stage 3 if there are qualitative indicators that the obligor is unlikely to pay their credit obligations in full without any recourse by the group to action, such as the realisation of security. Distressed restructures of secured accounts in arrears are considered to be default events. All distressed restructures of unsecured accounts are considered to be default events. For a retail account to cure from stage 3 to either stage 2 or stage 1, the account needs to meet a stringent cure definition. Cure definitions are determined on a portfolio level with reference to suitable analysis and are set such that the probability of a previously cured account re-defaulting is equivalent to the probability of default for an account that has not defaulted in the past. In most retail portfolios curing is set at 12 consecutive payments. For corporate and commercial exposures, cures are assessed on a case-by-case basis, subsequent to an analysis by the relevant debt restructuring credit committee. A default event is a separate default event only if an account has met the portfolio-specific cure definition prior to the second or subsequent default. Default events that are not separate are treated as a single default event when developing LGD models and the associated term structures.

PD, EAD and LGD estimates that are derived from regulatory capital models are used in models to determine stage 1 estimates. The outputs from the regulatory capital models are used as inputs into term structure models used for stage 2 and 3 ECL calculations.

For credit risk measurement requirements FirstRand employs the AIRB approach for FRBSA and the standardised approach for the remaining group entities. The following table, *CR1: Credit quality of assets*, provides a breakdown of defaulted exposures, non-defaulted exposures and impairment allowances split between the standardised approach specific and general accounting provisions, and AIRB accounting provisions. Under the IFRS 9 ECL model, these provisions represent the impairments outlined in the following table.

Regulatory classification – standardised and AIRB approaches	ECL impairment classification (IFRS 9)
General provision	Stage 1 and 2 impairments – performing book
Specific provision	Stage 3 impairments – non-performing book

Use of an ECL model results in earlier recognition of impairments, which generally leads to an increase in provisions held against the performing book. The approach applied under IFRS 9 for the calculation of specific provisions does not result in significant changes in coverage held for defaulted accounts.

The following tables provide the credit quality of advances in the in-force portfolio.

CR1: CREDIT QUALITY OF ASSETS

	As at 30 June 2024						
	Gross carrying values of			Of which ECL accounting provisions for credit losses on standardised approach exposures		Of which ECL accounting provisions for credit losses on AIRB exposures	
R million	(a) Defaulted exposures*	(b) Non-defaulted exposures**	(c) Allowances/ impairments	Allocated in regulatory category of specific	Allocated in regulatory category of general		(a+b-c) Net value
1. **Gross advances**	**67 840**	**1 597 866**	**54 165**	**6 893**	**5 720**	**41 552**	**1 611 541**
FNB	**42 143**	**524 501**	**31 552**	**2 921**	**2 546**	**26 085**	**535 092**
– Retail	**33 479**	**340 858**	**22 726**	**696**	**787**	**21 243**	**351 611**
– Commercial	**4 733**	**125 111**	**5 077**	**106**	**129**	**4 842**	**124 767**
– Broader Africa	**3 931**	**58 532**	**3 749**	**2 119**	**1 630**	**–**	**58 714**
WesBank	**8 325**	**164 937**	**7 175**	**–**	**–**	**7 175**	**166 087**
RMB CIB	**4 667**	**521 425**	**7 408**	**–**	**–**	**7 408**	**518 684**
UK operations	**12 071**	**347 727**	**7 146**	**3 972**	**3 174**	**–**	**352 652**
Centre (including Group Treasury)	**634**	**39 276**	**884**	**–**	**–**	**884**	**39 026**
2. **Debt investment securities**#	**–**	**411 112**	**838**	**–**	**–**	**838**	**410 274**
3. **Off-balance sheet exposures**	**172**	**293 770**	**–**	**–**	**–**	**–**	**293 942**
4. **Total**	**68 012**	**2 302 748**	**55 003**	**6 893**	**5 720**	**42 390**	**2 315 757**

* *Defaulted exposure is stage 3/NPLs.*

** *Non-defaulted exposure is the sum of stage 1 and stage 2 gross advances.*

\# *Exclude non-recourse investments.*

	As at 30 June 2023						
	Gross carrying values of			Of which ECL accounting provisions for credit losses on standardised approach exposures		Of which ECL accounting provisions for credit losses on AIRB exposures	
R million	(a) Defaulted exposures*	(b) Non-defaulted exposures**	(c) Allowances/ impairments	Allocated in regulatory category of specific	Allocated in regulatory category of general		(a+b-c) Net value
1. **Gross advances**	57 432	1 533 015	51 072	5 649	8 463	36 958	1 539 375
FNB	34 884	494 244	28 389	2 899	2 581	22 909	500 739
– Retail	26 601	327 661	19 660	792	692	18 176	334 602
– Commercial	4 773	111 675	5 003	93	177	4 733	111 445
– Broader Africa	3 510	54 908	3 726	2 014	1 712	–	54 692
WesBank	7 235	155 756	6 595	–	–	6 595	156 396
RMB CIB	5 171	479 478	6 882	–	–	6 880	477 767
UK operations	9 222	361 928	7 831	2 560	5 271	–	363 319
Centre (including Group Treasury)	920	41 609	1 375	190	611	574	41 154
2. **Debt investment securities**#	–	400 401	780	–	–	780	399 621
3. **Off-balance sheet exposures**	210	277 409	–	–	–	–	277 619
4. **Total**	57 642	2 210 825	51 852	5 649	8 463	37 738	2 216 615

* *Defaulted exposure is stage 3/NPLs.*

** *Non-defaulted exposure is the sum of stage 1 and stage 2 gross advances.*

\# *Exclude non-recourse investments.*

CR2: CHANGES IN STOCK OF DEFAULTED ADVANCES, DEBT SECURITIES AND OFF-BALANCE SHEET EXPOSURES

R million		Total
1.	**Defaulted credit exposures at 30 June 2023**	**57 642**
2.	Advances defaulted	**36 611**
3.	Return to non-defaulted status	**(6 373)**
4.	Amounts written off	**(13 732)**
5.	Other changes	**(6 136)**
6.	**Defaulted credit exposures at 30 June 2024**	**68 012**

Age analysis of credit exposures

A past due analysis is performed for advances with specific expiry or instalment repayment dates. The analysis is not applicable to overdraft products or products where no specific due dates are determined. The level of risk on these types of products is assessed and reported with reference to the counterparty ratings of exposures.

The following tables provide the age analysis of the group's loans and advances, debt securities and off-balance sheet items. In these tables, defaulted exposures represent stage 3/NPLs. Non-defaulted exposures are the sum of stage 1 and stage 2 gross advances, and allowances/impairments are total balance sheet provisions.

AGE ANALYSIS OF CREDIT EXPOSURES

	As at 30 June 2024			
	Gross carrying values of			
R million	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net value**
FNB	**42 143**	**524 501**	**31 552**	**535 092**
– Retail	**33 479**	**340 858**	**22 726**	**351 611**
– Commercial*	**4 733**	**125 111**	**5 077**	**124 767**
– Broader Africa	**3 931**	**58 532**	**3 749**	**58 714**
WesBank	**8 325**	**164 937**	**7 175**	**166 087**
RMB CIB	**4 667**	**521 424**	**7 408**	**518 683**
UK operations	**12 071**	**347 727**	**7 146**	**352 652**
Centre (including Group Treasury)	**634**	**39 277**	**884**	**39 027**
Total	**67 840**	**1 597 866**	**54 165**	**1 611 541**
Percentage of total book (%)	**4.1**	**95.9**		**100.0**

	As at 30 June 2023			
	Gross carrying values of			
R million	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net value
FNB	34 884	494 244	28 389	500 739
– Retail	26 601	327 661	19 660	334 602
– Commercial*	4 773	111 675	5 003	111 445
– Broader Africa	3 510	54 908	3 726	54 692
WesBank	7 235	155 756	6 595	156 396
RMB CIB	5 171	479 478	6 882	477 767
UK operations	9 222	361 928	7 831	363 319
Centre (including Group Treasury)	920	41 609	1 375	41 154
Total	57 432	1 533 015	51 072	1 539 375
Percentage of total book (%)	3.6	96.4		100.0

* *Includes public sector.*

Income statement impairment charge

Impairments are recognised through the creation of an impairment reserve and an impairment charge in the income statement. Exposures that are considered uncollectable are written off against the reserve for loan impairments. Subsequent recoveries against these facilities decrease the credit impairment charge in the income statement in the year of recovery.

Refer to the group's *Analysis of financial results for the year ended 30 June 2024*, available on the group's website at https://www.firstrand.co.za/investors/integrated-reporting-hub/financial-reporting/, for NPL and impairment history graphs and a description of normalised credit performance.

Sector and geographical analysis of defaulted advances

Sector and geographical analysis of defaulted exposures are based on where the credit risk originates, i.e. geography and sector of operation.

SECTOR ANALYSIS OF DEFAULTED ADVANCES*

	As at 30 June 2024			
R million	**Defaulted advances before write-offs**	**Less: write-offs excluding interest in suspense**	**Defaulted advances net of write-offs**	**Specific impairments**
Agriculture	**2 599**	**693**	**1 906**	**717**
Financial institutions	**374**	**58**	**316**	**184**
Building and property development	**3 391**	**401**	**2 990**	**1 021**
Government, Land Bank and public authorities	**1 167**	**5**	**1 162**	**134**
Individuals	**61 939**	**10 338**	**51 601**	**22 123**
Manufacturing and commerce	**5 911**	**1 055**	**4 856**	**3 352**
Mining	**223**	**45**	**178**	**107**
Transport and communication	**1 130**	**233**	**897**	**449**
Other services	**4 838**	**904**	**3 934**	**1 850**
Total	**81 572**	**13 732**	**67 840**	**29 937**

	As at 30 June 2023			
R million	Defaulted advances before write-offs	Less: write-offs excluding interest in suspense	Defaulted advances net of write-offs	Specific impairments
Agriculture	2 765	187	2 578	1 346
Financial institutions	396	107	289	212
Building and property development	2 360	659	1 701	836
Government, Land Bank and public authorities	2 184	34	2 150	279
Individuals	52 000	10 105	41 895	18 623
Manufacturing and commerce	5 493	902	4 591	2 687
Mining	192	34	158	114
Transport and communication	1 135	140	995	385
Other services	4 067	992	3 075	1 556
Total	70 592	13 160	57 432	26 038

* *There were no defaulted advances in the banks sector.*

GEOGRAPHIC ANALYSIS OF DEFAULTED ADVANCES

	As at 30 June 2024			
R million	**Defaulted advances before write-offs**	**Less: write-offs excluding interest in suspense**	**Defaulted advances net of write-offs**	**Specific impairments**
South Africa	**62 241**	**12 372**	**49 869**	**23 018**
Broader Africa	**5 861**	**655**	**5 206**	**2 338**
UK	**13 404**	**691**	**12 713**	**4 555**
Other Europe	**32**	**2**	**30**	**20**
Asia, Americas and Australia	**34**	**12**	**22**	**6**
Total	**81 572**	**13 732**	**67 840**	**29 937**

	As at 30 June 2023			
R million	Defaulted advances before write-offs	Less: write-offs excluding interest in suspense	Defaulted advances net of write-offs	Specific impairments
South Africa	53 221	11 767	41 454	19 569
Broader Africa	6 495	782	5 713	2 312
UK	10 757	608	10 149	4 056
Other Europe	12	2	10	3
Asia, Americas and Australia	107	1	106	98
Total	70 592	13 160	57 432	26 038

Restructured exposures

A restructure is defined as any formal agreement between a customer and the group to amend contractual amounts due (or the timing thereof). This can be initiated by the customer, the group or a third party, e.g. a debt management company. A restructure is defined as a distressed restructure where it is entered into:

- from a position of arrears;
- where an account was in arrears at any point during the preceding six months; or
- from an up-to-date position, in order to prevent the customer from going into arrears.

This section describes restructures and distressed restructures that are concluded in the normal course of business.

Distressed restructuring is regarded as objective evidence of impairment. Classification of distressed restructures adheres to the relevant regulatory requirements. Restructured exposures shown below are applicable to the group’s South African retail operations. Restructured exposures are classified as impaired once the group determines it is probable that it will be unable to collect all principal and interest due according to the new terms and conditions of the restructured agreement. Unimpaired restructures include those that are considered performing and not distressed.

RESTRUCTURED EXPOSURES SPLIT BETWEEN IMPAIRED AND NOT IMPAIRED*

	As at 30 June					
	2024			2023		
R million	**Impaired**	**Not impaired**	**Total**	Impaired	Not impaired	Total
Advances	**8 707**	**15 684**	**24 391**	8 262	15 766	24 028
Total	**8 707**	**15 684**	**24 391**	8 262	15 766	24 028

* *There were no restructured debt investment securities (excluding non-recourse investments and equities).*

Monitoring of weak exposures

Credit exposures are actively monitored throughout the life of transactions. Portfolios are formally reviewed by portfolio committees, either monthly or quarterly, to assess levels of individual counterparty risk and portfolio risks, and to act on any early warning indicators. The performance and financial condition of borrowers are monitored based on information from internal sources, credit bureaux and borrowers, as well as information that is publicly available. The frequency of monitoring and contact with the borrower is determined by the borrower’s risk profile. Reports on the overall quality of the portfolio are monitored at business unit level and portfolio level, and in aggregate for the group.

Management of concentration risk

Credit concentration risk is the risk of loss to the group arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, maturity or climate risk (physical and transition risks). This concentration typically exists when several counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Concentration risk is managed based on the nature of the credit concentration within each portfolio. The group’s credit portfolio is well diversified. This is achieved by setting maximum exposure guidelines to manage concentration risk, e.g. individual counterparty, country or sector level. The group continually reviews its concentration levels and maximum exposure guidelines.

Geographic, industry and residual maturity concentration risk

Geographically, most of the group’s exposures are in South Africa. The following tables provide the geographical, industry and residual maturity splits of gross advances after deduction of interest in suspense, and debt investment securities (excluding non-recourse investments and off-balance sheet exposures).

BREAKDOWN OF EXPOSURES ACROSS GEOGRAPHICAL AREAS

	As at 30 June			
	2024		2023	
R million	**Gross advances and debt investment securities***	**Significant off-balance sheet exposures**	Gross advances and debt investment securities	Significant off-balance sheet exposures
South Africa	**1 387 701**	**201 883**	1 290 700	189 767
Broader Africa	**184 438**	**19 222**	174 204	21 561
UK	**414 692**	**54 305**	421 124	41 852
Other Europe	**32 168**	**12 342**	36 535	13 227
Asia, Americas and Australia	**57 818**	**6 190**	68 285	11 212
Total	**2 076 817**	**293 942**	1 990 848	277 619

* *Debt investment securities exclude non-recourse investments.*

BREAKDOWN OF EXPOSURES ACROSS INDUSTRIES

	As at 30 June			
	2024		2023	
R million	**Gross advances and debt investment securities***	**Significant off-balance sheet exposures**	Gross advances and debt investment securities*	Significant off-balance sheet exposures
Agriculture	**61 702**	**4 113**	59 098	4 192
Banks and financial services	**307 059**	**86 967**	300 184	77 963
Building and property development	**94 522**	**4 587**	93 644	6 902
Government, Land Bank and public authorities	**374 733**	**7 493**	371 418	7 954
Individuals	**721 124**	**59 321**	727 059	65 669
Manufacturing and commerce	**235 664**	**67 269**	199 934	48 397
Mining	**23 484**	**25 669**	14 402	24 072
Transport and communication	**64 621**	**20 908**	51 471	20 359
Other services	**193 908**	**17 615**	173 638	22 111
Total	**2 076 817**	**293 942**	1 990 848	277 619

* *Debt investment securities exclude non-recourse investments.*

BREAKDOWN OF EXPOSURES BY RESIDUAL MATURITY

	As at 30 June			
	2024		2023	
R million	**Gross advances and debt investment securities***	**Significant off-balance sheet exposures**	Gross advances and debt investment securities*	Significant off-balance sheet exposures
Less than one year (including call)	**683 118**	**255 786**	673 115	249 157
Between one year and five years	**773 576**	**3 093**	706 601	4 036
Over five years	**548 602**	**35 063**	549 060	24 426
Non-contractual amounts	**71 521**	**–**	62 072	–
Total	**2 076 817**	**293 942**	1 990 848	277 619

* *Debt investment securities exclude non-recourse investments.*

Credit risk mitigation

The group's CRM approach is described on page 23.

CR3: CREDIT RISK MITIGATION TECHNIQUES

	As at 30 June 2024				
	Exposures*				
	Unsecured carrying value	Secured by collateral		Secured by financial guarantees	
R million		Carrying value	Secured amount	Carrying value	Secured amount
Advances	**275 734**	**1 335 807**	**1 335 807**	**9 619**	**9 619**
Debt securities	**75 116**	**335 158**	**335 158**	**–**	**–**
Total advances and debt securities	**350 850**	**1 670 965**	**1 670 965**	**9 619**	**9 619**
Of which defaulted:	**5 100**	**32 803**	**32 803**	**–**	**–**

	As at 30 June 2023				
	Exposures*				
	Unsecured carrying value	Secured by collateral		Secured by financial guarantees	
R million		Carrying value	Secured amount	Carrying value	Secured amount
Advances	235 715	1 303 660	1 303 660	14 911	14 911
Debt securities	78 666	320 955	320 955	–	–
Total advances and debt securities	314 381	1 624 615	1 624 615	14 911	14 911
Of which defaulted:	4 131	27 263	27 263	–	–

* *No exposures were secured by credit derivatives.*

Credit risk under the standardised approach

For regulatory capital purposes, the group predominantly uses the AIRB approach for FRBSA exposures, and the standardised approach for the group's other legal entities, certain of the bank's foreign branches, and Aldermore.

For portfolios using the standardised approach, S&P Global Ratings (S&P) ratings are used. As external ratings are not available for all jurisdictions and for certain parts of the portfolio, the group uses its internally developed mapping between internal rating grades and S&P grades (refer to the *Mapping of FirstRand grades to rating agency scales* section on page 67).

For cases where the bank invests in a particular debt issuance, the risk weight of claims is based on these assessments. If the investment is not in a specific assessed issuance, then the following factors apply when determining the applicable assessments in accordance with Basel prescriptions:

- the borrower's issuer assessment;
- the borrower's specific assessment on issued debt;
- the ranking of the unassessed claim; and
- the bank's entire credit risk exposure.

The following table provides the credit risk exposures, CRM effects and RWA for standardised approach exposures per asset class. RWA density is the ratio of RWA to exposures post CCF and CRM. There were no equity exposures to disclose as part of credit. Exposures to multilateral development banks have been categorised under the banks asset class. Specific details regarding past due advances, higher-risk categories and other asset categories were not provided separately. Rows 3 and 10 – 11 have been excluded from these tables.

CR4: STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION EFFECTS

		As at 30 June 2024					
		Exposures before CCF and CRM		**Exposure post CCF and CRM**		**RWA and RWA density**	
R million		**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density %**
	Asset classes						
1.	Sovereigns and their central banks	**126 657**	**54**	**133 992**	**12**	**41 495**	**30.97**
2.	Non-central government public sector entities	**8 650**	**2 878**	**9 228**	**524**	**3 819**	**39.16**
4.	Banks	**34 349**	**1**	**27 340**	**559**	**6 745**	**24.18**
5.	Securities firms	**886**	**–**	**886**	**–**	**443**	**50.00**
6.	Corporates*	**82 215**	**62 133**	**81 658**	**38 910**	**87 840**	**72.86**
7.	Regulatory retail portfolios	**153 289**	**13 002**	**152 635**	**4 465**	**118 322**	**75.32**
8.	Secured by residential property	**202 647**	**8 776**	**202 649**	**1 887**	**75 029**	**36.68**
9.	Secured by commercial real estate	**38 546**	**1 223**	**38 546**	**611**	**39 190**	**100.08**
12.	**Total**	**647 239**	**88 067**	**646 934**	**46 968**	**372 883**	**53.74**

		As at June 2023**					
		Exposures before CCF and CRM		Exposure post CCF and CRM		RWA and RWA density	
R million		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density %
	Asset classes						
1.	Sovereigns and their central banks	125 589	44	123 349	10	41 888	33.96
2.	Non-central government public sector entities	5 821	2 471	4 823	272	2 547	49.99
4.	Banks	31 569	15	26 836	328	9 279	34.16
5.	Securities firms	1 398	–	1 398	–	1 398	100.00
6.	Corporates	103 753	55 563	111 365	6 776	112 153	94.93
7.	Regulatory retail portfolios	167 118	13 682	167 105	4 396	133 671	77.94
8.	Secured by residential property	202 175	7 342	202 177	2 519	60 533	29.57
9.	Secured by commercial real estate	39 997	4 252	39 998	2 196	42 194	100.00
12	**Total**	677 420	83 369	677 051	16 497	403 663	58.20

* *The implementation of the AIRB approach for the corporate portfolio in the London branch has caused a decreased from June 2023.*

** *June 2023 has been restated following refinement of mappings.*

The following tables provide a breakdown of exposures rated through the standardised approach by asset class to show the effect of CRM. Further breakdown by risk weight per asset class is shown where the risk weights used are those prescribed in the Regulations, and will differ primarily by asset class as well as credit rating. There are no exposures to disclose as part of credit. Exposures to multilateral development banks have been categorised under the banks asset class. Specific details regarding past due advances, higher-risk categories and other asset categories were not provided separately. Rows 3 and 10 – 13 have been excluded from these tables, and only applicable risk weights are disclosed.

CR5: STANDARDISED APPROACH – EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

		As at 30 June 2024								
		Risk weight								**Total credit exposures amount (post CCF and post CRM)**
R million		**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	
	Asset classes									
1.	Sovereigns and their central banks	**90 081**	**–**	**–**	**–**	**16 712**	**–**	**15 353**	**11 857**	**134 003**
2.	Non-central government public sector entities	**–**	**–**	**3 524**	**–**	**6 228**	**–**	**–**	**–**	**9 752**
4.	Banks	**–**	**–**	**25 858**	**–**	**1 369**	**–**	**237**	**435**	**27 899**
5.	Securities firms	**–**	**–**	**–**	**–**	**886**	**–**	**–**	**–**	**886**
6.	Corporates*	**34 490**	**–**	**–**	**–**	**25**	**–**	**82 495**	**3 556**	**120 566**
7.	Regulatory retail portfolios	**–**	**–**	**–**	**–**	**1 013**	**153 610**	**2 214**	**262**	**157 099**
8.	Secured by residential property	**–**	**–**	**–**	**197 756**	**827**	**2 213**	**3 739**	**–**	**204 535**
9.	Secured by commercial real estate	**–**	**–**	**–**	**–**	**21**	**–**	**39 050**	**86**	**39 157**
14.	**Total**	**124 571**	**–**	**29 382**	**197 756**	**27 081**	**155 823**	**143 088**	**16 196**	**693 897**

		As at 30 June 2023**								
		Risk weight								Total credit exposures amount (post CCF and post CRM)
R million		0%	10%	20%	35%	50%	75%	100%	150%	
	Asset classes									
1.	Sovereigns and their central banks	83 371	–	–	–	9 053	–	18 082	12 853	123 359
2.	Non-central government public sector entities	–	–	–	–	5 095	–	–	–	5 095
4.	Banks	667	–	19 872	–	3 203	–	3 229	193	27 164
5.	Securities firms	–	–	–	–	1 398	–	–	–	1 398
6.	Corporates	–	–	6 887	–	8 794	–	94 624	7 838	118 143
7.	Regulatory retail portfolios	–	–	–	–	1 221	162 304	1 258	6 716	171 499
8.	Secured by residential property	–	–	–	203 029	–	1 610	56	–	204 695
9.	Secured by commercial real estate	–	–	–	–	–	–	42 194	–	42 194
14.	**Total**	84 038	–	26 759	203 029	28 764	163 914	159 443	27 600	693 547

* *The implementation of the AIRB approach for the corporate portfolio in the London branch has caused a decreased from June 2023.*

** *June 2023 CR5 has been restated following refinement of mappings.*

Credit risk under the AIRB approach

The use of quantitative models is crucial to the successful management of credit risk. Models are used across the credit value chain in decision-making and in credit risk measurement and reporting.

Technical requirements for the development of credit risk models are captured in model-type specific development frameworks. Model governance, validation and implementation requirements are articulated in the group's model risk management framework for credit risk. Where applicable, independent validation of credit risk models are performed according to requirements articulated in model-type specific independent validation frameworks.

Credit risk models are widely employed in the assessment of capital requirements, origination, pricing, impairment calculations and stress testing of the credit portfolio. All these models are built on a number of client and facility rating models, in line with AIRB approach requirements and the group's model building frameworks.

Credit risk approaches employed across the group are shown below.

Basel approach	**FRBSA**	**Remaining group entities**
AIRB approach	✓	✓
Standardised approach	✓	✓

The following table provides the EAD composition per major portfolio within the group (including Aldermore) for each of the credit approaches.

EAD % per portfolio	**AIRB approach**	**Standardised approach**
Retail	**60**	**40**
Commercial	**60**	**40**
Corporate	**78**	**22**

Even though the remaining subsidiaries (broader Africa entities and Aldermore) do not have regulatory approval to use the AIRB approach, the same or similar models are applied for the internal assessment of credit risk on the standardised approach. The models are used for the internal assessment of the three primary credit risk components:

- PD;
- EAD; and
- LGD.

Management of the credit portfolio is reliant on these three credit risk measures. PD, EAD and LGD are inputs in the portfolio and group-level credit risk assessment where the measures are combined with estimates of correlations between individual counterparties, industries and portfolios to reflect diversification benefits across the portfolio.

Probability of default	
Definition	• The probability of a counterparty defaulting on any of its obligations over the next 12 months. • A measure of the counterparty's ability and willingness to repay facilities granted.
Dimensions	• Time-driven: counterparty is in arrears for more than 90 days or three instalments. • Event-driven: there is reason to believe that the exposure will not be recovered in full and has been classified as such.
Application	• All credit portfolios. • Recognition of NPLs for accounting.
PD measures	• TTC PD measures reflect long-term, average default expectations over the course of the economic cycle and are inputs in economic and regulatory capital calculations. • Point-in-time PD measures reflect default expectations based on the incorporation of forward-looking information and thus tend to be more cyclical than TTC PD estimates. These PDs are used in credit portfolio management, setting risk appetite and portfolio monitoring.
Measure application	• Probability of default is used in the management of exposure to credit risk.

The group employs a granular, 100-point master rating scale which has been mapped to the continuum of default probabilities, as illustrated in the following table. These mappings are reviewed and updated on a regular basis. The group currently only uses mapping to S&P rating scales.

MAPPING OF FIRSTRAND GRADES TO RATING AGENCY SCALES

FirstRand rating	Midpoint PD	International scale mapping	
1 – 14	0.06%	AAA, AA+, AA, AA-, A+, A, A-	• 1 represents the lowest PD and 100 the highest in the FirstRand rating scale. • External ratings have also been mapped to the master rating scale for reporting purposes.
15 – 25	0.29%	BBB+, BBB(upper), BBB, BBB-(upper), BBB-, BB+(upper)	
26 – 32	0.77%	BB+, BB(upper), BB, BB-(upper)	
33 – 39	1.44%	BB-, B+(upper)	
40 – 53	2.52%	B+	
54 – 83	6.18%	B(upper), B, B-(upper)	
84 – 90	13.68%	B-	
91 – 99	59.11%	CCC+, CCC	
100	100%	D (defaulted)	

Exposure at default	
Definition	The expected exposure to a counterparty through a facility should the counterparty default over the next 12 months. It reflects commitments made and facilities granted that have not been paid out and may be drawn over the period under consideration (i.e. off-balance sheet exposures). It is also a measure of potential future exposure on derivative positions.
Application	A number of EAD models, which are tailored to the respective portfolios and products employed, are in use across the group. These have been developed internally and are calibrated to historical default experience.

Loss given default	
Definition	The economic loss on a particular facility upon default of the counterparty is expressed as a percentage of exposure outstanding at the time of default.
Dependent on	• Type, quality and level of subordination. • Value of collateral held compared to the size of overall exposure. • Effectiveness of the recovery process and timing of cash flows received during the work-out or restructuring process.
Application	• All credit portfolios. • Recognition of NPLs for accounting.
Distinctions	• Long-run expected LGDs (long-run LGDs). • LGDs reflective of downturn conditions: – more conservative assessment of risk, incorporating a degree of interdependence between PD and LGD that can be found in a number of portfolios, i.e. instances where deteriorating collateral values are also indicative of higher default risk; and – used in the calculation of regulatory capital estimates.

Expected loss	
Definition	The product of the primary risk measures PD, EAD and LGD, and is a forward-looking measure of portfolio or transaction risk.
Application	It is used for a variety of purposes along with other risk measures.
Distinctions	Expected loss (EL) is not directly comparable to impairment levels, as EL calculations are based on regulatory parameters, TTC PD and downturn LGD, whilst impairment calculations are driven by IFRS Accounting Standards requirements.

Credit risk model development and approval

Requirements for the model development and validation process, including governance and implementation requirements, and associated roles and responsibilities, are articulated in the group's model risk management framework for credit risk and apply to all credit risk models used across the group.

Roles and responsibilities related to the model risk management process, as well as model governance and validation requirements, are defined in this framework with reference to the stages of the credit risk model life cycle. Governance and validation requirements for new model developments also apply to significant model changes, which are defined as changes to the structure of a model or model rating factors.

The following roles are defined to ensure that model risk is adequately managed across the credit value chain and throughout the credit risk model life cycle.

- **Model owner** – Responsible for the overall performance of the model, including ensuring that the model is implemented correctly and used appropriately. The model owner should be the head of credit for the portfolio to which the model will be applied, unless model ownership has been allocated to an appropriate central function.
- **Model developer** – Responsible for the development of the model, using appropriate methodologies that align with the intended model use and for producing appropriate model documentation. The model developer should be a senior analyst in the business unit in which the model will be used, unless model development has been outsourced to an appropriate central function.
- **Model validator** – Performs independent validation of the model in accordance with the relevant approved model validation framework. The model validator should be in ERM, unless independent validation has been delegated to another function or area that is independent from the model owner and developer.
- **Model approver** – Responsible for the final approval of the model for its intended use. Model approval is the responsibility of RCCC or its designated subcommittee, and final model approval is dependent on model type and model risk classification.
- **GIA** – Responsible for monitoring adherence to the requirements of the model risk management framework for credit risk and other related policies and frameworks.

The model governance and validation process for each stage of the credit risk model life cycle is described in the following diagram. This is applicable to new model developments and significant model changes.

MODEL GOVERNANCE AND VALIDATION IN THE CREDIT MODEL LIFE CYCLE

Model life cycle stage	Description	Model governance and validation
Model development	New models, updates and calibrations	Model and documentation sign-off by model owner. Approval by retail/wholesale technical committee.
Independent validation	Independent review of model, underlying methodology and results	In line with requirements of regulatory capital model validation frameworks.
Model approval	Final approval indicating model may be implemented and used as intended	Approval by: • MRVC. • RCCC (for material models). • PA (if required by PA communication policy).
Model implementation	Model deployed to production environment	Model owner sign-off.
Post-implementation review	Confirmation of successful model implementation	Model owner sign-off. Noted at MRVC. Material models noted at RCCC.
Ongoing monitoring and validation	Confirmation of continued model relevance and accuracy	Model owner and technical committee sign-off results. Annual independent validation noted at: • MRVC. • RCCC (material models). • PA (if required by PA communication policy).

AIRB models

AIRB models are developed in alignment with regulatory requirements for measurement of credit risk regulatory capital. Retail portfolio models are developed using methodologies described in the retail AIRB model development and validation framework. Corporate models are developed using statistical, expert judgement and hybrid and simulation approaches, with the approach selected according to the characteristics of the exposures modelled.

Parameter floors are applied to the model outputs as follows, in accordance with regulatory requirements:

- PDs – 0.3%;
- residential mortgage LGDs – 10%; and
- EADs – 100% of drawn exposure.

The time lapse between the default event and closure of the exposure depends on the type of collateral (if any) assigned to the underlying exposure. In secured portfolios, write-off takes place once collateral perfection has occurred, or once it has been subjectively established that asset recovery will not be possible. For unsecured portfolios, write-off occurs once an exposure has been in default for a specified period of time or has missed a specified number of payments, as defined in product-level write-off policies.

The table below gives an overview of the key AIRB models used for regulatory capital calculation within each portfolio, including a breakdown of the individual models applied and a description of the modelling methodologies.

Portfolio	Number of models	Model type	Model description
Large corporate portfolios (RMB and WesBank) Private sector counterparties, including corporates and securities firms, and public sector counterparties. Products include loan facilities, structured finance facilities, contingent products and derivative instruments.	14	PD	• Internally developed statistical rating models using internal and external data covering full economic cycles are used. Results are supplemented with qualitative assessments based on international rating agency methodologies. • All ratings (and associated PDs) are reviewed by the wholesale credit committee and, if necessary, final adjustments made to ratings to reflect information not captured by the models.
		LGD	• LGD estimates are based on modelling a combination of internal and suitably adjusted international data with the wholesale credit committee responsible for reviewing and approving LGDs. The LGD models consider the type of collateral underlying the exposure.
		EAD	• EAD estimates are based on suitably adjusted international data. The credit conversion factor approach is typically used to inform the EAD estimation process. The same committee process responsible for reviewing and approving PDs is applied to the review and approval of EADs.
Low-default portfolios: sovereign and bank exposures South African and non-South African banks, local and foreign currencies, sovereign and sub-sovereign exposures.	9	PD	• PDs are based on internally developed statistical and expert judgement models, which are used in conjunction with external rating agency ratings and structured peer group analysis to determine final ratings. PD models are calibrated using external default data and credit spread market data. • All ratings (and associated PDs) are reviewed by the wholesale credit committee and, if necessary, final adjustments are made to ratings to reflect information not captured by the models.
		LGD	• LGD estimates are based on modelling a combination of internal and suitably adjusted international data, which is reviewed by the same committee process responsible for reviewing and approving PDs. The LGD models consider the type of collateral underlying the exposure.
		EAD	• Estimation is based on regulatory guidelines with CCF used appropriately. External data and expert judgement are used due to the low-default nature of the exposures.
Specialised lending portfolios (RMB and FNB commercial) Exposures to private sector counterparties for the financing of project finance, and high-volatility commercial and income-producing real estate.	9	PD	• The rating systems are based on hybrid models using a combination of statistical cash flow simulation models and qualitative scorecards calibrated to a combination of internal data and external benchmarks. • All ratings (and associated PDs) are reviewed by the wholesale credit committee and, if necessary, final adjustments are made to ratings to reflect information not captured by models.
		LGD	• The LGD estimation process is similar to that followed for PD, with simulation and expert judgement used as appropriate.
		EAD	• EAD estimates are based on internal as well as suitably adjusted external data. The credit conversion factor approach is typically used to inform the EAD estimation process.

Portfolio	Number of models	Model type	Model description
Commercial portfolios (FNB commercial and WesBank) Exposures to SME corporate and retail clients. Products include loan facilities, contingent products and term lending products.	12	PD	• **SME commercial** – counterparties are scored using financial statement information in addition to other internal risk drivers, the output of which is calibrated to internal historical default data. • **SME retail** – the SME retail portfolio is segmented into homogeneous pools and sub-pools through an automated scoring process using statistical models that incorporate product type, customer behaviour and delinquency status. PDs are estimated for each sub-pool based on internal product level history associated with the respective homogeneous pools and sub-pools.
		LGD	• **SME commercial** – recovery rates are largely determined by collateral type and these have been set with reference to internal historical loss data, external data and Basel guidelines. • **SME retail** – LGD estimates are applied on a portfolio level, estimated from internal historical default and recovery experience.
		EAD	• **SME commercial** – portfolio-level CCF are estimated on the basis of the group's internal historical experience and benchmarked against international studies. • **SME retail** – EAD estimates are applied on a portfolio level, estimated from internal historical default and recovery experience.
Residential mortgages (FNB retail) Exposures to individuals for financing of residential properties.	3	PD	• Portfolios/products are segmented into homogeneous pools and sub-pools through an automated scoring process using statistical models that incorporate product type, loan characteristics, customer behaviour, application data and delinquency status. • PDs are estimated for each sub-pool based on internal product level history associated with the respective homogeneous pools and sub-pools.
		LGD	• LGD estimates are based on subsegmentation with reference to collateral or product type, time in default and post-default payment behaviour. Final estimates are based on associated analyses and modelling of historical internal loss data.
		EAD	• EAD estimates are based on subsegmentation with reference to product-level analyses and modelling of historical internal exposure data.
Qualifying revolving retail exposures (FNB retail) Exposures to individuals providing a revolving limit through credit card or overdraft facility.	6	PD	• Portfolios/products are segmented into homogeneous pools and sub-pools through an automated scoring process using statistical models that incorporate product type, loan characteristics, customer behaviour, application data and delinquency status. • PDs are estimated for each sub-pool based on internal product level history associated with the respective homogeneous pools and sub-pools.
		LGD	• LGD estimates are based on subsegmentation with reference to product type. Final estimates are based on associated analyses and modelling of historical internal loss data.
		EAD	• EAD measurement plays a significant role in the assessment of risk due to the typically high level of undrawn facilities characteristic of these product types. EAD estimates are based on actual historic EAD, segmented appropriately, e.g. straight versus budget in the case of credit cards.
Other exposures (Personal loans and vehicle asset finance (VAF))	15	PD	• Portfolios/products are segmented into homogeneous pools and sub-pools through an automated scoring process using statistical models that incorporate product type, loan characteristics, customer behaviour, application data and delinquency status. • PDs are estimated for each sub-pool based on internal product-level history associated with the respective homogeneous pools and sub-pools.
		LGD	• LGD estimates are based on subsegmentation with reference to collateral (in the case of VAF) or product type and time in default. Final estimates are based on associated analyses and modelling of historical internal loss data.
		EAD	• EAD estimates are based on subsegmentation with reference to product-level analyses and modelling of historical internal exposure data.

Use of credit risk measures

Credit risk management encompasses the following:

- credit approval;
- pricing;
- limit-setting/risk appetite;
- reporting;
- provisioning;
- capital calculations and allocation;
- profitability analysis;
- stress testing;
- risk management and credit monitoring; and
- performance measurement.

CREDIT RISK MANAGEMENT ACTIONS AND MEASURES IN THE CREDIT LIFE CYCLE

	Corporate	Retail
Determination of portfolio and client acquisition strategy	• Assessment of overall portfolio credit risk determined by PD, EAD and LGD. • Client acquisition strategy set in terms of appropriate limits and group risk appetite.	• Same measures as for corporate. • Credit models determine loss thresholds used in setting of credit risk appetite.
Determination of individual and portfolio limits	• Industry and geographical concentrations. • Credit ratings. • Risk-related limits on the composition of portfolio. • Group credit risk appetite.	• Same measures as for corporate. • Modelled versus actual experience is evaluated in setting of risk appetite.
Profitability analysis and pricing decisions	• PD, EAD and LGD used to determine pricing. • Economic profit used for profitability.	• Same measures as for corporate.
Credit approval	• Consideration of application's ratings. • Credit risk appetite limits. • Projected risk-adjusted return on EC (PD, EAD and LGD are key inputs in these measures).	• Automated based on application scorecards (scorecards are reflective of PD, EAD and LGD). • Assessment of client's affordability.
Credit monitoring and risk management	• Risk assessment based on PD, EAD and LGD. • Counterparty FirstRand grades updated based on risk assessment. • Additional capital for large transactions that will increase concentration risk.	• Same measures as for corporate. • Monthly analysis of portfolio and risk movements used in portfolio management and credit strategy decisions.
Impairments	• Macroeconomic models, PD, EAD and LGD used for stage 1, stage 2 and stage 3 ECL. • Judgemental assessment to determine adequacy of impairments.	• Macroeconomic models, PD, EAD and LGD used for stage 1, stage 2 and stage 3 ECL.
Regulatory and economic capital calculation	• Primary credit risk measures, PD, EAD and LGD are the most important inputs.	• Primary credit risk measures, PD, EAD and LGD are the most important inputs.
Reporting to senior management and board	• Portfolio reports discussed at business and business unit risk committee meetings. • Quarterly portfolio reports submitted to credit risk management and RCCC.	• Portfolio reports discussed at business and business unit risk committee meetings. • Quarterly portfolio reports submitted to credit risk management and RCCC.

Credit risk exposures by portfolio and PD range

The following tables provide the main parameters used for the calculation of capital requirements for the exposures in the AIRB models split by asset class and shown within fixed regulatory PD ranges. These exposures are for FRBSA, where AIRB models are applied. The information in the different columns is explained as follows:

- regulatory supplied CCF is used;
- CRM measures applied are described on page 23;
- number of obligors corresponds to the number of counterparties in the PD band;
- average PD and LGD are weighted by EAD;
- average maturity is the obligor maturity in years weighted by EAD;
- RWA density is the total RWA to EAD post CRM; and
- provisions are only included on a total basis.

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE

	Total FRBSA					
	As at 30 June 2024					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF (%)	EAD post CRM and post CCF (R million)	Average PD (%)	Number of obligors
0.00 to <0.15	92 876	37 137	60.66	111 943	0.07	85 586
0.15 to <0.25	94 045	58 753	50.88	119 506	0.20	95 744
0.25 to <0.50	429 754	95 475	50.45	476 657	0.44	338 594
0.50 to <0.75	142 900	55 117	53.47	166 790	0.66	300 477
0.75 to <2.50	370 871	94 295	53.57	418 115	1.53	1 310 153
2.50 to <10	141 455	23 440	60.08	159 249	4.67	1 507 669
10 to <100	56 424	3 240	53.28	56 575	24.60	2 243 786
100 (default)	49 973	1 105	2.94	50 219	100.00	721 272
Total	1 378 298	368 562	53.29	1 559 054	5.23	6 603 281

	Total FRBSA					
	As at 30 June 2024					
PD scale	Average LGD (%)	Average maturity (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	19.75	0.57	5 285	4.72	16	
0.15 to <0.25	26.76	1.70	25 821	21.61	63	
0.25 to <0.50	14.70	2.16	84 797	17.79	291	
0.50 to <0.75	25.10	2.34	58 901	35.31	275	
0.75 to <2.50	28.94	2.09	198 666	47.51	1 902	
2.50 to <10	44.67	2.03	133 738	83.98	3 524	
10 to <100	38.30	1.66	68 899	121.78	5 297	
100 (default)	46.25	1.59	40 161	79.98	22 417	
Total	25.85	1.96	616 268	39.53	33 785	38 307

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	Total FRBSA					
	As at 30 June 2023					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF* (%)	EAD post CRM and post CCF* (R million)	Average PD* (%)	Number of obligors
0.00 to <0.15	86 370	40 048	43.04	112 861	0.07	90 920
0.15 to <0.25	77 607	54 964	54.08	109 911	0.20	95 778
0.25 to <0.50	415 055	93 123	55.67	462 836	0.44	329 530
0.50 to <0.75	114 274	39 876	60.74	134 402	0.65	291 009
0.75 to <2.50	282 547	73 922	65.14	328 282	1.53	1 262 683
2.50 to <10	152 894	25 625	64.91	171 235	4.56	1 625 089
10 to <100	46 733	3 125	66.22	49 707	26.42	2 019 645
100 (default)	42 396	123	26.60	42 630	100.00	535 097
Total	1 217 876	330 806	57.41	1 411 864	5.09	6 249 751

	Total FRBSA					
	As at 30 June 2023					
PD scale	Average LGD* (%)	Average maturity* (years)	RWA*,** (R million)	RWA density* (%)	Expected loss* (R million)	Provisions* (R million)
0.00 to <0.15	19.84	0.29	5 130	4.55	16	
0.15 to <0.25	26.29	1.55	22 591	20.55	58	
0.25 to <0.50	15.26	2.19	85 739	18.52	293	
0.50 to <0.75	25.01	2.20	45 103	33.56	218	
0.75 to <2.50	28.65	1.93	147 154	44.83	1 479	
2.50 to <10	43.01	2.16	133 147	77.76	3 558	
10 to <100	37.22	2.54	58 316	117.32	4 713	
100 (default)	45.62	2.42	30 125	70.66	18 953	
Total	25.58	1.95	527 305	37.35	29 288	31 852

* *In the year under review, the risk aggregation process was enhanced, which included average CCF, EAD post CRM and post CCF, average PD, average LGD, average maturity, RWA, RWA density, expected loss and provisions.*

** *The difference between total RWA presented in the OV1: Overview of RWA and CR6 templates is due to slotting.*

The *CR6: Credit risk exposure and PD range by asset class portfolio* tables are included in the *Standardised disclosures* section on page 202.

Effect on RWA of credit derivatives used as credit risk mitigation

The following table illustrates the effect of credit derivatives on the capital requirement calculation under the AIRB approach. As the group does not apply the foundation IRB approach, the rows related to this approach have been excluded from the CR7 table. Pre-credit derivative RWA (before taking credit derivatives' mitigation effect into account) has been selected to assess the impact of credit derivatives on RWA, irrespective of how the CRM technique feeds into the RWA calculation. No credit derivatives were applied as CRM during the year and, consequently, the RWA amounts are the same as the pre-RWA amounts tabled below. There were no exposures in the equity and purchased receivables portfolios in the year under review. Rows 14 and 16 were therefore excluded from this table.

CR7: AIRB – EFFECT ON RWA OF CREDIT DERIVATIVES USED AS CREDIT RISK MITIGATION TECHNIQUES

		Pre-credit derivatives RWA	
		As at 30 June	As at 30 June
R million		**2024**	2023
2.	Sovereign	**39 295**	33 504
4.	Banks and securities firms	**15 915**	12 492
6.	Corporate	**170 024**	129 737
8.	Specialised lending	**64 283**	53 264
	SME corporate	**58 996**	52 413
9.	Retail revolving	**48 632**	44 618
10.	Retail mortgages	**78 399**	66 949
11.	SME retail	**50 911**	45 878
12.	Other retail	**89 813**	88 450
17.	**Total**	**616 268**	527 305

RWA flow statement of credit risk exposure under the AIRB approach

The calculation of credit RWA for FRBSA is based on internally developed, quantitative models in line with the AIRB approach. The three credit risk measures, namely PD, EAD and LGD, are used along with prescribed correlations (dependent on the asset class) and estimates of maturity, where applicable, to derive credit RWA. The quantitative models also adhere to the AIRB requirements related to annual validation.

For the remaining entities, credit RWA is based on the standardised approach, where regulatory risk weights are prescribed per asset class. Although the remaining entities do not have regulatory approval to use the AIRB approach, internally developed quantitative models are used for internal assessment of credit risk.

The following table presents a flow statement explaining variations in the credit RWA determined under the AIRB approach.

CR8: RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER AIRB

R million		**RWA**
1.	**RWA at 31 March 2024**	**579 057**
2.	Asset size	**12 636**
3.	Asset quality	**6 239**
4.	Model updates	**(1 318)**
5.	Methodology and policy*	**19 654**
6.	Acquisitions and disposals	**–**
7.	Foreign exchange movements	**–**
8.	Other	**–**
9.	**RWA at 30 June 2024****	**616 268**

* *Methodology and policy increase is due to the implementation of the AIRB approach for the corporate portfolio in the London branch.*

** *The RWA represents AIRB credit risk exposures excluding securitisation exposure per the OV1: Overview of RWA template on page 188.*

The *CR9: AIRB – Backtesting of PD per portfolio* tables are presented as part of the standardised disclosures on page 220.

Specialised lending exposures under slotting approach

The following table provides information relating to specialised lending exposures that are rated through the slotting approach.

The exposures are split among regulatory asset classes.

CR10: AIRB – SPECIALISED LENDING

R million		**As at 30 June 2024**							
		Other than high-volatility commercial real estate							
					Exposure amount				
Regulatory categories	**Remaining maturity**	**On-balance sheet amount**	**Off-balance sheet amount**	**Risk weight**	**Project finance**	**Income-producing real estate**	**Total**	**RWA**	**Expected losses**
Strong	Less than 2.5 years	**–**	**–**	**50%**	**–**	**–**	**–**	**–**	**–**
	Equal to or more than 2.5 years	**–**	**–**	**70%**	**–**	**–**	**–**	**–**	**–**
Good	Less than 2.5 years	**2**	**–**	**70%**	**–**	**2**	**2**	**2**	**–**
	Equal to or more than 2.5 years	**43**	**–**	**90%**	**–**	**46**	**46**	**44**	**–**
Satisfactory		**428**	**–**	**115%**	**–**	**452**	**452**	**551**	**16**
Weak		**127**	**–**	**250%**	**–**	**129**	**129**	**341**	**13**
Total		**600**	**–**		**–**	**629**	**629**	**938**	**29**

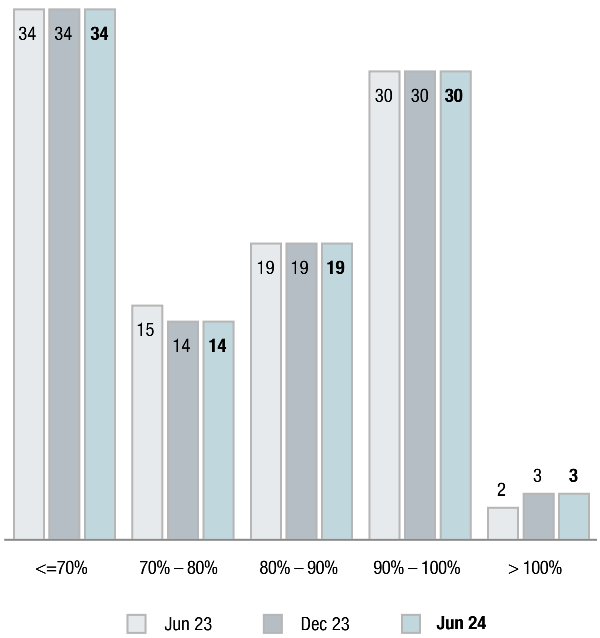
R million		As at 30 June 2023							
		Other than high-volatility commercial real estate							
					Exposure amount				
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	Risk weight	Project finance	Income-producing real estate	Total	RWA	Expected losses
Strong	Less than 2.5 years	–	–	50%	–	–	–	–	–
	Equal to or more than 2.5 years	–	–	70%	–	–	–	–	–
Good	Less than 2.5 years	–	–	70%	–	–	–	–	–
	Equal to or more than 2.5 years	–	–	90%	–	–	–	–	–
Satisfactory		303	–	115%	–	310	310	378	11
Weak		179	–	250%	–	179	179	474	18
Total		482	–		–	489	489	852	29

Risk analysis

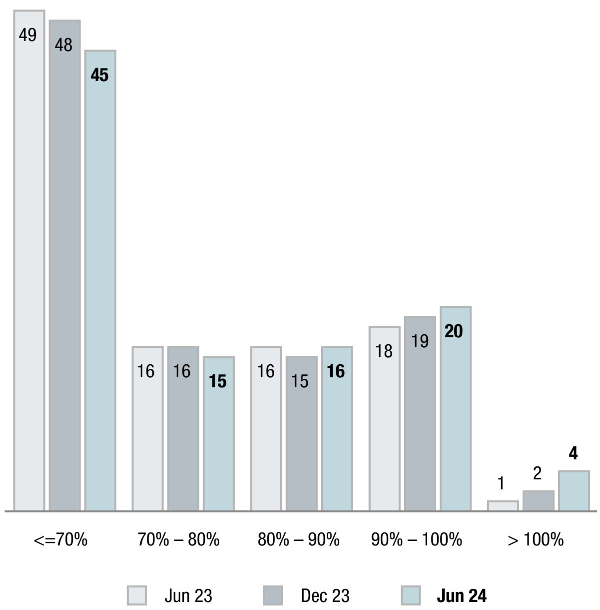
FNB residential mortgages

The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

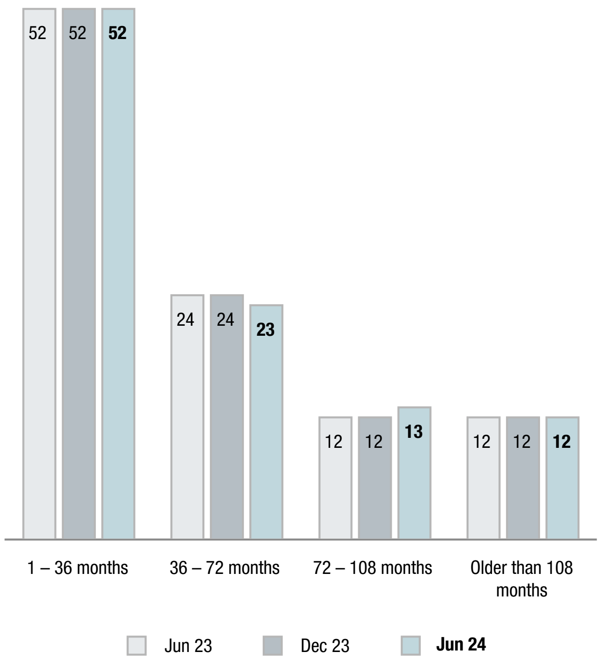
FNB residential mortgages balance-to-original value
%



FNB residential mortgages balance-to-market value
%



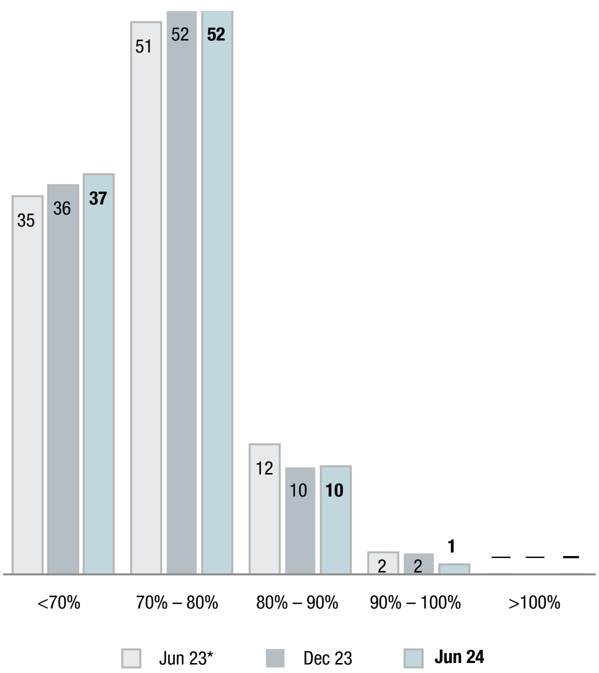
FNB residential mortgages age distribution total
%



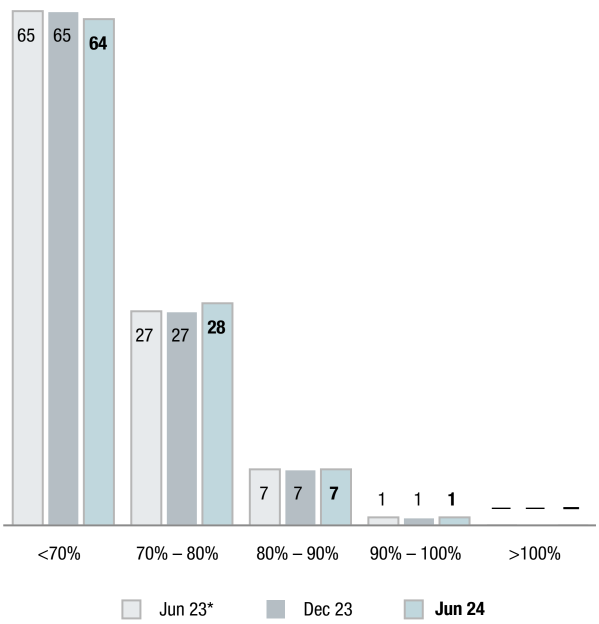
Aldermore total mortgages

The graphs below provide loan balance-to-value ratios and age distributions of total mortgages.

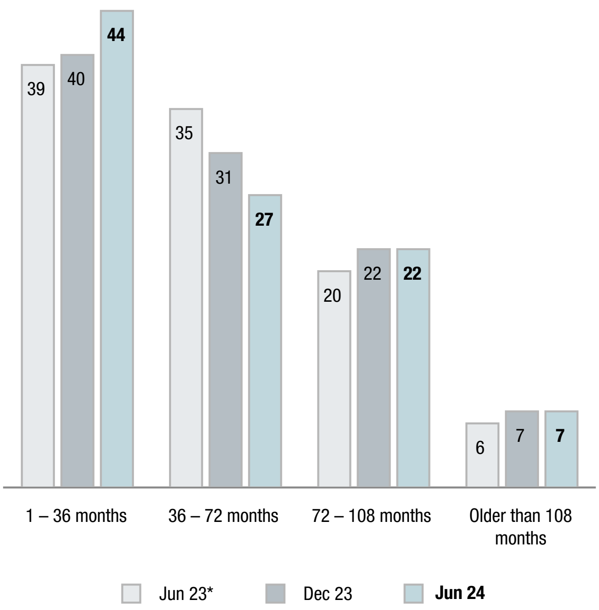
Aldermore mortgages balance-to-original value
%



Aldermore mortgages balance-to-market value
%



Aldermore mortgages age distribution total
%



* *Restated due to refinement in calculation.*

COUNTERPARTY CREDIT RISK

Introduction and objectives

Counterparty credit risk is the risk of a counterparty to a contract, transaction or agreement defaulting prior to the final settlement of the transaction's cash flows where there is a bilateral risk of loss.

Counterparty credit risk measures a counterparty's ability to satisfy its obligations under a contract that has positive economic value to the group at any point during the life of the contract. It differs from normal credit risk in that the economic value of the transaction is uncertain and dependent on market factors that are typically not under the control of the group or the counterparty.

Counterparty credit risk is taken mainly in the group's trading and securities financing businesses. The objective of counterparty credit risk management is to ensure that this risk is appropriately measured, analysed and reported on, and is only taken within specified limits in line with the group's risk appetite framework as mandated by the board.

The counterparty credit risk management process is aligned to credit risk management practices and includes the setting of counterparty credit risk limits, quantifying the potential credit exposure over the life of the product and monitoring of limit utilisation, as well as collateral management and ongoing portfolio risk management.

YEAR UNDER REVIEW AND FOCUS AREAS

Year under review	Risk management focus areas
• Implemented an enhanced counterparty credit risk monitoring and reporting platform for traded risk exposures, with advanced modelling capabilities to drive efficiencies and enhance risk management practices. • Submitted the model validation results and component-specific applications to meet the requirements of the regulator in line with Basel III reforms for CVA. • Optimised risk management and capitalisation approaches to achieve maximum efficiency, within risk appetite, in the domestic entity, as well as the growing entities outside of the domestic entity.	• Following submission of the model validation and application for the basic approach to credit value adjustment, there is continued focus on analysis and readiness for the broader impact of the Basel III reforms, including revisions to the credit risk capital methodology. • Ongoing assessment of global guidelines for counterparty credit risk management published by the BCBS. • Expansion of the exchange of non-cash collateral capability for trading activities, in line with requirements from the PA and broader market participants.

Regulatory developments

The PA is currently finalising the revised credit and market risk capital frameworks as a result of the Basel III post-crisis reforms (PCR), with the intention of releasing the final standards before December 2024. Counterparty credit risk is impacted by several changes under the Basel III PCR. More specifically, counterparty credit risk is impacted by the revisions to credit risk for the IRB model, the standardised model for credit risk and the revisions to the SFT exposure model. Counterparty credit risk is also impacted by the revisions to broader market risk frameworks through the revisions to the CVA capital model.

The PA has noted the recent implementation delays in the United States and the European Union (EU) with respect to traded market risk, which is being assessed for potential impacts on the implementation of the South African roadmap. This could impact timelines for the implementation of the revisions to the CVA framework, specifically as a revision tabled under the broader market risk regulatory changes.

Key implementation milestones include:

- application submission, independent assurance and model validation submission for revised CVA framework – 1 March 2024;
- initiation of parallel run for regulatory capital submissions under revised CVA framework – 1 January 2025;
- readiness assessment and independent assurance review and submission for CVA framework – 1 May 2025; and
- regulatory capitalisation date for revisions to credit risk and CVA frameworks – 1 July 2025.

Organisational structure and governance

The corporate credit function in RMB is responsible for the overall management of counterparty credit risk. It is supported by RMB's derivative counterparty credit risk department, which is responsible for ensuring that market and credit risk methodologies are consistently applied in the quantification of risk.

Counterparty credit risk is managed based on the principles, approaches, policies and processes set out in the credit risk management framework for wholesale credit exposures. In this respect, counterparty credit risk governance aligns closely with the group's credit risk governance framework, with mandates and responsibilities cascading from RCCC, with the support of RMB executive management oversight functions. Refer to the *Risk governance* section and organisational structure and governance in the *Credit risk* section of this report for more details.

The derivative counterparty risk committee supports the credit risk management committee and its subcommittees with analysis and quantification of counterparty credit risk for traded product exposures.

COUNTERPARTY CREDIT RISK GOVERNANCE STRUCTURE

Board-level oversight

RCCC

- Adequacy and robustness of counterparty risk identification, management and control.
- Current and projected counterparty risk profile.

Model risk and validation committee

Reviews and approves changes to regulatory and EC models.

Market and investment risk committee

- Oversees counterparty risk exposures, profile and management across the group.
- Monitors implementation of the counterparty credit risk management framework.

Credit risk management committee

- Oversees credit risk exposures, profile and management across the group.
- Monitors implementation of the credit risk management framework.

Executive management oversight

C&I FRM executive committee

- Defines C&I portfolio and return and risk appetite levels.
- Allocates limits and ensures that business remains within approved appetite levels.
- Approves strategies for counterparty risk activities across the group.

Management structures

C&I RCCC

- Provides independent oversight of all risk types within C&I segment.
- Receives input from the business unit and in-country risk committees as appropriate.

Global markets financial risk forum

- Ensures implementation of the counterparty credit risk framework.
- Monitors counterparty credit risk concentrations and triggers.

Derivative counterparty risk management committee

- Ensures consistent application of counterparty credit risk methodologies in the quantification of counterparty credit risk.
- Reviews and recommends policies and procedures.

FRB wholesale credit risk function

RMB counterparty credit risk function

Global markets technical risk

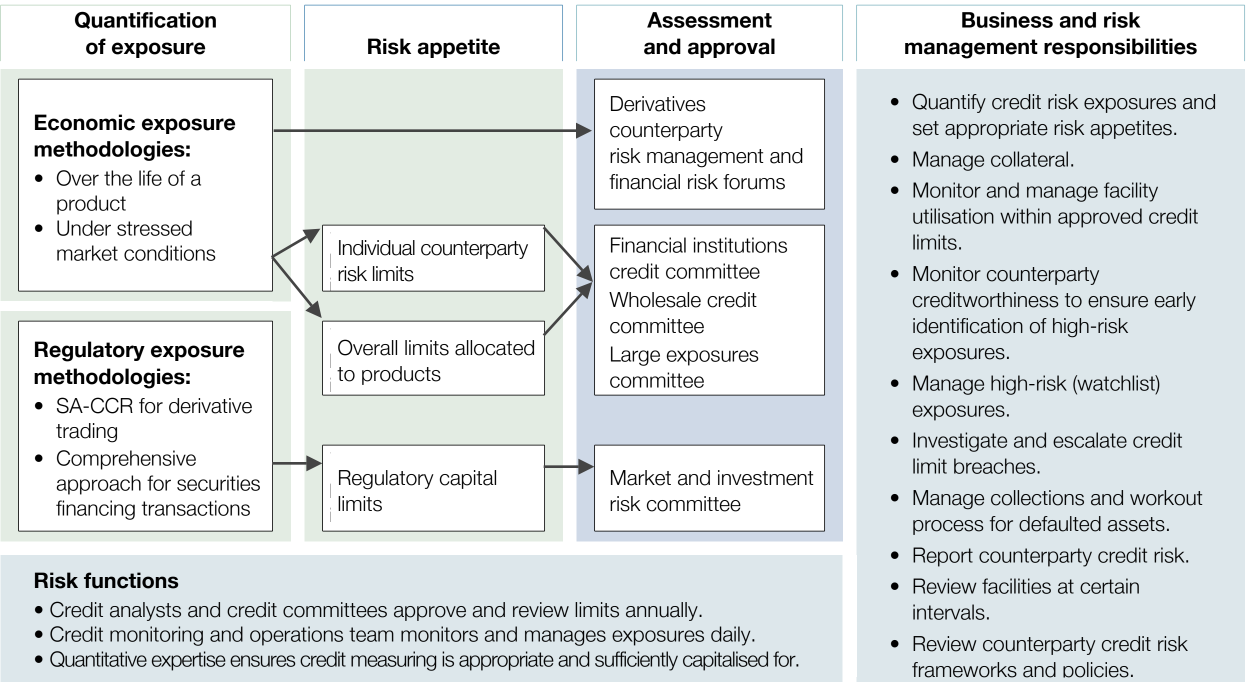
Group Internal Audit

- Assesses the adequacy and effectiveness of counterparty risk controls.
- Identifies risk control shortcomings and recommends corrective actions.

Assessment and management

Measurement of counterparty credit risk aligns closely with credit risk measurement practices and is focused on establishing appropriate limits at a counterparty level and ongoing portfolio risk management. The quantification of risk exposure is described in the following diagram.

QUANTIFICATION OF COUNTERPARTY CREDIT RISK EXPOSURE



For margined counterparties, the historical expected tail profit (ETP) method is applied. For unmargined counterparties, the simulated potential future exposure (PFE) method is applied internally to estimate counterparty credit risk exposure. These exposures are monitored daily against limits. Excesses and covenant breaches are managed in accordance with the excess approval and escalation mandates.

Counterparty credit risk appetite

Risk appetite for OTC derivatives and the SFT portfolio is based on exposure appetite and a measure of the cost-to-close of a counterparty's position. Exposure appetite is based on the open exposure the group is willing to assume against a given counterparty, the activity that the counterparty is engaged in, the quality and trading liquidity of the underlying securities, and associated impact on the counterparty's credit quality.

Credit risk management sets pre-settlement, settlement, contingent, concentration and other limits for each counterparty, and policies and procedures outline the methodology for establishing these credit limits. Nominal (risk-equivalent amount) and loss in the event of default limits are set from a prudential perspective. The loan-equivalent risk amount is typically used in jurisdictions which recognise the legal right of netting exposures and collateral. In addition, regardless of the transaction credit limits to be applied, all transactions are subjected to specific country risk limits.

Counterparty credit risk mitigation

The group's counterparty CRM approach is described on page 24.

Wrong-way risk exposure

Wrong-way risk exposure occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. The methods applied in managing counterparty credit limits, exposures and collateral create visibility on portfolio concentrations and exposures, which may be a source of wrong-way risk. These areas are monitored and managed within the relevant exposure mandates.

Credit valuation adjustment

CVA is an adjustment to the market value of derivative instruments to account for counterparty credit risk. Thus, CVA is commonly viewed as the price of counterparty credit risk. This price depends on counterparty credit spreads as well as on the market risk factors that drive derivatives' value and, therefore, exposure.

The current regulatory CVA framework is being revised by the BCBS and the PA with the intention to implement the new standards by 1 July 2025, per the regulatory roadmap. The rationale for revising the current framework is to:

- capture all CVA risks and better recognise CVA hedges;
- align with industry practices for accounting purposes; and
- align with proposed revisions of the regulatory market risk framework.

Collateral to be provided in the event of a credit rating downgrade

In rare instances, ISDA agreements have been entered into where both parties would be required to post additional collateral in the event of a credit rating downgrade. The group is phasing out ISDA agreements with these provisions.

When assessing the portfolio in aggregate, the collateral that the group would need to provide in the event of a rating downgrade is subject to many factors, including market moves in the underlying traded instruments and netting of existing positions. The additional collateral to be provided by the group in the event of a credit rating downgrade is not material and would not adversely impact its financial position. The number of trades with counterparties with these types of agreements (and the associated risk) is immaterial.

Counterparty credit exposure

The *CCR1: Analysis of counterparty credit risk* table on the following page provides an overview of the counterparty credit risk arising from the group's derivative transactions and SFTs. The information provided in row 1 corresponds to the requirements of SA-CCR as applied by FRBSA and other group entities. EAD under the standardised approach is quantified by scaling the sum of replacement cost and the potential future exposure by a factor of 1.4 (alpha). The group does not apply the internal model method or the simple approach for CRM for derivatives and SFTs. Rows 2 and 3 of the CCR1 template are therefore excluded from CCR1.

The comprehensive approach for CRM is used to calculate the exposure for collateralised transactions other than collateralised OTC derivative transactions that are subject to the standardised approach. This approach is typically applied to securities borrowing/lending and repo-style transactions.

The table below provides an explanation of the approaches used in the *CCR1: Analysis of counterparty credit risk* table on the next page.

Replacement cost	The replacement cost for trades that are not subject to margining requirements is the loss that would occur if a counterparty were to default and was immediately closed out of its transactions. For margined trades, the replacement cost is the loss that would occur if a counterparty were to default at present or at a future date, assuming that the close-out and replacement of transactions occur simultaneously, less the market value of available collateral.
Potential future exposure	The maximum expected credit exposure over a specified time. An add-on factor is applied to the replacement cost to determine the potential future exposure over the remaining life of the contract.
EAD post CRM	Refers to the amount relevant to the calculated capital requirement after applying CRM techniques, CVAs and specific wrong-way adjustments.

CCR1 provides a comprehensive view of the methods used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method. The exposures reported exclude CVA charges and exposures cleared through a central clearing counterparty (CCP).

CCR1: ANALYSIS OF COUNTERPARTY CREDIT RISK BY APPROACH FOR FIRSTRAND*

R million	As at 30 June 2024				
	Replacement cost	**Potential future exposure**	**Alpha used for computing regulatory EAD**	**EAD post CRM**	**RWA**
1. SA-CCR (for derivatives)**	**7 670**	**11 989**	**1.4**	**27 080**	**11 793**
4. Comprehensive approach for CRM for securities financing transactions#				**12 317**	**2 952**
6. **Total**	**7 670**	**11 989**		**39 397**	**14 745**

R million	As at 30 June 2023				
	Replacement cost	Potential future exposure	Alpha used for computing regulatory EAD	EAD post CRM	RWA
1. SA-CCR (for derivatives)**	12 959	10 268	1.4	32 122	13 138
4. Comprehensive approach for CRM for securities financing transactions#				13 329	1 474
6. **Total**	12 959	10 268		45 451	14 612

* *Replacement cost, potential future exposure, effective expected positive exposure (EEPE), alpha used for computing regulatory EAD, EAD post CRM and RWA are not inputs into the VaR model calculation for SFTs. Row 5 is therefore excluded from these tables.*

** *EEPE is not calculated under the SA-CCR (for derivatives).*

Replacement cost, potential future exposure, EEPE and alpha used for computing regulatory EAD are not calculated under the comprehensive approach for credit mitigation for SFTs.

The reduction in EAD is primarily driven by a reduction in foreign exchange derivative positions in the broader Africa sovereign portfolio. However, there was an increase in commodity and project finance related corporate hedging, which carry higher RWA impacts.

The following table provides the EAD post CRM and RWA amounts for portfolios subject to the standardised CVA capital charge. As the group does not apply the advanced approach for CVA charge, rows 1 and 2 are excluded from CCR2. As seen in CCR1, the reduction in CVA capital is driven by the maturity of the commodity derivative hedging positions which was, again, offset by the increased derivative exposure to sovereigns in the broader Africa portfolio.

CCR2: CVA CAPITAL CHARGE

R million	**As at 30 June 2024**		As at 30 June 2023	
	EAD post CRM	**RWA***	EAD post CRM	RWA*
3. All portfolios subject to the standardised CVA capital charge	**27 080**	**11 553**	32 122	11 006
4. **Total subject to the CVA capital charge**	**27 080**	**11 553**	32 122	11 006

* *CVA RWA includes the subsidiaries in broader Africa and the UK, but excludes the bank's foreign branches.*

The increase in RWA is driven by the increase in exposure on longer-dated interest rate and foreign exchange derivative positions with corporate and project finance counterparties, because CVA RWA is higher for long-dated trades.

CCR3: STANDARDISED APPROACH FOR COUNTERPARTY CREDIT RISK EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS*

	As at 30 June 2024				
	Risk weight**				
R million	**20%**	**50%**	**100%**	**150%**	**Total credit exposure**
Asset classes#					
Sovereigns	**–**	**–**	**849**	**–**	**849**
Non-central government public sector entities	**–**	**41**	**–**	**–**	**41**
Banks	**156**	**305**	**1**	**11**	**473**
Corporates	**413**	**–**	**864**	**16**	**1 293**
Total	**569**	**346**	**1 714**	**27**	**2 656**

* *These exposures are for the subsidiaries in broader Africa and foreign branches.*

** *There were no exposures in the 0%, 10% and 75% risk weight buckets at 30 June 2024.*

\# *There were no exposures in the multilateral development banks, securities firms, regulatory retail portfolios and other assets classes at 30 June 2024.*

	As at 30 June 2023				
	Risk weight**				
R million	20%	50%	100%	150%	Total credit exposure
Asset classes#					
Sovereigns	–	–	3 784	0.2	3 784
Non-central government public sector entities	–	64	–	–	64
Banks	55	937	245	2	1 239
Corporates	–	–	938	25	963
Total	55	1 001	4 967	27	6 050

* *These exposures are for the subsidiaries in broader Africa and foreign branches.*

** *There were no exposures in the 0%, 10% and 75% risk weight buckets at 30 June 2023.*

\# *There were no exposures in the non-central government public sector entities, multilateral development banks, securities firms, regulatory retail portfolios and other asset classes at 30 June 2023.*

Intragroup regulated bank exposures, which attract a 0% risk weight, are not included, to provide a group view of external exposures. Overall, the significant decrease in exposures reflects the reduction in foreign exchange derivative positions against sovereigns in the broader Africa portfolio.

The following tables provide the counterparty credit risk exposures per portfolio and PD range where the AIRB approach is used for credit risk. They also show the main parameters used in the calculation of RWA. These exposures are for FRBSA, where AIRB for credit risk is applied. In the year under review, the risk aggregation process was enhanced, including EAD post CRM, number of obligors and risk density.

An explanation of the information provided in the table columns is provided below:

- EAD post CRM, gross of accounting provisions;
- average PD represents the obligor-grade PD weighted by EAD;
- average LGD represents the obligor-grade LGD weighted by EAD;
- average maturity in years represents obligor maturity weighted by EAD; and
- RWA density represents total RWA to EAD post CRM.

CCR4: AIRB – COUNTERPARTY CREDIT RISK EXPOSURES BY PORTFOLIO AND PD SCALE

	Total FRBSA						
	As at 30 June 2024						
PD scale	**EAD post CRM (R million)**	**Average PD (%)**	**Number of obligors**	**Average LGD (%)**	**Average maturity (years)**	**RWA (R million)**	**RWA density (%)**
0.00 to <0.15	**7 664**	**0.07**	**168**	**32.21**	**1.35**	**1 226**	**16.00**
0.15 to <0.25	**7 740**	**0.19**	**59**	**33.08**	**0.93**	**900**	**11.63**
0.25 to <0.50	**4 551**	**0.42**	**148**	**30.73**	**1.51**	**1 983**	**43.53**
0.50 to <0.75	**5 436**	**0.68**	**83**	**27.83**	**1.53**	**2 374**	**43.67**
0.75 to <2.50	**3 727**	**1.62**	**181**	**39.64**	**1.09**	**2 987**	**80.13**
2.50 to <10	**261**	**4.77**	**43**	**39.20**	**1.10**	**299**	**114.72**
10 to <100	**226**	**22.39**	**20**	**39.66**	**1.14**	**471**	**208.34**
100 (default)	**—**	**100.00**	**1**	**45.00**	**—**	**–**	**–**
Total	**29 605**		**703**			**10 240**	**34.59**

	Total FRBSA						
	As at 30 June 2023						
PD scale	EAD post CRM (R million)	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (years)	RWA (R million)	RWA density (%)
0.00 to <0.15	14 673	0.07	25	32.35	1.85	1 740	11.86
0.15 to <0.25	7 697	0.19	64	33.13	1.48	1 136	14.77
0.25 to <0.50	6 035	0.42	144	31.00	1.12	2 039	33.79
0.50 to <0.75	3 031	0.69	77	28.62	1.24	1 241	40.95
0.75 to <2.50	2 438	1.76	173	40.02	1.21	2 005	82.22
2.50 to <10	310	4.76	47	40.51	1.23	298	96.33
10 to <100	67	20.34	16	38.23	1.27	97	144.94
100 (default)	15	100	1	37.00	1.00	–	–
Total	34 266		547			8 556	24.97

The large reduction in exposure in the 0.00 to 0.15 PD band was driven by restructure of significant equity derivative hedges. The large reduction in the 0.15 to <0.25 PD band was driven by reduced equity trading and increased collateral recognition against exposures. The increase in exposure in the 0.50 to <0.75 and the 0.75 to <2.50 PD bands was driven by the increase in foreign exchange and commodity hedging activity against corporate counterparties, and increased hedging relating to renewable energy project financing activities.

The FRBSA movements were mainly driven by movements in banks, securities, the public sector and local government, project finance and corporates (refer to the subsections of CCR4 tables).

The asset class specific portfolio movements are included in the *Standardised disclosures* section on page 229.

The following tables provide the composition of collateral for counterparty credit risk exposures per category, split between fair value of collateral received and posted collateral. “Segregated” refers to collateral which is held in a bankruptcy-remote manner and “unsegregated” to collateral not held in a bankruptcy-remote manner.

CCR5: COMPOSITION OF COLLATERAL FOR COUNTERPARTY CREDIT RISK EXPOSURE

	As at 30 June 2024					
	Collateral used in derivative transactions				**Collateral used in securities finance transactions**	
	Fair value of collateral received		**Fair value of posted collateral**		**Fair value of collateral received**	**Fair value of posted collateral**
R million	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**		
Cash – domestic currency	**7 326**	**23 421**	**713**	**10 416**	**–**	**–**
Cash – other currencies	**–**	**7 012**	**–**	**2 099**	**–**	**–**
Domestic sovereign debt	**–**	**4 246**	**–**	**–**	**78 820**	**36 661**
Other sovereign debt	**–**	**464**	**–**	**–**	**3 141**	**258**
Government agency debt	**–**	**–**	**–**	**–**	**565**	**918**
Corporate bonds	**3**	**7 088**	**–**	**–**	**468**	**301**
Equity securities	**–**	**17 311**	**–**	**–**	**–**	**–**
Other collateral	**–**	**–**	**–**	**–**	**–**	**–**
Total	**7 329**	**59 542**	**713**	**12 515**	**82 994**	**38 138**

	As at 30 June 2023					
	Collateral used in derivative transactions				Collateral used in securities finance transactions	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
R million	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	9 074	11 588	707	8 377	–	–
Cash – other currencies	–	7 036	–	4 983	–	–
Domestic sovereign debt	–	2 460	–	–	92 253	39 263
Other sovereign debt	–	109	–	–	8 827	1 706
Government agency debt	–	–	–	–	3 966	–
Corporate bonds	–	4 095	–	–	2 161	1 905
Equity securities	–	–	–	–	–	–
Other collateral	–	12 415	–	–	–	–
Total	9 074	37 703	707	13 360	107 207	42 874

The increase in total collateral was largely driven by increased equity securities collateral, driven by recognition of additional pledged securities, as well as an increase in margining activity for derivative transactions increasing the unsegregated cash collateral received and placed. Equity collateral previously recognised under “other collateral” for June 2023 has been separated out into its own line item for June 2024. “Other collateral” in June 2023 can be compared to “equity collateral” in June 2024.

The group employs credit derivatives for the purposes of protecting credit positions, facilitating the execution of structured credit-linked notes and market making of credit derivatives for certain underlying names, as indicated in the following tables.

CCR6: CREDIT DERIVATIVES EXPOSURES

	As at 30 June 2024		As at 30 June 2023	
R million	**Protection bought**	**Protection sold**	Protection bought	Protection sold
Notionals*				
– Single-name credit default swaps	**2 338**	**3 758**	4 807	7 304
Total notionals	**2 338**	**3 758**	4 807	7 304
Fair values	**(20)**	**96**	24	37
– Positive fair value (asset)	**70**	**102**	50	76
– Negative fair value (liability)	**(90)**	**(6)**	(26)	(39)

* *There were no credit derivatives in the index credit default swaps, total return swaps, credit options and other credit derivative categories.*

The decrease in credit derivative exposures is driven by lower trading volumes reflecting the market sentiment for traded credit.

The template *CCR7: RWA flow statements of CCR exposures under the internal model method* is not applicable, as the group does not use the internal model method for measuring counterparty credit risk EAD.

The group's exposure to central counterparties (central clearing houses) and related RWA is provided below.

CCR8: EXPOSURES TO CENTRAL COUNTERPARTIES*

		As at 30 June 2024		As at 30 June 2023	
R million		**EAD post CRM**	**RWA**	EAD post CRM	RWA
2.	Exposures for trade at qualifying central counterparties (excluding initial margin and default fund contributions) of which:	**11 317**	**230**	13 305	272
3.	– OTC derivatives	**5 874**	**118**	6 515	130
4.	– Exchange-traded derivatives	**5 443**	**112**	6 790	142
7.	Segregated initial margin**	**8 998**	**–**	11 655	–
9.	Pre-funded default fund contributions	**400**	**42**	405	38
1.	Total exposures to qualifying central counterparties#	**20 715**	**272**	25 365	310

* *There were no exposures to non-qualifying central counterparties (rows 11 – 20 of the CCR8 template).*

** *RWA is not determined on segregation of initial margin.*

\# *There were no exposures to qualifying central counterparties (rows 5, 6, 8 and 10 of the CCR8 template).*

The decrease in exposures to central counterparties was driven by the reduction in trading volumes of cleared and exchange-traded derivatives in the portfolio.

SECURITISATIONS

Introduction and objectives

Securitisation is the process whereby illiquid loans and other receivables are packaged, underwritten and sold to investors in the form of asset-backed securities.

Objectives of securitisation activities

Securitisation enables the group to access funding markets at ratings that are typically higher than its own corporate credit rating. This generally provides access to broader funding sources at more favourable rates. The removal of the assets and supporting funding from the balance sheet enables the group to reduce the cost of on-balance sheet financing and to manage potential asset-liability mismatches and credit concentrations.

The group uses securitisation as a tool to achieve one or more of the following objectives:

- improve the group's liquidity position through the diversification of funding sources;
- match the cash flow profile of assets and liabilities;
- reduce balance sheet credit risk exposure; and
- manage credit concentration risk.

Exposures intended to be securitised or resecuritised in the future

The group uses securitisation primarily as a funding tool. The ability to securitise assets depends on the availability of eligible assets, investor appetite for securitisation paper and the availability of alternative funding sources. All assets on the group's balance sheet are considered possible exposures that could be securitised within market constraints.

Resecuritisation

A resecuritisation exposure is a securitisation exposure where the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is itself a securitisation exposure.

Organisational structure and governance

THE GROUP'S ROLE IN SECURITISATION AND CONDUIT STRUCTURES

Transaction	Cash manager	Originator	Sponsor	Servicer	Investor	Liquidity provider	Credit enhancement provider	Swap counterparty
Own traditional securitisations								
Nitro Programme (RF) Limited – Nitro 7	✓	✓	✓	✓				✓
FAST Issuer SPV (RF) Limited	✓	✓	✓	✓	✓			✓
Lehae Programme (RF) Limited	✓	✓	✓	✓				
Oak No.3 PLC*		✓	✓	✓	✓			
Oak No.4 PLC*	✓	✓	✓	✓	✓			
MotoMore Limited*		✓	✓	✓	✓			
Turbo Finance 9 PLC*		✓	✓	✓	✓			
Conduit structures								
iVuzi Investments (RF) Limited**	✓		✓	✓		✓	✓	✓
iNguza Investments (RF) Limited[#]	✓			✓				✓
Third party								
Velocity Finance Issuer Trust	✓				✓			✓
Velocity Finance (RF) Limited	✓				✓			✓
Agri Harvest Investment (RF) Limited	✓		✓		✓			✓
Spartan House 2018 (RF) Limited	✓							

* *Aldermore's Oak, MotoMore and Turbo Finance 9 securitisations have not derecognised assets in terms of the securitisation framework and therefore remain on-balance sheet.*

** *Conduits incorporated under regulations relating to securitisation schemes.*

[#] *Conduits incorporated under regulations relating to commercial paper.*

The RCCC has delegated responsibility for the independent oversight and monitoring of securitisation exposures to group ALCCO. Group ALCCO is also responsible for the allocation of sublimits and any remedial action in the event of limit breaches. The FirstRand wholesale credit committee approves credit limits for retained securitisation exposures per SPV.

Assessment and management

Oversight and risk mitigation

The group's role in securitisation transactions, both for group-originated and group-sponsored transactions, as well as third-party securitisations, results in various financial and operational risks, including:

- compliance risk;
- credit risk;
- currency risk;
- interest rate risk;
- liquidity and funding risk;
- operational risk; and
- reputational risk.

For securitisations originated by the group, exposures are managed from a credit perspective by the originating business unit as if the securitisation had never occurred. Resultant risks from retained exposures and the overall origination and maintenance of securitisation structures are covered as part of the day-to-day management of the various risk types. This includes risk mitigation and management actions, depending on risk limits and appetite per risk area. Securitisation performance is monitored on an ongoing basis and reported to management and governance forums.

Key governance and management processes in place to monitor securitisation-related risks are outlined below:

- rigorous internal approval processes are in place for proposed securitisations, and transactions are reviewed against approved limits by ALCCO, the RCCC and the board;
- changes to retained exposures (as a result of rating changes, reviews, note redemptions and credit losses) are reflected in the monthly BA 500 regulatory return for FRBSA and the quarterly BA 600 for other entities; and
- transaction investor reports, alignment with SPV financial reporting and the impact of underlying asset performance are reflected in the semi-annual BA 501 regulatory return.

The group does not employ CRM techniques to hedge credit risk on retained securitisation tranches.

Summary of accounting policies for securitisation activities

From an accounting perspective, traditional securitisations are treated as sales transactions. At inception, the assets are sold to an SPV at carrying value and no gains or losses are recognised. For synthetic securitisations, credit derivatives used in the transaction are recognised at fair value, with any fair value adjustments reported in profit or loss.

Securitisation entities are consolidated into the group for financial reporting purposes. Any retained notes are accounted for as investment securities in the banking book. Liabilities resulting from securitisation vehicles are accounted for in line with group accounting policies for liabilities, provisions and contingent liabilities.

YEAR UNDER REVIEW

Nitro Programme (RF) Limited – Nitro 7
The transaction's clean-up call option was exercised in September 2023. The remaining assets were repurchased at fair value and all the remaining notes were fully redeemed. The structure will be liquidated.

Lehae Programme (RF) Limited
Lehae Programme (RF) Limited is a residential mortgage-backed structure which was established in November 2023, utilising R1.98 billion of home loans originated by FNB. The structure issued five publicly listed notes to fund the acquisition of home loan advances.

MotoMore Limited
The MotoNovo warehouse facility, MotoMore, was renewed in October 2023 for a further three-year period. The transaction consists of senior and subordinated notes, funding a portfolio of MotoNovo vehicle finance assets on a revolving basis.

Turbo Finance 9 PLC
The class A note of £43 million was redeemed in September 2023, followed by the redemption of the class B note (£975 000) in November 2023. The remaining notes were fully redeemed in January 2024. The structure will be liquidated.

Spartan House 2018 (RF) Limited
The series 3 transaction of Spartan House concluded in August 2023. The transaction consists of R1.1 billion of participating assets and two notes: a class A note of R1 billion and a subordinated note of R0.18 billion.

External credit assessment institutions

The group employs eligible ratings issued by nominated external credit assessment institutions (ECAIs) to risk weight its securitisation and resecuritisation exposures where this use is permitted. The ECAIs nominated by the group for this purpose are Global Credit Ratings, Moody's, S&P and DBRS Ratings Limited. The following tables show the traditional securitisations currently in issue and the rating distribution of any exposures retained. Global scale ratings are used for internal risk management purposes and regulatory capital reporting.

OWN SECURITISATION TRANSACTIONS*

Traditional securitisations	Asset type	Rating agency	Year initiated	Expected close
Nitro Programme (RF) Limited – Nitro 7	Retail: auto loans	Moody's	2019	Closed
Fast Issuer SPV (RF) Limited	Retail: auto loans	Unrated	2016	2025
Lehae Programme (RF) Ltd	Retail: residential mortgages	Moody's	2023	2043

		As at 30 June					
	Assets	Assets outstanding**		Notes outstanding		Retained exposure	
R million	securitised	2024	2023	2024	2023	2024	2023
Nitro Programme (RF) Limited – Nitro 7	**–**	**2**	215	**–**	170	**–**	–
Fast Issuer SPV (RF) Limited	**1 613**	**1 919**	3 846	**702**	2 768	**702**	2 240
Lehae Programme (RF) Ltd	**1 894**	**1 974**	–	**1 968**	–	**206**	–
Total	**3 507**	**3 895**	4 061	**2 670**	2 938	**908**	2 240

* *Represent transactions structured by the group where the assets have been derecognised from the balance sheet.*

** *Assets outstanding do not include cash reserves.*

Securitisation exposures in the banking book

The following tables provide a breakdown of the group's traditional securitisation exposures in the banking book for the retail and corporate portfolios where the group acts as originator, sponsor or investor, or originator and sponsor.

SEC1: SECURITISATION EXPOSURES IN THE BANKING BOOK PER PORTFOLIO

		As at 30 June 2024*				
		Traditional securitisations				
	R million	Group acts as originator	Group acts as sponsor	Group acts as investor	Group acts as originator and sponsor	Total
1.	**Retail**					
2	– Residential mortgages	**206**	**–**	**–**	**–**	**206**
4.	– Auto loans	**702**	**–**	**26 950**	**–**	**27 652**
6.	**Corporate**					
7.	– Loans to corporates	**–**	**–**	**–**	**460**	**460**
	Total	**908**	**–**	**26 950**	**460**	**28 318**

		As at 30 June 2023*				
		Traditional securitisations				
	R million	Group acts as originator	Group acts as sponsor	Group acts as investor	Group acts as originator and sponsor	Total
1.	**Retail**					
2	– Residential mortgages	–	–	–	–	–
4.	– Auto loans	2 240	–	25 358	–	27 598
6.	**Corporate**					
7.	– Loans to corporates	–	–	–	1 127	1 127
	Total	2 240	–	25 358	1 127	28 725

* *There were no credit card or resecuritisation exposures in the retail portfolio (rows 3 and 5 of the SEC1 template) and no commercial mortgage, lease and receivables, or other corporate or resecuritisation exposures in the corporate portfolio (rows 8 – 11 of the SEC1 template).*

The regulatory approaches for securitisation exposures are explained in the tables below. The capital calculations for securitisation exposures under the revised framework follow a hierarchy of approaches, which reduces reliance on external credit ratings and enhances risk sensitivity. Calculations of capital figures were based on the hierarchy of approaches in the following table.

SEC-IRBA	• Must be a supervisory approved internal ratings-based approach. • Must have sufficient information to estimate the capital charge for these underlying exposures.
SEC-ERBA	• Must be allowed by the regulator. • SEC-ERBA is based on external ratings of the exposure, or inferred ratings.
SEC-SA	• Must be used if the bank cannot apply SEC-IRBA and SEC-ERBA. • Conservative calibration.
1 250%	• Risk weighting of 1 250% must be applied if any of the above approaches cannot be applied.

There were no synthetic securitisations during the year under review.

The *SEC2: Securitisation exposure in the trading book* table is not applicable as the group does not have securitisation exposures in the trading book.

SEC3: TRADITIONAL SECURITISATION EXPOSURES IN THE BANKING BOOK AND ASSOCIATED REGULATORY CAPITAL REQUIREMENTS – BANK ACTING AS ORIGINATOR OR AS SPONSOR

	At 30 June 2024*																
	Exposure values by risk-weighted RW bands					Exposure values by regulatory approach				RWA by regulatory approach				Minimum capital requirements**			
R million	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1 250% RW	1 250% RW	SEC-IRBA	SEC-ERBA	SEC-SA	1 250%	SEC-IRBA	SEC-ERBA	SEC-SA	1 250%	SEC-IRBA	SEC-ERBA	SEC-SA	1 250%
Securitisation																	
4. – Retail	**908**	**–**	**–**	**–**	**–**	**828**	**–**	**80**	**–**	**124**	**–**	**1 003**	**–**	**17**	**–**	**135**	**–**
5. – Corporate	**460**	**–**	**–**	**–**	**–**	**–**	**–**	**460**	**–**	**–**	**–**	**69**	**–**	**–**	**–**	**9**	**–**
Total	**1 368**	**–**	**–**	**–**	**–**	**828**	**–**	**540**	**–**	**124**	**–**	**1 072**	**–**	**17**	**–**	**144**	**–**

* *There were no resecuritisations or synthetic securitisations (rows 6 – 15 of the SEC3 template).*

** *The capital requirement was calculated at 13.5% 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 by the Regulations.

	As at 30 June 2023*																
	Exposure values by RW bands					Exposure values by regulatory approach				RWA by regulatory approach				Minimum capital requirements**			
R million	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1 250% RW	1 250% RW	SEC-IRBA	SEC-ERBA	SEC-SA	1 250%	SEC-IRBA	SEC-ERBA	SEC-SA	1 250%	SEC-IRBA	SEC-ERBA	SEC-SA	1 250%
Securitisation																	
4. – Retail	2 240	–	–	–	–	2 240	–	–	–	336	–	–	–	45	–	–	–
5. – Corporate	460	667	–	–	–	667	–	460	–	223	–	69	–	30	–	9	–
Total	2 700	667	–	–	–	2 907	–	460	–	559	–	69	–	75	–	9	–

* *There were no resecuritisations or synthetic securitisations (rows 6 – 15 of the SEC3 template).*

** *The capital requirement was calculated at 13.3% 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 by the Regulations.

SEC4: TRADITIONAL SECURITISATION EXPOSURES IN THE BANKING BOOK AND ASSOCIATED REGULATORY CAPITAL REQUIREMENTS – BANK ACTING AS INVESTOR

		As at 30 June 2024*						
		Exposure values by RW bands**	**Exposure values by regulatory approach**[#]		**RWA by regulatory approach**[#]		**Minimum capital requirements**[#,†]	
R million		**≤20% RW**	**SEC-IRBA**	**SEC-SA**	**SEC-IRBA**	**SEC-SA**	**SEC-IRBA**	**SEC-SA**
	Securitisation							
4.	– Retail	**26 950**	**26 950**	**–**	**4 043**	**–**	**546**	**–**
5.	– Corporate	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	Total	**26 950**	**26 950**	**–**	**4 043**	**–**	**546**	**–**

* *There were no resecuritisations or synthetic securitisations (rows 6 – 15 of the SEC4 template).*

** *There were no exposures in the >20% to 50%, >50% to 100%, >100% to <1 250% and 1 250% RW bands.*

[#] *There were no exposures under SEC-ERBA or risk weighted at 1 250%.*

[†] *The capital requirement was calculated at 13.5% of RWA. The minimum requirement excludes the confidential individual capital requirement (Pillar 2B). 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 by the Regulations.*

		As at 30 June 2023*						
		Exposure values by RW bands**	Exposure values by regulatory approach[#]		RWA by regulatory approach[#]		Minimum capital requirements[#,†]	
R million		≤20% RW	SEC-IRBA	SEC-SA	SEC-IRBA	SEC-SA	SEC-IRBA	SEC-SA
	Securitisation							
4.	– Retail	25 358	25 358	–	4 731	–	628	–
5.	– Corporate	–	–	–	–	–	–	–
	Total	25 358	25 358	–	4 731	–	628	–

* *There were no resecuritisations or synthetic securitisations (rows 6 – 15 of the SEC4 template).*

** *There were no exposures in the >20% to 50%, >50% to 100%, >100% to <1 250% and 1 250% RW bands.*

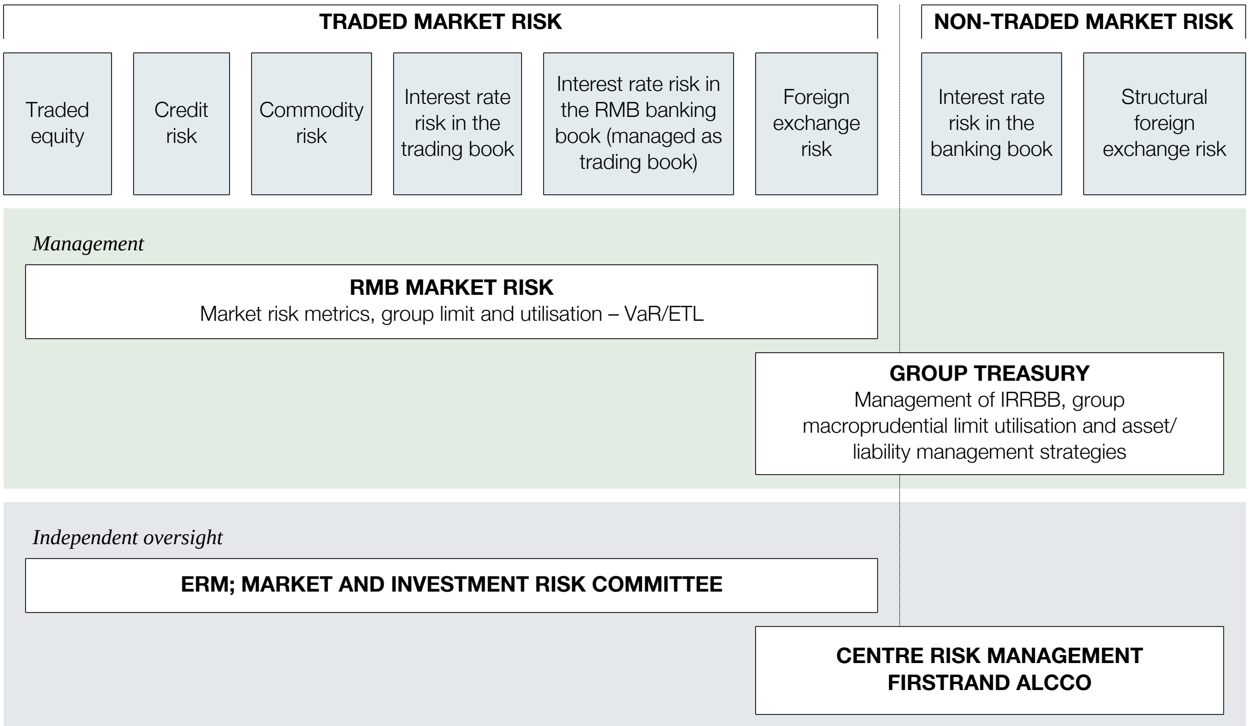
[#] *There were no exposures under the standardised approach or to unrated notes risk weighted at 1 250%.*

[†] *The capital requirement was calculated at 13.3% of RWA. The minimum requirement excludes the confidential individual capital requirement (Pillar 2B). 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 by the Regulations.*

MARKET RISK

The group distinguishes between **traded market risk** and **non-traded market risk**. The following diagram describes the group's traded and non-traded market risks and the governance structures responsible for managing these risks.

TRADED AND NON-TRADED MARKET RISK



TRADED MARKET RISK

Introduction and objectives

Traded market risk is the risk of adverse revaluation of any financial instrument as a consequence of changes in market prices or rates.

The group's market risk in the trading book emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products. Market risk is managed within the group's defined appetite.

The group's objective is to control market risk exposures, based on three pillars, each with its own objective:

- **business mix** – ensure that the current and future business strategies, spanning various activities and geographies, achieve growth and return targets within acceptable levels of risk;
- **financial performance** – optimise portfolio performance and manage the interplay between growth and ROE given the differentiated risk-return characteristics of various activities; and
- **risk and capital impact** – only accept an appropriate level of risk commensurate with performance objectives and market opportunity.

The nature of hedging and risk mitigation strategies performed across the group corresponds to the market risk management instruments available in each operating jurisdiction. These strategies range from the use of traditional market instruments, such as interest rate swaps, to more sophisticated hedging strategies to address a combination of risk factors arising at portfolio level.

The group uses global and industry-accepted models and operating platforms to measure market risk. These operating platforms support regulatory reporting, external disclosures and internal management reporting for market risk. The risk infrastructure incorporates the relevant legal entities and business units, and provides the basis for reporting on risk positions, capital adequacy and limit utilisation to the relevant governance and management forums on a regular and *ad hoc* basis. Established units in risk management functions assume responsibility for measurement, analysis and reporting of risk while promoting sufficient quality and integrity of risk-related data. The VaR and sVaR calculations, as well as aggregations, are performed daily by these operating platforms. Risk measures are assessed against relevant limits. Breaches at defined aggregated levels are escalated via appropriate governance channels to senior management for remediation.

YEAR UNDER REVIEW AND FOCUS AREAS

Year under review	Risk management focus areas
• Global economies continued to be characterised by slow economic growth and elevated inflation and interest rates, which continue to significantly impact emerging markets and local currency strength. • In the broader Africa trading environment, sovereign currency devaluations, dollar shortages and lacklustre global economic growth weighed on local currencies, further exacerbating sovereigns' ability to service debt. This necessitated heightened monitoring for the group. • The risk appetite statement and earnings volatility continued to be used as a tool for proactive risk management, including the identification and assessment of concentration risks. • There was a continued focus on the implementation of Basel III post-crisis reforms ahead of implementation in July 2025, and meeting all milestones as required by the PA.	• Embedment of the changes due to the fundamental review of the trading book (FRTB) and refinement of the target operating model ahead of the regulatory implementation date. The group continues to engage with industry to ensure greater alignment in implementation. • Implementation of the South African Rand Overnight Index Average Rate (ZARONIA) curves and updates to all impacted valuations.

Regulatory developments

The PA is currently finalising the revised market risk standards for determining regulatory capital, with the intention of releasing the final standards by December 2024. The regulatory parallel run and compliance dates remain 1 January 2025 and 1 July 2025, respectively. The PA's engagement with industry regarding the technology and reporting requirements through Project Umoja have been initiated. Umoja is the PA's platform modernisation project for the submission of bank returns. The PA has noted the implementation delays by the EU to 1 January 2026 with respect to the FRTB and CVA standards and is assessing the potential impact on the South African implementation roadmap. Embedding the governance aspects in relation to the framework remains the focus for the final phase of the implementation roadmap leading to the regulatory parallel run.

Key implementation milestones include:

- initial/foundational application submission – 1 July 2022;
- standardised approach for market risk model validation and independent assurance review and submission – 1 March 2024; and
- readiness assessment and independent assurance review and submission – 1 May 2025.

Organisational structure and governance

TRADED MARKET RISK GOVERNANCE STRUCTURE

Board-level oversight

RCCC

Provides oversight of the group's traded market risk profile.

Market and investment risk committee

- Oversees market risk exposures, profile and management across the group.
- Monitors implementation of market risk frameworks and regulatory requirements.
- Approves the market risk capital limits.

Model risk and validation committee

Reviews and approves material changes to market risk capital, exposure methodologies and valuation models.

Executive management oversight

C&I FRM executive committee

- Defines the C&I segment's portfolio and risk/reward appetite levels.
- Allocates limits and ensures that business remains within approved appetite levels.
- Approves strategies for market risk activities across the group.

Management structures

Segment market risk functions and committees

- Management of day-to-day market risk processes and overall monitoring of market risk.
- Consolidation, validation and submission of daily market risk information for regulatory reporting purposes.

Market risk technical committee

- Reviews and approves independent validation of market risk, valuation and curve construction models.
- Reports to the model risk validation committee.

C&I RCCC

- Provides oversight of all risk types (including market risk) in the C&I segment.
- Receives input from the business unit and in-country risk committees, as appropriate.

ERM

Provides second-line independent view of market risk profiles, oversees market risk management practices and monitors implementation of group market risk frameworks.

Group Internal Audit

- Assesses the adequacy and effectiveness of market risk controls and assesses risk maturity.
- Identifies risk control shortcomings and recommends corrective actions.

Traded market risk appetite

The group aims to manage its trading activities:

- with a suitably diversified asset class and industry spread, and appropriately scaled market risk factor sensitivity, to ensure sufficient predictability of earnings from trading activities and acceptable variability around predicted earnings; and
- it also manages event risks from concentrated market risk factors, single-name counterparty credit risk and market dislocations across traded assets such that the group does not become an outlier relative to its peer group, suffer reputational damage from the perspective of regulators or funders, or suffer rating action.

Quantitative market risk limits are set in line with the group's risk appetite, supported by qualitative risk appetite measures. The group sets quantitative limits for income volatility at a very high confidence level (99%) under distressed conditions for a specified time horizon. These are expressed as:

- VaR and ETL limits per asset class, business line and business unit;
- stress-loss limits at the risk factor level for less sophisticated trading businesses/jurisdictions;
- regulatory and EC limits;
- nominal limits for specific risk items;
- absolute loss thresholds; and
- risk concentration limits.

Qualitative risk appetite measures include business and desk mandates, specific product and trading strategies, and process breakdown tolerance levels. There is zero tolerance for operating outside of any legislation or supervisory regulations in respect of market risk.

Utilisation of ETL limits and market risk exposure against stress exposure limits are monitored daily. Monitoring includes the reporting of true limit breaches, and the causes and remediation thereof to appropriate management and governance committees. The market risk portfolio is stressed on a quarterly basis to ensure that the group's earnings volatility limits are not breached.

Market risk reporting

High-quality risk reporting enables senior management and governance committees to make well-informed decisions to achieve objectives within their respective mandates and manage key risks. The group regularly reviews market risk reports to ensure relevance and that reporting reflects the group's market risk profile adequately and accurately. Market risk reporting follows the market risk governance structure on the previous page. The frequency of each report aligns with the timing of governance committee meetings. Content is driven by the information requirements of the target audience.

Market risk reports are provided to management forums and the C&I FRM executive committee on a monthly basis, and to the C&I RCCC and MIRC quarterly. Daily reports on market risk movements, risk factors and limit utilisation are provided to senior management. Information in market risk reports includes, but is not limited to:

- ETL/VaR and sVaR, and specific risks;
- utilisation of the above against predefined limits;
- concentrations and risk build-ups;
- governance issues, such as true limit breaches;
- risk factor sensitivities, stress test results and earnings volatility;
- nominal exposures;
- profit and loss attribution;
- risk and profit trends;
- risk appetite metrics;
- internal model backtesting results;
- model risk; and
- *ad hoc* reporting to MIRC during stress periods and specific events outside of the normal governance cycle.

Model risk reports on counterparty credit and market risk, valuation and curve construction models, as well as on the independent validation of models, are provided to the FirstRand MRVC and the C&I RCCC on a quarterly basis. Information in the model risk reports includes, but is not limited to, an overview of activities of the market risk technical committee, approval of independently validated models, model risk classifications, and material issues and corrective actions.

Internal models approach: domestic trading portfolios

The group uses the internal models approach (IMA) plus the specific risk add-on methodology for idiosyncratic risk for its domestic trading desks. The internal VaR model for general market risk was approved by the PA for domestic trading units. For all other entities, the standardised approach for market risk is used for regulatory market risk capital purposes. EC for market risk is calculated using ETL plus an assessment of specific risk.

Market risk in the trading book is taken and managed by RMB in line with risk limits approved by the C&I FRM executive committee and MIRC. ETL and VaR limits are set for portfolios and risk types, with market liquidity being a primary factor in determining the level of limits set. Market risk limits are governed according to the market risk framework. The ETL/VaR model is designed to take into account a comprehensive set of risk factors across all asset classes.

VaR enables the group to apply a consistent measure across all trading desks and products. It allows a comparison of risk in different businesses and provides a means of aggregating and netting positions in a portfolio to reflect correlations and offsets between different asset classes. Furthermore, it facilitates comparisons of market risk, both over time and against daily trading results.

QUANTIFICATION OF RISK EXPOSURES

ETL	The internal measure of risk is an ETL metric at the 99% confidence level under the full revaluation methodology using historical risk factor scenarios (historical simulation method). To accommodate the regulatory stress loss imperative, the set of scenarios used for revaluation of the current portfolio comprises historical scenarios which incorporate both the past 260 trading days and at least one static period of market stress (2008/2009). The stress period is periodically reviewed for suitability. The ETL is liquidity adjusted for illiquid exposures. Holding periods, ranging between 10 and 90 days or more, are used in the calculation and are based on an assessment of stressed liquidity of portfolios.
VaR and sVaR	Both VaR and sVar are calculated using historical risk factor scenarios (historical simulation method) as an input into the full revaluation methodology. VaR is calculated at the 99% 10-day holding period level in order to best reflect the current business environment. For regulatory capital purposes, this is supplemented with an sVaR, calculated at the 99% 10-day holding period level using a static stress period. The stress period currently applied is the 2008/2009 stress period, which has been assessed as the most volatile period in recent history. This is reviewed periodically for suitability. When simulating potential movements in risk factors, both absolute and relative risk factors are used. VaR calculations over a holding period of one day are used as an additional tool in the assessment of market risk. The updating of historical scenarios is kept within the one-month regulatory requirement and is monitored on a daily basis.

There are limitations to the VaR methodology, namely:

- historical simulation VaR may not provide an accurate estimate of future market movements;
- the use of a 99% confidence level does not reflect the extent of potential losses beyond that percentile – ETL is a better measure to quantify losses beyond that percentile (but is still subject to similar limitations as outlined for VaR);
- the use of a one-day time horizon is not a fair reflection of profit or loss for positions with low trading liquidity, which cannot be closed out or hedged in one day;
- as exposures and risk factors can change during daily trading, exposures and risk factors are not necessarily captured in the VaR calibration which uses end-of-day trading data; and
- where historical data is not available, time series data is approximated or backfilled using appropriate quantitative methodologies. Use of proxies is, however, limited.

These limitations mean that the group cannot guarantee that losses will not exceed VaR. Recognising its limitations, VaR is supplemented with stress testing to evaluate the potential impact on portfolio values of more extreme, though plausible, events or movements in a set of financial variables.

The group does not apply the incremental risk charge or comprehensive risk capital charge approach.

Risk concentrations

Risk concentrations are controlled by means of appropriate ETL sublimits for individual asset classes and the maximum allowable exposure for each business unit. In addition to the general market risk limits described above, limits covering obligor-specific risk and event risk utilisation against these limits are monitored continually, based on the regulatory building block approach.

RWA flow statement for IMA market risk exposures

Regulatory capital for domestic trading units is based on the internal VaR model supplemented with sVaR. The following flow statement explains the variations in the market risk RWA determined under IMA.

MR2: RWA FLOW STATEMENTS OF MARKET RISK EXPOSURES UNDER AN IMA*

R million		VaR	sVaR	Total RWA
1.	**RWA at 31 March 2024**	**11 871**	**10 847**	**22 718**
2.	Movement in risk levels	**(238)**	**(286)**	**(524)**
3.	Model updates/changes	**–**	**–**	**–**
4.	Methodology and policy	**–**	**–**	**–**
5.	Acquisitions and disposals	**–**	**–**	**–**
6.	Foreign exchange movements	**–**	**–**	**–**
7.	Other	**–**	**–**	**–**
8.	**RWA at 30 June 2024**	**11 633**	**10 561**	**22 194**

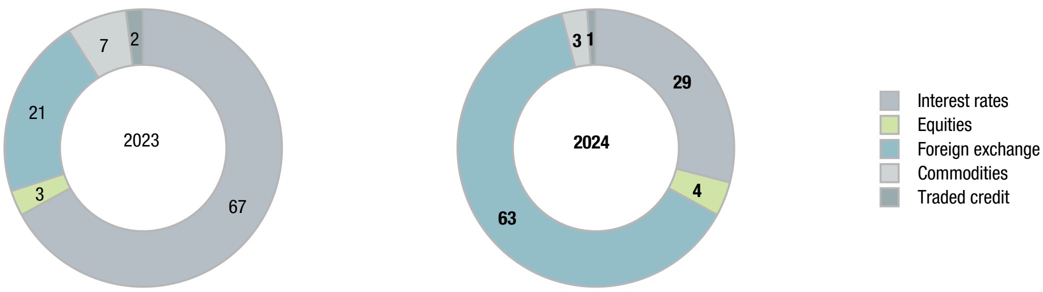
* *The group does not use the incremental risk charge and comprehensive risk measure approaches.*

There has not been any material movement in RWA during the period under review. The trading book activities remain well diversified across the various asset classes. Rand volatility during the period, as well as the high-interest rate environment, resulted in a shift from concentrated positions in interest rates to foreign exchange positions as market participants sought to hedge currency risk.

VaR exposure per asset class

The following chart shows the distribution of exposures per asset class across the group's trading activities at 30 June 2024 based on the VaR methodology.

Traded market risk VaR exposure per asset class for the group excluding subsidiaries in broader Africa (excluding diversification effects across jurisdictions)



IMA values

The group does not use the incremental risk charge (rows 9 – 12 of the MR3 template) and comprehensive risk measure (rows 13 – 17 of the MR3 template) approaches.

MR3: IMA VALUES FOR TRADED MARKET RISK

		FRBSA*						
		As at 30 June 2024						
R million		**Equities**	**Interest rates**	**Foreign exchange**	**Commodities**	**Traded credit**	**Diversification effect**	**Diversified total**
	VaR (10-day 99%)							
1.	Maximum value	**58.2**	**550.2**	**474.8**	**72.1**	**17.2**		**448.4**
2.	Average value	**20.5**	**284.3**	**217.9**	**24.7**	**6.7**		**279.5**
3.	Minimum value	**4.5**	**138.3**	**77.1**	**8.1**	**2.5**		**170.4**
4.	Period end	**20.0**	**166.7**	**357.8**	**17.6**	**6.2**	**(210.6)**	**357.7**
	sVaR (10-day 99%)							
5.	Maximum value	**106.7**	**590.9**	**412.4**	**87.8**	**30.5**		**374.7**
6.	Average value	**51.4**	**312.0**	**184.3**	**36.7**	**11.4**		**247.3**
7.	Minimum value	**7.0**	**148.0**	**29.3**	**9.4**	**3.4**		**131.8**
8.	Period end	**16.6**	**176.0**	**70.4**	**30.9**	**6.2**	**(168.3)**	**131.8**

		FRBSA*						
		As at 30 June 2023						
R million		Equities	Interest rates	Foreign exchange	Commodities	Traded credit	Diversification effect	Diversified total
	VaR (10-day 99%)							
1.	Maximum value	79.3	520.6	114.0	69.5	49.3		435.5
2.	Average value	22.9	309.0	54.8	33.1	15.2		266.6
3.	Minimum value	5.8	134.0	13.9	17.4	1.8		140.5
4.	Period end	14.0	296.9	91.6	31.6	11.4	(172.2)	273.3
	sVaR (10-day 99%)							
5.	Maximum value	84.2	553.6	248.7	79.5	211.1		479.9
6.	Average value	30.8	349.4	101.2	42.4	72.4		296.2
7.	Minimum value	10.4	168.1	21.9	27.8	2.7		173.1
8.	Period end	25.5	225.2	166.7	58.3	12.6	(225.1)	263.1

* *The IMA values for traded market risk are for FRBSA, which excludes the bank's foreign branches. These are reported on under the standardised approach for market risk.*

Stress testing

Stress testing provides an indication of potential losses that could occur under extreme market conditions. The ETL assessment provides a view of risk exposures under stress conditions.

Additional stress testing to supplement the ETL assessment is conducted using historical market stress scenarios and includes the use of "what-if" hypothetical and forward-looking simulations. Stress test calibrations are reviewed regularly to ensure that results are indicative of the possible impact of severely stressed and event-driven market conditions. Stress and scenario analyses are regularly reported to and considered by the relevant governance bodies.

Earnings volatility

A key element of the group's return and risk appetite framework is an assessment of potential earnings volatility that may arise from underlying exposures. Earnings volatility for market risk is quantified by subjecting key market risk exposures to predetermined stress conditions, ranging from business-as-usual stress through severe stress and event risks.

In addition to assessing the maximum acceptable level of earnings volatility, stress testing is used to understand sources of earnings volatility and to highlight unused capacity within the group's risk appetite. Market risk earnings volatility is calculated and assessed on a quarterly basis as part of C&I's overall earnings volatility.

Regulatory backtesting

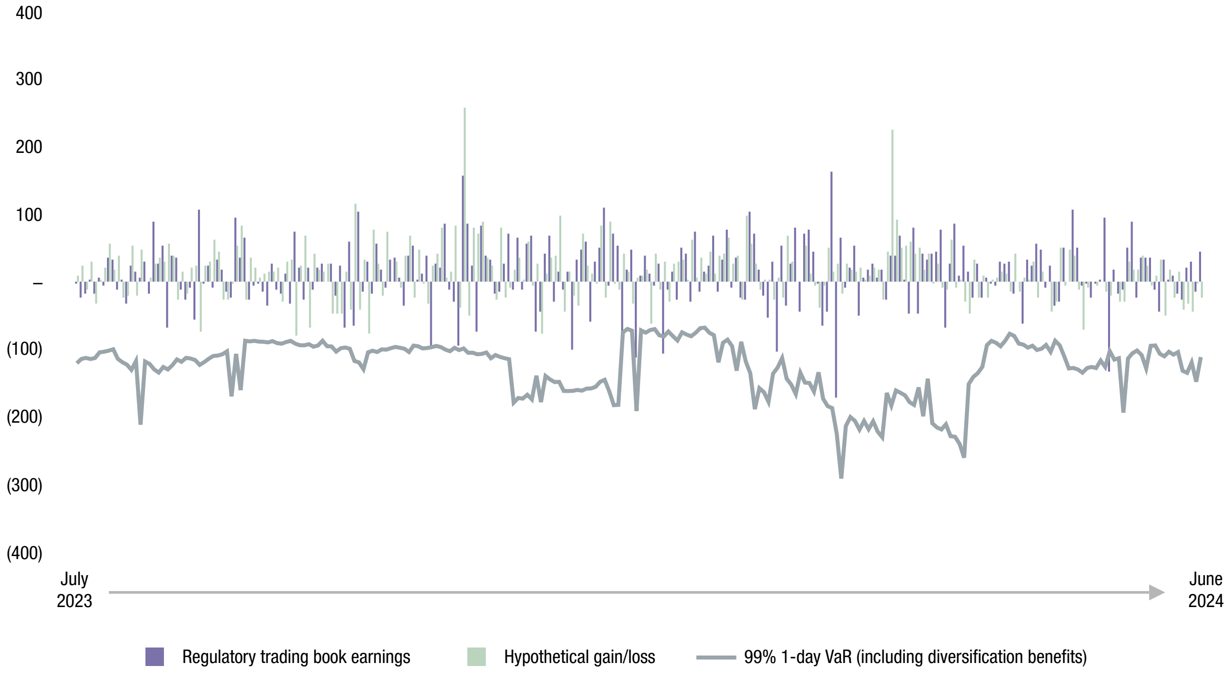
Backtesting is performed to verify the predictive ability of the VaR model and ensure ongoing appropriateness. The backtesting process is a regulatory requirement and seeks to estimate the performance of the regulatory VaR model. Performance is measured by the number of exceptions to the results produced by the model, i.e. if net trading profit and loss in one trading day is greater than the estimated VaR for the same trading day. The group's procedures could be underestimating VaR if exceptions occur regularly (a 99% confidence interval indicates that one exception will occur in 100 days).

The regulatory standard for backtesting is to measure daily actual and hypothetical changes in portfolio value against VaR at the 99th percentile (one-day holding period equivalent). The number of breaches over a period of 250 trading days is calculated, and should the number exceed that which is considered appropriate, the model is recalibrated.

Backtesting: daily regulatory trading book earnings versus 1-day, 99% VaR

The group monitors its daily domestic earnings profile as illustrated in the following chart. The earnings and 1-day VaR relate to the group's internal VaR model.

MR4: Comparison of VaR estimates with gains/losses for FRBSA
R million

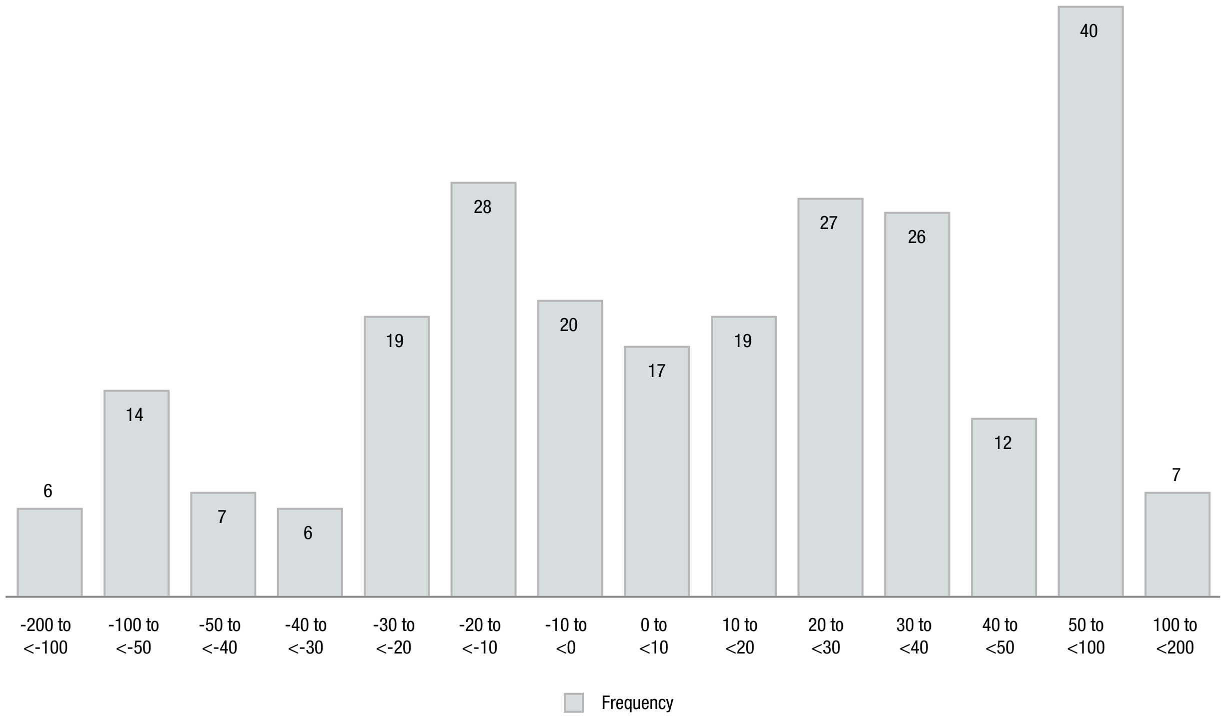


The bank's 99%, 1-day VaR moved within acceptable ranges in alignment with the risk profile over the review period. The bank's backtesting model outcomes have not necessitated a model recalibration as downside breaches were within appetite at 99% confidence level, indicating that the group's internal model continues to adequately capture and quantify market risk. There was no breach of any internal capital limits during the period.

Distribution of daily trading earnings from trading units

The following diagram shows a histogram of daily observations per revenue bracket for the group's domestic trading units for the year ended 30 June 2024.

FRBSA distribution of daily earnings – frequency
Days in a period – number of observations per revenue (R million) bracket



Standardised approach: general and specific risk

The bank's London branch and the group's subsidiaries in broader Africa also have market risk exposure. The London branch trading exposure is measured and managed on the same basis as the domestic portfolios for internal market risk measurement, with regulatory capital based on the regulatory standardised approach for market risk. The subsidiaries in broader Africa are also measured using the regulatory standardised approach for regulatory capital and an internal stress loss methodology for internal measurement of risk. Under the standardised approach for market risk, capital is calculated for general market risk and specific risk using the Basel III standardised duration and the building block methodology. Capital for specific risk is held in addition to general market risk capital.

General market risk capital	The general market risk capital calculation is based on the duration methodology. To calculate the general market risk capital charge, the long or short position (at current market value) of each debt instrument and other sources of interest rate exposure, including derivatives, is distributed into appropriate time bands by maturity. The long and short positions in each time band are then summed and multiplied by the appropriate risk weight factor (reflecting the price sensitivity of the positions to changes in interest rates) to determine the risk-weighted long and short market risk positions for each time band.
Specific risk capital	Specific risk accurately measures idiosyncratic risk not captured by general market risk measures for interest rate and equity risk, such as default, credit migration and event risks, and identifies concentrations in a portfolio. The total regulatory-specific risk capital amount is the sum of equity-specific risk and interest rate-specific risk, and is based on the building block methodology.

FRBSA's balance sheet is exposed to both interest rate and equity-specific risk. The bank's London branch and broader Africa subsidiaries are exposed to interest rate and foreign exchange (general) risk. Aldermore is exposed to foreign exchange (general) risk.

MR1: MARKET RISK UNDER THE STANDARDISED APPROACH

	RWA			
	FIRSTRAND		FRB*	
	As at 30 June			
R million	**2024**	2023	**2024**	2023
Outright products				
1. Interest rate risk	**8 802**	10 006	**5 269**	6 022
– Specific risk	**7 291**	8 277	**5 269**	6 022
– General risk	**1 511**	1 729	**–**	–
2. Equity risk	**1 831**	476	**1 256**	358
– Specific risk	**1 779**	464	**1 256**	358
– General risk	**52**	12	**–**	–
3. Foreign exchange risk	**3 316**	2 642	**2 900**	229
– Traded market risk	**350**	1 235	**–**	–
– Non-traded market risk	**2 966**	1 407	**2 900**	229
4. Commodity risk	**–**	–	**–**	–
9. **Total**	**13 949**	13 124	**9 425**	6 609

* *FRB includes foreign branches.*

Options are capitalised using IMA (rows 5 – 7 of the MR1 template) and are therefore excluded. Refer to the *MR3: IMA values for traded market risk* template. Securitisations are capitalised under the securitisation framework and row 8 of the MR1 template is therefore excluded. Refer to the *Securitisation* section of this report.

FRB's non-traded foreign exchange RWA increased over the review period due to increased foreign exchange exposure on the London branch. This was partially offset at FirstRand level by subdued activity in the FREMA foreign exchange book.

NON-TRADED MARKET RISK

For non-traded market risk, the group distinguishes between **interest rate risk in the banking book** and **structural foreign exchange risk**. The following table describes how these risks are measured, managed and governed.

Risk and jurisdiction	Risk measure	Managed by	Oversight
Interest rate risk in the banking book			
Domestic – FNB, RMB, WesBank and the Centre	• 12-month earnings sensitivity. • Economic sensitivity of open risk position.	Group Treasury	• Centre Risk Management • Group ALCCO
Subsidiaries in broader Africa and the bank's foreign branches	• 12-month earnings sensitivity. • Economic sensitivity of open risk position.	In-country management	• Group Treasury • FCC Risk Management • In-country ALCCOs • Broader Africa and foreign branch ALCCOs
Structural foreign exchange			
Group including Aldermore	• Total capital in a functional currency other than rand. • Impact of translation back to rand reflected in group's income statement. • Foreign currency translation reserve value.	Group Treasury	• Group ALCCO • Centre Risk Management

INTEREST RATE RISK IN THE BANKING BOOK

Introduction and objectives

IRRBB relates to the sensitivity of the group's balance sheet and earnings to unexpected, adverse movements in interest rates.

IRRBB originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.

The endowment effect, which results from a large proportion of non- and low-rate liabilities that fund variable-rate assets, is the primary driver of IRRBB and results in the group's earnings being vulnerable to interest rate cuts, or conversely benefiting from interest rate hikes.

IRRBB is an inevitable risk associated with banking and can be an important source of profitability and shareholder value. FirstRand continues to manage IRRBB with the aim of protecting and enhancing the group's earnings and economic value through the cycle within approved risk limits and appetite levels.

ALM strategies are in place to protect the group's net interest margin and endowment portfolio. These strategies are actively monitored along with macroeconomic factors affecting interest rates in the countries where the group operates.

Effect of reference rate reform

The group has a steering committee consisting of key finance, risk, IT, treasury, legal and compliance personnel, as well as external advisors, which oversees the group's interbank offered rate reform transition. The committee developed a transition process for affected contracts and potential future contracts with the aim of minimising the potential disruption to business, mitigating operational and conduct risks, and possible financial losses.

The Johannesburg Interbank Average Rate (JIBAR) will be replaced by ZARONIA. Prior to deciding on ZARONIA, the SARB released several proposed alternative reference rates and calculation methodologies. Following an observation period between 1 November 2022 and 31 October 2023, ZARONIA was identified and endorsed as the successor to JIBAR. The SARB has indicated that JIBAR cessation is likely to take place at the end of 2026, with the cessation date to be confirmed by December 2025.

There are several notable milestones in the lead-up to cessation, which are contained in the industry timeline published by the SARB. These include ZARONIA first for derivatives in November 2024, ZARONIA first for the cash market in June 2025 and "No new JIBAR" scheduled for March 2026. The group currently has a number of contracts, including derivatives, which reference JIBAR. The group's South African rates reform steering committee will apply the same transitioning policies to affected JIBAR contracts as those it effected for interbank offered rates.

YEAR UNDER REVIEW AND FOCUS AREAS

Year under review	Risk management focus areas
• The South African repo rate remained flat at 8.25% between 1 July 2023 and 30 June 2024. • The group has made the necessary arrangements to cater for reference rate reform. • The group implemented the updated IRRBB methodology in line with the revised regulations, per *Directive* 2 of 2023, effective 1 January 2023, with Pillar 3 disclosure requirements per *Directive* 1of 2024, effective from 1 January 2024.	• Continued monitoring of ALM strategies relative to macroeconomic factors that affect interest rates in the countries where the group operates.

Organisational structure and governance

INTEREST RATE RISK IN THE BANKING BOOK GOVERNANCE STRUCTURE

Board-level oversight

RCCC

Provides oversight of the group's non-traded market risk profile.

Group ALCCO

- Provides oversight of asset and liability management functions and ALCCOs across the group. Monitors implementation of the ALM framework.
- The ALM framework (a subframework of the group risk management framework) prescribes standards, principles and policies for the effective management of the group's interest rate and foreign exchange rate risks in the banking book.

Broader Africa ALCCO

Oversight of IRRBB for subsidiaries in broader Africa and the bank's foreign branches.

Aldermore ALCCO

Oversight of IRRBB for Aldermore.

Executive management oversight

FRM executive committee

Strategic oversight of the group's ALM strategies and risk appetite.

Management structures

Centre risk management

- Supports management in identifying and quantifying key ALM risks.
- Ensures that board-approved risk policies, frameworks, standards, methodologies and tools are adhered to.
- Compiles, analyses and escalates risk reports on performance, risk exposures and corrective actions.

Group Treasury

- Responsible for IRRBB on behalf of the group.
- Manages structural foreign exchange risk as a result of investment in foreign subsidiaries and branches.
- Provides oversight and reporting of group utilisation of foreign currency macroprudential and regulatory limits.
- IRRBB and structural foreign exchange risk are managed in line with the group's macroeconomic outlook as part of its ALM strategies.

Group Internal Audit

- Assesses the adequacy and effectiveness of interest rate risk in the banking book management controls.
- Identifies risk control shortcomings and recommends corrective actions.

Assessment and management

ALM risk appetite principles

The group's ALM principle is to protect and enhance the earnings of the group without adding to the natural risk position. Strategies should be countercyclical and add resilience to the group's balance sheet and risk profile. The intention is to match asset and liability profiles as much as possible to reduce the capital underpin required to manage volatility. Actions are taken with deep analysis and consideration of:

- economic value of savings – supply and demand of savings, rewarding savers appropriately;
- ALM modelling processes – detailed internal modelling of underlying deposit behaviour and the resultant risk-adjusted ALM profile; and
- investment process – a rigorous investment process, macro forum and investment committee, and executive management challenge.

The measurement techniques used to monitor IRRBB in FRBSA include NII sensitivity/earnings risk, NAV/economic value of equity (EVE) sensitivity and the closely related daily PV01 measure. A repricing gap is also generated to better understand the repricing characteristics of the balance sheet. In calculating the repricing gap, all banking book assets, liabilities and derivative instruments are placed at gap intervals based on repricing characteristics.

The internal funds transfer pricing process is used to transfer interest rate risk from the operating businesses to Group Treasury. This process allows risk to be managed centrally and portfolio-wide in line with the group's macroeconomic outlook.

Management of the resultant risk position is achieved by balance sheet optimisation or through the use of financial market instruments such as government bonds or derivative transactions. Interest rate swaps, for which a liquid market exists, are the main instruments utilised. Where possible, hedge accounting treatment is applied to minimise accounting mismatches, thus ensuring that amounts deferred in equity are released to the income statement at the same time as movements attributable to the underlying hedged asset/liability. Interest rate risk from the fixed-rate book is managed to low levels, with remaining risk stemming from timing and basis risk.

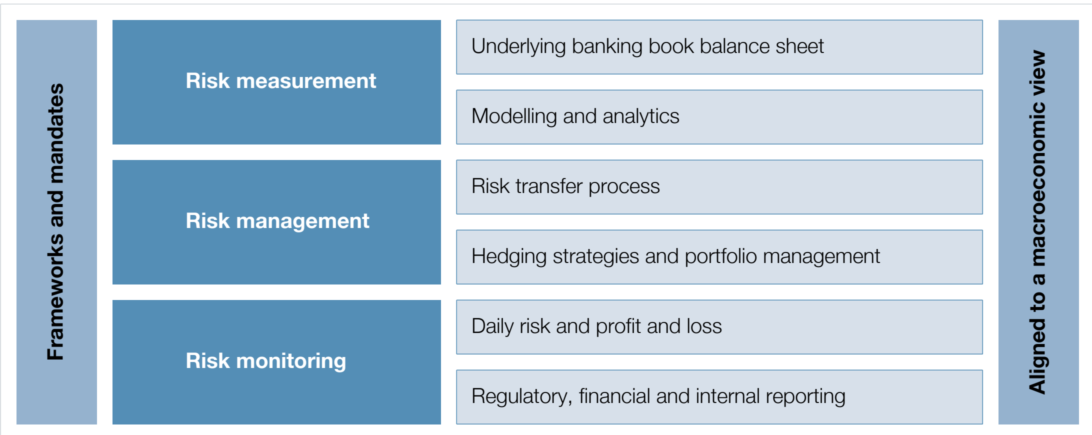
Furthermore, the group employs two structural strategies to mitigate IRRBB:

- behavioural modelling of non-maturity deposits (NMDs): administered rate products which are operational in nature are modelled according to their behavioural characteristics; and
- the structural capital investment portfolio: this is an investment position which is taken through the cycle with consideration of earnings and NAV sensitivity.

In addition to the structural strategies, the group employs a dynamic investment programme which consists of positions taken on an active basis, in line with the group's macroeconomic forecasts. Depending on the forecast, this programme aims to benefit group performance either through earnings growth or NAV accretion.

Management of IRRBB across broader Africa, Aldermore and the bank's foreign branches is the responsibility of in-country management teams with oversight provided by Group Treasury and Centre Risk Management. For subsidiaries, earnings sensitivity measures are used to monitor and manage interest rate risk in line with the group's appetite. Where applicable, NAV sensitivity risk limits are also used for endowment hedges.

INTEREST RATE RISK MANAGEMENT AND ASSESSMENT



Sensitivity analysis

A change in interest rates impacts both the earnings potential of the banking book (as underlying assets and liabilities reprice to new rates), as well as the economic value/NAV of an entity (as a result of a change in the fair value of any open risk portfolios used to manage the earnings risk). The role of management is to protect both the financial performance and the long-term economic value of the bank. To achieve this, both earnings sensitivity and economic value sensitivity measures are monitored and managed within appropriate risk limits and appetite levels, considering the macroeconomic environment and factors which can cause a change in rates.

The group implemented the updated IRRBB methodology in line with the revised regulations, per *Directive 2 of 2023*, effective 1 January 2023, with Pillar 3 disclosure requirements per *Directive 1 of 2024* effective from 1 January 2024. This methodology ensures that:

- client behaviour is considered in the management of IRRBB. Relevant behavioural adjustments that capture modelled customer behaviour (where they have legal discretion to repay or withdraw funds) are therefore incorporated into the calculation. This allows for a more effective assessment of IRRBB and aligns with how the group manages this risk;
- there is a more effective and transparent measure of the risk associated with specific currency exposures to different interest rates, and different possible shocks; and
- there is a more explicit consideration of basis risk and credit-spread risk.

The IRRBB table can be found on page 201.

Sensitivity numbers reported as at 30 June 2024 have been calculated and disclosed in accordance with revised regulations.

Key behavioural and modelling assumptions

In measuring IRRBB the bank makes use of key behavioural and modelling assumptions which are subject to the internal model governance process.

Relevant behavioural adjustments that capture modelled customer behaviour (where they have legal discretion to repay or withdraw funds) are incorporated into the bank's risk management. In this regard, prepayments on specified fixed-rate loans and the behavioural interest rate risk profile of administered rate non-maturity deposits are considered.

In addition, for administered rate products, the bank models relevant pass-through rates. These modelled rates reflect the transmission of changes in market interest rates to changes in client deposit rates.

Model	Description
Prepayment models on selected fixed-rate portfolios	Behavioural prepayment rates are used to forecast and manage the interest rate risk profiles of fixed-rate portfolios. Prepayment rates are modelled based on historical behaviour. The models utilise a portfolio prepayment approach that leverages accurate, contractual and behavioural transaction level data generated by the bank's ALM system.
Non-maturity administered rate deposits	The bank analyses its funding base in order to identify the proportion of deposits that can be considered core NMDs. To determine core NMDs the bank's deposits are first segmented to ascertain which balances are non-maturity and non-rate-sensitive. A decay model is then applied to these balances, based on 10 years of data history, to calculate the minimum amount that is stable through the cycle at a given confidence level. These non-rate-sensitive, stable deposits make up the bank's core NMD portfolio. The core NMD portfolio is assigned a fixed profile which is managed using set ALM strategies. The remaining non-core component is treated as an overnight/variable exposure. The average repricing maturity period assigned to NMDs is 2.5 years, with the longest repricing maturity period being five years.

Earnings sensitivity

Earnings models are run on a monthly basis to provide a measure of the NII sensitivity of the existing banking book balance sheet to shocks in interest rates. Underlying transactions are modelled based on regulatory guidelines. The calculation assumes a constant balance sheet size and product mix over the forecast horizon.

The following tables show the 12-month behavioural NII sensitivity for sustained, instantaneous parallel downward and upward shocks to interest rates. The size of the shocks is consistent with the regulatory prescribed shocks per currency. The most material shocks applied are 400 bps for rand exposures, 200 bps for USD exposures and 250 bps for GBP exposures.

Most of the group's NII sensitivity relates to the endowment book. The group's average endowment book was R362 billion, excluding Aldermore, for the year ended 30 June 2024.

PROJECTED NII SENSITIVITY TO INTEREST RATE MOVEMENTS

	As at 30 June 2024		
	Change in projected 12-month NII		
R million	**FRBSA**	**Subsidiaries and foreign branches***	**Group**
Parallel up	**1 801**	**911**	**2 712**
Parallel down	**(2 160)**	**(1 294)**	**(3 454)**
Maximum (loss)	**(2 160)**		
Maximum (loss) % of Tier 1 capital**	**(1.87)**		

	As at 30 June 2023		
	Change in projected 12-month NII		
R million	FRBSA	Subsidiaries and foreign branches*	Group
Parallel up	1 933	822	2 755
Parallel down	(2 196)	(1 056)	(3 252)
Maximum (loss)	(2 196)		
Maximum (loss) % of Tier 1 capital**	(2.17)		

* *Excludes Aldermore.*

** *Tier 1 capital excluding unappropriated profits.*

As at 30 June 2024, assuming no change in the balance sheet and no management action in response to interest rate movements, an instantaneous, sustained parallel decrease in interest rates would result in a reduction of R3 454 million projected in 12-month NII. A similar increase in interest rates would result in an increase of R2 712 million in projected 12-month NII.

Economic value of equity

An EVE sensitivity measure is used to assess the impact on the total NAV of the group as a result of a shock to underlying rates. Unlike the trading book, where a change in rates will impact fair value income and reportable earnings of an entity, the realisation of a rate move in the banking book will impact the distributable and non-distributable reserves to varying degrees. This represents an opportunity cost/benefit over the life of the underlying positions. As a result, a purely forward-looking EVE shock applied to the banking book is monitored relative to total risk limits, appetite levels and current economic conditions.

The EVE shocks are calculated monthly and applied at a transactional level based on regulatory guidelines. The bank has chosen to exclude commercial margins from the calculations of forecast cash flows and accordingly applied the swap zero curve as the representation of the risk-free rate. The exposure values also exclude own equity in accordance with the regulatory guidelines.

The table below shows the behavioural EVE sensitivity for the six regulatory scenarios. The size of the shocks are consistent with the regulatory prescribed shocks per currency. The most material shocks applied are 400 bps for rand exposures, 200 bps for USD exposures and 250 bps for GBP exposures. The EVE sensitivity reflects a point-in-time view which is dynamically managed and can fluctuate over time.

BANKING BOOK NAV SENSITIVITY TO INTEREST RATE MOVEMENTS AS A PERCENTAGE OF TIER 1 CAPITAL

	As at 30 June 2024		
	EVE		
R million	**FRBSA**	**Subsidiaries and foreign branches**	**Group**
Parallel up	**(12 730)**	**(3 483)**	**(16 213)**
Parallel down	**15 300**	**2 589**	**17 889**
Steepener	**(2 354)**		
Flattener	**(397)**		
Short rate up	**(5 745)**		
Short rate down	**5 806**		
Maximum (loss)	**(12 730)**		
Maximum (loss) % of Tier 1 capital*	**(11.01)**		

	As at 30 June 2023		
	EVE		
R million	FRBSA	Subsidiaries and foreign branches	Group
Parallel up	(13 491)	(2 820)	(16 311)
Parallel down	16 230	2 169	18 399
Steepener	(1 609)		
Flattener	(1 220)		
Short rate up	(6 787)		
Short rate down	6 874		
Maximum (loss)	(13 491)		
Maximum (loss) % of Tier 1 capital*	(13.31)		

* *Tier 1 capital excluding unappropriated profits.*

STRUCTURAL FOREIGN EXCHANGE RISK

Introduction and objectives

Foreign exchange risk is the potential adverse impact on the group's financial position or earnings or other key ratios as a result of movements in foreign exchange rates impacting balance sheet exposures.

The group is exposed to foreign exchange risk as a result of on-balance sheet transactions in a currency other than rand, as well as through structural foreign exchange risk from the translation of its foreign operations' results into the rand. The impact on equity as a result of structural foreign exchange risk is recognised in the foreign currency translation reserve balance, which is included in qualifying capital for regulatory purposes.

Structural foreign exchange risk as a result of net investments in the foreign entities with a functional currency other than the rand is a consequence of geographic diversification, which can be a source of additional investor value emanating from countercyclical earnings streams but also increased volatility as a result of currency fluctuations. Group Treasury is responsible for actively monitoring the net capital invested in foreign entities, as well as the rand value of any capital investments and dividend distributions.

YEAR UNDER REVIEW AND FOCUS AREAS

Year under review	Risk management focus areas
• Continued to strengthen principles for the management of foreign currency exposures and funding of the group's foreign entities. • Monitored the net open foreign currency position against limits in each of the group's foreign entities.	• Continue to assess and review the group's foreign currency exposures and enhance the quality and frequency of reporting.

Organisational structure and governance

Group Treasury, as the clearer of all group currency positions, is responsible for the management and reporting of the group's foreign currency exposures relative to the macroprudential limit for authorised dealers.

Group Treasury is also responsible for the oversight of structural foreign exchange risk and reports to group ALCCO. Refer to the governance structure in the *Interest rate risk in the banking boo*k section of this report.

Assessment and management

The ability to transact on-balance sheet in a currency other than the rand is governed by in-country macroprudential and regulatory limits. At a group level, additional board limits and management appetite levels are set for this exposure. The impact of any residual on-balance sheet position is managed as part of market risk reporting (see the *Traded market risk* section of this report). Group Treasury is responsible for consolidated group reporting and utilisation of these limits against approved limits and appetite levels.

Foreign exchange risk in the banking book comprises funding and liquidity management and risk mitigating activities. To minimise funding risk across the group, foreign currency transactions are matched, where possible, with residual liquidity risk managed centrally by Group Treasury, and usually to low levels (see the *Liquidity risk and funding* section of this report). Structural foreign exchange risk impacts both the current NAV of the group as well as future profitability and earnings potential. Economic hedging is undertaken where feasible, given market constraints and within risk appetite levels. Where possible, hedge accounting is applied. Capital against any remaining open positions is held as part of the market risk in the trading book capital.

Net structural foreign currency exposures and sensitivity

The following table provides an overview of the group's exposure to entities with functional currencies other than the rand, and the pre-tax impact on equity of a 15% change in the exchange rate between the rand and the relevant functional foreign currencies. There were no significant structural hedging strategies in the year under review.

NET STRUCTURAL FOREIGN CURRENCY EXPOSURES DUE TO INVESTMENTS IN FOREIGN ENTITIES

	As at 30 June 2024		As at 30 June 2023	
Functional currency	**Exposure R million**	**Impact on equity from 15% currency translation shock R million**	Exposure R million	Impact on equity from 15% currency translation shock
Botswana pula	**6 212**	**932**	5 812	872
US dollar	**14 547**	**2 182**	13 429	2 014
British pound sterling	**45 252**	**6 788**	44 678	6 702
Nigerian naira	**1 148**	**172**	1 777	267
Zambian kwacha	**2 234**	**335**	2 251	338
Mozambican metical	**1 207**	**181**	1 067	160
Indian rupee	**1 078**	**162**	1 045	157
Ghanaian cedi	**426**	**64**	397	60
Tanzanian shilling	**42**	**6**	51	8
Common Monetary Area (CMA) countries*	**7 860**	**1 179**	7 346	1 102
Total	**80 006**	**12 001**	77 853	11 680

* *Namibia, Eswatini and Lesotho are currently part of the CMA. Unless these countries exit the CMA, rand volatility will not impact their rand reporting values.*

EQUITY INVESTMENT RISK

Introduction and objectives

Equity investment risk is an adverse change in the fair value of an investment in a company or fund, or listed, unlisted or bespoke financial instrument.

Equity investment risk in the group arises primarily from equity exposures residing in the private equity portfolios and investment banking activities in RMB, such as principal investments and structured lending.

Other sources of equity investment risk in the banking book include operational investments held by WesBank, FNB, Aldermore and the Centre. These investments are, by their nature, core to the individual businesses' daily operations and are managed as such.

Ashburton Investments, the group's asset management business, also contributes to equity investment risk. This emanates from long-term and short-term seeding activities both locally and offshore. Short-term seeding of new traditional and alternative funds exposes the group to equity investment risk until the funds reach sufficient scale for sustainable external distribution. The timeline for short-term seeding is defined in the business cases for the funds and typically ranges between one and three years.

Long-term seeding is provided if there is alignment with strategy, if the business case meets the group's internal return hurdle requirements. The liquidity and fund structure imply that an exit will only be possible over a longer period, aligned with the interests of other investors in these funds. Long-term investments, such as investments in private equity and real estate, will only be exited at the end of the investment horizon of the funds. This maturity period typically ranges from five to eight years post investment in the fund.

YEAR UNDER REVIEW AND FOCUS AREAS

Year under review	Risk management focus areas
• The private equity portfolio continued to perform reasonably, however, due to the challenging macroeconomic environment, there were no material realisations during the current year, resulting in higher unrealised reserves for the year. The portfolio remains within risk appetite. • The year was characterised by a number of smaller realisations in the portfolio and R1.5 billion of capital was deployed to new investments. • The unrealised value of RMB's private equity portfolio as at 30 June 2024 was R6.6 billion (2023: R5.7 billion).	• Continue to engage with those portfolio companies where earnings have been negatively impacted by the challenging operating environment.

Regulatory developments

The introduction of Basel III post-crisis reforms has brought about amendments to the current banking regulations, which have an impact on equity investment risk. The proposed amendments to Regulation 23 have provided a new approach to equity risk with the standardised approach to credit risk, introducing speculative unlisted and other equity categories with a risk weight of 400% and 250%, respectively. The amendments are currently under engagement with industry, with implementation set for 1 July 2025.

Organisational structure and governance

EQUITY INVESTMENT RISK GOVERNANCE STRUCTURE

Board-level oversight

RCCC

Provides governance and oversight of the group's equity investment risk portfolio and profile.

Large exposures committee

Approves senior debt instruments in investment structures as appropriate.

Market and investment risk committee

- Oversees risk management of equity investment risk exposures and profile across the group.
- Approves and monitors implementation of the investment risk frameworks.
- Approves and monitors investment risk appetite and limits.

Executive management oversight

C&I FRM executive committee

Approves and monitors risk appetite and risk limits for C&I investment activities.

RMB prudential investment committee

Oversight and approval of portfolio investment transactions in equity, quasi-equity or quasi-debt instruments.

Management structures

Segment equity investment risk functions and committees

R&C investment risk management committees

Monitor and manage respective R&C investments, including governance and valuation.

Investment risk oversight committee

Assesses quality, size and performance of RMB's investment portfolio.

Investment management governance forum

Monitors fund and seed investment activities approved by C&I FRM executive committee.

C&I RCCC

- Independent oversight of investment activities.
- Supported by CROs and deployed risk managers.

FirstRand Investment Management Holdings audit, risk and compliance committee

- Monitors Ashburton fund seeding activity.
- Reviews reports on investment positions.
- Reviews financial and risk profiles.

ERM

- Provides an independent view of the investment risk profile.
- Oversees investment risk management practices and external reporting.
- Monitors implementation of the group's investment risk frameworks.
- Implements equity risk regulatory changes.

Group Internal Audit

- Assesses the adequacy and effectiveness of equity risk management controls.
- Identifies risk control shortcomings and recommends corrective actions.

Assessment and management

Equity investment risk appetite

The group aims to manage its private equity investment activities:

- with a suitably diversified private equity portfolio to achieve a sufficient level of predictable annuity accounted earnings from the underlying counters in the portfolio and a sustainable level of through-the-cycle realisation income; and
- management of event risks from concentrated single-name investments or industry concentrations, as well as market dislocations or regulatory event risks across invested assets.

Quantitative investment risk limits are set annually in line with the group's risk appetite. This is supported by qualitative aspects, expressed in terms of strategic business mix, business activity and zero tolerance for operating outside legislative or regulatory constraints. Quantitative nominal value limits are set at a group level and then set for business activities and business units. The entire investment risk portfolio is also managed by considering concentration factors such as geographic distribution, investment value size, counterparty exposures and industry weightings.

Regulatory capital limits are applied to restrict the balance sheet size on a risk-adjusted basis. Rating agencies' guidance is considered in the setting of limits and monitoring of actual performance against limits in order to put a limit on portfolio equity exposure (carrying value) as a percentage of Tier 1 capital.

A key element of monitoring equity investment risk is the assessment of potential earnings volatility that may arise from underlying activities. The portfolio is stressed on a quarterly basis to ensure that earnings volatility remains within appropriate levels.

Management of exposures

The equity investment risk portfolio is managed through a rigorous evaluation and review process, from inception to exit of a transaction. All investments are subject to a comprehensive due diligence, during which a thorough understanding of the target company's business, risks, challenges, competitors, management team and unique advantage or value proposition is developed.

For each transaction, an appropriate structure is put in place. This aligns the interests of all parties involved through the use of incentives and constraints for management and other investors. Where appropriate, the group seeks to take a number of seats on the company's board and maintains close oversight through monitoring of operations and financial discipline.

The investment thesis, results of the due diligence process and investment structure are discussed at the investment committee before final approval is granted. In addition, biannual reviews are performed for each investment. Crucial aspects of these reviews, e.g. valuation estimates, are reviewed and challenged by the investment risk oversight committee.

Recording of exposures – accounting policies

All equity investments in scope of IFRS 9 are measured at fair value, with value changes recognised in profit or loss, except for those equity investments for which the entity has elected to present value changes in "other comprehensive income". There is no "cost measurement" exemption for unlisted equities.

If an equity investment is not held for trading, an entity can make an irrevocable election at initial recognition to measure it at fair value through other comprehensive income, with only dividend income recognised in profit or loss. Despite the fair value requirement for all equity investments, IFRS 9 contains guidance on when cost may be the best estimate of fair value and also when it might not be representative of fair value.

Consistent with the group's accounting policies, the consolidated financial statements include the assets, liabilities and results of operations of all equity investments, where the group has control over the relevant activities, and the ability to use that control to affect the variable returns received from the entity.

Equity investments in associates and joint ventures are included in the consolidated financial statements using the equity-accounting method. Associates are entities where the group holds an equity interest of between 20% and 50%, over which it has the ability to exercise significant influence, but not control. Joint ventures are entities in which the group has joint control over the relevant activities of the joint venture through a contractual agreement.

Measurement of risk exposures and stress testing

Risk exposures are measured in terms of potential loss under stress conditions. A series of standardised stress tests are used to assess potential losses under current market conditions, adverse market conditions, and severe stress/event risk conditions. These stress tests are conducted at individual investment and portfolio level, and stressed periodically to ensure that any volatility in earnings will not be breached in terms of the overall portfolio limit. In addition, the portfolio is also stressed as part of the group's annual ICAAP process.

In the private equity portfolio, the group targets an investment profile that is diversified along a number of pertinent dimensions, such as geography, industry, investment stage and vintage.

Economic and regulatory capital calculations are augmented by regular stress tests of market values and underlying drivers of valuation, e.g. company earnings, valuation multiples and assessments of stress resulting from portfolio concentrations.

Regulatory and economic capital

The simple risk-weighted method under the market-based approach (300% for listed equities or 400% for unlisted equities) is applied with the scaling factor (where appropriate) for the quantification of regulatory capital. Under Regulation 31 of the Banks Act, the risk weight applied to investments in financial, banking and insurance entities is subject to the aggregate and individual value of the group's shareholding in these investments and also in relation to the group's qualifying CET1 capital.

For EC purposes, an approach using market value shocks to the underlying investments is used to assess EC requirements for unlisted investments after taking any unrealised profits into account.

For the quantification of regulatory capital, equity investments in funds are risk weighted using the LTA, MBA or FBA, depending on the criteria met by the fund. For LTA, the underlying exposures in the funds are risk weighted as if those exposures were directly held by the group. For MBA, funds are risk weighted according to the fund's mandate or information obtained from other relevant disclosures of the fund. Where the fund mandate further permits the use of leverage and/or derivatives, RWA is adjusted to take these into account. The FBA approach applies a 1 250% risk weighting, which is the maximum risk weighting permissible under either of the approaches.

Equity investment risk valuations

The table below shows the equity investment risk in the banking book exposure and sensitivity. The 10% sensitivity movement is calculated on the carrying value of investments, excluding those subject to the ETL process and including the carrying value of investments in associates and joint ventures.

GROUP INVESTMENT RISK EXPOSURE, SENSITIVITY OF INVESTMENT RISK EXPOSURE AND EQUITY INVESTMENTS IN FUNDS

	As at 30 June 2024			As at 30 June 2023		
R million	**Publicly quoted investments**	**Privately held investments**	**Total**	Publicly quoted investments	Privately held investments	Total
Carrying value of investments	**19**	**12 556**	**12 575**	17	11 671	11 688
Per risk bucket						
250% – Basel III investments in financial entities	**–**	**5 323**	**5 323**	–	5 679	5 679
300% – Listed investments	**19**	**–**	**19**	17	–	17
400% – Unlisted investments	**–**	**7 233**	**7 233**	–	5 992	5 992
Equity investments in funds	**–**	**6 149**	**6 149**	–	5 471	5 471
Look-through approach	**–**	**90**	**90**	–	89	89
Mandate-based approach	**–**	**6 018**	**6 018**	–	5 320	5 320
Fall-back approach	**–**	**41**	**41**	–	62	62
Latent revaluation gains not recognised in the balance sheet*	**–**	**2 309**	**2 309**	–	1 974	1 974
Fair value	**19**	**21 014**	**21 033**	17	19 116	19 133
Listed investment risk exposure included in the equity investment risk ETL process	**19**	**–**	**19**	17	–	17
Estimated sensitivity to 10% movement in market value on investment fair value of remaining investment balances			**492**			369
Cumulative gains realised from sale of positions during the year			**768**			2 161
Capital requirement**	**8**	**9 443**	**9 451**	7	8 359	8 366

* *These unrealised gains or losses are not included in Tier 1 or Tier 2 capital.*

** *The capital requirement was calculated at 13.5% (2023: 13.3%) of RWA. The minimum requirement excludes the confidential individual capital requirement (Pillar 2B). 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.*

FRBSA INVESTMENT RISK EXPOSURE, SENSITIVITY OF INVESTMENT RISK EXPOSURE AND EQUITY INVESTMENTS IN FUNDS

	As at 30 June 2024			As at 30 June 2023		
R million	**Publicly quoted investments**	**Privately held investments**	**Total**	Publicly quoted investments	Privately held investments	Total
Carrying value of investments	**18**	**671**	**689**	16	575	591
Per risk bucket						
250% – Basel III investments in financial entities	**–**	**134**	**134**	–	150	150
300% – Listed investments	**18**	**–**	**18**	16	–	16
400% – Unlisted investments	**–**	**537**	**537**	–	425	425
Equity investments in funds	**–**	**87**	**87**	–	34	34
Look-through approach	**–**	**–**	**–**	–	–	–
Mandate-based approach	**–**	**46**	**46**	–	24	24
Fall-back approach	**–**	**41**	**41**	–	10	10
Latent revaluation gains not recognised in the balance sheet*	**–**	**–**	**–**	–	–	–
Fair value	**18**	**758**	**776**	16	609	625
Listed investment risk exposure included in the equity investment risk ETL process	**19**	**–**	**19**	17	–	17
Estimated sensitivity to 10% movement in market value on investment fair value of remaining investment balances			**76**			61
Cumulative gains realised from sale of positions during the year			**42**			16
Capital requirement**	**7**	**431**	**438**	7	312	319

* *These unrealised gains or losses are not included in Tier 1 or Tier 2 capital.*

** *The capital requirement was calculated at 13% (2023: 13%) of RWA and includes capital on investments in financial entities. 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.*

CR10: GROUP EQUITY EXPOSURES USING SIMPLE RISK WEIGHT METHOD AND EQUITY INVESTMENTS IN FUNDS

	As at 30 June 2024				
R million	**On-balance sheet amount**	**Off-balance sheet amount**	**Risk weight**	**Exposure amount**	**RWA**
Categories					
Exchange-traded equity exposures*	**19**	**–**	**300%**	**19**	**59**
Private equity exposures*	**7 233**	**–**	**400%**	**7 233**	**30 669**
Subtotal	**7 252**	**–**		**7 252**	**30 728**
Equity investment in funds	**6 149**	**–**		**6 149**	**25 975**
Look-through approach	**90**	**–**	**353%**	**90**	**318**
Mandate-based approach	**6 018**	**–**	**418%**	**6 018**	**25 149**
Fall-back approach	**41**	**–**	**1 250%**	**41**	**508**
Financial and insurance entities	**5 323**	**–**	**250%**	**5 323**	**13 308**
Total	**18 724**	**–**		**18 724**	**70 011**

	As at 30 June 2023				
R million	On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWA
Categories					
Exchange-traded equity exposures*	17	–	300%	17	54
Private equity exposures*	5 992	–	400%	5 992	25 405
Subtotal	6 009	–		6 009	25 459
Equity investment in funds	5 471	–		5 471	23 344
Look-through approach	89	–	346%	89	309
Mandate-based approach	5 320	–	418%	5 320	22 254
Fall-back approach	62	–	1 250%	62	781
Financial and insurance entities	5 679	–	250%	5 679	14 196
Total	17 159	–		17 159	62 999

* *RWA includes 6% scaling factor.*

CR10: FRBSA* EQUITY EXPOSURES USING SIMPLE RISK WEIGHT METHOD AND EQUITY INVESTMENTS IN FUNDS

	As at 30 June 2024				
R million	**On-balance sheet amount**	**Off-balance sheet amount**	**Risk weight**	**Exposure amount**	**RWA**
Categories					
Exchange-traded equity exposures**	**19**	**–**	**300%**	**19**	**59**
Private equity exposures**	**537**	**–**	**400%**	**537**	**2 277**
Subtotal	**556**	**–**		**556**	**2 336**
Equity investment in funds	**87**	**–**		**87**	**702**
Look-through approach	**–**	**–**		**–**	**–**
Mandate-based approach	**46**	**–**	**424%**	**46**	**194**
Fall-back approach	**41**	**–**	**1 250%**	**41**	**508**
Financial and insurance entities	**134**	**–**	**250%**	**134**	**336**
Total	**777**	**–**		**777**	**3 374**

	As at 30 June 2023				
R million	On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWA
Categories					
Exchange-traded equity exposures**	16	–	300%	16	52
Private equity exposures**	425	–	400%	425	1 800
Subtotal	441	–		441	1 852
Equity investment in funds	34	–		34	226
Look-through approach	–	–		–	–
Mandate-based approach	24	–	424%	24	102
Fall-back approach	10	–	1 250%	10	124
Financial and insurance entities	150	–	250%	150	376
Total	625	–		625	2 454

* *Excludes foreign branches.*

** *RWA includes 6% scaling factor.*

CLIMATE RISK

Introduction and objectives

Climate risk, a subset of environmental risk, is defined as risk resulting from climate change, which causes an increase in physical risks, transition risks and third-party liability risks (refers to the legal responsibility of entities to compensate third parties for damages or losses caused by their contributions to climate change).

Climate risk is intrinsically linked to and amplifies other primary risk types. As such, climate considerations have been integrated with other key risks faced by the group. Climate change presents a complex set of interconnected outcomes, with financial and operational risks emanating from two primary channels:

- **Physical risk**: Over the long term, climate change will result in both acute events (e.g. increased severity and frequency of extreme weather phenomena) and chronic environmental changes (e.g. sustained higher temperatures), which may lead to operational and credit risks.
- **Transition risk:** In the short term, changes in client behaviour, regulatory interventions and investor preferences for less carbon-intensive assets and products may result in elevated market, reputational or legal risks for the group. Over the long term, transitioning to a less carbon-intensive economy will likely entail significant legal, technological and policy changes, which may be disruptive to established business models.

The group seeks to support clients in their mitigation, transition and adaptation efforts to align with global and national net-zero commitments.

YEAR UNDER REVIEW AND FOCUS AREAS

Year under review	Risk management focus areas
• The group continued to advance its climate management and measurement capabilities in line with its seven-year climate roadmap introduced in 2020. The roadmap was extended to 2027 to include additional objectives relating to the implementation of BCBS 239 and nature and biodiversity considerations. • The group initiated the process to implement BCBS 239 requirements for climate risk. • It documented and approved financed emissions methodology and processes. • The group refined its climate stress testing approach with more sophisticated, longer-term economic forecasts and more granular quantification of risk drivers and impacts. • The group refined metrics used to track its alignment to pathways consistent with achieving net-zero financed emissions by 2050, including activity intensity metrics per sector, starting with the oil and gas and power generation sectors. • It improved the granularity of climate balance sheet exposures. • The group's insurance business developed a short-, medium- and long-term strategy in response to climate change, considering the effects of regulatory requirements, pricing challenges and product development. • The group enhanced board and staff training on climate-related matters.	• Assess requirements of the International Sustainability Standards Board (ISSB) IFRS Sustainability and Climate Disclosure Standards and identify gaps in current TCFD reporting. • Include broader Africa carbon emissions in independent review. • Develop more detailed interim targets for prioritised hard-to-abate sectors and enhancing the overall climate alignment pathway by 2050. • Establish baseline metrics for historical periods to enable trend analysis and refining forward-looking metrics. • Digitise climate risk reporting and data consolidation processes.

Organisational structure and governance

The climate risk management framework delineates the roles and responsibilities of key stakeholders in business, support and control functions across the group. Ultimate oversight of climate-related risk rests with the board, which has delegated responsibility for various climate risk topics to appropriate board subcommittees and management committees across the group. The primary board committees overseeing climate risk matters are the RCCC and Setcom. RCCC is responsible for overseeing all climate risk related matters and Setcom oversees the execution of the group's climate strategy.

CLIMATE RISK GOVERNANCE STRUCTURE

Board-level oversight

Setcom

Oversees the group's climate strategy and impact on environmental and social stakeholders, and approves policies on climate change.

RCCC

Provides oversight of the group's climate risk profile, and approves the climate risk framework and appetite.

Risk subcommittees

Support RCCC in its oversight of climate impact on credit, operational, market, investment, model, liquidity and other risks, as well as the impact on assets, liabilities and capital position.

Executive management oversight

Sustainability and governance executive committee

- Defines and approves climate change strategy and policies and oversees the strategic response to climate change.
- Approves the group's external climate reporting.

FRM executive committee

Manages resource allocation, pricing, funding, performance of assets and liabilities, and asset categorisation principles for climate-related risks and opportunities.

Management structures

Environmental risk committee

Approves environmental and social risk assessment (ESRA) policies and monitors the ESRA due diligence process, sensitive industry policies and exclusions, nature and biodiversity risk, and water and waste management.

Climate risk committee

- Monitors the embedding of the climate risk framework and the consolidated climate risk profile against risk appetite.
- Tracks progress against the climate roadmap.

ERM and segment risk management

Segment RCCCs

Advanced analytics technical committee

Segment sustainability executive committees

Climate technical and data committee

Group Internal Audit

- Assesses the adequacy and effectiveness of climate risk processes and governance.
- Identifies risk control shortcomings and recommends corrective actions.

The board has put the necessary policies, systems and processes in place to enable delivery of the group's climate roadmap and ensure that the corresponding performance and progress are reflected in the group's external reporting. Responsibility for the group's consolidated climate risk profile resides with the climate risk committee. ERM cascades key climate risk measures and targets across the group, and tracks progress on climate risk commitments and appetite. As climate risk is a material cross-cutting risk type, the various risk subcommittees of the RCCC support RCCC in its oversight of the impact of climate on credit, operational, market, equity investment, model and reputational risks.

Delivery against climate risk and opportunity management objectives has been incorporated into the performance scorecards for executive directors and prescribed officers, key environmental and social risk teams and teams focused on sustainable finance. A detailed analysis of climate rating calibration included in performance scorecards is included in the group's remuneration report at https://www.firstrand.co.za/investors/integrated-reporting-hub/governance/.

Refer to FirstRand's corporate governance report, which will be published on the group's website in October 2024 at https://www.firstrand.co.za/investors/integrated-reporting-hub/governance/ for further details relating to the group's climate governance and management committees, meeting frequency, and the responsibilities and focus areas of the various stakeholders.

Assessment and management

Materiality of climate risks and opportunities

When assessing climate-related risks and opportunities FirstRand considers the effects of its operations on the environment and consequently climate change. It also considers the impact of climate change on the group's business activities. The group considers financial materiality (based on the impact of climate change on the group) and impact materiality (its impact on climate change). This double materiality approach is consistent with the JSE's Sustainability Disclosure Guidance. Climate risks and opportunities that have a material impact on broader society are likely to also impact FirstRand.

The group considers both quantitative and qualitative factors when assessing climate change materiality. The process for determination of materiality includes assessment by appropriately skilled and experienced financiers, environmental specialists and executives. In addition, it is informed by regular engagement with the board, investors, clients and industry associations.

KEY CONSIDERATIONS IN DETERMINATION OF MATERIALITY

Financial materiality		Impact materiality	
Climate risk impact on: • risk appetite relative to FirstRand's overall earnings volatility limits as well as risk type earnings volatility limits, prudential limits and internal triggers; • capital adequacy and solvency outcomes in business-as-usual and stress scenarios; • access to and cost of funding; • business origination and retention; and • regulatory sanction.	**Climate opportunities for:** • balance sheet and income growth; • business origination and retention; • access to new client markets and customer types; • mitigation of climate-related credit, market or operational risks; and • access to alternative funding pools.	**Climate risk impacts in terms of:** • adverse impacts on people – quality of life and livelihoods; • contribution to greenhouse gas (GHG) emissions; • adverse impacts on the environment, including nature and biodiversity; and • negative implications for economic stability and sustainability.	**Climate opportunities are offered by:** • decarbonisation; • technology adoption; • adaptation initiatives; • climate change awareness; and • transparency and policy.

Climate risk appetite statement

FirstRand aims to manage its impact on the climate in a manner that is aligned with the Intergovernmental Panel on Climate Change (IPCC) aspirations of limiting global warming to 1.5°C above pre-industrial levels, at most. This requires the group to commit to a reduction of its own emissions (scope 1 and 2) as well as the reduction of attributable emissions of the activities that it finances (scope 3). The group also aims to manage the evolution of the balance sheet and underlying portfolio construction in such a way that it does not incur outsized physical, transition, legal or reputational risks on a single exposure or groupings of exposures.

ADHERENCE TO THE RISK APPETITE STATEMENT IS ENABLED BY:

1	Setting net-zero commitments and a roadmap of actions to support these ambitions for both the group's own as well as financed emissions in a way that is Paris aligned and takes account of just transition considerations.
2	The group had set a net zero by 2030 target for own emissions for the SA operations. However, FirstRand's own emissions pathway is dependent on, *inter alia*, the speed of the electricity grid (Eskom) decarbonisation, as well as the enabling environment and capacity availability of wheeling across both Eskom lines and municipal lines. The group is currently assessing the impact of changes in Eskom's own transition path as well as the prospects of wheeling across municipal lines. The group will update its own emissions pathway timelines, where appropriate, to reflect the impact of changes in these areas.
3	Providing suitable financial products and advice to support clients to transition and/or adapt to climate change in a just manner.
4	Actively managing exposure to transition and physical risk climate-sensitive sectors to levels where the group will not be an outlier relative to peers or be exposed to outsized physical, transition or legal risks.
5	Managing reputational risk which may arise from involvement with activities which are perceived to be harmful to the environment, through: • comprehensive due diligence for sensitive transactions; • articulation of clear policies outlining the group's approach to sensitive sectors and transactions; and • active stakeholder engagement.
6	Managing the mix of loans and advances relative to a targeted climate balance sheet.

The group's progress and exposures against its appetite statement for the year ended 30 June 2024 are outlined below.

FIRSTRAND'S CLIMATE APPETITE TRACKING

OWN EMISSIONS

Net zero by 2030 for South African operations

✓ A 4% decrease in emissions from 2023 to 2024 driven by decrease in use of diesel generators as result of decrease in loadshedding, decrease in emissions from the use of electricity in buildings due to ongoing energy efficiency initiatives, a reduction in the Eskom grid emissions factor, and a reduction in the group's real estate management portfolio.

FINANCED EMISSIONS

Net zero by 2050

✓ Initial overall pathway for FirstRand established.

✓ Lending book baseline portfolio emissions enhanced.

THERMAL COAL LENDING*

No financing for new coal-fired power stations

No direct project finance provided to new coal mines from 2026

✓ Within limit

THERMAL COAL LENDING

2% of group advances in 2024, limited to 1.5% in 2026 and 1% in 2030

✓ Within limit

UPSTREAM OIL AND GAS LENDING*

2.5% of group advances limit on upstream oil and gas

✓ Within limit

CUSTOMER ENGAGEMENT

200 corporate clients by 2023 and 3 million retail clients by 2025

✓ 2.5 million retail clients in 2024

✓ Top 200 corporate clients in 2023

✓ Top 100 corporate clients in 2022

SUSTAINABLE AND TRANSITION FINANCE**

R140 billion FY24 – FY26

✓ R95 billion in 2024

✓ R35 billion in 2023

✓ R25 billion in 2022

** During the year, the group finalised work on sector decarbonisation targets for the upstream oil and gas, and thermal coal and power generation portfolios as part of its climate roadmap commitments. Refer to FirstRand's climate strategies report, which will be published in October 2024 on the group's website at https://www.firstrand.co.za/investors/integrated-reporting-hub/climate/, for further details on the decarbonisation targets.*

*** Transaction underwriting, arranging, lending and advisory.*

Processes for identifying and assessing climate-related risks

FirstRand's processes for identifying and assessing climate-related risks, and their potential size and scope, rely on both quantitative and qualitative tools. The group uses the following sources to identity areas of elevated physical and/or transition risk impact:

- expert input;
- academic literature;
- industry, national and global working groups; and
- reports from intergovernmental organisations, e.g. the International Energy Agency and IPCC.

As outlined in the following table, the group also considers emerging legislation to assess possible impacts on its operations and clients' operations.

REGULATORY DEVELOPMENTS

Climate Change Act	The Climate Change Act focuses on a low-carbon trajectory and aims to enforce the reduction of GHG emissions by businesses and individuals. The act will have implications across the group's credit portfolios as well as on group operations.
Carbon Border Adjustment Mechanism (CBAM) – European Union (EU), UK	CBAM is a carbon tax mechanism implemented by the EU on certain imports coming into the EU. The goal of the EU CBAM is to mitigate carbon leakage by ensuring that emission-intensive goods sold in the EU market face the same carbon price regardless of whether they have been produced in the EU or elsewhere. The UK government published a similar policy document for comment. Starting in 2023, the EU CBAM entered a transitional period in which new compliance and reporting requirements for importers into the EU were published. From 2023 until 2025, the EU requires reporting of carbon emissions of, specifically, CBAM imported goods. From 2026, importers will be required to surrender CBAM certificates to account for their carbon emissions. From 2034, importers will be required to surrender CBAM certificates which account for 100% of their embedded emissions.
PA guidance	The PA published guidance notes on climate risk management and climate reporting in May 2024. The development of guidance notes for climate-related disclosures, governance and risk practices are part of the PA's approach to incorporate climate-related risks in its regulatory and supervisory activities. The guidance notes published include guidance on climate-related governance and risk practices, and disclosures for both banks and insurers.
Draft sectoral emission targets report for public comment	Proposed sectoral emission targets for 2030 – 2050 have been published for public comment by the Department of Forestry, Fisheries and the Environment. These targets are set to assist the achievement of the updated nationally determined contributions (NDCs). The National Climate Change Response Policy 2011 articulates the key elements in the overall approach to climate change mitigation in South Africa. Once legislated, the Climate Act further reinforces the climate mitigation approach. Seven sectors were identified to focus on for the development of sectoral emission targets. These comprise agriculture, industry, energy, mining, human settlements, transport, and environment and forestry.
ISSB standards	Two ISSB standards were published in June 2023: • IFRS S1 – a document that sets the baseline for sustainability reporting and defines basic principles for sustainability disclosures; and • IFRS S2 – climate disclosures which apply the TCFD approach to climate-related considerations like physical and transition risks, climate resilience and GHG emissions. Whilst the new standards are available for voluntary application, regulators around the world are to integrate these standards into their own mandatory reporting programmes for annual reporting periods beginning on or after 1 January 2024. To date, no South African regulator has made the standards mandatory.

FirstRand is incrementally improving the capture of climate risk data to better measure and manage this risk.

The group tracks its overall financial exposure to vulnerable areas of elevated climate change risk by measuring the size of vulnerable sectors and portfolios in its lending book, and monitoring its operational footprint relative to physical risks.

Additional tools such as stress testing, scenario analysis, geo-mapping and operational risk models are used to quantify the possible impact of identified climate change risks. The process to identify, assess, measure and manage climate-related risks is implemented at three levels to ensure appropriate strategic and transactional coverage.

CLIMATE RISK IDENTIFICATION AND MANAGEMENT

	Processes for identifying and assessing climate-related risks	**Processes for managing climate-related risks**
Portfolio level	Across the entire portfolio (and for specific portfolios with a high level of vulnerability to climate risk, such as agriculture) stress testing and sensitivity and scenario analyses are used to assess the size, scope and impact of both physical and transition climate risks. Several pathways and assumptions are utilised to provide a range of possible outcomes, spanning from high physical risk scenarios (corresponding to a "hothouse" world) to high transition risk scenarios (corresponding to disorderly outcomes). Additional detail on stress testing and scenario analysis is provided on page 128.	Climate change risks are managed in line with the climate risk appetite framework, which provides thresholds for balance sheet exposures to climate risks and opportunities, outlines key performance indicators to track progress against the group's commitments, and includes specific limits on sensitive portfolios which negatively impact climate through high levels of emissions. The overall group climate change risk appetite is cascaded into the main operating businesses and segments.
Transaction level	The group utilises its environmental and social risk assessment (ESRA) transactional due diligence process to screen transactions for elevated environmental and climate risks. Refer to https://www.firstrand.co.za/investors/esg-resource-hub/policies-and-practices/ for more detail on the group's ESRA processes.	Internal ESRA specialists measure and monitor compliance with any environmental or social conditions included as part of the approval process for financing. This includes completing climate and biodiversity risk assessment questionnaires to establish client climate baseline and transition journeys, and formulating and agreeing on remediation plans in the event of non-compliance.
Own operations	Climate risk is included in operational risk scenarios to reflect damage to physical assets and transition risks in relevant operational risk event categories. Further detail is provided on page 140.	Climate risk and carbon emissions are managed as part of business resilience planning and incorporated into the real estate management strategy. The overall aim is to reduce emissions, build climate resilience and increase the efficient use of resources. Additional detail on the group's operational emissions* is provided on page 140.

* *The analysis of the potential physical risks was performed in 2022 and there have been no material changes for noting, based on an annual review, to the group's operations since then.*

Management of climate-related risks

As a material cross-cutting risk, the management and mitigation of environmental and climate-related risks are fully integrated into ERM. The management of climate-related risks is governed by the group risk management framework. This explicitly takes climate risk into account and supports climate-related frameworks and policies such as the environmental, social and climate risk management framework, FirstRand's climate policy, and its energy and fossil fuel financing policy. In addition, climate risk considerations are incorporated into risk-type-specific group frameworks and policies, such as the credit risk management framework, the investment risk framework and the business resilience management policy. FirstRand categorises its climate-related risks in the context of their impact on traditional banking industry risk categories, as depicted in the following table.

INTEGRATION OF CLIMATE RISK ACROSS KEY RISK TYPES

Risk type	Physical risk impact	Transition risk impact	Risk management activities
Credit and equity investment risk	Disruption of client operations and supply chains impacting clients' cash flows and ability to service debt, as well as physical property or infrastructure damage leading to decreased asset collateral values. This in turn would result in higher PDs and LGDs for affected assets. Physical risks are expected to be more material in certain portfolios, such as residential mortgages and SME agricultural lending.	Lower client cash flows due to higher transition costs and shifting customer demand, as well as the potential for stranded assets leading to higher PDs and LGDs for affected assets. Transition risks are expected to be more material in the group's corporate portfolios, particularly in energy-intensive sectors.	All material credit and equity exposures are screened at a transaction level as part of the ESRA process. This enables concentration assessment against the climate balance sheet. In addition, the credit management framework supports origination geared towards climate opportunities in line with the group's climate strategy. All credit scenarios are being enhanced to cater for climate-specific transition and physical risk impacts/events.
Sovereign risk	Transmitted through general macroeconomic policies and mechanisms, where sovereigns need to provide additional support to address acute or chronic events.	Changes in trade flows, international demand for exports or the pricing of imports may negatively impact sovereign credit ratings.	Sovereign risk is managed through credit exposure limits and included in climate risk concentration management processes. In addition, measures are in place to ensure climate risk transition impacts are accounted for in liquidity-adjusted risk metrics.
Market risk	Transmitted through general macroeconomic mechanisms or sector-specific impacts.	Differentiated asset and instrument pricing based on climate characteristics of the underlying security or issuer. This may lead to market dislocations, loss of trading liquidity or sudden pricing shifts.	Market risk limits and stress losses capture price risk related to transition risk impacts. This is managed in line with existing specific risk and general risk limits outlined in the market risk management framework.
Counterparty credit risk	Reduced ability by counterparties to honour obligations due to disruption of their operations or supply chains.	Reduced ability of counterparties to honour obligations due to the impacts of market dislocations, due to transition risk shocks, on their portfolios, collateral values and, ultimately, their credit quality.	Counterparty credit risk limits and exposures capture counterparties' price risk and credit quality deterioration related to climate transition risk impacts. These are managed in line with the counterparty credit risk management framework.
Operational risk	Disruption of own operations through damage to physical assets, supply chain interruptions or occupational health and safety events.	• Higher costs and possible operational disruptions due to the transition of own operations to lower-carbon infrastructure. • Legal risk due to changing regulations. • Third-party and outsourced risks should these parties' practices not meet set industry standards.	Integrate climate change risk considerations into various operational risk categories, e.g. resilience and premises. Monitor loss impacts from extreme weather events (own operations) and electricity, water and energy availability. These should be incorporated into business continuity processes and planning. Track progress on and facilitate the group's net-zero ambition for its own operations.
Funding and liquidity risk	Transmitted through general macroeconomic mechanisms or sector-specific impacts.	Higher funding rates and selective availability of liquidity based on the climate characteristics of assets funded.	The group's climate ambitions have been incorporated into its FRM practices. The group's funds transfer pricing methodology facilitates intentional tilts towards opportunity sets and incorporates pricing for relevant risks. Stress testing and scenario analysis have been enhanced to consider climate risk scenarios.
Other risks	Business risks transmitted through general macroeconomic mechanisms.	Reputational and business risks due to changes in sentiment or legal challenges.	The group has implemented minimum requirements and controls to manage reputational risk related to client relationships/transactions. These are implemented through various screening and pricing mechanisms to support climate opportunities and account for relevant risks. In addition, the climate strategy is being embedded across the group to ensure appropriate business behaviour with respect to climate-related concerns.

Portfolio-level climate-related risk assessment – stress testing

FirstRand has adopted a multi-step stress testing process, based on the BCBS's articulation of climate-related risk drivers and their transmission channels, as well as the PA's draft guidance on climate risk management practices. These approaches allow for the assessment of both the general macroeconomic impact of climate change on exposures as well as portfolio-specific sector or regional impacts.

Referencing the BCBS and PA climate scenarios allows the group to run both long-term (up to 2050) and short-term (a time horizon of up to three years) macro climate scenarios to assess the impact of climate change on its portfolios.

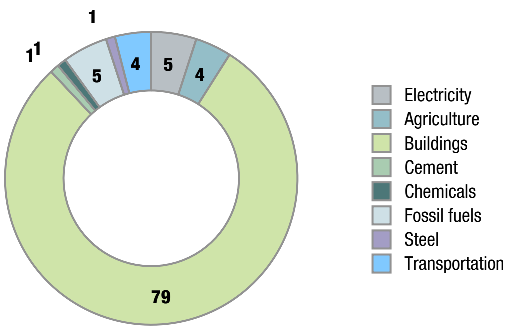
During the period under review, the group developed a short-term climate transition risk scenario. In this scenario, the group assumes that South Africa experiences a significant economic shock linked to climate transition measures that are implemented by trade partners such as the EU, India, China and the USA. These measures include an increase in carbon tariffs on commodities and other goods that results in a balance of payment and a demand shock to commodity producing sectors and other sectors in their value chains. This is likely to result in lower economic growth, higher inflation, a weaker fiscal position and significantly lower private sector confidence. These factors are likely to induce a number of negative domestic macroeconomic shocks and may well be accompanied by a range of incidental global economic pressures.

For stress testing purposes, a short-term (three year) scenario was applied to the South African loan book for the prioritised eight sectors with elevated climate risk due to the transition to a low carbon economy. These sectors include:

- agriculture;
- buildings (including mortgages);
- cement;
- chemical;
- electricity generation (approximately 80% relate to hydro and solar electricity generation projects);
- fossil fuels;
- steel; and
- transport (excluding VAF retail book).

The following diagram provides an outline of the book mix:

Prioritised eight sectors proportionate mix
(%)



The following table highlights the most stressed impact over the three years for each sector.

	Impairment charge
Agriculture	
Buildings	
Cement	
Chemical	
Electricity generation	
Fossil fuels	
Steel	
Transport	
Prioritised eight sectors	**31 bps ▲**
Overall impact on capital adequacy ratio: flat to marginally below the base.	

Increase relative to prior period (base) with low impact
Increase relative to prior period (base) with moderate impact

Applying the short-term transition climate risk scenario over the three-year period leads to more clients moving to stage 2, an increase in non-performing loans, and related impairment charges rising by 31 basis points. Exposure to buildings contributes 79% of the prioritised sectors however, the impact of stress is muted due to buildings being prone to physical stress over a longer period. The impact of the stress is mainly experienced in the electricity generation, fossil fuel, transportation and steel portfolios which make up 15% of the eight prioritised sectors with elevated climate risk. These sectors have a larger proportion of scope 1 emissions that would need to be reduced in a climate transition risk scenario.

The SARB's Financial Stability Department has issued instructions and guidance on an inaugural standalone climate risk stress test (CRST) in 2024 which is currently in progress and the outcomes of which will be published at an aggregated level. The aim of the CRST is to provide the PA with an assessment of the vulnerabilities within the South African banking system, as well as to evaluate the capacity of SIFIs to absorb climate-related shocks.

Climate-sensitive sectors

The baseline decarbonisation pathway of the group's scope 3 financed emissions largely depends on South Africa's ability to transition electricity generation away from fossil fuels. The group defines climate-sensitive sectors as those that either contribute disproportionately towards climate change and are therefore subject to high transition risk, or sectors where climate change is expected to have a severe impact on the portfolio through physical risk events. The group is particularly focused on measuring and managing its exposure to these sectors. The group references three time horizons to better assess climate risks and opportunities:

CLIMATE-RISK TIME HORIZONS

Long-term horizon (LT)	Period to 2050, in line with the Paris Agreement timeframes.
Medium-term horizon (MT)	Period to 2030, in line with South Africa's planned carbon trajectory, contained in the country's low-emissions development strategy.
Short-term horizon (ST)	One to five years, in line with the group's average behavioural book length and financial planning horizon.

Climate risk drivers have several distinct features, including unprecedented frequencies, speeds and intensities, and the non-linear form that these risks are expected to take. Together, these factors give rise to a material level of uncertainty as to how climate risk drivers and their impacts will evolve from perceived physical and transition risk. The following table provides an outline of the rationale for classification of sectors as high and/or elevated risk for transition and physical risk.

TRANSITION RISK – HIGH AND ELEVATED RISK SECTORS

Rationale for high transition risk sectors		**Horizon**
Coal	Due to its very high emissions intensity, reduced demand and investor appetite are already apparent. Policy shifts are likely to accelerate this trend.	ST
Electrical utilities	The shift in generation capacity from fossil fuels to renewable energy will require significant capital expenditure.	MT
Oil	Policy pressure to reduce emissions, exposure to carbon taxes and declining demand for fossil fuels will negatively impact the sector.	MT
Synthetic fuels, steel and cement	These sectors have a high emissions intensity due to their underlying industrial processes, which will require technological advances to abate.	MT – LT
Rationale for elevated transition risk sectors		**Horizon**
Transport, aviation and vehicle finance	High levels of capital expenditure will be required to transition away from fossil fuel powered transport in response to more stringent emissions regulations.	MT – LT
Real estate (vulnerable to transition risk)	Real estate valuations in regions dependent on high transition risk industries, such as coal, are likely to decline. Default rates are also likely to increase.	MT – LT
Natural gas	In the short to medium term, natural gas is likely to play a role as a transition fuel, however, in the long term demand will fall due to its emissions profile.	LT

PHYSICAL RISK – HIGH AND ELEVATED RISK SECTORS

Rationale for high and elevated physical risk sectors		**Horizon**
Agriculture	Changes to rainfall patterns (causing increased flooding or water shortages), as well as changing temperatures, will affect crop yields.	MT – LT
Real estate* (vulnerable to physical risk)	An increase in the frequency of natural disasters, in particular wildfires and flooding, will negatively impact real estate valuations in vulnerable areas.	MT – LT

* *Vulnerable areas have been defined using Council for Scientific and Industrial Research (CSIR) research, which combines topographic data, catchment characteristics and rainfall data, to determine the risk of flooding, wildfires and drought.*

Metrics and targets

Transition risk

The table below provides an analysis of FirstRand's exposure to sectors that face high and elevated levels of transition risk.

GROUP EXPOSURE TO HIGH AND ELEVATED LEVELS OF TRANSITION RISK

	As at 30 June 2024				As at 30 June 2023			
Sector	**Drawn exposure (R million)**	**% of total group advances**	**Average rating***	**Average maturity (years)**	Drawn exposure (R million)	% of total group advances	Average rating	Average maturity (years)
High transition risk								
Upstream oil and gas**	**9 464**	**0.6%**	**BB-**	**2.9**	7 756	0.5%	B+(upper)	3.8
Thermal coal mines#	**2 405**	**0.2%**	**BB-(upper)**	**2.2**	1 269	0.1%	BB-(upper)	2.1
Thermal coal power†	**1 456**	**0.1%**	**B**	**3.6**	3 389	0.2%	B+	2.2
Chemicals and synthetic fuels‡	**4 195**	**0.3%**	**BB-(upper)**	**2.6**	2 125	0.1%	BB-	1.6
Steel-primary manufacturers	**693**	**0.0%**	**B(upper)**	**1.1**	619	0.0%	B(upper)	1.1
Cement	**1 278**	**0.1%**	**CCC**	**0.5**	1 952	0.1%	CCC	0.7
Total high transition risk	**19 491**	**1.3%**			17 110	1.0%		
Elevated transition risk								
Downstream oil and gas‡	**16 699**	**1.0%**	**B+(upper)**	**0.9**	10 528	0.7%	BB-	1.0
Midstream oil and gas^	**4 075**	**0.3%**	**B+(upper)**	**3.2**	2 802	0.2%	BB(upper)	3.9
Electricity utilities◊	**2 514**	**0.2%**	**CCC**	**3.0**	3 159	0.2%	CCC	3.4
Transport and aviation	**6 772**	**0.4%**	**B+**	**1.7**	6 752	0.4%	B	2.1
Vehicle finance	**173 256**	**10.8%**	**–**	**–**	162 991	10.8%	–	–
Vulnerable residential real estate§	**8 238**	**0.5%**	**–**	**–**	8 132	0.5%	–	–
Total elevated transition risk	**211 554**	**13.2%**			194 364	12.8%		

* *Internally determined, relates to average credit rating of portfolio of assets. Average credit ratings are not determined for individuals.*

** *The increase in advances was due to the refinement of methodology used to allocate counters to the appropriate value chain classification.*

Defined as companies where the consolidated revenue derived from thermal coal mining exceeds 30% of total revenues.

† *Change in exposure reflects the partial settlement of existing facilities.*

‡ *New exposures to existing clients.*

^ *Midstream natural gas reclassified into midstream oil and gas for current and prior year.*

◊ *Electricity utilities is the aggregation of gas-fired electricity and fuel-powered generation.*

§ *Vulnerable residential estate refers to property located in areas that are economically reliant on fossil fuel sectors. Calculated based on portfolio sample.*

Physical risk

The table below provides an analysis of the group's exposure to sectors that face high and elevated levels of physical risk in South Africa.

GROUP'S SA EXPOSURE TO SECTORS THAT FACE HIGH AND ELEVATED PHYSICAL RISK

	As at 30 June 2024		As at 30 June 2023	
Sector	**Drawn exposure (R million)**	**% of total group advances**	Drawn exposure (R million)	% of total group advances
High physical risk				
Corporate agriculture	**5 296**	**0.3%**	6 219	0.4%
Commercial agriculture	**42 877**	**2.7%**	41 584	2.8%
High flood risk real estate*,**	**1 851**	**0.1%**	2 104	0.1%
High fire risk real estate**	**61**	**0.0%**	52	0.0%
Total high physical risk	**50 085**	**3.1%**	49 959	3.3%
Elevated physical risk				
Elevated flood risk residential real estate**	**22 002**	**1.4%**	22 109	1.5%
Elevated fire risk residential real estate**	**490**	**0.0%**	482	0.0%
Total elevated physical risk	**22 492**	**1.4%**	22 591	1.5%

* *Based on the flood risk hazard index developed by the CSIR that combines topographic data, catchment characteristics and rainfall data to determine the risk of flooding.*

** *Calculated based on portfolio sample.*

Financed emissions

Methodology

FirstRand has committed to assessing financed carbon emissions in its portfolio and applies the Partnership for Carbon Accounting Financials (PCAF) GHG accounting methodology. The group uses the total absolute financed emissions metric to track whether its emissions are aligned with its intended role of contributing to the achievement of NDCs in the jurisdictions in which it operates.

The group also uses financed emissions intensity metrics to assess whether, on average over a long-term horizon, financed emissions are trending in line with FirstRand's net-zero commitment. The financed emissions intensity metric is useful because it corrects for loan growth in the portfolio over time. In addition, for certain sensitive sectors such as oil and gas, activity emissions intensity is utilised internally to monitor emissions relative to benchmarks.

The group's approach includes key financed emissions accounting principles relating to governance, methodology, emissions data hierarchy and data quality. The methodologies for calculating emissions related to loans and investments are continually improved to include more granular data. This involves using the most recent publicly reported GHG emissions information from each client, where available, as opposed to relying on proxy data like emission factors.

Overview of PCAF methodology

PCAF is a global partnership of financial institutions working together to develop a standardised approach to assess and disclose the GHG emissions associated with loans and investments. The PCAF methodology aligns to the *Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard,* specifically focusing on scope 3 category 15 (investments) for financial institutions.

When calculating financed emissions, the group uses actual client- or asset-level activity data, where available, to determine emissions, or economic-based emissions intensity factors (proxies) where data is not available. Over time, the group aims to increase the proportion of client/asset-level emissions data in its calculations to improve accuracy and clearly reflect decarbonisation efforts. The group used a combination of these two approaches for its 2024 emissions calculation, i.e. applying PCAF physical or economic-based emission intensity factors, where client-specific or asset level information is unknown or unobtainable, and using client emissions data based on energy, GHG emissions and production measurement as a basis where this data could be obtained. During the year, emission factors from economic activity based models were stabilised in order to identify underlying emissions trends.

When comparing 2023 and 2024 figures, an increase in financed emissions is observed, mainly due to the increase in exposures, refinement of the calculation methodology and greater availability of client-level data. Thermal coal power and residential mortgages were the key drivers for the reduction in emission intensity.

Financed emissions calculations are continually being refined. The group is working towards improving data quality, specifically:

- the quality and granularity of loan book data used in calculations; and
- refining activity data and emission factors.

Key regional challenges experienced continue to relate to the unavailability of South African emissions intensities and emission factors for certain asset classes. As such, estimates and assumptions have been used in calculations. The PCAF data quality score provides the user with a confidence level of emissions accuracy.

PCAF DATA QUALITY SCORE

Certain
(5% – 10% error margin in estimations)

Uncertain
(40% – 50% error margin)

Score 1	Verified GHG emissions data of the company is available.
Score 2	Non-verified GHG emissions data or other primary data.
Score 3	Average data that is peer/(sub) sector specific.
Score 4	Proxy data on the basis of the region or country.
Score 5	Estimated data with very limited support.

PCAF (2023). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.

The group discloses financed emissions in tonnes of carbon dioxide equivalent (tCO_2e) for main asset classes in its portfolio. FirstRand also discloses financed emissions intensity for each portfolio in tonnes of carbon dioxide per million rand financed (tCO_2e/Rm). The table below provides a view of financed emissions (i.e. underlying scope 1 and 2 emissions of financed entities) attributable to the group's South African advances portfolio, based on the proportional amount of funding provided by the group relative to the total asset or company value.

FINANCED EMISSIONS

	As at 30 June 2024			
	Advances		Financed emissions	
	30 June 2024 (R million)	% of total SA core advances	Financed emissions tCO_2e	Emissions intensity (tCO_2e/Rm)
SA retail	487 381	43.3%	6 004 198	12.3
Residential mortgages	272 363	24.2%	4 873 854	17.9
WesBank VAF	113 044	10.0%	1 130 344	10.0
Retail unsecured	101 974	9.1%	–	
FNB commercial	129 844	11.5%	4 605 364	35.5
Agriculture	42 877	3.8%	2 933 344	68.4
Commercial property finance	38 742	3.4%	1 440 289	37.2
Other commercial exposures	48 225	4.3%	231 731	4.8
WesBank corporate*	60 218	5.3%	543 669	9.0
SA retail and commercial	677 443	60.1%	11 153 231	16.5
Corporate and investment banking **				
Upstream oil and gas	9 464	0.9%	313 798	33.2
Thermal coal – coal mining and thermal coal power	3 861	0.3%	441 654	114.4
Coal mining	2 405	0.2%	101 311	42.1
Thermal coal power	1 456	0.1%	340 343	233.8
Other high and elevated transition risk sectors	41 522	3.7%	1 476 573	35.6
Real estate investment banking	75 352	6.7%	52 964	0.7
Other corporates	318 615	28.3%	1 706 598	5.4
Corporate and investment banking	448 814	39.9%	3 991 587	8.9
Total core lending advances	1 126 257	100 %	15 144 818	13.4
Undrawn committed facilities – upstream oil and gas and thermal coal (coal mining and thermal coal power)	7 801		205 289	

* *WesBank corporate includes asset-based finance (ABF) and fleet management leasing (FML).*

** *Includes South African and cross-border corporate, Group Treasury and HQLA advances, but excludes advances originated in broader Africa subsidiaries and securitisation notes.*

FINANCED EMISSIONS continued

	As at 30 June 2023			
	Advances		Financed emissions	
	30 June 2023 (R million)	% of total SA core advances	Financed emissions tCO_2e	Emissions intensity (tCO_2e/Rm)
SA retail	463 041	44.7%	6 166 214	13.3
Residential mortgages	259 635	25.1%	5 022 442	19.3
WesBank VAF	108 779	10.5%	1 143 772	10.5
Retail unsecured	94 627	9.1%	–	
FNB commercial	116 448	11.2%	3 980 154	34.2
Agriculture	41 584	4.0%	2 534 823	61.0
Commercial property finance	33 016	3.2%	1 253 456	38.0
Other commercial exposures	41 848	4.0%	191 875	4.6
WesBank corporate*	54 212	5.3%	565 074	10.4
SA retail and commercial	633 701	61.2%	10 711 442	16.9
Corporate and investment banking#				
Upstream oil and gas	7 756	0.7%	247 598	31.9
Thermal coal – coal mining and thermal coal power	4 658	0.4%	938 945	201.6
Coal mining	1 269	0.1%	62 329	49.1
Thermal coal power	3 389	0.3%	876 616	258.7
Other high and elevated transition risk sectors	27 937	2.7%	733 613	26.3
Real estate investment banking	82 445	8.0%	62 802	0.8
Other corporates	279 712	27.0%	1 819 168	6.5
Corporate and investment banking	402 508	38.8%	3 802 126	9.4
Total core lending advances	1 036 209	100%	14 513 568	14.0
Undrawn committed facilities – upstream oil and gas and thermal coal (coal mining and thermal coal power)	6 709		429 830	

* *WesBank corporate includes ABF and FML.*

** *Includes South African and cross-border corporate, Group Treasury and HQLA advances, but excludes advances originated in broader Africa subsidiaries and Securitisation notes.*

\# *The prior year's financed emissions erroneously included broader Africa financed emissions. No restatement, as not material.*

Year-on-year movements

- The reduction in financed emissions and emissions intensity for residential mortgages was due to a reduction in the Eskom emission factor applied, and data enhancements.
- The increase in the commercial agriculture financed emissions and emissions intensity was due to the stabilisation of emission factors from economic activity based models.
- The increase in commercial property financed emissions was driven by increased exposures and the reduction in emissions intensity was driven by the reduction in the Eskom emission factor applied.
- The increase in other commercial financed emissions and emissions intensity was due to the increase in exposures and the stabilisation of emission factors from economic activity based models.
- The increase in upstream oil and gas financed emissions and emissions intensity was driven by the refinement of the methodology used to allocate counters to the appropriate value chain classification.
- The reduction in thermal coal power financed emissions and emissions intensity was due to the early settlement of exposures as well as data enhancements.
- Other high and elevated transition sectors consist of midstream and downstream oil and gas, electric utilities, chemicals and synthetic fuels, steel (primary manufacturer), cement, transport, aviation and agriculture. The increase in financed emissions and emissions intensity is largely driven by the refinements in the financed emissions methodology applied to the cement industry. On a like-for-like basis the 30 June 2023 financed emissions for other high and elevated transition sectors would have been 1050 790 tCO_2e. The resultant comparative increase of 317 177 tCO_2e would have been due to a more granular PCAF factor applied to the cement industry. If the prior year numbers were restated it would have resulted in a 2.05 decrease in emissions intensity.
- The decrease in other corporates financed emissions and emissions intensity was driven by the increase in advances provided to the renewables portfolio.

Portfolio insights

A detailed comparative analysis of calculated emissions across the portfolio is provided below. The following financed emissions tables indicate which methodology is applied, including calculation enhancements and assumptions, and provides commentary on the financed emissions output, data coverage and data quality. The calculation methodology and data sources differ for each portfolio and are summarised in the tables.

RESIDENTIAL MORTGAGES

	30 June 2024	30 June 2023	Commentary
Advances (R million)	**272 363**	259 635	The reduction in financed emissions and emissions intensity was due to a reduction in the Eskom emission factor applied, and data enhancements.
Financed emissions (tCO_2e)	**4 873 854**	5 022 442	
Emissions intensity (tCO_2e/Rm)	**17.9**	19.3	
Calculation enhancements	No specific enhancements were made.		
Data coverage*	**100%**	100%	Financed emissions for the SA retail residential mortgage portfolio were calculated using loan book data and information from the valuation roll. Gaps in valuation roll data were filled through the use of extrapolation techniques.
Data quality score,# (PCAF score)**	**4**	4	To calculate financed emissions, the energy consumption of buildings was estimated using information such as building sizes, the age of property and, where utilised, renewable energy assets such as solar panels. This use of estimates results in a PCAF data quality score of 4 (option 2b). Going forward, the group will continue sourcing and refining energy intensity data to enhance the accuracy of the calculation.

* *Data coverage outlines the percentage of the book for which financed emissions are quantified.*

** *For property finance a score of 4 (option 2b) is allocated when building energy consumption is estimated per floor area based on building type and location-specific statistical data.*

\# *The estimation option reflects the methodology used to estimate financed emissions. The options vary per asset class.*

WESBANK VAF

	30 June 2024	30 June 2023	Commentary
Advances (R million)	**113 044**	108 779	Financed emissions for the WesBank VAF portfolio have remained relatively constant year on year. This reflects stability in the number of vehicles financed. The change in emissions intensity was mainly driven by inflationary growth in the cost of vehicles.
Financed emissions (tCO_2e)	**1 130 344**	1 143 772	
Emissions intensity (tCO_2e/Rm)	**10.0**	10.5	
Calculation enhancements	No specific enhancements were made.		
Data coverage	**100%**	100%	WesBank VAF loan portfolio.
Data quality score (PCAF score)*	**5**	5	Vehicle emissions were calculated using vehicle efficiency, fuel type and estimated distance travelled data derived from the PCAF emissions database. This use of regional estimates resulted in a PCAF data quality score of 5 (option 3b). Going forward, deeper analysis will be conducted into specific emission factors for individual vehicle makes and models, where such information is available.

* *For vehicle finance a data quality score of 5 (option 3b) was allocated when emissions were calculated using data, derived from regional statistics, on vehicle efficiency, fuel type and estimated distance travelled.*

AGRICULTURE

	30 June 2024	30 June 2023	Commentary
Advances (R million)	**42 877**	41 584	The increase in financed emissions and emissions intensity was due to the stabilisation of emission factors from economic activity based models.
Financed emissions (tCO_2e)	**2 933 344**	2 534 823	
Emissions intensity (tCO_2e/Rm)	**68.4**	61.0	
Calculation enhancements	No specific enhancements were made.		
Data coverage	**90%**	90%	Only primary agricultural activities were included in the analysis. Going forward this will be expanded to include secondary agricultural activities (which mainly relate to processing and production activities and services).
Data quality score*	**4**	4	Details on clients' specific farming practices and the associated emissions are not available. Financed emissions were therefore modelled at commodity-type level using specific South African asset-based emissions intensity factors for each commodity, obtained from PCAF's emissions database. This use of asset-based factors resulted in a PCAF data quality score of 4.

* *For production/revenue data, a score of 4 is allocated based on the use of externally published data or use of revenue data to estimate production, for example by using the PCAF emissions database.*

COMMERCIAL PROPERTY FINANCE

	30 June 2024	30 June 2023	Commentary
Advances (R million)	**38 742**	33 016	The increase in financed emissions was attributable to the increase in advances. The emissions intensity, however, reduced due to a reduction in the Eskom emission factor applied.
Financed emissions (tCO_2e)	**1 440 289**	1 253 456	
Emissions intensity (tCO_2e/Rm)	**37.2**	38.0	
Calculation enhancements	No specific enhancements were made.		
Data coverage	**100%**	100%	FNB South African commercial loan book.
Data quality score (PCAF score)*	**4**	4	Data from the MSCI South Africa Green Annual Property Index was used to estimate average energy consumption per square metre for different property types. This data was supplemented by other publicly available emissions intensity data for South African commercial building types. This use of estimates resulted in a PCAF data quality score of 4 (option 2b).

* *For property finance a score of 4 (option 2b) was allocated, where building energy consumption was estimated per floor area based on building type and location-specific statistical data.*

OTHER COMMERCIAL EXPOSURES

	30 June 2024	30 June 2023	Commentary
Advances (R million)	**48 225**	41 848	The increase in financed emissions and emissions intensity was driven by the increase in advances as well as the stabilisation of emission factors from economic activity based models.
Financed emissions (tCO_2e)	**231 731**	191 875	
Emissions intensity (tCO_2e/Rm)	**4.8**	4.6	
Calculation enhancements	No specific enhancements were made.		
Data coverage	**100%**	100%	FNB commercial loan book excluding commercial property finance and agriculture.
Data quality score (PCAF score)*	**5**	5	PCAF emission factors relative to a company's assets were used to estimate emissions. These factors were sector and country specific, differentiating between high-intensity sectors, like energy generation from thermal coal, and lower-intensity sectors. This use of sector-based emission factors resulted in a PCAF data quality score of 5 (option 3b).

* *For commercial finance a score of 5 (option 3b) was allocated when emissions were calculated using sector-specific factors per unit of asset.*

WESBANK CORPORATE

	30 June 2024	30 June 2023	Commentary
Advances (R million)	**60 218**	54 212	The increase in financed emissions was driven by the increase in exposures. The change in emissions intensity is mainly driven by inflationary growth in the cost of fleet.
Financed emissions (tCO_2e)	**543 669**	565 074	
Emissions intensity (tCO_2e/Rm)	**9.0**	10.4	
Calculation enhancements	No specific enhancements were made.		
Data coverage	**100%**	100%	100% South African fleet and ABF.
Data quality score*	**5**	5	Vehicle emissions were calculated using data on vehicle efficiency, fuel type and estimated distance travelled. This use of regional estimates resulted in a PCAF data quality score of 5 (option 3b). Going forward, deeper analysis will be conducted into specific emission factors for individual vehicle makes and models, where such information is

* *For vehicle finance a score of 5 (option 3b) was allocated when emissions were calculated using data, derived from regional statistics, on vehicle efficiency, fuel type and estimated distance travelled.*

RMB CORPORATE AND INVESTMENT BANKING

The GHG emissions data sourcing includes emissions based on client physical activity data, and is expanded to incorporate a greater proportion of client reported emissions. As a result, 70% of the portfolio's financed emissions (68% in 2023) reference individually sourced GHG emissions. The development of this approach is aligned with the group's commitment to improve data quality for financed emissions.

The table below outlines financed emissions attributable to RMB's core advances. No financed emissions were calculated for exposures to banks and national governments.

FINANCED EMISSION SOURCE ATTRIBUTION

	2024		2023	
Methodology	**Financed emissions (tCO_2e)**	**%**	Financed emissions (tCO_2e)	%
Client sourced*	**2 794 111**	**70%**	2 604 302	68%
External database	**–**	**–**	14 469	–
PCAF	**1 197 476**	**30%**	1 183 356	32%
Total	**3 991 587**	**100%**	3 802 127	100%

The financed emissions output for RMB, taking into consideration the refined inputs, is summarised in the table below.

RMB FINANCED EMISSIONS

	30 June 2024	30 June 2023	**Commentary**
Advances (R million)	**448 814**	402 508	Financed emissions have increased due to the growth in advances. The advances growth has been tilted towards less carbon-intensive activities such as renewable energy projects. This is evident in the emissions intensity decreasing by 0.6 tCO2e/Rm year-on-year.
Financed emissions (tCO_2e)	**3 991 587**	3 802 126	
Emissions intensity (tCO_2e/Rm)	**8.9**	9.4	
Calculation enhancements	Refined the methodology used to allocate counters to sectors.		
Data coverage	**100%**	100%	
Data quality score (PCAF score)			A summary of data quality scores allocated has been included below:
	Score 1 – 38%	Score 1 – 0%	Score 1 – GHG emissions reported by client with external verification.
	Score 2 – 15%	Score 2 – 68%	Score 2 – GHG emissions reported by client with no external verification.
	Score 3 – 17%	Score 3 – 4%	Score 3 – GHG emissions calculated by the group using energy or production data.
	Score 4 – 0%	Score 4 – 0%	Score 4 – GHG emissions calculated by the group using revenue-based PCAF factors.
	Score 5 – 30%	Score 5 – 28%	Score 5 – GHG emissions calculated by the group using asset-based PCAF factors.

The group is conducting work to understand scope 3 emissions for the upstream oil and gas and thermal coal (coal mining and thermal power) portfolio. There are, however, definitional and measurement complexities due to inconsistent disclosures by the private and public sector. The methodologies applied by industry to estimate scope 3 emissions are continually evolving to account for product value chains and lifecycle assessments.

Decarbonisation targets

FirstRand published its climate change strategies report in 2023, which highlighted its climate ambitions and commitments. The report also included the launch of the FirstRand climate alignment pathways (CAPs) project. Part of the longer-term objectives under the CAPs project is to develop short- and medium-term granular sector-level decarbonisation targets.

During the year, the group finalised work on sector decarbonisation targets for the upstream oil and gas, and thermal coal and power generation portfolios as part of its climate roadmap commitments. Refer to FirstRand's climate strategies report, which will be published in October 2024 on the group's website at https://www.firstrand.co.za/investors/integrated-reporting-hub/climate/, for further details on the decarbonisation targets.

BROADER AFRICA FINANCED EMISSIONS

The broader Africa portfolio consists of operations in eight jurisdictions on the continent. Whilst a portfolio-wide approach had been adopted in driving the climate change programme, prioritised focus has been given to Namibia, Botswana and Nigeria due to the sizeable balance sheets in these jurisdictions (in comparison to the rest of the portfolio) and their current and future high emission intensity profile given reliance on fossil fuels. The approach has therefore been to calculate baseline financed emissions for the corporate and commercial counters in these countries, as these are the segments where exposures to energy and fossil fuel financing are more likely and material.

BROADER AFRICA financed emissions

	As at 30 June 2024			
	Advances		Financed emissions	
	30 June 2024 (R million)	% of total broader Africa core advances	Financed emissions tCO_2e	Emissions intensity (tCO_2e/Rm)
FNB (Botswana and Namibia)*	**26 039**	**32.3%**	**393 514**	**15.1**
RMB CIB (Nigeria)	**1 165**	**1.4%**	**14 969**	**12.8**
Total in-scope commercial and corporate investment banking (CCIB) advances	**27 204**	**33.7%**	**408 483**	**15.0**
Residual broader Africa advances**	**53 507**	**66.3%**		
Total broader Africa advances#	**80 711**	**100%**		

* *Financed emissions and advances are only attributable to the CCIB portfolios for FNB Botswana and Nigeria.*

** *Advances on the balance of the portfolio for which financed emission calculations are still in progress*

Advances on the full broader Africa portfolio, including the retail segment and CCIB exposures for countries not in scope of the financed emissions calculation.

FNB Botswana

	30 June 2024	Commentary
Advances (R million)	**10 226**	Financed emissions were only calculated for the corporate and commercial portfolios in FNB Botswana. Year-on-year movements will be tracked going forward.
Financed emissions (tCO_2e)	**115 675**	
Emissions intensity (tCO_2e/Rm)	**11.3**	
Calculation enhancements		
Data coverage	**100%**	The corporate and commercial book
Data quality score	**5**	PCAF emissions factors relative to a company's assets were used to estimate emissions. These factors were sector and country specific, differentiating between high-intensity sectors, like energy generation from thermal coal, and lower-intensity sectors. This use of sector-based emissions factors resulted in a PCAF data quality score of 5 (option 3b).

FNB Namibia

	30 June 2024	Commentary
Advances (R million)	**15 813**	Financed emissions were only calculated for the corporate and commercial portfolios in FNB Namibia. The agric portfolio contributes c. 50% to the emissions due to significant exposure to "farming of animals". Year-on-year movements will be tracked going forward.
Financed emissions (tCO_2e)	**277 839**	
Emissions intensity (tCO_2e/Rm)	**17.6**	
Calculation enhancements		
Data coverage	**100%**	The corporate and commercial book.
Data quality score	**5**	PCAF emissions factors relative to a company's assets were used to estimate emissions. These factors were sector and country specific, differentiating between high-intensity sectors, like energy generation from thermal coal, and lower-intensity sectors. This use of sector-based emissions factors resulted in a PCAF data quality score of 5 (option 3b).

RMB Nigeria

	30 June 2024	Commentary
Advances (R million)	**1 165**	Year-on-year movements will be tracked going forward.
Financed emissions (tCO_2e)	**14 969**	
Emissions intensity (tCO_2e/Rm)	**12.8**	
Calculation enhancements		
Data coverage	**100%**	
Data quality score	**5**	PCAF emissions factors relative to a company's assets were used to estimate emissions. These factors were sector and country specific, differentiating between high-intensity sectors, like energy generation from thermal coal, and lower-intensity sectors. This use of sector-based emissions factors resulted in a PCAF data quality score of 5 (option 3b).

UK OPERATIONS FINANCED EMISSIONS

The table below provides a view of financed emissions (i.e. underlying scope 1 and 2 emissions of financed entities) attributable to the property finance and motor finance portfolios of the UK operations (Aldermore). The financed emissions for both portfolios have been adjusted to reflect 100% data coverage. Certain financed emissions data below will therefore not reconcile with financed emissions data reported in Aldermore's annual report.

	As at 30 June 2024			
	Advances		Financed emissions	
	30 June 2024 (£ million)	% of total UK operations core advances	Financed emissions tCO_2e	Emissions intensity (tCO_2e/£m)
Property finance	**7 833**	**50.1%**	**148 196**	**18.9**
Motor finance	**4 098**	**26.2%**	**675 465**	**164.8**
Total in scope UK operations advances	**11 931**	**76.2%**	**823 661**	**69.0**
Structured and specialist finance*	**3 717**	**23.8%**		
UK operations (£ million)	**15 648**	**100%**		

* *Advances on the balance of the portfolio for which financed emissions have not yet been calculated.*

Property finance

	30 June 2024	Commentary
Advances (£ million)	**7 833**	Year-on-year movements will be tracked going forward.
Financed emissions (tCO_2e)	**148 196**	
Emissions intensity (tCO_2e/£m)	**18.9**	
Calculation enhancements		
Data coverage	**100%**	Aldermore property portfolio, consisting of residential mortgages and buy-to-let.
Data quality score	**4.0**	Where possible, property emissions have been calculated by using energy performance certificate information (option 2a). Where this data is not available, approximates or averages are applied (option 3). Work is under way to improve the data quality associated with this calculation.

Motor finance

	30 June 2024	Commentary
Advances (£ million)	**4 098**	Year-on-year movements will be tracked going forward.
Financed emissions (tCO_2e)	**675 465**	
Emissions intensity (tCO_2e/£m)	**164.8**	
Calculation enhancements		
Data coverage	**100%**	Motor finance portfolio
Data quality score	**2.5**	Motor emissions have been calculated by multiplying the estimated annual distance travelled by the vehicle's gCO_2e per km (option 2a). Where data is unavailable, alternative approaches have been used (options 2b, 3a and 3b). Where gCO_2e per km are derived from the new European driving cycle test, an uplift has been applied to more closely reflect estimates in the worldwide harmonised light-vehicle testing procedure.

Group operations and own emissions

FirstRand manages the climate change risks (physical and transition risks) in its own operations. This includes the impact of the group's operations on the environment and on climate change. FirstRand measures its operational GHG emissions and is taking steps to reduce emissions, build climate resilience and increase resource efficiency. Approximately 80% of group operations are in South Africa. The South African operational carbon footprint has been measured, reported and externally assured for several years.Operational emissions data from the broader Africa subsidiaries are gathered and reported internally. Efforts are ongoing to enhance this data, focusing on better quality and more detailed operational emissions information, including emission factors, used in calculations. Below are the operational emissions for Botswana, Namibia, and Nigeria. As the process matures, the rest of the broader Africa portfolio will be reported externally.

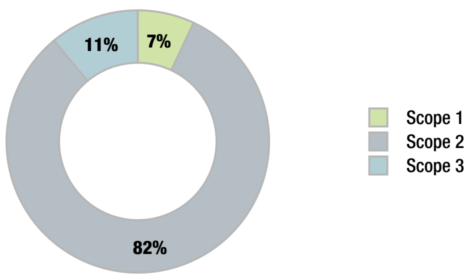
The GHG emissions data for own emissions is calculated according to the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition)*, using an operational control boundary, for the group's South African operations. Emissions conversion factors used in the calculation are sourced locally, where possible. (For example electricity consumed, and electricity transmission and distribution losses are converted using emission factors sourced annually from Eskom's integrated report.) The remaining emission factors, which are annually updated, are sourced from the UK government conversion factors for GHG reporting.

The table below provides a summary of the group's potential physical risk related to its campus buildings.

POTENTIAL PHYSICAL RISK

Physical risk	Proportion of campus buildings
Flood risk	
High flood hazard	2%
Elevated flood hazard	12%
Fire risk	
High fire risk to 2030	–
Elevated fire risk to 2030	1%
Drought risk	
Significantly decreased rainfall to 2030	–
Decreased rainfall to 2030	4%

Composition of South African operational emissions



Scope 1 carbon emissions: Direct GHG emissions (tCO_2e) from sources that are owned or controlled by FirstRand. Scope 1 can include emissions from fossil fuels burned on site, emissions from entity-owned or entity-leased vehicles, and other direct sources. Included in scope 1 are the diesel, refrigerant gas and fleet travel categories multiplied by the Department of Environment, Food and Rural Affairs (DEFRA) emission factors.

Scope 2 carbon emissions: Indirect GHG emissions (tCO_2e) resulting from the generation of electricity, heating and cooling, and steam generated off site, but purchased by FirstRand = total electricity consumption multiplied by the Eskom/local power utility emission factor for the reporting year.

Scope 3 carbon emissions: Indirect GHG emissions (tCO_2e) from sources not owned or directly controlled by FirstRand but related to the activities of FirstRand. Included in scope 3 are paper, travel reimbursements, air travel, vehicle rental and car allowance categories. Scope 3 consumption is multiplied by the DEFRA emission factors for the year under review.

The following table provides the own emissions for the group's South African operations.

OWN EMISSIONS – SOUTH AFRICAN OPERATIONS

	At 30 June		
	South Africa		
tCO_2e	**2024**	2023	% change
Scope 1 emissions			
Fuel use in generators*	**5 030**	10 345	(51)
Business fleet travel	**5 020**	4 531	11
Refrigerants**	**1 277**	1 582	(19)
Scope 1 total LA**	**11 327**	16 458	(31)
Scope 2 emissions			
Electricity – buildings	**131 724**	130 560	1
Electricity – ATMs	**6 675**	7 335	(9)
Scope 2 total LA**	**138 399**	137 895	–
Scope 3 emissions			
Paper use	**1 136**	997	14
Business road travel	**3 002**	3 360	(11)
Business air travel^	**9 215**	10 989	(16)
Fuel well to tank emissions*	**2 444**	3 569	(32)
Electricity transmission losses#	**1 384**	—	
Scope 3 total LA**	**17 181**	18 915	(9)
Total carbon emissions per entity operations	**166 907**	173 268	(4)
Total CO_2e emissions per full-time employee	**4.17**	4.18	–

* *A reduction in loadshedding in the second half of the year under review resulted in a decrease in diesel usage from generators.*

** *External limited assurance has been provided by two different external assurance providers in the 2023 and 2024 financial years, respectively, for scope 1, 2 and 3 carbon emissions for South African operations only. Refer to page 175 for the independent assurance practitioner's report for 2024.*

Electricity transmission losses represent the difference in Eskom's emissions factor for total energy sold and total energy generated.

An overall 4% decrease in emissions from 2023 to 2024 was recorded for the group's South African operations, from 173 268 tCO_2e to 166 907 tCO_2e. Emissions from the use of electricity in buildings and ATMs comprise 83% of the South African operational carbon footprint. These emissions were flat year on year. Energy efficiency initiatives (heating, ventilation and air conditioning (HVAC) and lift upgrades, chiller unit replacements, LED light fitting replacements, automated control systems and occupancy sensors), and a reduction in the group's real estate management portfolio are ongoing.

A reduction in diesel consumption and resulting emissions was recorded in the 2024 financial year, mainly in the second half of the year under review, due to lower levels of power cuts and therefore reduced use of back-up generators.

The following table provides the own emissions for Namibia, Botswana and Nigeria.

OWN EMISSIONS – NAMIBIA, BOTSWANA AND NIGERIA

	At 30 June						
	Namibia			Botswana			Nigeria
tCO_2e	**2024**	2023	% change	**2024**	2023	% change	**2024**
Scope 1 emissions							
Fuel use in generators*	**20**	13	54	**19**	35	(46)	**155**
Business fleet travel	**95**	88	8	**74**	68	9	**81**
Refrigerants**	**770**	—	–	**111**	81	37	**–**
Scope 1 total	**885**	101	776	**204**	184	11	**236**
Scope 2 emissions							
Electricity – buildings#	**647**	385	68	**10 551**	9 059	16	**213**
Electricity – ATMs#	**49**	47	4	**1 600**	1 326	21	**–**
Scope 2 total#	**696**	432	61	**12 151**	10 385	17	**213**
Scope 3 emissions							
Paper use†	**97**	106	(8)	**111**	113	(2)	**1**
Business road travel‡	**115**	354	(68)	**133**	10	1 230	**–**
Business air travel^	**186**	167	11	**239**	254	(6)	**203**
Fuel well to tank emissions*	**29**	25	16	**23**	26	(12)	**57**
Scope 3 total	**427**	652	(35)	**506**	403	26	**261**
Total carbon emissions per entity operations	**2 008**	1 185	69	**12 861**	10 972	17	**710**
Total CO_2e emissions per full-time employee◊	**0.94**	0.57	65	**9.08**	7.57	20	**6.51**

* *The restatement and increase in the current year diesel emissions for Namibia are due to improvements made in the data collection, capturing and reporting processes. As a result of these adjustments, the fuel well to tank emissions have also been restated. The decrease for Botswana is due to the reduction in diesel purchases.*

** *The increase in refrigerant emissions for Namibia and Botswana is due to improvements made in the data collection, capturing and reporting processes.*

The prior year scope 2 emissions (electricity-buildings and ATMs) were restated for both Namibia and Botswana. The restatement was due to refinement in data collection, capturing and reporting, which included using in-country grid emissions factors as opposed to Eskom emission factors previously adopted. Additionally, the increase in scope 2 emissions for Namibia is attributed to the enhancement of the data scope for the year under review (previously only group-owned buildings' electricity data was reported).

† *The prior year paper use emissions for Botswana was restated as a result of refinement in the calculation process.*

‡ *The reduction in business road travel for Namibia is due to a decrease in reimbursive travel claims. The increase for Botswana is due to improvement in the data capturing and reporting processes for business road travel categories.*

^ *The business air travel emissions were restated for Namibia as a result of refined calculations and improved data reporting.*

◊ *The total CO2e emissions per full-time employee for Namibia and Botswana were restated as a result of the adjustments made to the FY23 emissions categories*

Reduction pathway for own emissions

The group aspires to be net zero by 2030 in its South African operations for all scope 1, 2 and 3 operational emissions, and it continues to assess innovative and effective solutions to reach this goal. The group's own operations emission reduction objectives are dependent on factors within its control, as well as external elements with higher levels of uncertainty such as the national transition plan and regulatory and capacity factors around wheeling. The group continues to assess the potential implications of these factors on the group's net zero roadmap.

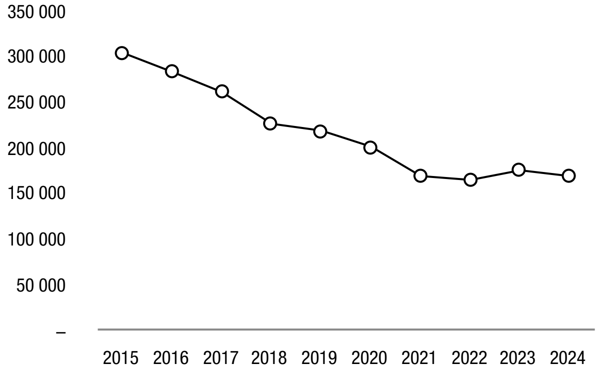
The group's emission reduction approach includes high-priority focus areas to drive reduction of electricity usage and deployment of renewable energy sources, whilst ensuring a balance between critical business requirements and the overall reduction of emissions to net zero.

The focus areas are outlined below.

- Energy efficiencies and reduction in energy consumption through upgrades, retrofits (for example of HVAC systems) and improved management actions (such as hot water timing adjustments).
- Technological solutions and alternatives including on-site solar, migrating to electric vehicles to address increased emissions from fleet travel, and battery storage.
- The off-site market-based solution of wheeling renewable energy where space or physical constraints prevent the effective use of solar and/or wind-generated energy.
- Campus building rationalisation to reduce spend on emissions reduction and resilience, as well as to contribute to emissions reduction.

In parallel, a more conservative reduction trajectory across scope 3 emission types will be implemented to ensure the group's operations have more time to transform without impacting business deliverables. This includes changing behaviour around paper consumption and business travel.

FirstRand own emissions – Scope 1, 2 and 3 (South Africa operations)
Carbon footprint (tCO_2e)



Energy efficiencies, on-site solar and campus building rationalisation have resulted in a 46% emissions reductions to date against the group's 2015 baseline. Renewable energy installations in major campus buildings (Fairland, Bank City, Willowbridge and Newton Place) as well as some data centres, disaster recovery sites and smaller office buildings, have contributed to the group's own emissions reductions since 2015. An energy management programme implemented in 2015 resulted in guidelines for the group's campus sites and the implementation of energy efficiency activities and projects to further enable emissions reductions.

In line with the group's high-priority focus areas initiatives under way and under consideration indicate where emissions have been mitigated in this reporting year, and where further emissions reductions are expected to be achieved. The group recognises the risks and challenges associated with these initiatives and is assessing the impact of the uncertainties in its scenario planning and ongoing initiatives.

EMISSION REDUCTION FOCUS AREAS, PROGRESS AND RISKS

	Under way	Planned	Risks and challenges
Energy efficiencies	Branch operation optimisation, including size reduction and HVAC optimisation. Infrastructure upgrades in campus buildings (for example lift upgrades).	Further improved management actions and building efficiency upgrades, including HVAC systems in campus buildings and data centres.	Investments in technologies that are rapidly becoming obsolete due to the pace of technological evolution in this space.
On-site solar PV	PV maximisation and battery installation in select bank-owned branches.	Installation and upgrades of solar at key campus buildings and data centres.	
Migration to hybrid/ electric fleet vehicles	Charging station installation at campus sites.	Migration to hybrid/electric fleet vehicles.	Availability of vehicles and charging changing infrastructure, and capital expenditure.
Campus building rationalisation	Property strategy alignment.	Ongoing property optimisation.	Property market limitations.
Wheeling of renewable energy	Contracting process under way for pilot wheeling project to Eskom connected campus buildings.	Engagement and forward planning with municipalities to secure wheeling capacity. Investigation into virtual wheeling for branches.	Uncertainty relating to wheeling enablement, regulatory inconsistency across municipalities, power purchase agreement and grid capacity limits, and national grid decarbonisation.

The uncertainty relating to the enabling environment for wheeling, power purchase agreements and grid capacity limits, together with national grid decarbonisation, remain a challenge to the group's pathway planning. The group is engaging with municipalities, working with independent power producers and assessing regulatory and supply constraints while focusing on initiatives within its direct control in order to reduce emissions.

The focus areas detailed above, along with other carbon reduction projects and the influence of external factors, will be integrated into a revised and more detailed decarbonisation pathway. This updated trajectory will help identify areas where decarbonisation can be expedited and provide a benchmark for monitoring progress. Furthermore, ongoing monitoring of carbon market trends will guide the optimal strategy for offsetting any remaining emissions by the year 2030.

ENVIRONMENTAL AND SOCIAL RISK

Introduction and objectives

Environmental risk is defined as the impact of the natural environment on the group, as well as the impact and dependencies of the group on the environment and on natural capital. A financial institution may be negatively impacted because of its failure to comply with the relevant environmental practices, laws, regulations, rules and related self-regulatory organisational standards and codes of conduct applicable to its activities.

These impacts can manifest in:

- legal or regulatory contraventions;
- material financial losses;
- operational costs;
- physical damage;
- credit risk; or
- loss of reputation.

Nature-related risk encompasses biodiversity loss and ecosystem degradation. Nature-related risk and climate risk are distinct but interdependent. Nature-related risks can lead to potential threats to a company linked to its and others' dependencies and impacts on nature. There has been a rapid decline in natural resources and processes (natural capital) which are critical to the planet's stability. The main drivers for the decline in natural capital include:

- climate change;
- resource exploitation (e.g. deforestation and unsustainable agricultural practices);
- land and sea use change; and
- loss of biodiversity (i.e. variability among living organisms at genetic, species and ecosystem level) due to:
  - pollution; and
  - invasive alien species.

As natural capital declines, nature's capacity to provide ecosystem services may be reduced, resulting in nature-related financial risks. Ecosystem services are benefits that people obtain from natural capital, such as air and water purification services, crop pollination and the breaking down of waste. Biodiversity underpins the flow of benefits.

A full analysis of natural capital impacts and dependencies may present opportunities, such as the potential financial benefits resulting from positive effects on nature, or the strengthening of nature.

Environmental risks can be grouped into two categories for the group, as outlined in the table below.

Direct environmental risk	Indirect environmental risk
• Risk or impact on the environment, directly associated with the group's physical operations or actions. • These risks may be governed by group operational processes, procedures or policies. • Poor performance may result in the risk of legal or regulatory sanction, physical damage, material financial loss or reputational damage to the group due to a failure to comply with applicable laws, voluntary agreements, regulations and supervisory requirements associated with these risks.	• Risk or impact on the environment not directly associated with the physical activities of the group or its operations, but which nonetheless may be associated with the group because of activities conducted by its clients, investee companies, stakeholders, vendors or supply chain. • The group could potentially be negatively affected by the actions of another party such as a government department or a borrower, or through a lending activity or investment. • The group may suffer in any of these cases because of its client's or stakeholder's failure to comply with applicable laws, voluntary agreements, regulations and/or supervisory requirements, and the resulting penalties.

Similar to climate risk, nature risks present through three risk types, namely physical, transition and systemic risk.

- **Nature-related physical risks** arise when natural systems are compromised due to the impact of climatic events (e.g. extreme weather conditions such as drought), geological events (e.g. an earthquake) or changes in ecosystem equilibria (e.g. soil quality or marine ecology), which affect the ecosystem services companies depend on. Nature-related physical risks are usually location-specific and often associated with climate-related physical risks.
- **Nature-related transition risks** result from a misalignment between a company's or investor's strategy and the changing regulatory, policy or societal landscape in which it operates. Developments aimed at halting or reversing damage to nature such as government measures, technological breakthroughs, market changes, litigation and changing consumer preferences can all create transition risks.
- **Nature-related systemic risks** arise from the breakdown of the entire system, preventing ecosystems from recovering after a shock event.

Climate and biodiversity risks interact with each other and must be considered together. The compound effects of climate change and biodiversity loss amplify systemic risks in social and economic systems.

Climate-nature nexus

Loss of nature-related assets can reverse progress made through prior economic development and exacerbate climate change and its impacts. The climate-nature nexus underscores the need for holistic approaches that integrate climate action and nature conservation into policies, planning and decision-making at all levels.

The group's lending and investment activities include an assessment of:

- sustainable land use practices;
- promoting renewable energy sources that do not negatively affect biodiversity;
- the adoption of nature-based solutions; and
- the integration of climate and biodiversity considerations for sectors such as agriculture, forestry, construction and urban planning.

Social risk

Social risk relates to social impacts associated with activities of group customers, investee companies or stakeholders resulting in financial, lending/financing, investment or equity exposure that may lead to the risk of legal or regulatory sanction, material financial loss or reputational damage. The group may suffer in any of these aspects because of its clients' or stakeholders' failure to comply with applicable laws, voluntary agreements, regulations and/or supervisory requirements. Social risks include issues relating to product responsibility, inclusion, labour, occupational health and safety, community involvement, security, human resettlement, indigenous people's rights (particularly in relation to the application of the Equator Principles) and human rights.

The ESRA process incorporates the group's human rights framework, which guides screening to ensure that clients uphold minority rights and prevent any violations of human rights, such as child labour, modern slavery, or the payment of unfair wages.

The ESRA process also incorporates the requirements of the following standards, where applicable:

- International Finance Corporation environmental health and safety performance standards;
- national legislation; and
- European Investment Bank environmental, health and safety guidelines.

Furthermore, for credit extension related to new developments that may affect the local community negatively, community engagement is undertaken to protect the rights of the impacted community.

ESRA due diligence involves checking for negative media coverage, ensuring measures against unfair and harmful work environments are in place, setting up systems for grievances, and designating individuals to monitor social conditions of the workforce.

The group's grievance mechanism publishes contact details for individuals to use in order to reach out regarding their issues, complaints or questions.

Organisational structure and governance

Ultimate oversight of environmental (including nature and biodiversity) and social risk rests with the board. It has delegated responsibility to appropriate board subcommittees and management committees. The primary board committees overseeing environmental risk matters are RCCC and Setcom. RCCC is responsible for overseeing all risk-related matters and Setcom provides approval for sensitive industry exposures and environmental matters. Refer to the governance structure in the *Climate risk* section of this report.

There are various topic-specific management committees and working groups across the group that focus on:

- the development and implementation of policies and processes; and
- the management of environmental risk and performance.

Assessment and management

The group's environmental and nature risk management programme covers the following thematic focus areas.

1	**Water and ocean management Access to water, water quality, pollution prevention**	Enhanced due diligence on all credit transactions through the ESRA process to ensure that clients have preventative programmes and reactive clean-up procedures in place, and that hazardous/chemical waste is managed in line with legal requirements to prevent the occurrence of any pollutants above approved acceptable thresholds (where applicable) in natural water environments. The due diligence process includes accounting for dependencies on water sources for production and processing.
2	**Biodiversity and ecosystem management** Protection of species, prevention of deforestation, and sustainable agricultural practices	Beyond what is required by law in the ESRA process, FirstRand has identified specific sectors* where additional inquiries regarding nature, biodiversity, and water impacts and dependencies are made. This occurs during the enhanced due diligence phase of evaluating credit applications and client onboarding. The purpose of these questions is to increase consumer awareness and provide insights into how clients affect and rely on these environmental factors, without influencing risk assessment or pricing.
3	**Pollution prevention**	Enhanced due diligence on all credit transactions to ensure that clients have preventative programmes and reactive clean-up procedures in place, and that hazardous/chemical waste is managed in accordance with legal requirements.
4	**Resource efficiency and waste management**	The group promotes resource efficiency through its ESRA programme and awareness initiatives.
		Waste management includes the control, monitoring and regulation of the production, collection, transport, treatment and disposal of waste, and the prevention of waste production through in-process modifications, reuse and recycling during a project life cycle. The group has implemented comprehensive waste management programmes for its own operations. The ESRA process addresses client compliance with regard to waste management plans, hazardous waste disposal certificates and waste site permits, where applicable.

* *Agriculture, hunting, forestry and fishing; mining and quarrying; construction; transport, storage and communication; sovereign; oil; thermal coal; electric utilities; steel; cement; and transport and logistics*

Environmental risk, including climate, nature, biodiversity and social risk, is typically a cross-cutting risk and therefore cannot be managed by a single risk management function. The group's environmental risk-related management frameworks consist of an outline of the various programmes and initiatives designed to manage and mitigate environment-related risk.

ESRA

The group's ESRA transactional due diligence process is integrated into the credit risk management and governance processes. It identifies and assesses environmental, social, regulatory or reputational risks, to the group or its clients, with the potential to cause severe societal and environmental degradation as well as to negatively impact the ability of clients to meet their credit commitments.

In addition to legislative requirement screening, the ESRA process includes biodiversity and nature risk-related assessments; the review of climate-sensitive industries, in particular fossil fuels; and qualitative rating adjustments for elevated climate risk. The group uses externally developed tools to help with the identification and management of nature-related risk in credit transactions and investment decisions. Examples include the web-based tool ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) and the Partnership for Biodiversity Accounting Financials (PBAF) Standard.

A detailed analysis of the group's ESRA process and a summary of transactions screened during the year under review are included in the ESRA disclosure on the group's ESG hub at https://www.firstrand.co.za/investors/esg-resource-hub/policies-and-practices/.

Biodiversity assessment

The group is developing a biodiversity assessment methodology to determine targets for restoration, protection and regeneration in financed activities. This methodology will be science-based and account for the complexity of biodiversity measurement.
The methodology will inform a biodiversity footprint which quantifies the biodiversity impact of a portfolio, asset class or project measured as a result of production and consumption of particular goods and services.

Water risk

South Africa is a water scarce country that depends on rainfall for most of its fresh water supply. Current climate predictions indicate that rainfall in South Africa will become more variable and erratic, with the overall likelihood of reduced quantities. Higher temperatures will lead to increased evaporation and exacerbate drought conditions. An increase in extreme weather events such as storms, flooding and winds will impact water supply and stormwater management. High demand for water resources and limited water supply could pose a significant threat to people and economies in sub-Saharan Africa.

Own operations

FirstRand is not a water-intensive user, but water is crucial for sanitation, drinking and cleaning purposes and a primary component of building management systems (for heating and cooling). In own operations the group addresses water risk according to an integrated water management strategy, which includes a water footprint, business continuity and identification of water supply risks and mitigating options.

Clients

The group ESRA specialists are guiding clients to consider water accessibility, drought implications, dependencies, and the quality and safety of water along with their efficiency strategies and business continuity planning. Water dependency and water quality management will receive enhanced focus in the group's ESRA process, building on existing controls and regulatory requirements for water use.

Regulatory developments

Taskforce on Nature-related Financial Disclosure (TNFD) framework finance sector – **guidance, July 2024**	FirstRand is a member of the TNFD, a market-led initiative to develop a risk management and disclosure framework for organisations to report and act on evolving nature-negative risks, with the aim to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes. The TNFD recommendations were published in September 2023, and FirstRand is using the TNFD recommendations to develop an internal nature and biodiversity management programme and associated disclosure. TNFD finance sector guidance, published in July 2024, provides further guidance on disclosure and metrics for financial institutions.
Draft National Environmental Management: Biodiversity Bill, 2024	The Bill aims to enhance the conservation and sustainable use of South Africa's biodiversity. It introduces a revised regulatory approach to better protect species and ecosystems, manage invasive species and implement international agreements. FirstRand participates in industry working groups to assess the impact on the financial services industry.
PBAF	The PBAF standard provides financial institutions with practical guidance on biodiversity impact and dependency assessments of their loans and investments. FirstRand is a PBAF partner and participates in various related working groups.

INSURANCE RISK

Introduction and objectives

Insurance risk arises from the inherent uncertainties regarding liabilities payable under an insurance contract. These uncertainties can result from the occurrence, amount or timing of the liabilities differing from expectations. Insurance risk can arise throughout the product cycle and is related to product design, pricing, underwriting and claims management.

Insurance risk emanates from the group's long-term insurance operations, underwritten through its subsidiary FirstRand Life Assurance Limited (FirstRand Life), and short-term insurance operations, underwritten through its subsidiary FirstRand Short Term Insurance Limited (FirstRand Short Term Insurance). FNB originates long-term products on the group's life licence and short-term products on the group's short-term licence.

FirstRand Life offers funeral policies, accidental death plans, underwritten risk policies, credit life policies (against group credit products), health cash plans and guaranteed annuities on the group's life licence. FirstRand Life also writes linked-investment policies and guaranteed endowments. There is, however, no insurance risk associated with these policies.

Most life policies pay benefits upon the death of the policyholder and, therefore, expose the group to mortality risk. The underwritten risk policies, credit life policies and policies sold to companies to cover their employees further cover policyholders for disability and critical illness, which are morbidity risks. Credit life policies also cover retrenchment risk. Health cash plans pay a daily benefit per day for each day that a policyholder is hospitalised. Guaranteed annuities pay benefits on continued survival of the policyholder and expose the group to longevity risk, interest rate risk and inflation risk.

FirstRand Short Term Insurance offer legal plans, warranty policies, scratch and dent products, business cash flow cover policies, comprehensive insurance cover (including building, home contents and portable possessions cover), motor insurance, money protect and commercial guarantee products on the group's short-term insurance licence.

Legal plans provide legal assistance or pay for legal fees on the occurrence of events specified in these policies. Building, home contents and motor cover indemnifies policyholders against damage to property. Business cash flow cover provides cover in the form of daily cash amounts to compensate for interruption of commercial customers' business operations due to insured events. The money protect product provides retail and commercial customers with protection against phishing and theft of funds, although it is not marketed directly to customers because the cover is for the bank.

As a result of the insurance risk exposures outlined above, the group is exposed to catastrophe risk stemming from the possibility of any related extreme events.

Also there is the risk that the decrement rates (e.g. mortality rates, morbidity rates, etc.) and associated cash flows are different from those assumed when pricing or reserving. These risks can further be broken down into parameter risk, random fluctuations and trend risk, which may result in the parameter value assumed differing from actual experience.

Climate risk may impact the likelihood or severity of many of the risks to which FirstRand Short Term Insurance and FirstRand Life are exposed. The impacts from physical risk on FirstRand Short Term Insurance are more immediate while the Life books may react over a longer period of time. The assessment and management of these risks are a key competency for the insurers and influence product design, underwriting and reinsurance.

Policies underwritten by the group are sold through FNB's distribution channels. Some of these channels introduce the possibility of anti-selection, which also affects insurance risk.

YEAR UNDER REVIEW AND FOCUS AREAS

Year under review	Risk management focus areas
• FirstRand Life had a stable experience over the year, with mortality and retrenchment risk performing as assumed. The portfolio continued to grow. • FirstRand Short Term Insurance saw a significant improvement in its financial performance, with a notable increase in gross written premiums and a reduction in the loss ratio. This growth is attributed to the successful implementation of strategic initiatives aimed at optimising underwriting practices and expanding the customer base.	• Improve risk insights and analysis. • Given the increasing frequency and severity of climate-related events, the development of more robust risk models to better assess and mitigate the impact of natural disasters on the portfolio is a priority. This includes stress testing scenarios and adjusting underwriting guidelines for high-risk regions. • In order to continue to manage exposure to large losses, FirstRand Short Term Insurance has optimised its reinsurance arrangements. This includes increasing reinsurance coverage for high-severity events and diversifying reinsurance partners to spread risk and ensure financial stability.

Organisational structure and governance

FirstRand Life and FirstRand Short Term Insurance are wholly owned subsidiaries of FirstRand Insurance Holdings and are licensed insurers under the Insurance Act 18 of 2017. FirstRand Insurance Holdings, FirstRand Life, FirstRand Short Term Insurance and FRISCOL have been designated as an insurance group and FirstRand Insurance Holdings is licensed as a controlling company under the Insurance Act.

FirstRand Insurance Holding's board committees include an audit and risk committee, an ALCCO and a remuneration committee. The ALCCO is responsible for:

- providing oversight of the product suite;
- approving new products;
- FRM; and
- governance, approval and oversight of inputs, models and results of pricing and valuations.

To ensure consistency within the group, FirstRand Life, FirstRand Short Term Insurance and FirstRand Insurance Holdings have the same board and common members on group governance committees. Relevant group and R&C segment committees have oversight of and receive feedback from the appropriate group insurance committees.

Control functions, namely compliance, risk management, actuarial and internal audit, are key to the management of insurance risk.

The following diagram illustrates the insurance risk governance structures.

INSURANCE RISK GOVERNANCE STRUCTURE

Board-level oversight

FirstRand Insurance Holdings audit and risk committee

- Provides oversight of the group's insurance operations and ensures accountability and transparency to stakeholders.
- As an independent committee, ensures the integrity of financial controls, financial risk management and reporting to shareholders and other stakeholders.

FirstRand Insurance Holdings ALCCO

Provides oversight of product development, financial resource management, actuarial matters and required capital.

FirstRand Insurance Holdings remuneration committee

Provides oversight over remuneration of insurance senior management and control functions to ensure it is consistent with risk management strategy and performance.

Executive management oversight

Actuarial and product development forum

Oversees the insurance product development life cycle, and reviews and approves the outputs of corporate actuarial functions.

FRISCOL management forum

Considers risk management (excluding balance sheet management risks) and financial, compliance, internal audit and external audit reports, which are tabled at the audit and risk committee meetings.

Management structures

- **Insurance balance sheet management committee**
- **Risk management committee**
- **FRISCOL management forum**
- **Information technology committee**
- **Ethics committee**
- **Market conduct committee**

Compliance | **Risk management** | **Actuarial**

Group Internal Audit

- Assesses the adequacy and effectiveness of risk management controls.
- Identifies risk control shortcomings and recommends corrective actions.

Assessment and management

The group manages insurance risk within its stated risk appetite. This translates into risk limits for various metrics that can be monitored and managed. The assessment and management of risk focus on two main areas, namely:

- product design and pricing; and
- management of the in-force book.

Ensuring that insurance risk is priced correctly and well understood is an important component of managing insurance risk. This is achieved through the following measures:

- Rigorous and proactive risk management processes to ensure sound product design and accurate pricing, including:
  - independent model validation;
  - challenging assumptions, methodologies and results;
  - debating and challenging product design, relevance, target market and market competitiveness, and ensuring good customer outcomes and that customers are treated fairly;
  - identifying potential risks;
  - monitoring business mix of new business compared to underlying mix assumptions; and
  - thoroughly reviewing policy terms and conditions.
- Risk policies sold to FNB's customers are underwritten. This allows underwriting limits and risk-based pricing to be applied to manage the insurance risk. Where specific channels introduce the risk of anti-selection, mix of business by channel is monitored. On non-underwritten products, insurance risk can be controlled through lead selection for outbound sales.
- Pricing for comprehensive products (which include motor, buildings, home contents and portable possessions) is risk-based and considers various underwriting factors that differentiate the level of risk across policyholders, which enables appropriate risk management. There are also various underwriting limits in place to mitigate undesirable risk exposures.
- The design of appropriate reinsurance structures is an important component of the pricing and product design to keep risk exposure within appetite.

In the assessment and management of insurance risk in the in-force book the following methodologies, including advisory and mandatory actuarial methodologies, are utilised:

- insurance risk is managed through monitoring and reporting the frequency and severity of claims by considering incidence rates, claims ratios and business mix;
- for the life business, the actuarial valuation process involves the long-term projection of in-force policies and the setting up of insurance liabilities. This gives insight into the longer-term evolution of the portfolio risks;
- short-term insurance liabilities comprise an outstanding claims reserve, an unearned premium reserve and an incurred but not reported reserve. Adequate reserves are set for future and current claims and expenses. Where actual benefits are different from those originally estimated, actuarial models and assumptions are updated to reflect this. This feeds back into pricing;
- there are also reinsurance agreements in place to mitigate various insurance risks and manage catastrophe risk;
- asset/liability management is performed to ensure that assets backing insurance liabilities are appropriate and liquid; and
- stress and scenario analyses are performed to provide insights into the risk profile and future capital position.

The ORSA is defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage and report on short- and long-term risks that FirstRand Insurance Holdings (including its subsidiaries) faces or might face, and to determine the own funds necessary to ensure that overall solvency needs are met at all times and are sufficient to achieve business strategy. An ORSA report is produced annually.

Refer to the *Capital managemen*t section of this report for information on capital for insurance activities.

MODEL RISK

Introduction and objectives

The use of models results in model risk, which is the potential for adverse consequences from decisions based on incorrect or misused model outputs or reports. Model risk can lead to financial losses, poor decision-making or damage to the group's reputation.

The group recognises two types of model risk:

Intrinsic model risk – the risk inherent in the modelling process, which cannot be directly controlled but can be appropriately mitigated. Examples of intrinsic model risk drivers include model complexity, availability of data and model materiality.

Incremental model risk – the risk caused by inadequate internal practices and processes, which can be actively mitigated, examples of incremental model risk drivers include quality model documentation, robust governance processes and a secure model implementation environment.

A model is defined as a quantitative method, system or approach that applies statistical, economic, financial or mathematical theories, techniques and assumptions to process input data into output. A model generally consists of three components:

- an information input component, which delivers assumptions and data to the model;
- a processing component, which transforms inputs into estimates; and
- a reporting component, which translates the estimates into useful business information.

Model risk exists as models may have fundamental errors and produce inaccurate outputs when assessed against the design objective and intended business use. Model risk may also arise as a result of the model or model results being used incorrectly or inappropriately.

YEAR UNDER REVIEW AND FOCUS AREAS

Year under review	Risk management focus areas
• Enhanced risk appetite statement, including measurable statements and thresholds. • Strengthened the governance for AI models and oversight of AI risks. • Embedded model risk management principles for vendor models. • Implemented targeted model risk management training on the group's learning platform. • Enhanced the platform and processes for model-risk-related issues and actions. • Improved model inventory completeness and inventory data quality.	• Improve maturity of AI risk management across the group. • Platform enhancement of the group's model risk management inventory platform, reporting and independent validation process. • Conduct model risk maturity assessments and a model rationalisation exercise. • Strengthen group-wide risk culture through implemented model risk management training. • Enhance model risk EC methodology.

Organisational structure and governance

MODEL RISK GOVERNANCE STRUCTURE

Board-level oversight

RCCC

Provides oversight of the group's model risk profile.

Model risk and validation committee

- Reviews and approves the group's model risk management and reporting framework.
- Sets reporting requirements related to model risk.
- Receives and reviews reports on the adequacy and effectiveness of model risk management, and monitors implementation of corrective actions.
- Considers and approves material aspects of model validation relating to Pillar 1 risk types (credit risk, market risk, operational risk), non-Pillar 1 and Pillar 2 risk types for regulatory and economic capital, and other material models.

Executive management oversight

Various specialist technical committees

Review and challenge the technical aspects of model development and approve models where mandated by the MRVC, in accordance with charters and risk-type-specific model risk management frameworks.

Platform executive committee

Responsible for defining, managing, enhancing and leading the group to a platform-based operating model.

Management structures

Management – model owners

- Develop models.
- Ensure implementation of approved models.
- Monitor ongoing model performance.
- Ensure model framework requirements are implemented.

ERM

- Model risk management framework and policy development, including setting of model risk appetite and measurement thresholds.
- Independent validation of models.
- Provides independent view of the model risk profile.
- Monitors implementation of the group's model risk management frameworks.

Data and analytics executive committee

Drives the implementation of the group's data and analytics capabilities, while ensuring appropriate oversight of the associated information risks.

Group Internal Audit

- Assesses the adequacy and effectiveness of model risk processes, functions and governance.
- Identifies risk and control shortcomings and recommends corrective actions.
- Performs model risk maturity assessments.
- Assesses alignment of model risk management processes and structures to internal frameworks and regulatory requirements.

Assessment and management

The level of model risk related to a particular model is influenced by model complexity, uncertainty about inputs and assumptions, and the extent to which the model is used to make financial and strategic decisions. The risks, from individual models and in aggregate, are assessed and managed. Aggregated model risk is affected by interaction and dependencies among models; reliance on common assumptions, data or methodologies; and any other factors that could adversely affect several models and their outputs simultaneously. As an understanding of the source and magnitude of model risk is key to effective management of the risk, model risk management is integrated into the group's risk management processes.

Various principles are applied in the model risk management process. Risk owners assess which of these principles are applicable to a specific model and determine levels of materiality for model evaluation and validation.

MODEL RISK MANAGEMENT PRINCIPLES

DATA AND SYSTEMS	DEVELOPMENT	TESTING AND VALIDATION	MONITORING	GOVERNANCE
• Use systems that ensure data and reporting integrity. • Use suitable data, features and data products. • Maintain master list of data fields. • Implement appropriate system controls. • Assess data quality.	• Document model design, theory and logic which are supported by published research and industry practice. • Ensure expert challenge of methods and assumptions. • Ensure appropriate conservatism.	• Provide independent validation from second line of defence. • Review documentation, empirical evidence, model construction assumptions and data. • Assess model performance. • Perform sensitivity analysis. • Perform stress testing. • Obtain independent assurance from GIA.	• Perform regular stress testing and sensitivity analysis. • Perform quantitative outcome analysis. • Perform backtesting and establish early warning metrics. • Assess model limitations. • Set and test error thresholds. • Test model validity. • Ensure adequate reporting of model performance monitoring. • Tracking of validation and audit findings.	• Approve model risk management framework. • Ensure effective management of model risk. • Ensure approval committees with adequate skills. • Ensure appropriate documentation.

Model risk measurement

A scorecard with risk factors based on model risk management principles is used for model risk measurement and quantification of capital requirements. Intrinsic model risk and incremental model risk are assessed and tracked separately, then combined to obtain overall model risk scorecards. The scorecard is tailored for each risk type by applying risk-type-specific weightings to each scorecard dimension and by refining the considerations for each dimension to be specific to that risk type.

Models are rated using the model risk scorecard and assigned an overall model risk rating of low, medium or high. These ratings are used to determine the model risk EC add-on multiplier, which is applied to the output of capital models to determine the amount of model risk EC to be held.

Model risk economic capital

The ratings from the model risk measurement are used to determine the model risk EC add-on multiplier, which is applied to the output of capital models to determine the amount of model risk EC to be held.

TAX RISK

Introduction and objectives

Any event, action or inaction in an entity's strategy, operations, financial reporting or compliance that either adversely affects its tax position, or results in unanticipated penalties, assessments, additional taxes, tax-related reputation risk or financial statement exposure, is regarded as tax risk.

Effective tax risk management underpins to the group's financial performance. Various local and international taxes arise in the normal course of business, including corporate income taxes, employees' taxes, value-added taxes, securities transfer taxes, stamp duties, customs duties and withholding taxes.

FirstRand Group Tax is mandated by the FirstRand tax risk committee to manage the group's tax risks. The group is committed to:

- complying with all taxation laws;
- influencing tax policy, legislation and practice;
- developing and implementing value-adding initiatives in a responsible manner; and
- maintaining effective relationships with all stakeholders.

The group commits to being responsible and accountable in managing tax risk. FirstRand aims to maintain the highest levels of tax governance, with a zero-tolerance risk appetite for non-compliance with respect to any and all legislative and tax filing obligations in the various jurisdictions within which the group operates. FirstRand does not promote tax avoidance structures. It also does not provide tax advice to clients or facilitate tax crimes or the circumvention of tax reporting.

Organisational structure and governance

The head of FirstRand Group Tax takes ultimate responsibility for tax risk management for all taxes on a group-wide basis. The responsibility at a business/entity level lies with the relevant business/entity CEO and CFO, who are responsible for maintaining tax-related risks at an acceptable level. To enable the various businesses/entities to fulfil their tax risk management responsibilities, teams of tax specialists have been deployed from Group Tax to fulfil an advisory role regarding tax issues that may arise.

Tax risks are reported periodically to the RCCC, which is responsible for the management and monitoring of tax risks, and to the board, which is responsible for the group's business tax outcomes.

TAX RISK GOVERNANCE STRUCTURE

Board-level oversight

RCCC

Provides oversight of the group's tax risk profile.

Tax risk committee

- Monitors implementation of the tax risk management framework.
- Provides oversight of the management of tax risk across the group.
- The tax risk management framework prescribes the authorities, governance and monitoring structures, duties and responsibilities, methodologies, policies and standards which have to be implemented and adhered to in managing tax risk.

Executive management oversight

Tax strategic committee

Ensures that policies and procedures which support the tax risk management framework are in place, monitored and applied consistently in all operations, and that the group's tax team has the skills and experience to implement these appropriately. In this regard, external tax risks arising from legislative and regulatory changes are actively managed, as are internal tax risks, comprising compliance and operational risks. Management oversight also includes the implementation of controls over compliance processes and the ongoing monitoring of control effectiveness.

Management structures

Operating business finance functions

Operating business finance functions, with the assistance and guidance of FirstRand Group Tax, are responsible for managing tax risks in their respective areas and keeping these risks at an acceptable level.

FirstRand Group Tax

- Provides technical tax support to ensure the entities are familiar with the various tax requirements.
- Maintains the tax risk management framework and supporting policies, methodologies, processes and standards.
- Ensures the appropriate management of tax risk across the group.

Group Internal Audit

- Assesses the adequacy and effectiveness of tax risk processes and governance.
- Identifies risk control shortcomings and recommends corrective actions.

Assessment and management

Tax risk management is the systematic approach to proactively identify, evaluate, manage and report on tax-related risks. This includes ensuring that the group's tax data quality is maintained within agreed and acceptable parameters to facilitate accurate and efficient tax accounting and disclosure.

The group engages in efficient tax planning that supports the client-facing businesses. The tax laws in all the jurisdictions in which the group operates are fully complied with and the risk of uncertainty or disputes is minimised. Transactions between group entities are conducted on an arm's length basis and in accordance with Organisation for Economic Cooperation and Development (OECD) principles. Where tax incentives or exemptions exist, the group seeks to apply them responsibly in the manner intended by governments and fiscal authorities. The group establishes entities in jurisdictions suitable to hold its offshore operations, taking business activities and the prevailing regulatory environments in those jurisdictions into account.

The group seeks to build constructive working relationships with governments and fiscal authorities. Where possible, the group works in conjunction with fiscal authorities to resolve disputes and engages with governments on the development of tax laws. FirstRand is committed to the principles of openness and transparency to build trust between the group and fiscal authorities, and to align the group with various systems of tax collection. Tax risk management forms part of the group's overall internal control processes. Responsibility and accountability for the group's tax affairs are clearly defined in the tax risk management framework.

The group is responsible for ensuring that policies and procedures which support the tax risk management framework are in place, monitored and applied consistently in all operations, and that the group's tax team has the skills and experience to implement these appropriately. In this regard, external tax risks arising from legislative and regulatory changes are actively managed, as are internal tax risks, comprising compliance and operational risks. Management oversight also includes the implementation of controls over compliance processes and the ongoing monitoring of control effectiveness.

Regulatory environment

The regulatory bodies, industry associations and frameworks the group subscribes to from a tax perspective and complies with are listed below.

Banking Association of South Africa (BASA) and the South African Revenue Service (SARS)	FirstRand is a member of BASA, which has a tax committee that promotes discussions on tax issues relating to the various South African revenue acts, advocates for tax reforms and ensures that the regulatory and supervisory framework addresses relevant issues. BASA has entered into an accord with SARS, which sets out the respective parties' expectations to ensure tax compliance. The group complies with this accord.
UK Code of Practice on Taxation for Banks	The group subscribes to this code to ensure compliance of the bank's London branch and Aldermore with all UK tax laws.
Base erosion and profit shifting (BEPS) recommendations	The group files country-by-country reports in accordance with the BEPS recommendations issued by the OECD to address weaknesses in the international tax system.
Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)	FATCA and CRS submissions are made to aid in the exchange of information amongst revenue authorities globally to combat offshore tax evasion. Group entities submit the returns to their local revenue authorities on an annual basis as prescribed under tax administration laws, in compliance with FATCA and CRS. In instances where local laws have not yet incorporated FATCA and CRS, reports are submitted directly to the United States Internal Revenue Service.
Mandatory disclosure rules	BEPS Action 12 contains recommendations regarding the design of mandatory disclosure rules by financial institutions for aggressive tax planning schemes and the circumvention of tax reporting regimes, as well as the promoters and users of such schemes. Where applicable and where required, group entities submit returns to their local revenue authorities as prescribed under tax administration laws.
UK Criminal Finances Act 2017	The group has appropriate systems and controls in place to prevent the facilitation of tax evasion/ fraud and the circumvention of tax reporting, by any person (employee, third party or associated person) acting on behalf of group entities. Where applicable and where required, group entities submit returns to their local revenue authorities as prescribed under tax administration laws or AML laws.

OPERATIONAL RISK

Introduction and objectives

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

The group continually evaluates and enhances its existing operational risk management frameworks, processes and systems to ensure that its practices are adequate and effective, and aligned to business needs, regulatory developments and best practice.

OPERATIONAL RISK OBJECTIVES AND PROGRAMME

KEY OBJECTIVE

The objective is to build an effective and forward-looking (including information technology and cyber) risk management programme to support the group in the execution of its strategy to ensure that operational risks are managed within an acceptable level of appetite.

Improve dynamic risk management by:
- Automating and simplifying operational risk processes for greater efficiency, simplicity and business support.
- Enhanced operational risk analysis.
- Enriching forward-looking and dynamic operational risk management information for use in decision-making.

Focus on emerging risks by:
- Maturing vendor risk management discipline.
- Ensuring operational resilience through management of vendor interdependencies.
- Improving cyber risk management.

Mature risk approach by:
- Maturing the operational and IT risk governance structures and reporting.
- Enhancing risk appetite setting and measurement.
- Assessing the impact of operational risk-related regulatory developments and ensure compliance.
- Proactively driving combined assurance efforts.
- Improving change risk management practices and group-wide prioritisation.

OPERATIONAL RISK MANAGEMENT PROGRAMME COMPONENTS

- Establishing, reviewing and implementing the operational risk management framework and policies (including cyber risk and business delivery life cycle frameworks).
- Establishing and monitoring specific risk type appetites.
- Development and maintenance of operational risk management tools and processes (including risk identification, assessment and quantification).
- Operational risk analytics and capital calculations.
- Operational risk management systems and management information.
- Operational risk projects/initiatives.
- Operational risk governance and reporting.
- Operational risk management advisory and support services to business.

Year under review and focus areas

During the second half of year under review South Africa experienced some improvement in reliable power supply, but worsening water disruptions. The group's operational resilience and crisis response plans were well embedded. The group's approach to energy resilience, considering both the long-term impact on the group's climate targets and the immediate need for operational resilience, continues to mature, as does the risk-adjusted response for all resilience events, incorporating health and safety impact analyses, supply chain management and business continuity management. The safety and wellbeing of group employees remains a priority.

The group's risk exposure through its association with and usage of third parties, in particular systemically important vendors, remains an area of focus. Isolated instances of poor vendor service were experienced and subsequently remediated. These did not have a material impact on service to group stakeholders. Ongoing monitoring and management of key vendors remain a priority.

The maintenance of a robust control environment and change management discipline in the context of the group's platform journey remained a key focus area. Change risk management improved through the introduction of standardised assessments and a change risk oversight committee. A risk-based approach is applied to assess the level of involvement required from risk professionals in the respective change initiatives.

The group met its business-as-usual commitments and continued with control improvement initiatives. The progress of these initiatives and impact on the operational risk profile are tracked and reported on regularly at business and group level through management and combined assurance and risk governance processes. This is also considered in setting operational risk appetite and risk scenarios. Risk management programmes are continually reviewed and enhanced to focus on identified key and emerging risks based on changes in the internal and external environment.

The principal operational risks currently facing the group are:

- **business resilience risk** due to susceptibility to external factors, e.g. floods, civil unrest, power and water supply constraints and system downtime incidents;
- **cyber risk** (including information security), given the growing sophistication of cyberattacks both locally and globally;
- **technology risk** due to the pace of technology change and increasing digitisation;
- **vendor risk** due to the lack of direct control over external service providers, the potential impact of external events on the group's supply chain and reliance on critical service providers who may present single points of failure;
- **change risk** due to the number of active change initiatives across the group as the platform journey matures;
- **data risk** due to the pervasiveness of data in the group's operations and the dependency on data for the successful implementation of the platform strategy; and
- **execution, delivery and process management risk** (risk of process weaknesses and control deficiencies), with particular focus on payment risk due to the manual nature of certain payment processes, ongoing regulatory and industry payment-related initiatives, and change risk due to the scale of change required to successfully execute on the group's platform strategy.

Year under review	Risk management focus areas
• Improved cyber risk management by embedding the cyber-security risk management framework, formulating a cyber risk appetite statement and reviewing the governance structures. • Continued compliance with BCBS 239. • Continually enhanced the operational risk system functionality for improved risk information and greater process automation, reporting and analysis. • Enhanced the formal payment programme through internal improvements and implementation of industry-wide initiatives. • Embedded the risk rating methodology in the context of appetite. • Improved vendor risk reporting, incorporating internal and external risk factors. • Continued process (business and operational risk) automation to reduce manual processes and improve controls. • Drove continued improvement in data quality, metadata and records management practices. • Completed system developments and testing for the new standardised approach for operational risk capital calculations introduced by the Basel III reforms. • Made significant progress on the implementation of the Basel Principles for operational resilience. • Increased maturity of change risk management including prioritisation, assessment, monitoring and reporting. • Improved cross-functional combined assurance planning on top-of-mind risks.	• Ongoing cyber risk management focus, including the continual implementation of the cyber risk strategy. • The development of an overarching third-party risk management framework in addition to further maturing the risk assessment and management of vendors across the vendor life cycle, with an increased focus on systemically important and critical vendors. • Improve the risk management discipline for cross-cutting non-financial risks by enhanced collaboration between risk types, including but not limited to a continuation of the development of an enhanced risk identification and control assessment programme and third-party risk management. • Mature appetite setting supported by detailed metrics to enable improved monitoring and oversight. • Maintain BCBS 239 compliance. • Improve change risk management on prioritised initiatives and actively assess and monitor associated risks. • Ensure that operational risk management activities support execution of strategy and strengthen key controls. • Complete the operational resilience programme whilst initiating operational resilience in the resolution programme.

Regulatory developments

The BCBS has outlined several principles for operational resilience in BCBS 516 to assist banks to withstand, adapt to and recover from severe adverse events. The key principles are the following:

- Governance: Establish strong governance frameworks to oversee operational resilience.
- Operational risk management: Integrate operational resilience into the overall risk management framework.
- Business continuity planning and testing: Develop and regularly test business continuity plans to ensure that critical operations can continue during disruptions.
- Mapping interconnections and interdependencies: Understand and manage interconnections and interdependencies, both within the bank and with external parties.
- Third-party dependency management: Manage risks associated with third-party service providers.
- Incident management: Establish processes to effectively respond to and recover from incidents.
- Resilient cyber-security and information and communications technology (ICT): Ensure robust cyber security and ICT resilience.

These principles aim to enhance the ability of banks to maintain critical operations and services during disruptions, thereby promoting financial stability. Compliance with these principles is mandatory from 31 December 2024. The group is investing in continued efforts to ensure key compliance requirements are achieved within the stipulated target date. The business resilience management system development is complete. Some system governance related activities are ongoing, including change management and training. In addition, a top-down group level compliance approach has been adopted to ensure compliance with the preparation of a full critical function resilience profile inclusive of critical function dependencies, maps, impact tolerances and risk profiles.

Emerging cyber-security legislation and regulations in South Africa and broader Africa are aimed at enhancing security and resilience across various industries. Governments and regulatory bodies are increasingly focused on protecting sensitive data and critical infrastructure from escalating cyber threats. This legal and regulatory shift includes strict compliance requirements, mandatory breach event reporting, robust cyber protection standards, ongoing testing and oversight by the respective authorities.

In South Africa, a draft Cybercrimes and Cybersecurity Bill was released by the South African State Security Agency in December 2023 for review via relevant industry bodies. The bill aims to establish a comprehensive legal framework addressing the evolving landscape of cyber threats and vulnerabilities. It is still in the early stages of its development, with no specified compliance timelines. Within the financial services sector, the Financial Sector Conduct Authority (FSCA) and the PA released a comprehensive joint standard for cyber-security and cyber resilience in June 2024, aimed at strengthening the sector's defences, with a compliance timeline set for June 2025. Additionally, the SARB national payments system department issued a directive in May 2024 regarding cyber-security and cyber resilience within the national payment system, which included a more immediate compliance timeline of three months, commencing in August 2024.

In broader Africa, countries such as Ghana, Nigeria and Lesotho have introduced comprehensive cyber-security laws and regulations requiring organisations to implement advanced security measures. There is also a growing demand from various central banks in broader Africa for localised cyber-security data, capabilities and operations.

The group continues to be focused on monitoring compliance requirements, and ensuring appropriate responses to prevailing regulations and country-specific legislation to cyber-security and resilience.

Organisational structure and governance

OPERATIONAL RISK GOVERNANCE STRUCTURE

Board-level oversight

RCCC

Provides oversight of the group's operational risk profile.

Operational and IT risk committee

- Oversees operational risk (including IT and cyber risk) across the group.
- Monitors the implementation of the operational risk management framework.

Executive management oversight

Platform executive committee

Responsible for defining, managing, enhancing and leading the group's platform-based operating model journey.

Segment/operating business executive committees

- Responsible for effective operational and IT risk management.
- Implement operational risk management framework.

Management structures

Operating business deployed risk management

Deployed operational risk manager reports to operating business/ segment CROs, who in turn support business executives in the execution of their risk management responsibilities.

Segment RCCCs

Support segment CROs in the execution of their risk management responsibilities.

ERM and segment operational risk functions

- Own and maintain the operational risk management framework and supporting policies, methodologies, processes, systems and standards.
- Embed operational risk governance structures and processes across the group.

Specialised risk type management forums

- Group protective security
- Group crime
- Data and analytics
- Operational risk
- Vendor risk
- Business resilience
- Legal
- Climate risk

Provide oversight and are integrated in broader operational risk management and governance processes.

Group Internal Audit

- Assesses the adequacy and effectiveness of operational risk controls.
- Identifies risk control shortcomings and recommends corrective actions.

Measurement of operational risk

Basel approaches

FirstRand applies **AMA** for its domestic operations. Offshore subsidiaries and operations use **TSA** and all previously unregulated entities (prior to 2010) in FirstRand Investment Holdings Limited use **BIA**. FRIMHL and Aldermore also apply **BIA**.

Under **AMA**, the group uses a sophisticated statistical model for the calculation of capital requirements, which enables more accurate, risk-based measures of capital for business units with this approach. Operational risk scenarios and internal loss data are used as direct inputs into this model, while risk and control assessments, key risk indicators and external data inform the operational risk scenario analysis process.

Scenarios are derived through an extensive analysis of the group's operational risks in consultation with business and risk experts from across the group. Scenarios are cross-referenced to external loss data, internal losses, key risk indicators, process-based risk and control identification and assessments, and other pertinent information about relevant risk exposures. To ensure ongoing accuracy of risk and capital assessments, all scenarios are reviewed, supplemented and/or updated semi-annually, as appropriate.

The loss data used for risk measurement, risk management and capital calculations are collected for all seven Basel event types across various internal business lines. Data collection is the responsibility of business units and is overseen by the operational risk management team in ERM.

Analytical loss data and scenario models are combined during simulation to derive the annual, aggregate distribution of operational risk losses. Basel Pillar 1 minimum capital requirements are then calculated (for the group and each operating business) as the operational VaR at the 99.9th percentile of the aggregate loss distribution, excluding the effects of insurance, expected losses and correlation/ diversification.

Capital requirements are calculated for each business (management entity) and then allocated to legal entities in the group, based on gross income contribution ratios. This split of capital between legal entities is required for internal capital allocation, regulatory reporting and performance measurement purposes.

TSA and **BIA** capital calculations are based on a multiplication factor applied to gross income, as specified by Basel and PA regulations. These capital calculations and allocations do not make use of any risk-based information.

Business practices evolve continually and the operational risk control environment responds appropriately to reflect the underlying risk profile. The assessment of the operational risk profile and exposures and associated capital requirements take the following into account:

- changes in the operational risk profile, as measured by the various operational risk tools and processes;
- emerging risks and the associated actual or potential impact on the operational risk profile;
- material effects of expansion into new markets and new or substantially changed products, systems or activities, as well as the closure of existing operations;
- changes in the control environment – the group targets a continued improvement in the control environment, but deterioration in effectiveness is also possible due to, for example, unforeseen increases in transaction volumes or pace of change;
- changes in organisational structure resulting in the movement of businesses and/or products from one business area to another; and
- changes in the external environment, which drive certain types of operational risk (e.g. geopolitical factors, unrest and protest actions, electricity and water supply shortages and increasing unemployment).

Assessment and management

Operational risk appetite is set at group and business level, with a specific sub-appetite set for various subrisk types, including cyber risk, IT risk, internal and external fraud, business resilience and execution, delivery and process management. Appetite statements include qualitative and quantitative statements. Risk appetites are set as the total annual loss amount the group is willing to accept at various confidence/probability levels. This process includes setting:

- a risk appetite profile and monitoring the actual risk profile against appetite;
- loss thresholds and measuring actual loss experience against these thresholds; and
- other quantitative and qualitative measures.

Risk appetite levels are based on management's appetite for operational risk and consider historical loss experience, current actual risk exposures and the willingness of management to accept risk in pursuit of strategic objectives. For different probability levels, current actual risk exposures are estimated using internal loss data and operational risk scenarios. Actual risk exposures are monitored against the set risk appetite profile.

Annualised loss thresholds are defined for reporting and escalation of losses. Loss thresholds are derived from set risk appetite profile probability levels. Qualitative expressions of risk appetite emphasise risk culture and the relationship between risk and management action.

Operational risk appetite

The group aims to minimise financial, opportunity and litigation impacts; disruptions and financial detriment to clients; and negative regulatory actions. It does so by ensuring robust operational (non-financial) risk management by inculcating a sound risk culture, acting with a fiduciary mindset and driving effective compliance and operational excellence within a robust control environment.

Operational risk assessment and management tools

The group obtains assurance that the principles and standards in the operational risk management framework are adhered to by the three lines of defence model, which is integrated in operational risk management. In this model, business units own the operational risk profile as the first line of defence. In the second line of defence, ERM is responsible for consolidated operational risk reporting, policy ownership and facilitation, and coordination of operational risk management, measurement and governance processes. GIA, as the third line of defence, provides independent assurance on the adequacy and effectiveness of operational risk management processes and practices.

International best practice informs the selection of tools employed and embedded in the assessment and management of operational risk. The approach to the implementation of these tools is reviewed on an ongoing basis to ensure that business value is delivered. The most relevant of these are outlined in the following chart.

OPERATIONAL RISK ASSESSMENT AND MANAGEMENT TOOLS

Process-based risk and control identification and assessment	Key risk indicators
• The risk and control assessment per business unit/product/service based on key business processes. • Integrated in day-to-day business and risk management processes. • Used by business and risk managers to identify and monitor key risks and assess effectiveness of existing controls.	• Used across the group in all businesses as an early warning risk measure. • Highlight changing trends in exposures to specific key operational risks. • Inform operational risk profiles which are reported periodically to the appropriate management and risk committees, and are monitored continually.

Internal/external loss data	Risk scenarios
• Capturing internal loss data is a well-entrenched discipline within the group. • Internal loss data reporting and analysis occurs at all levels, with specific focus on root causes, process analysis and corrective action. • External loss databases are used to learn from the loss experience of other organisations and are also an input into the risk scenario process.	• Risk scenarios are widely used to identify and quantify low-frequency, extreme-loss events. • Senior management actively participates in the risk scenario thematic deep-dives and the overall scenario reviews. • Results are tabled to the appropriate risk committees and are used as input into the capital modelling process.

The group uses an integrated operational risk system in which all operational risk assessment and management tools have been automated to provide a holistic view of the group's operational risk tools.

Operational risk events

As operational risk cannot be avoided or mitigated entirely, frequent events resulting in small losses are expected (e.g. external card fraud) and are budgeted for appropriately. Business units minimise these losses by improving relevant business and control practices and processes. Operational risk events resulting in substantial losses occur less frequently. The group strives to minimise these and limit their frequency and severity within its risk appetite levels through appropriate risk mitigation. Operational losses are measured and reported against the agreed operational risk appetite levels on a regular basis. Where appropriate, focused reviews are conducted to establish root causes of operational events. Appropriate action plans are put in place to prevent or reduce the risk of reoccurrence, to the extent that is possible.

Operational risk management processes

A number of key risks exist for which specialised teams, frameworks, policies and processes have been established and integrated into the broader operational risk management and governance programmes, as described in the following diagram.

KEY SPECIALIST RISK AND MANAGEMENT PROCESSES

	BUSINESS RESILIENCE	LEGAL	IT (INCLUDING CYBER)
Management	• Operations should be resilient enough to withstand severe disruptions from internal failures or external events. • Business continuity strategies include regular review of business continuity plans (including disaster recovery plans) and testing. • Disruptions or incidents are assessed and reported to the relevant risk stakeholders.	• Creation and ongoing management of contractual relationships. • Management of potential and actual disputes and/or litigation. • Protection and enforcement of property rights (including intellectual property). • Accounting for the impact of law or changes in the law as articulated in legislation or decisions by the courts.	• Protection of information systems against unauthorised access, destruction, modification and use. • Ensuring confidentiality, availability and integrity of systems that maintain, process, store and disseminate this information. • Systems are continually assessed for vulnerabilities and control deficiencies, which are reported to relevant risk and business stakeholders.
Committees and frameworks	• Business resilience governance committee (a management forum reporting to operational and IT risk committee). • Practices are documented in the business resilience policy and standards.	• Compliance with legislation managed by Group Compliance. • Legal risk committee (a management forum reporting to the operational and IT risk committee). • Legal risk management framework and subframeworks and policies.	• Operational and IT risk committee. • IT governance framework, IT policies and information security policy, cybersecurity risk framework, IT and cyber risk appetite frameworks.

	VENDOR RISK GOVERNANCE	CRIME AND SECURITY	RISK INSURANCE
Management	• Vendor risk management oversight. • Implementation of risk-based approach to vendor risk management with focus on key vendors across the group. • Ensuring compliance with applicable regulatory and legislative requirements as they relate to vendors. • Regular and ad hoc risk assessments of key vendors.	• Internal and external – organised/financial crime and physical security. • Contain criminal losses with enhanced controls and real-time detection models leveraging machine learning. • Mitigate the evolving and emerging financial, organised, cybercrime and cyber-security threat using an integrated approach across multiple disciplines with a focus on cyber-resilience.	• Structured risk insurance financing programme in place for material losses from first-party risks. • Insurance refined through risk profile assessment, change in group strategy or markets. • Cover for professional indemnity, directors' and officers' liability, crime, public and general liability, and assets, among others.
Committees and frameworks	• Vendor risk management forum (a management forum reporting to the operational and IT risk committee). • Vendor risk management framework. • Cloud governance committee (subcommittee of the vendor risk management forum) and cloud policy.	• Integrated crime management framework and protective security framework.	• Cover through FRISCOL, the group's wholly owned first-party insurance company.

Risk insurance

The group has, over many years, developed a structured risk insurance financing programme to protect itself against unexpected material losses arising from non-trading risks. The programme is designed, where appropriate, to complement the risk management strategy to protect against the identified risks which can affect the group's financial performance or position and, therefore, negatively affect shareholder value.

The risk insurance programme is continually refined through ongoing assessment of changing risk profiles, organisational strategy and growth, and international insurance markets. The levels and extent of insurance cover are reviewed and benchmarked annually.

The group's philosophy is to self-insure as much as is economically viable, in line with its risk appetite, and to only protect itself against catastrophic risks through the use of third-party (re)insurers.

The insurance programme includes, *inter alia*, cover for operational risk exposures such as professional indemnity, directors' and officers' liability, crime, public and general liability, and assets. This protection extends across the group and into the subsidiaries in broader Africa and the UK, where legislation allows. The group does not consider insurance as a mitigant in the calculation of capital for operational risk purposes.

COMPLIANCE AND CONDUCT RISK

Introduction and objectives

The group follows all applicable legislation and regulations with the objective to prevent abuse of its platforms for the purposes of financial crime. The group will not accept deliberate non-compliance and in cases of legal uncertainty, proper assessments of the facts, compliance obligations and related risks are performed. Where appropriate, external legal and/or regulatory opinions are obtained. Where unintended failures result in non-compliance, remedial action is taken.

Compliance focuses on two types of risks:

Compliance risk refers to the risk of not adhering to compliance obligations. For this purpose, and although not exhaustive, compliance obligations refer to all applicable compliance obligations, including the group's adherence to applicable laws, regulatory instruments, requirements, expectations and other applicable specifications, such as codes of conduct relevant to specific businesses.

Conduct risk includes risks associated with delivery of fair customer outcomes and the integrity and efficiency of financial markets. It relates to how juristic persons, including financial institutions, conduct their business affairs. From a compliance perspective, conduct risk also refers to the risk of non-compliance with conduct standards and related regulatory requirements, as may be prescribed by regulatory and other related authorities.

Financial institutions operate on the basis of trust. Ethical conduct in the financial system is critical. Increasingly, governments and regulators are implementing multiple policies and regulatory requirements to enforce standards and hold businesses accountable. The group expects ethical behaviour from both its workforce and clients. This contributes to its overall objective of prudent regulatory compliance and risk management, which is achieved through providing financial products and services in a responsible manner, and treating customers fairly.

The group's compliance function is tasked with overseeing the management of compliance obligations, including conduct requirements. Group Compliance assists both management and business in discharging their responsibilities to comply with applicable regulatory requirements and to resolve identified non-compliance matters effectively and timeously.

COMPLIANCE AND CONDUCT RISK MANAGEMENT OBJECTIVE AND APPROACH

OBJECTIVE	APPROACH
Ensure business practices, policies, frameworks and approaches across the group are consistent with applicable laws, and that compliance and conduct risks are identified and proactively managed.	• Maintain an effective and efficient compliance and conduct risk management framework. Ensure that there is sufficient operational capacity to assess financial products and services against fair market conduct principles. • Promote and oversee compliance with legislative and best-practice requirements. • Ensure appropriate policies, standards and processes are in place to mitigate the risk of abuse of the group's platforms for unlawful purposes. • Promote training, learning and development to ensure a high level of understanding and awareness of legal and compliance frameworks applicable to the group's business activities. • Coordinate compliance interaction with various regulators across multiple jurisdictions.

Compliance with laws and related requirements is critical. Non-compliance may result in serious consequences and lead to both civil and criminal liability, including penalties, claims for losses and damages, and restrictions being imposed by regulatory authorities.

Focused laws and related requirements include: :

- Banks Act, 1990
- Collective Investment Schemes Control Act, 2002
- Companies Act, 2008
- Competition Act, 1998
- Consumer Protection Act, 2008
- Currency and Exchanges Act, 1933
- Cybercrimes Act 19, 2020
- Exchange Control Regulations, 1961
- Financial Advisory and Intermediary Services Act (FAIS), 2002
- Financial Institutions (Protection of Funds) Act, 2001
- Financial Intelligence Centre Act, 2001
- Financial Markets Act, 2012
- Financial Sector and Deposit Insurance Levies Act, 2022
- Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act, 2022
- Financial Sector Laws Amendment Act, 2021
- Financial Sector Regulation Act, 2017
- Foreign Account Tax Compliance Act, 2010
- Insurance Act, 2017
- Long-term Insurance Act, 1998
- National Credit Act, 2005
- National Payment System Act, 1998
- Occupational Health and Safety Act, 1993
- Pension Funds Act, 1956
- Prevention and Combating of Corrupt Activities Act, 2004
- Prevention and Combating of Trafficking in Persons Act, 2013
- Protected Disclosures Act, 2000
- Protection of Constitutional Democracy Against Terrorism and Related Activities Act, 2004
- Protection of Personal Information Act (POPIA), 2013
- Promotion of Access to Information Act, 2000
- Regulation of Interception of Communications Act, 2002
- Short-term Insurance Act, 1998
- King Code of Governance Principles for South Africa, 2016 (King IV)
- Legislation and listing requirements related to listed instruments on various exchanges
- Statutory codes of conduct, and regulatory instruments issued by, among others, the FSCA and the PA
- Other applicable regulatory requirements and applicable laws in the countries in which the group operates

The group is required to comply with various other laws and related requirements, which also receive focused attention.

Year under review and focus areas

SOUTH AFRICAN OPERATIONS

Year under review	Focus areas
• Enhanced the anti-bribery and corruption framework and policy to reinforce an anti-corruption culture. • Enhanced governance process for FAIS irregularity reporting and reviewed the vulnerable customers policy. • Incorporated the requirements of the Deposit Insurance Regulations of 2024 into the relevant compliance frameworks, policies and processes. • Enhanced privacy processes and control environment. • Attended to Competition Commission requests and Competition Tribunal matters. • Implemented key payment modernisation projects to comply with the directives of the SARB and the Payments Association of South Africa, and to align with the CMA Cross-border Payments Oversight Committee member requirements to regularise CMA cross-border payments, as well as the Determination on the Conduct of Electronic Funds Transfer Transactions in the National Payment System (PSD-9) issued by the Bank of Namibia. These projects further seek to meet the modernisation requirements of the ISO 20022 Standard. • Enhanced currency and exchange SARB balance of payment reporting to improve compliance with same-source reporting principles. • Enhanced the various compliance risk type risk appetite statements and key risk indicators.	• Cooperation and collaboration with government, regulatory authorities and relevant industry bodies to finalise financial sector laws, regulations and related regulatory instruments. • Continue to work closely with supervisory and regulatory authorities to ensure that requirements emanating from the government action plans, as well as requests for information, are responded to adequately and timeously to enable the government's Interdepartmental Committee to respond to the Financial Action Task Force (FATF) greylisting. • Continue to focus on enhancing the risk-based approach to financial crime risk management. • Continue to support initiatives aimed at combating bribery and corruption. • Define the third-party framework and third-party risk management programme. • Enable compliance management through the use of data insights. • Assess the impact of emerging legislation and modernisation on compliance aspects of the group's payments environment. • Strengthen the group's data privacy control environment. • Focus on implementation of recent regulatory instruments on cyber risk management. • Improve functionality to allow client self-management of profile information that meets Know Your Customer (KYC) standards.

BROADER AFRICA

Year under review	Focus areas
• Enhanced the compliance control landscape with the implementation of various regulatory requirements. • Completed financial crime assessments in all broader Africa subsidiaries. • Completed the ISO 20022 upgrade across the Southern African Development Community region.	• Monitor emerging data privacy legislation, including data localisation requirements, and mature internal capabilities to strengthen the data privacy control environment. • Monitor development of regulatory instruments by respective governments to address deficiencies in terms of Mozambique, Namibia and Nigeria FATF greylisting. • Participate in industry and regulatory engagements pertaining to platform localisation and other regulatory requirements. • Continue to elevate market conduct board-level metrics to further support board and management insights on services and compliance risks. Address the increased need across the region for interoperability and financial inclusion.

Organisational structure and governance

COMPLIANCE AND CONDUCT RISK GOVERNANCE STRUCTURE

Board-level oversight

RCCC

Provides oversight of the group's compliance and conduct risk management profile.

Compliance risk committee

- Approves compliance risk management frameworks including AML and combating the financing of terrorism (CFT) frameworks, market conduct policies, coverage plans, related risk management policies and standards, and governance arrangements.
- Monitors the effectiveness of compliance risk management across the group and recommends corrective action, where required.
- Assists the board in relation to compliance-related matters.

SETCOM

- Provides oversight of the group's conduct risk programmes (employee, market and business conduct).
- Approves the group ethics policies and frameworks and ensures oversight of the group's compliance with the Companies Act, King IV and related corporate governance requirements.

Executive management oversight

Segment/operating business conduct risk committees and setcoms

Consider culture and conduct issues. Drive business ownership of conduct programmes.

Sustainability and governance executive committee

Establishes and drives conduct and compliance programmes and ensures alignment to group sustainability practices and shared value principles.

Management structures

Segment/operating business compliance officers

Implement and monitor conduct and compliance policies and procedures related to the relevant segment/operating business.

Group Compliance

- Coordinates management of group compliance and conduct risk. Monitors and assesses compliance and reports to senior management and the board.
- Fulfils duties and responsibilities in line with requirements prescribed in the regulations and regulatory standards.
- The chief compliance officer provides independent reporting to RCCC, the audit committee and relevant executive and board oversight committees, including Setcom.

Group Internal Audit

Provides independent assurance of compliance programmes and processes.

Group Compliance's mandate is to facilitate the management of compliance with statutes, regulations and relevant regulatory instruments and requirements. To achieve this, appropriate governance arrangements are implemented and maintained. These include structures, policies, processes and procedures to identify and facilitate the management of compliance obligations and the mitigation of related risks. Reports on these matters are made to the relevant governance structures, which include board committees, and regulators. Regular engagements are held with the chairs of the board and audit committee and the group CEO. Minimum requirements for the management of compliance as a function are prescribed in terms of section 60A of the Banks Act and Regulation 49 of the Regulations relating to Banks. They include:

- risk identification through determining which laws, regulations, regulatory instruments and supervisory requirements are applicable to the group;
- risk measurement and mitigation through training, and the development and execution of risk management plans and related actions;
- risk monitoring and review of remedial actions through the monitoring centre of excellence;
- risk reporting; and
- providing advice on compliance matters.

Although independent of other functions, Group Compliance works closely with business units, GIA, risk management, external auditors, internal and external legal advisors, regulators, industry bodies, human capital, industrial relations and the company secretary's office to ensure effective functioning of compliance processes.

Board subcommittees oversee compliance outcomes and periodically consider the adequacy and effectiveness of governance arrangements relating to the group's compliance functions, the objective of which is to monitor the adequacy and effectiveness of the relevant functions. The board receives independent assurance on the effectiveness of compliance from GIA, among others. It also receives feedback from regulatory authorities.

Assessment and management

Regulatory developments during the year under review

Financial Sector Regulation Act and banking legislation	• The Deposit Insurance Regulations of 2024 came into effect on 1 April 2024, with deadlines for certain requirements extended by the CoDI. The group has established various workstreams to ensure compliance with the requirements. • Regulations are expected to be amended in accordance with revised international frameworks issued by the BCBS, relating to Basel III reforms. • The PA has issued a draft directive with regards to the prudential treatment of distressed credit exposures. It aims to impose requirements on banks to put in place relevant policies that outline criteria for identifying and reporting distressed restructured credit exposures. • The National Payment Systems Department (NPSD) has developed a digital payments roadmap to accelerate the implementation of goals and strategies to enhance the adoption and use of digital payments in South Africa. The NPSD launched and published the roadmap on 18 April 2024 and has commenced with engagements with relevant stakeholders on the implementation thereof. • The Payments Ecosystem Modernisation Programme is intended to drive the delivery of actions such as digital financial identity, eKYC, interoperability, access of non-banks to payments and consumer access to low-cost digital payments.
Financial crime	• When the FATF greylisted South Africa at its February 2023 Plenary meeting, a jointly agreed action plan was adopted, listing the action items linked to the deficiencies identified in the country's AML/CFT policies and measures. A report on South Africa's progress was provided to the February 2024 FATF Plenary, confirming that five of the 22 action items were addressed or largely addressed. • The Financial Intelligence Centre (FIC) issued the Draft Public Compliance Communication 121A (draft PCC 121A) for a second round of consultation. Draft PCC 121A provides guidance on the definition of beneficial ownership and the practical application of section 21B of the FIC Act.
Market conduct	• Pending the finalisation of the draft Conduct of Financial Institutions (CoFI) Bill, various conduct standards have been finalised by the FSCA, and draft standards were issued for comment. Feedback has also been provided in relation to previous discussion documents, including on open finance and unclaimed assets. • The Information Regulator recently invited BASA member banks to provide comments on a proposed guidance note on direct marketing in terms of POPIA. The purpose of the guidance is to guide responsible parties on how to comply with POPIA when processing personal information for direct marketing other than by means of unsolicited electronic communications in terms of section 11 and by unsolicited electronic communications in terms of section 69 of POPIA.
Broader Africa and UK operations	• Increased regulatory focus has been noted across the jurisdictions in which the group operates, mainly relating to the localisation of core banking systems, the storage and processing of data, and outsourcing arrangements. Various regulations and draft papers were issued. • Mozambique, Namibia and Nigeria were also greylisted. The respective governments have implemented actions to address their deficiencies through introducing a number of related laws. • The Bank of Namibia is undertaking a study on the root causes of high user fees and charges for financial services in Namibia and the impact it has on consumers. The study is focusing on disclosure, pricing structures, payment services and regulatory requirements, with the intent to develop recommendations for policy interventions to reduce excessive fees and enhance the accessibility of financial services. • In the UK, the FCA has announced a review of historic commission practices in UK motor finance centred on discretionary commission arrangements between lenders and brokers between 2007 and 2021. The FCA is using its section 166 powers to undertake a skilled person review into historic discretionary commission arrangements. • From 30 September 2024, low-value electronic funds transfers, debit and credit payments made between CMA countries, namely Eswatini, Lesotho, Namibia and South Africa, will be treated as cross-border transactions and subject to greater due diligence requirements. Previously, these low-value retail payments were treated as domestic payments, with the four CMA countries and their participating banks processing the transactions via South Africa's domestic retail payment system. This provided a low-cost, effective and efficient payment service to their clients.

Compliance and conduct risk appetite

The group aims to protect its platforms against abuse for purposes of financial crime or non-compliance, and to achieve full compliance with all applicable legislation and regulation. Non-compliance may have serious consequences, which could lead to both civil and criminal liability, including loss or restriction of licences, penalties, claims for loss or damages, restrictions imposed by regulators, and reputational damage.

There may, however, be instances of unintended failures which result in non-compliance. Remedial action will be taken on a prioritised basis to address those instances which fall outside of approved tolerances.

The group seeks to manage the compliance risk resulting from potential or actual instances of non-compliance with all applicable legislation, and manage regulatory supervisory expectations.

The group will:
- ensure that conditions are met to retain its various licences;
- limit significant financial losses, civil liability and the risk of imprisonment of directors, key persons and employees;
- treat its customers and third parties fairly in all respects;
- minimise reputational damage to the group caused by compliance risk; and
- limit abuse of platforms for the purposes of financial crime or non-compliance.

Compliance risk management

The group continually monitors the regulatory environment and responds appropriately to changes and developments. Appropriate risk management processes and programmes are employed in response to regulatory developments and requirements as follows:
- Promote risk-informed and efficient utilisation of resources, including investments made in people, systems and processes, to effectively manage risks emanating from the increasing number of new and/or amended local and international regulatory requirements.
- Appropriately support the group’s customer-centric, business-led approach to treating customers fairly.
- Work closely with regulators and industry on the authenticated collections project, the main objective of which is to prevent debit order abuse.
- Manage risks associated with illicit cross-border flows, as well as emerging financial crime threats and vulnerabilities.
- Review market conduct maturity and associated platform developments, including implementation of conduct standards for banks and other regulatory instruments, and oversight of employee activity in financial markets, via the group’s personal account trading programme.
- Strengthen anti-bribery and corruption risk management across the group.
- Enhance the AML and CFT control environment.
- Refine frameworks, policies and standards.
- Drive automation and scale the use of technology and advanced analytics for purposes of the identification of regulatory and conduct risks and the creation of bespoke interventions.
- Review risk appetite statements and key risk indicators.
- Enhance financial crime risk management through client desirability assessments that include screening for sanctions, politically exposed persons and possible adverse media coverage.

Conduct risk management

The market conduct programme is overseen by various group committees, the compliance risk committee, Setcom (supported by the group sustainability and governance executive committee) and RCCC.

This programme aligns to relevant legislative developments and international best practice and focuses on retail and wholesale market conduct.

Key focus areas include adherence to legislative requirements such as FAIS and conduct standards, UK Consumer Duty, applicable consumer protection, conduct regulatory requirements in broader Africa and assessment of the impact of pending legislative instruments such as the CoFI Bill and the omni Conduct of Business Returns document issued by the FSCA. Other focus areas include maturing the conduct programme and governance (e.g. the enhancing of product governance; the reviewing and developing of policies, frameworks and minimum standards; the tracking of key risk indicators and the utilising of insights to improve customer outcomes) and reviewing the approach to managing wholesale conduct risk, including any gaps that need to be addressed. Regulatory engagement is well entrenched and managed.

In support of a sound risk culture, the group manages conduct risk programmes with appropriate levels of employee training and communication to ensure responsible conduct. The market conduct programmes include compliance and first-line programmes focusing on market conduct risks in retail and commercial, and wholesale markets. The collaboration between compliance and business ensures the appropriate focus to advise on and embed legislative best-practice market conduct requirements across the group.

Digitalisation of compliance

Digital enablement is a key pillar in achieving a proactive, effective, platform-focused compliance function. Compliance digitalisation initiatives focus on increasing functional efficiency, automation, data-driven analytics and processes to ensure that teams focus on additional value-creating tasks. Data analytics facilitate proactive compliance monitoring.

BUSINESS RISK

Introduction and objectives

Business risk is defined as the risk to earnings, capital and sustainability from potential changes in the operating environment, as well as planned new business and expansion activities.

Business risk stems from:

- potential earnings volatility that is unrelated to known and material risk types which capital is already held for;
- potential lower-than-expected earnings, higher-than-expected operating costs or both, due to an inability to generate sufficient volumes, margin or fees to maintain a positive net operating margin in a volatile business environment;
- the potential inability to execute on stated strategic objectives in order for the group to remain sustainable and well capitalised on a standalone basis over the forecast horizon; and
- the potential inability to timeously adjust strategy or business models in response to unexpected changes in the business or operating environment (legislation, laws, regulations, environment, etc.).

The group's objective is to develop and maintain a well-diversified portfolio that delivers sustainable earnings and minimises the probability of adverse, unexpected outcomes.

Assessment and management

The group has a business risk process which aims to create a group-wide shared definition and understanding, and to ensure business risk is appropriately identified, monitored, measured and embedded in risk management activities.

The components of business risk include the following:

Component	Description
Volume, margin and fee changes	Relates to the group's ability to generate sufficient revenues to offset its operating costs.
New business and expansion activities	Risk of downside deviation from planned expansion activities, where franchise value is eroded more than expected due to lower-than-expected revenues or higher-than-expected costs.
Regulatory and other external changes	Related to external political, economic, customer, competition, market, technology, climate and regulatory changes in the operating environment.

Measurement of business risk capital

Business risk capital is quantified for EC purposes and is calculated for volume and margin changes, expansion activities and unexpected regulatory changes, and follows the guidelines of the group's business risk assessment principles.

EC estimates for all components of business risk are reported internally to management and externally to the PA on a biannual basis, with details of approach, models and methodologies included in the annual ICAAP submission.

The group has established processes to identify, manage and measure business risk exposures, which ultimately enable the quantification of business risk EC.

As at 30 June 2024, business risk EC accounted for approximately 4% of the total group EC base (2023: 4%).

BUSINESS RISK MEASUREMENT AND MANAGEMENT PROCESS

Definition and identification	
The first step involves tracking key risk drivers and factors that could give rise to business risk. In assessing risk exposure from volume and margin changes, the group performs trend analysis of its revenue volatility, pre-tax operating margin, cost-to-income ratio and fixed-to-total-cost ratio. The risk inherent in expansion initiatives is managed through the execution of a robust business plan approval process. This includes in-depth review and challenge of business plans, due diligence (where relevant), understanding and documentation of risk drivers and risk factors, analysis of root causes that could lead to additional unexpected capital injection, and frequent monitoring and reporting of execution variance against the plan.	
Ongoing monitoring of:	Changes to the external environment (e.g. environmental and climate-related changes), volume, margin, fee changes, and new business and expansion initiatives.

Measurement and management	
Internal models are used to capture the increasing probability of unexpected losses from the remainder of material risks not captured, mitigated or capitalised through other Pillar 1 and non-Pillar 1 risk types. The risk exposure is modelled using fit-for-purpose models ranging from stochastic approaches, sensitivity assessment, scenario analysis and stress testing at different levels of the organisation.	
Ongoing monitoring of:	Risk triggers, risk exposure, earnings quality, earnings resilience, cost structures and business model changes.

Capitalisation and management action	
The group uses a combination of top-down and bottom-up models to quantify tail-risk exposures for which capital is held. These include risk exposure quantification models and objective qualitative overlay scenarios. In addition, factors proposed by experts for consideration are incorporated into the running of sensitivity assessments, scenario analyses and stress testing model impact assessments. The group capitalises for absolute losses beyond risk appetite levels at a percentile to achieve a desired credit rating over a one-year time horizon.	
Ongoing monitoring of:	Unexpected losses, earnings volatility, inflexible operating cost structures and unsustainable business practices.

Capital allocation	
The last step of the business risk management process involves capital allocation to business units where the risk exposure originates, where it can be controlled and managed, and action can be taken to align with group strategic objectives. The FRM executive committee annually assesses the extent to which the capital cost is allocated to businesses.	
Ongoing monitoring of:	Increasing capital costs, operating costs that remain inflexible, and expected revenues continuing to be lower than expected on a forward-looking basis.

STEP-IN RISK

Step-in risk is the risk that the bank has to provide financial support to an unconsolidated entity facing stress, in the absence of or exceeding contractual obligations to provide such support. Step-in risk may require deployment of the bank's capital and/or liquidity resources to mitigate reputational risk and any associated value destruction.

In October 2017, the BCBS introduced guidelines for the identification and management of step-in risk. The guidelines seek to mitigate the potential spillover effects from the shadow banking system to banks. This work was part of the G20 initiative to strengthen the oversight and regulation of the shadow banking system to mitigate systemic risks, in particular risks arising due to banks' interactions with shadow banking entities. The guidelines are intended to supplement the amendments already incorporated into the Basel regulations that sought to address implicit support and reputational risk.

Assessment and management

Whilst the Basel guidelines make step-in risk evaluation more explicit, the group's possible step-in risks have also been implicitly considered from several perspectives as part of its prudent risk management culture:

- shareholder view, i.e. FirstRand;
- prudential and fiduciary view from the bank's perspective; and
- rating agency views of the bank.

These risks are considered by the group's FRM executive committee with respect to all new or existing group entities (greenfield or acquisitions), any seed funding provided, and joint ventures and support relationships.

The bank has formulated a principles-based framework to address step-in risk, incorporating the above-mentioned approach and augmenting the internal approach with the guidelines issued by the BCBS, as outlined in the table below.

Framework component	Outline
Scope of evaluation	• Identify group entities to be evaluated considering their relationship with the bank. • Exclusion of entities deemed to be immaterial or subject to clearly enforceable laws or regulations which explicitly prohibit the provision of support.
Risk assessment, quantification and risk management	• Assess remaining entities against stipulated risk indicators. • Quantify potential impact on capital/liquidity resources. • Determine risk management actions.
Self-assessment reporting to the PA	

STRATEGIC RISK

Strategic risk represents the risk to current or prospective earnings arising from inappropriate business models or decisions, or improper implementation of such decisions.

The development and execution of strategy is the responsibility of the group's strategic executive committee and the management teams of the operating businesses, subject to approval by the board, including the approval of any subsequent material changes to strategic plans, budgets, acquisitions, significant equity investments and new strategic affiliations.

Executive management, as well as Group Treasury's macro team and ERM, periodically review the external environment, industry trends, potential emerging risk factors, competitor actions and regulatory changes as part of the strategic planning process. Through this review, as well as regular scenario planning and stress testing exercises, any risks to earnings is interrogated. Various risk and performance tracking tools are used to assess progress against the group's strategic objectives and targets, as well as to ensure that these are implemented within desired risk appetite levels. Reports on the results of these exercises are discussed at various business, risk and board committees and are ultimately considered in the setting of risk appetite and potential revisions to existing strategic plans. Strategic risk is not a readily quantifiable risk and not a risk that a company can or should hold a protective capital buffer against.

REPUTATIONAL RISK

Reputational risk represents the risk of reputational damage due to events such as compliance failures, pending litigations, operational and financial underperformance or negative media coverage.

The group's business is inherently built on trust and the fair treatment of customers and other stakeholders. Its reputation is therefore grounded in the manner in which it conducts business. The group protects its reputation by proactively implementing robust governance frameworks that ensure compliance with all regulatory requirements and codes of ethical conduct across its operations. Reputational risk can arise from environmental and social issues or as a consequence of financial or operational risk events. To mitigate this, the group seeks to avoid large risk concentrations by establishing a risk profile that is balanced within and across different risk types. Potential reputational risks are also taken into account as part of stress testing exercises. The group aims to establish a risk and earnings profile within the constraints of its risk appetite, and seeks to limit potential stress losses from credit, market, liquidity or operational risks that may otherwise introduce an undesirable degree of volatility in its financial results and adversely affect its reputation. High-impact transactions or emerging themes from the external or internal environment that may impact the group's reputational risk profile are discussed at group and operating business/segment risk committees, as appropriate.

REMUNERATION AND COMPENSATION

The group applies the following remuneration governance frameworks: the requirements of section 64C of the Banks Act, 1990 (Act No. 94 of 1990); the JSE Limited Listings Requirements; the Financial Stability Board's *Principles for Sound Compensation Practices and their Implementation Standards*; BCBS Pillar 3 disclosure requirements – consolidated and enhanced framework (March 2017); *Directive 1 of 2018* issued by the PA; section 30(4) of the Companies Act 71 of 2008 (disclosure requirements); and the recommended practices of King IV, where appropriate. The group's UK operations apply the UK Prudential Regulatory Authority requirements.
In accordance with the TCFD recommendations, the group has incorporated climate considerations into its remuneration practices.
Disclosure of the group's compensation policies, practices and performance can be found in the remuneration committee report, which is published on FirstRand's website at www.firstrand.co.za/investors/integrated-reporting-hub/governance/.

Independent Assurance Practitioner's Limited Assurance Report on Selected Sustainability Performance Information Reported in FirstRand Limited's Basel Pillar 3 Disclosure Report for the year ended 30 June 2024

To the Directors of FirstRand Limited

We have undertaken a limited assurance engagement on selected sustainability performance information (the "subject matter"), as described below, and presented in the FirstRand Limited (FirstRand) Basel Pillar 3 Disclosure Report for the year ended 30 June 2024 (the Basel Pillar 3 Disclosure Report). This engagement was conducted by a multidisciplinary team with experience in assurance, sustainability performance and carbon emissions.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained (and subject to the inherent limitations outlined elsewhere in this report), nothing has come to our attention that causes us to believe that the selected sustainability performance information as set out in the Subject Matter paragraph below, for the year ended 30 June 2024, is not prepared, in all material respects, in accordance with management's measurement and reporting criteria.

Subject matter

We have been engaged to provide a limited assurance conclusion in our report on the following selected sustainability performance information identified and selected by FirstRand's management as requiring independent external assurance:

No	Selected sustainability performance information	Unit of measurement	Reporting Boundary	Location disclosed in the Basel Pillar 3 Disclosure Report	Location of description of FirstRand's Criteria in the Basel Pillar 3 Disclosure Report
1	Scope 1 emissions	tCO2e	South Africa	page 141	page 140
2	Scope 2 emissions	tCO2e	South Africa	page 141	page 141
3	Scope 3 emissions • Paper use • Business road travel • Business air travel • Fuel well to tank emissions • Electricity transmission losses	tCO2e	South Africa	page 141	page 141

The selected sustainability performance information prepared and presented in accordance with management's criteria are marked with the symbol LA ("Limited Assurance") to indicate that we have provided limited assurance over the selected sustainability performance information.

Other than as described in the preceding paragraphs, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Basel Pillar 3 Disclosure Report, and accordingly, we do not express a conclusion on this information.

FirstRand's responsibilities

The Directors of FirstRand are responsible for the selection, preparation, and presentation of the selected sustainability performance information in accordance with management's measurement and reporting criteria as set out on pages 140 -141 of the Basel Pillar 3 Disclosure Report. These responsibilities include the identification of stakeholders and stakeholder requirements, key issues, commitments with respect to sustainability performance and design, implementation and maintenance of internal control and maintaining adequate records and making estimates that are relevant to the preparation of the Basel Pillar 3 Disclosure Report and any references or statements of compliance with reporting frameworks applied, such that it is free from material misstatement, whether due to fraud or error.

The Directors of FirstRand are responsible for, in relation to application of the reporting standards used in the preparation of the Basel Pillar 3 Disclosure Report, those reports being prepared in accordance with the reporting principles as per those standards.

The Directors are also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected sustainability performance information and for ensuring that those criteria are publicly available to the Basel Pillar 3 Disclosure Report users.

Inherent limitations

Where FirstRand's reporting of the selected sustainability performance information relies on factors derived by independent third parties, our assurance work has not included examination of the derivation of those factors and other third-party information.

The scope of work was limited to the selected sustainability performance information disclosed in the Basel Pillar 3 Disclosure Report and did not include coverage of data sets or information unrelated to the selected information, nor did it include information reported outside of FirstRand's Basel Pillar 3 Disclosure Report, information relating to prior periods or comparisons against historical data.

Our assurance report does not extend to any disclosures or assertions relating to management's future performance plans, forward-looking statements or strategies disclosed in the Basel Pillar 3 Disclosure Report.

Our Independence and Quality Management

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

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

Our responsibility is to express a limited assurance conclusion on the selected sustainability performance information as set out in the Subject Matter paragraph, based on the procedures we have performed and the evidence we have obtained.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, and, in respect of the greenhouse gas emissions, in accordance with ISAE 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board. Those Standards require that we plan and perform our engagement to obtain the appropriate level of assurance about whether the selected sustainability performance information is free from material misstatement.

The procedures performed in a limited assurance engagement vary in nature and timing and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Summary of work performed

Limited assurance

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) and ISAE 3410 involves assessing the suitability in the circumstances of FirstRand's use of its measurement and reporting criteria as the basis of preparation for the selected sustainability performance information, assessing the risks of material misstatement of the selected sustainability performance information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected sustainability performance information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement. A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the sustainability performance information subject matter and related information and applying analytical and other appropriate procedures.

For the selected sustainability performance information, we:

- Performed analytical procedures to evaluate the reasonability of the reported performance results.
- Obtained explanations from management in response to our analytical procedures and assessing the reasonability in the context of our understanding of the business.
- Performed tests of detail on the selected performance information, on a selective basis, as part of assessing whether (i) the data has been appropriately measured, recorded, collated, and reported; and (ii) activities set out by management are appropriately evidenced and reported; and
- Confirmation with internal or external parties; and
- We also performed such other procedures as we considered necessary in the circumstances.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Other Matters

No assurance procedures were performed on the prior year's Basel Pillar 3 Disclosure Report. The information relating to the prior reporting periods has not been subject to our assurance procedures.

Restriction of Liability

Our report, including our conclusions, has been prepared solely for the Board of Directors of FirstRand in accordance with the agreement between us and for no other purpose. We permit this report to be published in FirstRand's Basel Pillar 3 Disclosure Report to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the selected sustainability performance information.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of FirstRand for our work or for our report and the conclusion contained therein. We agree to publication of our assurance report within FirstRand's Basel Pillar 3 Disclosure Report provided it is clearly understood by recipients or readers of the Report and that we accept no duty of care to them whatsoever in respect of our independent assurance report.

Maintenance and integrity of FirstRand's website is the responsibility of FirstRand management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the selected sustainability performance information as reported, or our independent assurance report that may occur subsequent to the initial date of publication of the Report on FirstRand's website.

Ernst & Young Inc.

Ernst & Young Inc.
Associate Partner - Mohsin Yahya Nana
Registered Auditor
Chartered Accountant (SA)
10 September 2024
102 Rivonia Road, Sandton
Johannesburg
South Africa

DEFINITIONS

Additional Tier 1 (AT1) capital	AT1 capital instruments and qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions
Common Equity Tier 1 (CET1) capital	Share capital and premium, qualifying reserves and third-party capital less specified regulatory deductions
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)
Exposure at default (EAD)	Gross exposure of a facility upon default of a counterparty
FRBSA	FRB excluding foreign branches
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 cost of capital (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves
Probability of default (PD)	Probability that a counterparty will default within the next year (considering the ability and willingness of the counterparty to repay)
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
Tier 1 ratio	Tier 1 capital divided by RWA
Tier 1 capital	CET1 capital plus AT1 capital
Tier 2 capital	Qualifying subordinated debt instruments, capital instruments issued out of fully consolidated subsidiaries to third parties and provisions less specified regulatory deductions
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital

ABBREVIATIONS

ABF	Asset-based finance
AI	Artificial intelligence
AIRB	Advanced internal ratings-based
ALCCO	Asset, liability and capital committee
ALM	Asset-liability management
AMA	Advanced measurement approach
AML	Anti-money laundering
ASF	Available stable funding
AT1	Additional Tier 1
BASA	Banking Association of South Africa
BCBS	Basel Committee on Banking Supervision
BEPS	Base erosion and profit shifting
BIA	Basic indicator approach
CAP	Climate alignment pathway
CBAM	Carbon Border Adjustment Mechanism
C&I	Corporate and institutional
CCF	Credit conversion factors
CCP	Central clearing counterparty
CCR	Counterparty credit risk
CCyB	Countercyclical buffer
CET1	Common Equity Tier 1
CFT	Combating the financing of terrorism
CIB	Corporate and investment banking
CMA	Common Monetary Area
CoDI	Corporation for Deposit Insurance
CoFI	Conduct of Financial Institutions
CRM	Credit risk mitigation
CRO	Chief Risk Officer
CRS	Common Reporting Standard
CRST	Climate risk stress test
CSA	Credit support annexes
CSIR	Council for Scientific and Industrial Research
CCIB	Commercial and corporate investment banking
CSST	Common stress and scenario analysis
CVA	Credit valuation adjustment
DEFRA	Department of Environment, Food and Rural Affairs
D-SIB	Domestic systemically important bank
EAD	Exposure at default
EC	Economic capital
ECAI	External credit assessment institution
ECL	Expected credit loss
EEPE	Effective expected positive exposure
EL	Expected loss
EMTN	European medium-term note
ERM	Enterprise Risk Management
ESG	Environmental, social and governance

ESRA	Environmental and social risk assessment
ETL	Expected tail loss
ETP	Expected tail profit
EU	European Union
EVE	Economic value of equity
FAIS	Financial Advisory and Intermediary Services Act
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FBA	Fall-back approach
FCA	Financial Conduct Authority
FML	Fleet management leasing
FIC	Financial Intelligence Centre
FRB	FirstRand Bank Limited
FRBSA	FirstRand Bank Limited South Africa (excluding foreign branches)
FREMA	FirstRand EMA Holdings
FRI	FirstRand International Limited
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRIMHL	FirstRand Investment Management Holdings Limited
FRISCOL	FirstRand Insurance Services Company
FRM	Financial resource management
FRTB	Fundamental review of the trading book
FSB	Financial Stability Board
FSCA	Financial Sector Conduct Authority
FSLAA	Financial Sector Laws Amendment Act 23 of 2021
FSLAB	Financial Sector Laws Amendment Bill
G-SIB	Global systemically important bank
GIA	Group Internal Audit
GHG	Greenhouse gas
HQLA	High-quality liquid assets
ICT	Information and communications technology
IAA	Internal assessment approach
ICAAP	Internal capital adequacy assessment process
IFRS	International Financial Reporting Standards
IMA	Internal models approach
IPCC	Intergovernmental Panel on Climate Change
IPV	Independent price verification
IRB	Internal ratings-based
IRRBB	Interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
ISSB	International Sustainability Standards Board
IT	Information technology
JIBAR	Johannesburg Interbank Average Rate
LCR	Liquidity coverage ratio
LECL	Lifetime expected credit losses
LGD	Loss given default

LTA	Look-through approach
LT	Long-term horizon
MBA	Mandate-based approach
MIRC	Market and investment risk committee
MT	Medium-term horizon
MRVC	Model risk and validation committee
MVNO	Mobile virtual network operator
NAV	Net asset value
NDC	Nationally Determined Contribution
NII	Net interest income
NFR	Non-financial risk
NMD	Non-maturity deposit
NOSIA	Notice of sums in arrears
NPL	Non-performing loan
NPSD	National Payment Systems Department
NSFR	Net stable funding ratio
OECD	Organisation for Economic Cooperation and Development
ORSA	Own risk and solvency assessment
OTC	Over-the-counter
PA	Prudential Authority
PBAF	Partnership for Biodiversity Accounting Financials
PCAF	Partnership for Carbon Accounting Financials
PCC	Public Compliance Communication
PCR	Post-crisis reforms
PD	Probability of default
PFE	Potential future exposure
POPIA	Protection of Personal Information Act
PVA	Prudent valuation adjustments
RA	Resolution Authority
RCCC	Risk, capital management and compliance committee
RDARR	Risk data aggregation and risk reporting
ROE	Return on equity
RW	Risk-weighted
RWA	Risk-weighted assets
S&P	S&P Global Ratings
SA-CCR	Standardised approach for measuring counterparty credit risk
SARB	South African Reserve Bank
SARS	South African Revenue Service
SEC-IRBA	Securitisation internal ratings-based approach
SEC-ERBA	Securitisation external ratings-based approach
SEC-SA	Securitisation standardised approach
Setcom	Social, ethics and transformation committee
SFT	Securities financing transaction
SIFI	Systematically important financial institution
SME	Small and medium-sized enterprise
SPV	Special purpose vehicle
ST	Short-term horizon
sVaR	Stressed VaR
TCFD	Task Force on Climate-related Financial Disclosures
TLAC	Total loss-absorbing capacity
TNFD	Taskforce on Nature-related Financial Disclosures
TSA	The standardised approach for operational risk
TTC	Through-the-cycle
VAF	Vehicle asset finance
VAPS	Value-added products and services
VaR	Value-at-Risk
WEF	World Economic Forum
ZARONIA	South African Rand Overnight Index Average Rate

STANDARDISED DISCLOSURES

introduction

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

contents

KM1: Key metrics (at consolidated group)

The table below consists of key prudential metrics related to regulatory capital, leverage and liquidity for FirstRand Limited (FirstRand or the group).

		FIRSTRAND LIMITED				
R million		**June 24**	March 24	December 23	September 23	June 23
AVAILABLE CAPITAL (AMOUNTS)*						
1	CET1	**183 747**	181 699	170 365	166 608	168 647
1a	Fully loaded ECL accounting model	**183 747**	181 699	170 365	166 608	168 647
2	Tier 1	**196 733**	193 301	181 617	178 480	177 841
2a	Fully loaded ECL accounting model Tier 1	**196 733**	193 301	181 617	178 480	177 841
3	Total capital**	**220 634**	218 798	205 085	201 674	201 274
3a	Fully loaded ECL accounting model total capital	**220 634**	218 798	205 085	201 674	201 274
RISK-WEIGHTED ASSETS (AMOUNTS)						
4	Total RWA	**1 404 760**	1 383 347	1 358 956	1 332 587	1 323 864
RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA*						
5	CET1 ratio	**13.1%**	13.1%	12.5%	12.5%	12.7%
5a	Fully loaded ECL accounting model CET1 ratio	**13.1%**	13.1%	12.5%	12.5%	12.7%
6	Tier 1 ratio	**14.0%**	14.0%	13.4%	13.4%	13.4%
6a	Fully loaded ECL accounting model Tier 1 ratio	**14.0%**	14.0%	13.4%	13.4%	13.4%
7	Total capital ratio	**15.7%**	15.8%	15.1%	15.1%	15.2%
7a	Fully loaded ECL accounting model total capital ratio	**15.7%**	15.8%	15.1%	15.1%	15.2%
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 (CCyB) requirement#	**0.5%**	0.5%	0.5%	0.5%	0.3%
10	Bank global systemically important bank (G-SIB) and/or D-SIB additional requirements†	**1.0%**	1.0%	1.0%	1.0%	1.0%
11	Total of bank CET1 specific buffer requirements (row 8 + row 9 + row 10)	**4.0%**	4.0%	4.0%	4.0%	3.8%
12	CET1 available after meeting the bank's minimum capital requirements	**2.2%**	2.3%	1.6%	1.6%	1.9%
BASEL III LEVERAGE RATIO‡						
13	Total Basel III leverage ratio exposure measure	**2 462 713**	2 452 974	2 425 788	2 376 460	2 339 059
14	Basel III leverage ratio (row 2/row13)	**8.0%**	7.9%	7.5%	7.5%	7.6%
14a	Fully loaded ECL accounting model Basel III leverage ratio (row 2a/row 13)	**8.0%**	7.9%	7.5%	7.5%	7.6%
LIQUIDITY COVERAGE RATIO (LCR)						
15	Total high-quality liquid assets	**448 706**	448 161	432 037	425 058	415 529
16	Total net cash outflow	**379 310**	372 666	361 639	357 794	336 232
17	LCR	**118%**	120%	119%	119%	124%
NET STABLE FUNDING RATIO (NSFR)						
18	Total available stable funding	**1 571 877**	1 545 342	1 542 340	1 516 472	1 502 620
19	Total required stable funding	**1 310 958**	1 294 965	1 267 028	1 254 964	1 242 628
20	NSFR	**120%**	119%	122%	121%	121%

* *Excluding unappropriated profits.*

** *Relates to total qualifying capital and reserves, which include Tier 1 and Tier 2 capital.*

\# *The CCyB add-on was 47 bps at 30 June 2024.*

† *Total D-SIB requirement is 1.5% at 30 June 2024, of which 1% is held in CET1 capital.*

‡ *Based on month-end balances.*

Key drivers:

March 2024 to June 2024

Risk-based capital ratios	**Available capital** • Increase in total capital mainly due to appropriation of profits (increasing CET1 capital) and AT1 issuance (increasing AT1 capital). **RWA** • An increase in all risk types were noted for the quarter ending 30 June 2024, with the operational risk RWA being the most material.
Leverage ratio	**Total exposure measure** • Increase in exposure measure driven by derivatives and on- and off-balance sheet exposures, partly offset by securities financing transaction exposures. **Tier 1 capital** • Refer to commentary above.
Liquidity ratios	The decrease in the LCR reflects the expected cyclical changes from the previous quarter. Both the LCR and NSFR exceeded their minimum requirement of 100%.

KM1: Key metrics (FirstRand Bank Limited*)

The table below consists of key prudential metrics related to regulatory capital, leverage and liquidity for FirstRand Bank Limited (FRB or the bank).

		FIRSTRAND BANK LIMITED				
R million		**June 24**	March 24	December 23	September 23	June 23
AVAILABLE CAPITAL (AMOUNTS)**						
1	CET1	**110 191**	108 248	104 141	100 904	101 027
1a	Fully loaded ECL accounting model	**110 191**	108 248	104 141	100 904	101 027
2	Tier 1	**121 244**	118 319	114 260	111 774	108 370
2a	Fully loaded ECL accounting model Tier 1	**121 244**	118 319	114 260	111 774	108 370
3	Total capital#	**139 805**	137 397	131 755	128 534	124 866
3a	Fully loaded ECL accounting model total capital	**139 805**	137 397	131 755	128 534	124 866
RISK-WEIGHTED ASSETS (AMOUNTS)						
4	Total RWA	**915 172**	894 231	872 470	862 876	841 472
RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA**						
5	CET1 ratio	**12.0%**	12.1%	11.9%	11.7%	12.0%
5a	Fully loaded ECL accounting model CET1 ratio	**12.0%**	12.1%	11.9%	11.7%	12.0%
6	Tier 1 ratio	**13.2%**	13.2%	13.1%	13.0%	12.9%
6a	Fully loaded ECL accounting model Tier 1 ratio	**13.2%**	13.2%	13.1%	13.0%	12.9%
7	Total capital ratio	**15.3%**	15.4%	15.1%	14.9%	14.8%
7a	Fully loaded ECL accounting model total capital ratio	**15.3%**	15.4%	15.1%	14.9%	14.8%
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	CCyB requirement†	**0.0%**	0.0%	0.0%	0.0%	0.0%
10	Bank G-SIB and/or D-SIB additional requirements‡	**1.0%**	1.0%	1.0%	1.0%	1.0%
11	Total of bank CET1 specific buffer requirements (row 8 + row 9 + row 10)	**3.5%**	3.5%	3.5%	3.5%	3.5%
12	CET1 available after meeting the bank's minimum capital requirements	**2.3%**	2.4%	2.1%	1.9%	1.8%
BASEL III LEVERAGE RATIO^						
13	Total Basel III leverage ratio exposure measure	**1 814 018**	1 799 392	1 780 070	1 748 039	1 717 743
14	Basel III leverage ratio (row 2/row13)	**6.7%**	6.6%	6.4%	6.4%	6.3%
14a	Fully loaded ECL accounting model Basel III leverage ratio (row 2a/row 13)	**6.7%**	6.6%	6.4%	6.4%	6.3%
LIQUIDITY COVERAGE RATIO◊						
15	Total HQLA	**379 949**	383 016	372 128	366 617	364 177
16	Total net cash outflow	**314 786**	310 871	302 214	299 579	281 514
17	LCR	**121%**	123%	123%	122%	129%
NET STABLE FUNDING RATIO◊						
18	Total available stable funding	**1 076 020**	1 046 295	1 055 976	1 036 836	1 016 854
19	Total required stable funding	**926 690**	910 196	895 247	877 926	846 123
20	NSFR	**116%**	115%	118%	118%	120%

* *FRB including foreign branches.*
** *Excluding unappropriated profits.*
# *Relates to total qualifying capital and reserves, which include Tier 1 and Tier 2 capital.*
† *The CCyB add-on was nil at 30 June 2024.*
‡ *Total D-SIB requirement is 1.5% at 30 June 2024, of which 1% is held in CET1 capital.*
^ *Based on month-end balances.*
◊ *Reflects FRB's operations in South Africa.*

CC1: Composition of regulatory capital

The table below provides a detailed breakdown of regulatory capital according to the scope of regulatory consolidation for the group.

		FIRSTRAND LIMITED as at 30 June			
	R million	**2024**	**Amounts subject to pre-Basel III**	**Reference***	2023
COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES					
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	**7 696**		a	7 916
2	Retained earnings	**173 025**		b	156 346
3	Accumulated other comprehensive income (and other reserves)	**12 056**		c	13 714
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)				
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	**4 492**	4 861	d	3 978
6	**CET1 capital before regulatory adjustments**	**197 269**			181 954
COMMON EQUITY TIER 1 CAPITAL: REGULATORY ADJUSTMENTS					
7	Prudential valuation adjustments	**313**			403
8	Goodwill (net of related tax liability)	**8 181**		e	8 645
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	**1 484**		f	1 488
10	Deferred tax assets that rely on future probability, excluding those arising from temporary differences (net of related tax liability)	**349**		g	364
11	Cash flow hedge reserve	**(726)**			(3 096)
12	Shortfall of provisions to expected losses	**–**			–
13	Securitisation gain on sale	**–**			–
14	Gains and losses due to changes in own credit risk on fair valued liabilities	**–**			–
15	Defined benefit pension fund net assets	**7**			25
16	Investments in own shares (if not already subtracted from paid in capital on reported balance sheet)	**–**			–
17	Reciprocal cross-holdings in common equity	**–**			–
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	**–**			–
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	**–**			–
20	Mortgage servicing rights (amount above 10% threshold)				
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	**–**			–
22	Amount exceeding the 15% threshold	**–**			–
23	of which: significant investments in the common stock of financials	**–**			–
24	of which: mortgage servicing rights				
25	of which: deferred tax assets arising from temporary differences	**–**			–
26	National specific regulatory adjustments	**3 914**		h	5 478
27	Regulatory adjustments applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	**–**			–
28	**Total regulatory adjustments to CET1**	**13 522**			13 307
29	**CET1 capital**	**183 747**			168 647
ADDITIONAL TIER 1 CAPITAL: INSTRUMENTS					
30	Directly issued qualifying AT1 instruments plus related stock surplus	**–**			–
31	of which: classified as equity under applicable accounting standards	**–**			–
32	of which: classified as liabilities under applicable accounting standards	**–**			–
33	Directly issued capital instruments subject to phase-out from AT1	**–**			–
34	AT1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	**14 968**		i	10 240
35	of which: instruments issued by subsidiaries subject to phase-out	**–**			–
36	**AT1 capital before regulatory adjustments**	**14 968**			10 240

* *Reference to CC2: Reconciliation of regulatory capital to balance sheet table on page 187.*

CC1: Composition of regulatory capital *continued*

		FIRSTRAND LIMITED as at 30 June			
R million		**2024**	**Amounts subject to pre-Basel III treatment**	**Reference***	2023
ADDITIONAL TIER 1: REGULATORY ADJUSTMENTS					
37	Investments in own AT1 instruments	**–**			–
38	Reciprocal cross-holdings in AT1 instruments	**–**			–
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	**–**			–
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	**–**			–
41	National specific regulatory adjustments	**1 982**		j	1 046
42	Regulatory adjustments applied to AT1 due to insufficient Tier 2 to cover deductions	**–**			–
43	**Total regulatory adjustments to AT1 capital**	**1 982**			1 046
44	**AT1 capital**	**12 986**		k	9 194
45	**Tier 1 capital (CET1 + AT1)**	**196 733**			177 841
TIER 2 CAPITAL: INSTRUMENTS AND PROVISIONS					
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	**–**			–
47	Directly issued capital instruments subject to phase-out from Tier 2	**–**			–
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	**16 593**		l	16 183
49	of which: instruments issued by subsidiaries subject to phase-out	**–**			–
50	Provisions	**8 845**			8 486
51	**Tier 2 capital before regulatory adjustments**	**25 438**			24 669
TIER 2 CAPITAL: REGULATORY ADJUSTMENTS					
52	Investments in own Tier 2 instruments	**–**			–
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	**–**			–
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	**–**			–
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	**–**			–
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	**–**			–
56	National specific regulatory adjustments	**1 537**		m	1 236
57	**Total regulatory adjustments to Tier 2 capital**	**1 537**			1 236
58	**Tier 2 capital**	**23 901**			23 433
59	**Total regulatory capital (Tier 1 + Tier 2)**	**220 634**			201 274
60	**Total RWA**	**1 404 760**			1 323 864
CAPITAL RATIOS AND BUFFERS					
61	CET1 (as a percentage of RWA)	**13.1%**			12.7%
62	Tier 1 (as a percentage of RWA)	**14.0%**			13.4%
63	Total capital (as a percentage of RWA)	**15.7%**			15.2%
64	Institution-specific buffer requirement (capital conservation buffer plus CCyB requirements plus higher loss absorbency requirement, expressed as a percentage of RWA)**	**9.0%**			8.8%
65	of which: capital conservation buffer requirement	**2.5%**			2.5%
66	of which: bank-specific CCyB requirement#	**0.5%**			0.3%
67	of which: higher loss absorbency requirement (D-SIB) buffer requirement†	**1.0%**			1.0%
68	CET1 (as a percentage of RWA) available after meeting the bank's minimum capital requirements	**2.2%**			1.9%

* *Reference to CC2: Reconciliation of regulatory capital to balance sheet table on page 187.*
** *Includes the minimum CET1 requirement.*
# *FirstRand's CCyB requirement is 47 bps for June 2024.*
† *The total D-SIB requirement is 1.5%, of which CET1 is 1.0%.*

CC1: Composition of regulatory capital *continued*

		FIRSTRAND LIMITED as at 30 June			
R million		2024	Amounts subject to pre-Basel III treatment	Reference*	2023
NATIONAL MINIMA (IF DIFFERENT FROM BASEL III)					
69	National CET1 minimum ratio	**9.0%**			8.8%
70	National Tier 1 minimum ratio	**11.2%**			11.0%
71	National total capital minimum ratio	**13.5%**			13.3%
AMOUNTS BELOW THE THRESHOLD FOR DEDUCTIONS (BEFORE RISK WEIGHTING)					
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	**1 687**			401
73	Significant investments in the common stock of financial entities	**7 635**			7 990
74	Mortgage servicing rights (net of related tax liability)				
75	Deferred tax assets arising from temporary differences (net of tax liability)	**8 161**		n	8 299
APPLICABLE CAPS ON THE INCLUSION OF PROVISIONS IN TIER 2					
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	**8 207**			9 957
77	Cap on inclusion of provisions in Tier 2 under standardised approach	**4 997**			5 205
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	**4 453**			3 659
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	**3 847**			3 281
CAPITAL INSTRUMENTS SUBJECT TO PHASE-OUT ARRANGEMENTS (ONLY APPLICABLE BETWEEN 1 JAN 2018 AND 1 JAN 2022)					
80	Current cap on CET1 instruments subject to phase-out arrangements				
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)				
82	Current cap on AT1 instruments subject to phase-out arrangements	**–**			–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	**–**			–
84	Current cap on Tier 2 instruments subject to phase-out arrangements	**–**			–
85	Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	**–**			–

* *Reference to CC2: Reconciliation of regulatory capital to balance sheet table on page 187.*

CC2: Reconciliation of regulatory capital to balance sheet

The table below highlights the differences between the scope of accounting and regulatory consolidation. It also links the group's published statement of financial position and the *CC1: Composition of regulatory capital disclosure* template.

	FIRSTRAND LIMITED as at 30 June		
R million	Balance sheet as in published financial statements	Under regulatory scope of consolidation*	Reference**
ASSETS			
Cash and cash equivalents	**158 477**	**158 277**	
Derivative financial instruments	**55 284**	**55 284**	
Commodities	**15 109**	**15 109**	
Investment securities	**433 516**	**421 745**	
Advances	**1 611 541**	**1 611 541**	
– Advances to customers	**1 532 589**	**1 532 589**	
– Marketable advances	**78 952**	**78 952**	
Collateral, settlement balances and other assets	**36 052**	**35 788**	
Current tax asset	**451**	**451**	
Non-current assets and disposal groups held for sale	**1 498**	**1 498**	
Insurance contract assets	**760**	**–**	
Reinsurance contract assets	**509**	**–**	
Investments in subsidiary companies	**–**	**2 312**	
Investments in associates	**10 332**	**10 332**	
Investments in joint ventures	**3 510**	**3 510**	
Property and equipment	**23 326**	**23 304**	
Intangible assets	**9 701**	**9 665**	
– Goodwill		**8 181**	e
– Intangibles		**1 484**	f
Investment properties	**704**	**704**	
Defined benefit post-employment asset	**7**	**7**	
Deferred income tax asset	**8 562**	**8 510**	
– Relating to temporary differences		**8 161**	n
– Other than temporary differences		**349**	g
Total assets	**2 369 339**		
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**10 273**	**10 273**	
Derivative financial instruments	**44 645**	**44 645**	
Creditors, accruals and provisions	**42 447**	**42 464**	
Current tax liability	**719**	**654**	
Liabilities directly associated with disposal groups held for sale	**1 126**	**1 126**	
Deposits	**2 003 151**	**2 003 148**	
Employee liabilities	**16 572**	**16 373**	
Other liabilities	**5 806**	**5 805**	
Amounts due to subsidiary companies	**–**	**360**	
Insurance contract liabilities	**968**	**–**	
Reinsurance contract liabilities	**48**	**–**	
Policyholder liabilities under investment contracts	**7 669**	**–**	
Tier 2 liabilities	**17 268**	**15 056**	l-m#
Deferred income tax liability	**843**	**460**	
Total liabilities	**2 151 535**		
Equity			
Ordinary shares	**56**	**56**	a
Share premium	**7 640**	**7 640**	a
Reserves	**187 576**	**185 081**	
– Retained earnings		**173 025**	b†
– Accumulated other comprehensive income (and other reserves)		**12 056**	c
Capital and reserves attributable to equityholders of the group	**195 272**		
Other equity instruments and reserves	**17 671**	**12 986**	k
of which: Non-controlling interests – AT1		**12 986**	
Non-controlling interests – CET1	**4 861**	**2 807**	d-h#
Total equity	**217 804**		
Total equity and liabilities	**2 369 339**		

* *Amounts included under regulatory scope of consolidation exclude balances related to insurance entities as the deduction approach is applied. Deduction for insurance entities is included in line 26 of CC1: Composition of regulatory capital table on page 184.*

** *Reference to CC1: Composition of regulatory capital table on page 184.*

Subject to the minority and third-party capital rule: net amount reported under regulatory scope of consolidation. Reference h relates to line 26 (regulatory deductions) on CC1: Composition of regulatory capital which includes surplus minority capital of R1.7 billion.

† *Excluding unappropriated profits.*

Note: Blank shaded cells not applicable or information not available..

OV1: Overview of RWA

The following table provides an overview of RWA per risk type for the group.

		FIRSTRAND LIMITED			
		RWA			Minimum capital requirement*
R million		**As at 30 June 2024**	As at 31 March 2024	As at 30 June 2023	**As at 30 June 2024**
1	**Credit risk (excluding counterparty credit risk)****	**989 151**	986 425	930 968	**133 259**
2	– Standardised approach	**372 883**	407 368	403 663	**50 235**
5	– Advanced internal ratings-based approach	**616 268**	579 057	527 305	**83 024**
16	**Securitisation exposures in banking book**[#]	**5 239**	5 264	5 359	**705**
17	– Internal ratings-based approach (SEC-IRBA)	**4 167**	4 191	5 290	**561**
19	– Standardised approach (SEC-SA)	**1 072**	1 073	69	**144**
	Total credit risk	**994 390**	991 689	936 327	**133 964**
6	**Counterparty credit risk**[†]	**15 017**	14 439	14 922	**2 023**
7	– Of which: standardised approach for CCR	**14 745**	14 142	14 612	**1 986**
9	– Of which: other CCR[‡]	**272**	297	310	**37**
10	**Credit valuation adjustment**	**11 553**	9 721	11 006	**1 556**
11	**Equity positions in banking book under market-based approach**[^]	**30 728**	28 856	25 459	**4 140**
12	**Equity investments in funds – look-through approach**	**318**	330	309	**43**
13	**Equity investments in funds – mandate-based approach**	**25 149**	25 038	22 254	**3 388**
14	**Equity investments in funds – fall-back approach**	**508**	499	781	**68**
20	**Market risk**[◊]	**36 143**	35 221	43 897	**4 869**
21	– Standardised approach	**13 949**	12 503	13 124	**1 879**
22	– Internal model approach	**22 194**	22 718	30 773	**2 990**
24	**Operational risk**	**164 412**	157 536	154 576	**22 150**
	– Basic indicator approach	**29 667**	27 023	25 796	**3 997**
	– Standardised approach	**31 100**	28 550	26 850	**4 190**
	– Advanced measurement approach	**103 645**	101 963	101 930	**13 963**
25	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**39 489**	37 849	40 723	**5 320**
26	**Floor adjustment**	**46 804**	44 073	38 467	**6 305**
	Other assets	**40 249**	38 096	35 143	**5 422**
27	**Total**[§]	**1 404 760**	1 383 347	1 323 864	**189 248**

* *The capital requirement is calculated at 13.5% (June 2023: 13.3%) of RWA. The minimum requirement excludes the bank-specific individual capital requirement (Pillar 2B). 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 CCyB requirement was 0.47% at 30 June 2024.*

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

SEC-ERBA including internal assessment approach (IAA) for securitisation exposures in the banking book was nil for the period under review (row 18 in OV1 template). This row is therefore excluded.

† *The group does not apply the internal model method to counterparty credit risk (row 8 of OV1 template). This row is therefore excluded.*

‡ *Reflects CCR exposure to CCPs, which follow a specific CCP methodology. Therefore it is disclosed separately under "other CCR".*

^ *Subject to the simple risk-weighted method.*

◊ *There were no switches between trading and banking book during the period under review (row 23 of OV1 template). This row is therefore excluded.*

§ *Settlement risk was nil for the period under review (row 15 in OV1 template). This row is therefore excluded.*

CCA: Main features of regulatory capital instruments

The table below provides a description of the terms and conditions or main features of the group's qualifying regulatory capital instruments.

FIRSTRAND LIMITED

June 2024

		Ordinary share capital and premium	FRB25*	FRB28	FRB34	FRB37	FRB38	FRB39	FRB41
1	Issuer	FirstRand Limited	FirstRand Bank Limited	FirstRand Bank Limited	FirstRand Bank Limited	FirstRand Bank Limited	FirstRand Bank Limited	FirstRand Bank Limited	FirstRand Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAE000066304	ZAG000157512	ZAG000172925	ZAG000192238	ZAG000197674	ZAG000198987	ZAG000200494	ZAG000205964
3	Governing law(s) of the instrument	South African law	South African law	South African law	South African law	South African law	South African law	South African law	South African law
	Regulatory treatment								
4	Transitional Basel III rules	CET1	AT1	AT1	AT1	AT1	AT1	AT1	AT1
5	Post-transitional Basel III rules	CET1	AT1	AT1	AT1	AT1	AT1	AT1	AT1
6	Eligible at solo/group/group and solo	Group	Group and solo	Group and solo	Group and solo	Group and solo	Group and solo	Group and solo	Group and solo
7	Instrument type (types to be specified by each jurisdiction)	CET1	AT1	AT1	AT1	AT1	AT1	AT1	AT1
8	Amount recognised in regulatory capital (R million)	7 696	3 461	1 400	2 804	1 387	2 039	1 574	2 090
9	Par value of instrument (R million)	7 696	3 461	1 400	2 804	1 387	2 039	1 574	2 090
10	Accounting classification	Shareholders' equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity
11	Original date of issuance	1 April 1998	19 March 2019	2 December 2020	2 December 2022	26 July 2023	6 September 2023	13 November 2023	12 June 2024
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Not applicable	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	19 September 2024	2 December 2025	2 June 2028	26 February 2029	6 May 2029	13 November 2028	12 June 2029
	Tax and/or regulatory event call	Not applicable	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Redemption amount	Not applicable	100% of principal	100% of principal	100% of principal	100% of principal	100% of principal	100% of principal	100% of principal
16	Subsequent call dates, if applicable	Not applicable	Any interest payment date after 19 September 2024	Any interest payment date after 2 December 2025	Any interest payment date after 2 June 2028	Any interest payment date after 26 February 2029	Any interest payment date after 6 May 2029	Any interest payment date after 13 November 2028	Any interest payment date after 12 June 2029
	Coupons/dividends								
17	Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	Not applicable	440 bps over 3-month JIBAR	440 bps over 3-month JIBAR	340 bps over 3-month JIBAR	310 bps over 3-month JIBAR	296 bps over 3-month JIBAR	290 bps over 3-month JIBAR	290 bps over 3-month JIBAR
19	Existence of a dividend stopper	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary

		FRB27	FRB29	FRB30	FRB31	FRB32	FRB33**	FRB35	FRB36	FRB40
1	Issuer	FirstRand Bank Limited	FirstRand Bank Limited	FirstRand Bank Limited	FirstRand Bank Limited	FirstRand Bank Limited	FirstRand Bank Limited	FirstRand Bank Limited	FirstRand Bank Limited	FirstRand Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAG000159963	ZAG000175555	ZAG000175563	ZAG000181520	ZAG000189838	ZAG000189846	ZAG000193269	ZAG000196601	ZAG000203449
3	Governing law(s) of the instrument	South African law	South African law	South African law	South African law	South African law	South African law	South African law	South African law	South African law
	Regulatory treatment									
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/group/group and solo	Group and solo	Group and solo	Group and solo	Group and solo	Group and solo	Group and solo	Group and solo	Group and solo	Group and solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
8	Amount recognised in regulatory capital (R million)	715	2 374	698	2 500	2 296	1 662	2 300	2 500	1 548
9	Par value of instrument (R million)	715	2 374	698	2 500	2 296	1 662	2 300	2 500	1 548
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	3 June 2019	19 April 2021	19 April 2021	24 November 2021	28 September 2022	28 September 2022	6 February 2023	14 June 2023	11 March 2024
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	3 June 2031	19 April 2031	19 April 2031	24 November 2031	28 September 2032	28 September 2034	6 February 2033	14 September 2033	11 March 2035
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	3 June 2026	19 April 2026	19 April 2026	24 November 2026	28 September 2027	28 September 2029	6 February 2028	14 September 2028	11 March 2030
	Tax and/or regulatory event call	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Redemption amount	100% of principal	100% of principal	100% of principal	100% of principal	100% of principal	100% of principal	100% of principal	100% of principal	100% of principal
16	Subsequent call dates, if applicable	Each interest payment date after optional call date	Each interest payment date after optional call date	Each interest payment date after optional call date	Each interest payment date after optional call date	Each interest payment date after optional call date	Each interest payment date after optional call date	Each interest payment date after optional call date	Each interest payment date after optional call date	Each interest payment date after optional call date
	Coupons/dividends									
17	Fixed or floating dividend/coupon	Fixed to floating[#]	Floating	Fixed to floating[†]	Floating	Floating	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	10.19%	234 bps over 3-month JIBAR	8.155%	190 bps over 3-month JIBAR	205 bps over 3-month JIBAR	220 bps over 3-month JIBAR	190 bps over 3-month JIBAR	188 bps over 3-month JIBAR	186 bps over 3-month JIBAR
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

* *Includes tap issuances of R223 million on 18 April 2019 and R761 million on 5 July 2019, respectively.*

** *Includes tap issuance of R722 million on 6 December 2023.*

[#] *Floating rate is effective on 3 June 2026 at 254 bps over 3-month JIBAR.*

[†] *Floating rate is effective on 19 April 2026 at 234 bps over 3-month JIBAR.*

CCA: Main features of regulatory capital instruments *continued*

FIRSTRAND LIMITED

June 2024

		Ordinary share capital and premium	FRB25	FRB28	FRB34	FRB37	FRB38	FRB39	FRB41	FRB27	FRB29	FRB30	FRB31	FRB32	FRB33	FRB35	FRB36	FRB40
21	Existence of step-up or other incentive to redeem	Not applicable	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Not applicable	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)																	
25	If convertible, fully or partially																	
26	If convertible, conversion rate																	
27	If convertible, mandatory or optional conversion																	
28	If convertible, specify instrument type convertible into																	
29	If convertible, specify issuer of instrument it converts into																	
30	Write-down feature	Not applicable	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)		Contractual. Replaced with statutory once implemented, however, Prudential Authority can still elect contractual	Contractual. Replaced with statutory once implemented, however, Prudential Authority can still elect contractual	Contractual. Replaced with statutory once implemented, however, Prudential Authority can still elect contractual	Contractual. Replaced with statutory once implemented, however, Prudential Authority can still elect contractual	Contractual. Replaced with statutory once implemented, however, Prudential Authority can still elect contractual	Contractual. Replaced with statutory once implemented, however, Prudential Authority can still elect contractual	Contractual. Replaced with statutory once implemented, however, Prudential Authority can still elect contractual	Contractual. Replaced with statutory once implemented, however, Prudential Authority can still elect contractual	Contractual. Replaced with statutory once implemented, however, Prudential Authority can still elect contractual	Contractual. Replaced with statutory once implemented, however, Prudential Authority can still elect contractual	Contractual. Replaced with statutory once implemented, however, Prudential Authority can still elect contractual	Contractual. Replaced with statutory once implemented, however, Prudential Authority can still elect contractual	Contractual. Replaced with statutory once implemented, however, Prudential Authority can still elect contractual	Contractual. Replaced with statutory once implemented, however, Prudential Authority can still elect contractual	Contractual. Replaced with statutory once implemented, however, Prudential Authority can still elect contractual	Contractual. Replaced with statutory once implemented, however, Prudential Authority can still elect contractual
32	If write-down, full or partial		Partial	Partial	Partial	Partial	Partial	Partial	Partial	Partial	Partial	Partial	Partial	Partial	Partial	Partial	Partial	Partial
33	If write-down, permanent or temporary		Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism		Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	AT1	Subordinated debt*	Subordinated debt*	Subordinated debt*	Subordinated debt*	Subordinated debt*	Subordinated debt*	Subordinated debt*	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured
36	Non-compliant transitioned features	Not applicable	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
37	If yes, specify non-compliant features		Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

* *Ranking as Tier 2 capital instruments.*

CCYB1: Geographical distribution of credit exposures used in the countercyclical capital buffer*

The table below provides an overview of the geographical distribution of private sector credit exposures relevant for the calculation of the CCyB.

R million

Geographical breakdown	Countercyclical buffer rate	Risk-weighted assets used in the computation of the countercyclical capital buffer	Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
United Kingdom	**2.00%**	215 232		
Sum**		215 232		
Total#		906 747	0.47%	6 630

* *Applied materiality threshold in Directive 2 of 2018, Materiality threshold in respect of exposure to a foreign jurisdiction in applying jurisdictional reciprocity in the countercyclical capital buffer calculation to determine exposures to foreign jurisdictions.*

** *Total exposures with non-zero CCyB requirements.*

Total exposures across all jurisdictions, non-zero CCyB requirements.

CC1: Composition of regulatory capital

The table below provides a detailed breakdown of regulatory capital according to the scope of regulatory consolidation for the bank.

	R million	FIRSTRAND BANK LIMITED* as at 30 June 2024	Amounts subject to pre-Basel III treatment	Reference**	2023
	COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES				
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	**16 808**		a	16 808
2	Retained earnings	**92 165**		b	82 265
3	Accumulated other comprehensive income (and other reserves)	**2 050**		c	150
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)				
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	**–**			–
6	**CET1 capital before regulatory adjustments**	**111 023**			99 223
	COMMON EQUITY TIER 1 CAPITAL: REGULATORY ADJUSTMENTS				
7	Prudential valuation adjustments	**296**			376
8	Goodwill (net of related tax liability)	**–**			–
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	**1 150**		d	787
10	Deferred tax assets that rely on future probability, excluding those arising from temporary differences (net of related tax liability)	**265**		e	258
11	Cash flow hedge reserve	**(884)**			(3 225)
12	Shortfall of provisions to expected losses	**–**			–
13	Securitisation gain on sale	**–**			–
14	Gains and losses due to changes in own credit risk on fair valued liabilities	**–**			–
15	Defined benefit pension fund net assets	**–**			–
16	Investments in own shares (if not already subtracted from paid in capital on reported balance sheet)	**5**			–
17	Reciprocal cross-holdings in common equity	**–**			–
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	**–**			–
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	**–**			–
20	Mortgage servicing rights (amount above 10% threshold)				
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	**–**			–
22	Amount exceeding the 15% threshold	**–**			–
23	of which: significant investments in the common stock of financials	**–**			–
24	of which: mortgage servicing rights				
25	of which: deferred tax assets arising from temporary differences	**–**			–
26	National specific regulatory adjustments	**–**			–
27	Regulatory adjustments applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	**–**			–
28	**Total regulatory adjustments to CET1**	**832**			(1 804)
29	**CET1 capital**	**110 191**			101 027
	ADDITIONAL TIER 1 CAPITAL: INSTRUMENTS				
30	Directly issued qualifying AT1 instruments plus related stock surplus	**14 755**			9 930
31	of which: classified as equity under applicable accounting standards	**14 755**		f	9 930
32	of which: classified as liabilities under applicable accounting standards	**–**			–
33	Directly issued capital instruments subject to phase-out from AT1	**–**			–
34	AT1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	**–**			–
35	of which: instruments issued by subsidiaries subject to phase-out	**–**			–
36	**AT1 capital before regulatory adjustments**	**14 755**			9 930

* *FRB including foreign branches.*

** *Reference to CC2: Reconciliation of regulatory capital to balance sheet table on page 195.*

CC1: Composition of regulatory capital *continued*

R million		FIRSTRAND BANK LIMITED* as at 30 June 2024	Amounts subject to pre-Basel III treatment	Reference**	2023
ADDITIONAL TIER 1 CAPITAL: REGULATORY ADJUSTMENTS					
37	Investments in own AT1 instruments	**–**			–
38	Reciprocal cross-holdings in AT1 instruments	**–**			–
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	**–**			–
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	**–**			–
41	National specific regulatory adjustments	**3 702**			2 587
42	Regulatory adjustments applied to AT1 due to insufficient Tier 2 to cover deductions	**–**			–
43	**Total regulatory adjustments to AT1 capital**	**3 702**			2 587
44	**AT1 capital**	**11 053**			7 343
45	**Tier 1 capital (CET1 + AT1)**	**121 244**			108 370
TIER 2 CAPITAL: INSTRUMENTS AND PROVISIONS					
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	**16 593**		g	16 183
47	Directly issued capital instruments subject to phase-out from Tier 2	**–**			–
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	**–**			–
49	of which: instruments issued by subsidiaries subject to phase-out	**–**			–
50	Provisions	**4 267**			3 954
51	**Tier 2 capital before regulatory adjustments**	**20 860**			20 137
TIER 2 CAPITAL: REGULATORY ADJUSTMENTS					
52	Investments in own Tier 2 instruments	**–**			–
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	**–**			–
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	**–**			–
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	**–**			–
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	**–**			–
56	National specific regulatory adjustments	**2 299**			3 641
57	**Total regulatory adjustments to Tier 2 capital**	**2 299**			3 641
58	**Tier 2 capital**	**18 561**			16 496
59	**Total regulatory capital (Tier 1 + Tier 2)**	**139 805**			124 866
60	**Total RWA**	**915 172**			841 472
CAPITAL RATIOS AND BUFFERS					
61	CET1 (as a percentage of RWA)	**12.0%**			12.0%
62	Tier 1 (as a percentage of RWA)	**13.2%**			12.9%
63	Total capital (as a percentage of RWA)	**15.3%**			14.8%
64	Institution-specific buffer requirement (capital conservation buffer plus (CCyB) requirements plus higher loss absorbency requirement, expressed as a percentage of RWA)#	**8.5%**			8.5%
65	of which: capital conservation buffer requirement	**2.5%**			2.5%
66	of which: bank-specific CCyB requirement†	**0.0%**			0.0%
67	of which: higher loss absorbency requirement (D-SIB) buffer requirement‡	**1.0%**			1.0%
68	CET1 (as a percentage of RWA) available after meeting the bank's minimum capital requirements	**2.3%**			1.8%

* *FRB including foreign branches.*

** *Reference to CC2: Reconciliation of regulatory capital to balance sheet table on page 195.*

Includes the minimum CET1 requirement.

† *FRB's CCyB requirement is nil for June 2024.*

‡ *The total D-SIB requirement is 1.5% , of which CET1 is 1.0%.*

CC1: Composition of regulatory capital *continued*

R million		FIRSTRAND BANK LIMITED* as at 30 June 2024	Amounts subject to pre-Basel III treatment	Reference**	2023
NATIONAL MINIMA (IF DIFFERENT FROM BASEL III)					
69	National CET1 minimum ratio	**8.5%**			8.5%
70	National Tier 1 minimum ratio	**10.8%**			10.8%
71	National total capital minimum ratio	**13.0%**			13.0%
AMOUNTS BELOW THE THRESHOLD FOR DEDUCTIONS (BEFORE RISK WEIGHTING)					
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	**358**			268
73	Significant investments in the common stock of financial entities	**134**			150
74	Mortgage servicing rights (net of related tax liability)				
75	Deferred tax assets arising from temporary differences (net of tax liability)	**7 027**		h	7 141
APPLICABLE CAPS ON THE INCLUSION OF PROVISIONS IN TIER 2					
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	**943**			901
77	Cap on inclusion of provisions in Tier 2 under standardised approach	**423**			547
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	**4 105**			4 070
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	**3 844**			3 407
CAPITAL INSTRUMENTS SUBJECT TO PHASE-OUT ARRANGEMENTS (ONLY APPLICABLE BETWEEN 1 JAN 2018 AND 1 JAN 2022)					
80	Current cap on CET1 instruments subject to phase-out arrangements				
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)				
82	Current cap on AT1 instruments subject to phase-out arrangements	**–**			–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	**–**			–
84	Current cap on Tier 2 instruments subject to phase-out arrangements	**–**			–
85	Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	**–**			–

* *FRB including foreign branches.*

** *Reference to CC2: Reconciliation of regulatory capital to balance sheet table on page 195.*

CC2: Reconciliation of regulatory capital to balance sheet

The table below highlights the differences between the scope of accounting and regulatory consolidation. It also links the bank's published statement of financial position and the *CC1: Composition of regulatory capital disclosure* template.

	FIRSTRAND BANK LIMITED* as at 30 June 2024		
R million	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference**
ASSETS			
Cash and cash equivalents	**88 470**	**88 470**	
Derivative financial instruments	**45 974**	**45 974**	
Commodities	**15 109**	**15 109**	
Investment securities	**307 698**	**307 698**	
Advances	**1 143 128**	**1 143 128**	
– Advances to customers	**1 063 654**	**1 063 654**	
– Marketable advances	**79 474**	**79 474**	
Collateral, settlement balances and other assets	**28 333**	**28 333**	
Current tax asset	**247**	**247**	
Amounts due by holding company and fellow subsidiary companies	**58 638**	**58 638**	
Property and equipment	**19 526**	**19 526**	
Intangible assets	**1 150**	**1 150**	d
Investment properties	**281**	**281**	
Deferred income tax asset	**7 292**	**7 292**	
– Relating to temporary differences		**7 027**	h
– Other than temporary differences		**265**	e
Total assets	**1 715 846**		
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**9 601**	**9 601**	
Derivative financial instruments	**43 384**	**43 384**	
Creditors, accruals and provisions	**27 019**	**27 019**	
Deposits	**1 444 707**	**1 444 707**	
Employee liabilities	**13 755**	**13 755**	
Other liabilities	**3 046**	**3 046**	
Amounts due to holding company and fellow subsidiary companies	**28 419**	**28 419**	
Tier 2 liabilities	**16 758**	**16 593**	g
Total liabilities	**1 586 689**		
Equity			
Ordinary shares	**4**	**4**	a
Share premium	**16 804**	**16 804**	a
Reserves	**97 594**	**94 215**	
– Retained earnings		**92 165**	b#
– Accumulated other comprehensive income (and other reserves)		**2 050**	c
Capital and reserves attributable to ordinary equityholders	**114 402**		
Other equity instruments and reserves	**14 755**	**14 755**	f
Total equity	**129 157**		
Total equity and liabilities	**1 715 846**		

* *FRB including foreign branches.*

** *Reference to CC1: Composition of regulatory capital table on page 192.*

\# *Excluding unappropriated profits.*

Note: Blank shaded cells not applicable or information not available..

OV1: Overview of RWA

The following table provides an overview of RWA per risk type for the bank.

		FIRSTRAND BANK LIMITED*			
		RWA			Minimum capital requirement**
	R million	**As at 30 June 2024**	As at 31 March 2024	As at 30 June 2023	**As at 30 June 2024**
1	**Credit risk (excluding counterparty credit risk)#**	**649 418**	638 895	591 783	**84 424**
2	– Standardised approach	**14 016**	41 786	43 334	**1 822**
5	– Advanced internal ratings-based approach	**635 402**	597 109	548 449	**82 602**
16	**Securitisation exposures in banking book†**	**4 236**	4 260	5 359	**551**
17	– SEC-IRBA	**4 167**	4 191	5 290	**542**
19	– SEC-SA	**69**	69	69	**9**
	Total credit risk	**653 654**	643 155	597 142	**84 975**
6	**Counterparty credit risk‡**	**11 290**	9 316	8 432	**1 468**
7	– Of which: standardised approach for CCR	**11 132**	9 147	8 181	**1 447**
9	– Of which: other CCR^	**158**	169	251	**21**
10	**Credit valuation adjustment**	**9 570**	6 316	6 032	**1 244**
11	**Equity positions in banking book under market-based approach◊**	**2 336**	2 094	1 854	**304**
13	**Equity investments in funds – mandate-based approach**	**194**	560	102	**25**
14	**Equity investments in funds – fall-back approach**	**508**	499	124	**66**
20	**Market risk§**	**31 619**	30 896	37 382	**4 110**
21	– Standardised approach	**9 425**	8 178	6 609	**1 225**
22	– Internal model approach	**22 194**	22 718	30 773	**2 885**
24	**Operational risk**	**105 949**	102 849	102 356	**13 773**
	– Standardised approach	**3 556**	3 085	2 875	**462**
	– Advanced measurement approach	**102 393**	99 764	99 481	**13 311**
25	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**17 904**	16 415	18 228	**2 328**
26	**Floor adjustment**	**50 618**	48 107	42 383	**6 580**
	Other assets	**31 530**	34 024	27 437	**4 099**
27	**Total∆**	**915 172**	894 231	841 472	**118 972**

* *FRB including foreign branches.*

** *The capital requirement is calculated at 13% (June 2023: 13%) of RWA. The minimum requirement excludes the bank-specific individual capital requirement (Pillar 2B). 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 CCyB requirement was nil at 30 June 2024.*

\# *The bank does not apply the foundation IRB and the supervisory slotting approaches (rows 3 and 4 of OV1 template). These rows are therefore excluded.*

† *SEC-ERBA including IAA for securitisation exposures in the banking book was nil for the period under review (row 18 of OV1 template). This row is therefore excluded.*

‡ *The bank does not apply the internal model method to counterparty credit risk (row 8 of OV1 template). This row is therefore excluded.*

^ *Reflects CCR exposure to CCPs, which follows a specific CCP methodology. Therefore it is disclosed separately under "other CCR".*

◊ *Subject to the simple risk-weighted method.*

§ *There were no switches between trading and banking book during the period under review (row 23 of OV1 template).This row is therefore excluded.*

∆ *Equity investments in funds look-through approach and settlement risk was nil for the period under review (row 12 and 15 of OV1 template). These rows are therefore excluded.*

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

The table below provides a reconciliation of the published total assets as per the statement of financial position to the leverage ratio exposure measure for the group and bank.

	R million	FIRSTRAND LIMITED	FIRSTRAND BANK LIMITED**
		30 June 2024	
1	Total consolidated assets as per published financial statements	**2 369 339**	**1 715 846**
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(11 912)**	**–**
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	**(20 366)**	**(9 028)**
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	**2 305**	**2 305**
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**134 146**	**106 927**
7	Other adjustments	**(10 799)**	**(2 032)**
8	**Leverage ratio exposure**	**2 462 713**	**1 814 018**

* *Based on month-end balances.*

** *FRB including foreign branches.*

LR2: Leverage ratio common disclosure template*

The table below provides a detailed breakdown of the components of the leverage ratio exposure measure for the group and bank.

	R million	FIRSTRAND LIMITED As at 30 June 2024	FIRSTRAND LIMITED As at 31 March 2024	FIRSTRAND BANK LIMITED** As at 30 June 2024	FIRSTRAND BANK LIMITED** As at 31 March 2024
	ON-BALANCE SHEET EXPOSURES				
1	On-balance sheet exposures (excluding derivatives and SFTs, but including collateral)	**2 287 323**	2 279 661	**1 631 361**	1 617 445
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	**(64 963)**	(67 154)	**(42 795)**	(42 881)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**2 222 360**	2 212 507	**1 588 566**	1 574 564
	DERIVATIVE EXPOSURES				
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**19 564**	15 198	**22 342**	19 792
5	Add-on amounts for PFE associated with all derivatives transactions	**18 726**	18 420	**19 270**	19 169
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)	**(4 754)**	(5 576)	**(4 754)**	(5 576)
8	(Exempted CCP leg of client-cleared trade exposures)	**(1 406)**	(3)	**(1 406)**	(3)
9	Adjusted effective notional amount of written credit derivatives	**3 758**	5 571	**3 758**	5 571
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**(970)**	(970)	**(970)**	(970)
11	**Total derivative exposures (sum of lines 4 to 10)**	**34 918**	32 640	**38 240**	37 983
	SECURITIES FINANCING TRANSACTION EXPOSURES				
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**68 984**	71 643	**77 981**	80 199
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**–**	–	**–**	–
14	CCR exposure for SFT assets	**2 305**	3 449	**2 305**	3 449
15	Agent transaction exposures	**–**	–	**–**	–
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**71 289**	75 092	**80 286**	83 648
	OTHER OFF-BALANCE SHEET EXPOSURES				
17	Off-balance sheet exposure at gross notional amount	**586 184**	568 616	**544 025**	520 087
18	(Adjustments for conversion to credit equivalent amounts)	**(452 038)**	(435 881)	**(437 098)**	(416 890)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**134 146**	132 735	**106 927**	103 197
	CAPITAL AND TOTAL EXPOSURES				
20	**Tier 1 capital**	**196 733**	193 301	**121 244**	118 319
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**2 462 713**	2 452 974	**1 814 018**	1 799 392
	LEVERAGE RATIO				
22	**Basel III leverage ratio**	**8.0%**	7.9%	**6.7%**	6.6%

* *Based on month-end balances.*

** *FRB including foreign branches.*

LIQ1: Liquidity coverage ratio

The table below provides a breakdown of the group and bank's available HQLA, cash outflows and cash inflows, as measured and defined according to the LCR standards.

		FIRSTRAND LIMITED*		FIRSTRAND BANK LIMITED SOUTH AFRICA*	
R million		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
HIGH-QUALITY LIQUID ASSETS					
1	Total HQLA		**524 469**		**379 949**
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	**829 609**	**57 967**	**485 517**	**41 642**
3	Stable deposits	**136 681**	**4 916**	**19 147**	**957**
4	Less stable deposits	**692 928**	**53 051**	**466 370**	**40 685**
5	Unsecured wholesale funding, of which:	**697 193**	**350 308**	**586 414**	**292 124**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	**184 907**	**46 227**	**162 535**	**40 634**
7	Non-operational deposits (all counterparties)	**504 537**	**296 332**	**416 403**	**244 014**
8	Unsecured debt	**7 749**	**7 749**	**7 476**	**7 476**
9	Secured wholesale funding		**8 926**		**1 305**
10	Additional requirements, of which:	**341 397**	**60 475**	**309 514**	**50 965**
11	Outflows related to derivative exposures and other collateral requirements	**20 886**	**20 886**	**13 792**	**13 792**
12	Outflows related to loss of funding on debt products	**101 896**	**5 095**	**96 484**	**4 824**
13	Credit and liquidity facilities	**218 615**	**34 494**	**199 238**	**32 349**
14	Other contractual funding obligations	**–**	**–**	**–**	**–**
15	Other contingent funding obligations	**326 427**	**12 793**	**305 540**	**11 798**
16	**TOTAL CASH OUTFLOWS**		**490 469**		**397 834**
CASH INFLOWS					
17	Secured lending (e.g. reverse repos)	**13 692**	**7 371**	**7 874**	**1 736**
18	Inflows from fully performing exposures	**139 670**	**112 368**	**98 679**	**77 016**
19	Other cash inflows	**4 579**	**4 482**	**4 228**	**4 296**
20	**TOTAL CASH INFLOWS**	**157 941**	**124 221**	**110 781**	**83 048**
			Total adjusted value		**Total adjusted value**
21	**TOTAL HQLA****		**448 706**		**379 949**
22	**TOTAL NET CASH OUTFLOW#**		**379 310**		**314 786**
23	**LIQUIDITY COVERAGE RATIO†**		**118%**		**121%**

* *The consolidated LCR for the group (FirstRand) includes FRB and all other banking subsidiaries. FRB's LCR reflects its operations in South Africa.*

** *The weighted values have 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 outflow. The total cash inflows balance is prior to the application of the cap.*

† *The LCR is calculated as a simple average of 91 days of daily observations over the period ended 30 June 2024 for FRB South Africa and the London branch, as well as FNB Botswana and FNB Namibia. The remaining banking entities, including Aldermore, are based on the quarter end values.*

The figures are based on the regulatory submissions to the PA.

LIQ2: Net stable funding ratio

The table below provides a breakdown of the bank's available stable funding and required stable funding components, as measured and defined according to the NSFR standards.

		FIRSTRAND BANK LIMITED SOUTH AFRICA*				
		a	b	c	d	e
		Unweighted value by residual maturity				
	R million	No maturity	<6 months	6 months to <1 year	>= 1 year	Weighted value**
	AVAILABLE STABLE FUNDING (ASF) ITEM					
1	Capital:	**126 137**	**–**	**–**	**16 593**	**142 730**
2	Regulatory capital	**126 137**	**–**	**–**	**16 593**	**142 730**
3	Other capital instruments	**–**	**–**	**–**	**–**	**–**
4	Retail deposit and deposits from small business customers:	**179 889**	**292 761**	**15 415**	**22 066**	**465 128**
5	Stable deposits	**–**	**76 057**	**–**	**–**	**72 254**
6	Less stable deposits	**179 889**	**216 704**	**15 415**	**22 066**	**392 874**
7	Wholesale funding	**253 896**	**449 969**	**76 096**	**141 421**	**454 778**
8	Operational deposits	**184 827**	**–**	**–**	**–**	**92 414**
9	Other wholesale funding	**69 069**	**449 969**	**76 096**	**141 421**	**362 364**
10	Liabilities with matching interdependent assets	**–**	**–**	**–**	**–**	**–**
11	Other liabilities:	**18 245**	**29 707**	**–**	**22 512**	**13 384**
12	NSFR derivative liabilities		**–**	**–**	**21 135**	
13	All other liabilities and equity not included in the above categories	**18 245**	**29 707**	**–**	**1 377**	**13 384**
14	**Total ASF**					**1 076 020**
	REQUIRED STABLE FUNDING (RSF) ITEM					
15	Total NSFR high-quality liquid assets					**38 571**
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:					**773 838**
18	Performing loans to financial institutions secured by Level 1 HQLA	**–**	**60 516**	**59**	**6 768**	**12 849**
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	**–**	**60 039**	**16 394**	**91 505**	**108 708**
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which:	**–**	**114 499**	**71 031**	**400 012**	**432 589**
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	**–**	**–**	**–**	**–**	**–**
22	Performing residential mortgages, of which:	**–**	**5 108**	**4 801**	**235 274**	**162 636**
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	**–**	**4 004**	**4 484**	**212 514**	**142 378**
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	**5 686**	**–**	**4 400**	**58 850**	**57 056**
25	Assets with matching interdependent liabilities					
26	Other assets:					**89 288**
27	Physical traded commodities, including gold	**15 109**				**12 843**
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		**–**	**–**	**26 178**	**17 520**
29	NSFR derivative assets		**–**	**–**	**22 539**	**1 404**
30	NSFR derivative liabilities before deduction of variation margin posted		**–**	**–**	**21 135**	**2 113**
31	All other assets not included in the above categories		**–**	**–**	**55 408**	**55 408**
32	Off-balance sheet items		**599 614**			**24 993**
33	**Total RSF**					**926 690**
34	**Net stable funding ratio**					**116%**

* *The NSFR is calculated as at the month ended 30 June 2024 for FRB's operations in South Africa.*

** *The weighted values have been calculated after the application of the respective haircuts for ASF and RSF as defined by the PA.*

LIQ2: Net stable funding ratio *continued*

The table below provides a breakdown of the group available stable funding and required stable funding components, as measured and defined according to the NSFR standards.

		FIRSTRAND LIMITED*				
		a	b	c	d	e
		Unweighted value by residual maturity				
	R million	**No maturity**	**< 6 months**	**6 months to < 1 year**	**>= 1 year**	**Weighted value****
ASF ITEM						
1	Capital:	**182 143**	**–**	**–**	**18 892**	**201 035**
2	Regulatory capital	**182 143**	**–**	**–**	**18 892**	**201 035**
3	Other capital instruments	**–**	**–**	**–**	**–**	**–**
4	Retail deposit and deposits from small business customers:	**198 673**	**538 031**	**60 434**	**76 596**	**797 823**
5	Stable deposits	**–**	**76 057**	**–**	**–**	**72 254**
6	Less stable deposits	**198 673**	**461 974**	**60 434**	**76 596**	**725 569**
7	Wholesale funding	**297 866**	**538 313**	**102 340**	**171 060**	**549 857**
8	Operational deposits	**184 827**	**25 268**	**–**	**–**	**105 048**
9	Other wholesale funding	**113 039**	**513 045**	**102 340**	**171 060**	**444 809**
10	Liabilities with matching interdependent assets					
11	Other liabilities:	**28 937**	**38 085**	**292**	**25 972**	**23 162**
12	NSFR derivative liabilities		**–**	**–**	**21 302**	
13	All other liabilities and equity not included in the above categories	**28 937**	**38 085**	**292**	**4 670**	**23 162**
14	**Total ASF**					**1 571 877**
RSF ITEM						
15	Total NSFR high-quality liquid assets					**47 105**
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:					**1 123 219**
18	Performing loans to financial institutions secured by Level 1 HQLA	**–**	**65 144**	**920**	**14 042**	**21 016**
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	**–**	**48 766**	**28 702**	**157 823**	**179 488**
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	**–**	**153 825**	**86 136**	**528 632**	**569 246**
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	**–**	**–**	**–**	**–**	**–**
22	Performing residential mortgages, of which:	**–**	**14 824**	**11 289**	**399 170**	**295 450**
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	**–**	**13 112**	**10 566**	**366 152**	**265 965**
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	**5 686**	**358**	**4 613**	**59 647**	**58 019**
25	Assets with matching interdependent liabilities					
26	Other assets:					**113 025**
27	Physical traded commodities, including gold	**15 109**				**12 843**
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		**–**	**–**	**26 178**	**17 520**
29	NSFR derivative assets		**–**	**–**	**29 823**	**8 521**
30	NSFR derivative liabilities before deduction of variation margin posted		**–**	**–**	**21 677**	**2 168**
31	All other assets not included in the above categories		**–**	**–**	**71 973**	**71 973**
32	Off-balance sheet items		**725 638**			**27 609**
33	**Total RSF**					**1 310 958**
34	**Net stable funding ratio**					**120%**

* *The NSFR is calculated as at the month ended 30 June 2024 for FRB's operations in South Africa and all registered banks and foreign branches within the group.*

** *The weighted values have been calculated after the application of the respective haircuts for ASF and RSF as defined by the PA.*

IRRBB1 – Quantitative information on IRRBB

The table below provides information on the bank's changes in EVE and NII under each of the prescribed interest rate shock scenarios.

	FIRSTRAND BANK LIMITED			
	EVE (behavioural)		NII (behavioural)	
R million	**As at 30 June 2024**	As at 30 June 2023	**As at 30 June 2024**	As at 30 June 2023
Parallel up	**(12 730)**	(13 491)	**1 801**	1 933
Parallel down	**15 300**	16 230	**(2 160)**	(2 196)
Steepener	**(2 354)**	(1 609)		
Flattener	**(397)**	(1 220)		
Short rate up	**(5 745)**	(6 787)		
Short rate down	**5 806**	6 874		
Maximum (loss)	**(12 730)**	(13 491)	**(2 160)**	(2 196)
Tier 1 capital	**115 587**	101 366		

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE

The following tables provide the main parameters used for the calculation of capital requirements for the exposures in the AIRB models split by asset class and shown within fixed regulatory PD ranges.

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE

	Corporate					
	At 30 June 2024					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF (%)	EAD post CRM and post CCF (R million)	Average PD (%)	Number of obligors
0.00 to <0.15	3 896	624	42.65	5 367	0.07	41
0.15 to <0.25	51 807	40 337	42.84	65 742	0.20	103
0.25 to <0.50	56 833	53 252	41.23	77 464	0.41	261
0.50 to <0.75	54 044	29 805	46.16	62 625	0.70	183
0.75 to <2.50	79 707	35 154	42.84	93 008	1.51	488
2.50 to <10	14 609	4 783	38.65	16 409	4.34	292
10 to <100	3 381	702	48.04	3 738	12.10	104
100 (default)	1 530	1 073	3.02	1 563	100.00	12
Total	265 807	165 730	42.56	325 916	1.50	1 484

	Corporate					
	At 30 June 2024					
PD scale	Average LGD (%)	Average maturity (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	31.46	1.42	734	13.68	1	
0.15 to <0.25	30.20	1.84	18 120	27.56	38	
0.25 to <0.50	28.06	1.81	28 799	37.18	87	
0.50 to <0.75	25.65	1.95	27 805	44.40	111	
0.75 to <2.50	30.55	1.90	65 038	69.93	432	
2.50 to <10	41.07	1.52	21 057	128.33	302	
10 to <100	36.55	1.41	6 568	175.71	183	
100 (default)	53.04	1.02	1 903	121.75	900	
Total	29.62	1.86	170 024	52.17	2 054	3 099

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	Corporate					
	As at 30 June 2023					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF (%)	EAD post CRM and post CCF (R million)	Average PD* (%)	Number of obligors
0.00 to <0.15	1 700	1 609	51.56	2 453	0.09	6
0.15 to <0.25	39 144	35 419	49.13	55 147	0.20	47
0.25 to <0.50	59 304	49 094	47.04	79 605	0.40	110
0.50 to <0.75	43 234	19 247	53.22	50 137	0.68	112
0.75 to <2.50	46 048	25 326	57.07	59 698	1.60	285
2.50 to <10	12 729	4 757	54.40	15 296	4.50	155
10 to <100	1 116	591	52.39	1 414	11.04	79
100 (default)	2 441	123	26.60	2 474	100.00	7
Total	205 716	136 166	50.54	266 224	1.89	801

	Corporate					
	As at 30 June 2023					
PD scale	Average LGD (%)	Average maturity (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	30.10	1.27	317	12.92	1	
0.15 to <0.25	31.28	1.77	15 568	28.23	34	
0.25 to <0.50	28.88	1.84	30 347	38.12	91	
0.50 to <0.75	25.50	1.91	22 034	43.95	86	
0.75 to <2.50	30.79	1.72	41 091	68.83	295	
2.50 to <10	37.45	1.58	17 986	117.59	262	
10 to <100	39.34	1.58	2 394	169.31	59	
100 (default)	50.79	1.07	–	–	1 256	
Total	29.93	1.78	129 737	48.73	2 084	2 158

* *The risk aggregation process was enhanced in 2023, which included average PD.*

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	Specialised lending					
	At 30 June 2024					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF (%)	EAD post CRM and post CCF (R million)	Average PD (%)	Number of obligors
0.00 to <0.15	**91**	**30**	**42.50**	**104**	**0.08**	**1**
0.15 to <0.25	**3 755**	**2 344**	**9.47**	**3 931**	**0.19**	**23**
0.25 to <0.50	**42 466**	**5 597**	**48.93**	**43 324**	**0.41**	**87**
0.50 to <0.75	**23 459**	**5 769**	**44.81**	**25 534**	**0.68**	**82**
0.75 to <2.50	**38 469**	**5 283**	**44.01**	**40 873**	**1.38**	**1 273**
2.50 to <10	**7 838**	**1 042**	**50.57**	**8 489**	**3.72**	**475**
10 to <100	**3 211**	**–**	**–**	**3 216**	**24.09**	**44**
100 (default)	**3 200**	**32**	**–**	**3 200**	**100.00**	**76**
Total	**122 489**	**20 097**	**41.85**	**128 671**	**4.06**	**2 061**

	Specialised lending					
	At 30 June 2024					
PD scale	Average LGD (%)	Average maturity (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	**23.11**	**3.73**	**19**	**18.27**	**–**	
0.15 to <0.25	**23.26**	**3.09**	**1 093**	**27.80**	**2**	
0.25 to <0.50	**16.82**	**2.80**	**11 617**	**26.81**	**30**	
0.50 to <0.75	**23.03**	**3.35**	**12 289**	**48.13**	**40**	
0.75 to <2.50	**24.88**	**2.74**	**25 247**	**61.77**	**151**	
2.50 to <10	**28.12**	**2.79**	**8 157**	**96.09**	**105**	
10 to <100	**22.88**	**2.74**	**4 070**	**126.55**	**180**	
100 (default)	**18.71**	**2.07**	**1 791**	**55.97**	**769**	
Total	**21.65**	**2.84**	**64 283**	**49.96**	**1 277**	**1 565**

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	Specialised lending					
	As at 30 June 2023					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF* (%)	EAD post CRM and post CCF (R million)	Average PD* (%)	Number of obligors
0.00 to <0.15	95	5	–	95	0.08	1
0.15 to <0.25	1 493	536	21.04	1 661	0.20	4
0.25 to <0.50	45 807	5 727	52.73	46 377	0.41	66
0.50 to <0.75	15 275	2 685	57.92	16 151	0.69	46
0.75 to <2.50	31 664	2 891	60.61	32 875	1.52	1 119
2.50 to <10	6 376	686	58.74	6 735	3.72	441
10 to <100	5 207	31	–	5 255	19.92	144
100 (default)	2 181	–	–	2 181	100.00	40
Total	108 098	12 561	57.23	111 330	3.84	1 861

	Specialised lending					
	As at 30 June 2023					
PD scale	Average LGD* (%)	Average maturity (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	25.00	2.36	14	14.74	–	
0.15 to <0.25	15.95	1.91	236	14.21	1	
0.25 to <0.50	16.59	2.57	11 575	24.96	32	
0.50 to <0.75	22.56	3.17	7 441	46.07	25	
0.75 to <2.50	24.28	2.31	19 444	59.15	130	
2.50 to <10	27.81	3.37	6 680	99.18	84	
10 to <100	26.60	3.30	7 823	148.87	264	
100 (default)	20.17	4.04	51	2.34	382	
Total	20.94	2.68	53 264	47.84	918	1 364

* *The risk aggregation process was enhanced in 2023, which included average CFF, average PD and average LGD.*

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	Sovereign					
	At 30 June 2024					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF (%)	EAD post CRM and post CCF (R million)	Average PD (%)	Number of obligors
0.00 to <0.15	**26 255**	**1 305**	**41.72**	**29 747**	**0.04**	**41**
0.15 to <0.25	**–**	**–**	**–**	**–**	**–**	**–**
0.25 to <0.50	**260 874**	**5 840**	**42.37**	**266 981**	**0.48**	**34**
0.50 to <0.75	**1 783**	**55**	**54.75**	**1 812**	**0.60**	**21**
0.75 to <2.50	**13 917**	**7 518**	**28**	**14 034**	**1.32**	**155**
2.50 to <10	**2 083**	**273**	**47.96**	**2 214**	**4.91**	**910**
10 to <100	**1 470**	**799**	**48.49**	**1 960**	**16.61**	**45**
100 (default)	**–**	**–**	**–**	**–**	**—**	**–**
Total	**306 382**	**15 790**	**43.11**	**316 748**	**0.60**	**1 206**

	Sovereign					
	At 30 June 2024					
PD scale	Average LGD (%)	Average maturity (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	**14.94**	**0.70**	**827**	**2.78**	**2**	
0.15 to <0.25	**–**	**–**	**–**	**–**	**–**	
0.25 to <0.50	**6.73**	**2.22**	**28 315**	**10.61**	**85**	
0.50 to <0.75	**28.13**	**4.70**	**1 222**	**67.44**	**3**	
0.75 to <2.50	**18.08**	**1.52**	**5 330**	**37.98**	**31**	
2.50 to <10	**7.62**	**2.90**	**620**	**28.00**	**8**	
10 to <100	**31.13**	**1.64**	**2 981**	**152.09**	**112**	
100 (default)	**–**	**–**	**–**	**–**	**–**	
Total	**8.31**	**(2.94)**	**39 295**	**12.41**	**241**	**353**

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	Sovereign					
	As at 30 June 2023					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF* (%)	EAD post CRM and post CCF (R million)	Average PD (%)	Number of obligors
0.00 to <0.15	24 187	1 413	58.00	25 007	0.04	6
0.15 to <0.25	–	–	–	–	–	–
0.25 to <0.50	240 782	6 787	55.98	247 684	0.48	34
0.50 to <0.75	2 130	358	43.37	2 305	0.65	23
0.75 to <2.50	1 223	96	–	1 264	1.22	115
2.50 to <10	1 460	374	53.49	1 661	4.93	896
10 to <100	401	762	50.99	872	25.98	10
100 (default)	590	–	–	590	100.00	1
Total	270 773	9 790	55.82	279 383	0.76	1 085

	Sovereign					
	As at 30 June 2023					
PD scale	Average LGD* (%)	Average maturity* (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	14.31	0.37	564	2.26	1	
0.15 to <0.25	–	–	–	–	–	
0.25 to <0.50	7.07	2.30	27 493	11.10	84	
0.50 to <0.75	28.99	3.79	1 572	68.20	4	
0.75 to <2.50	33.48	3.50	1 127	89.16	5	
2.50 to <10	7.58	4.03	488	29.38	6	
10 to <100	48.76	2.11	2 260	259.17	99	
100 (default)	4.97	1.84	–	–	30	
Total	8.16	2.16	33 504	11.99	229	383

* *The risk aggregation process was enhanced in 2023, which included average CFF, average LGD and average maturity.*

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	Banks and securities firms					
	At 30 June 2024					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF (%)	EAD post CRM and post CCF (R million)	Average PD (%)	Number of obligors
0.00 to <0.15	**21 503**	**1 763**	**39.79**	**21 662**	**0.07**	**62**
0.15 to <0.25	**4 134**	**672**	**34.83**	**4 399**	**0.17**	**12**
0.25 to <0.50	**10 624**	**4 596**	**32.23**	**11 101**	**0.38**	**62**
0.50 to <0.75	**1 309**	**149**	**36.00**	**1 363**	**0.64**	**28**
0.75 to <2.50	**16**	**458**	**21.04**	**112**	**1.49**	**34**
2.50 to <10	**624**	**237**	**34.57**	**706**	**5.10**	**17**
10 to <100	**8 061**	**441**	**20.51**	**5 205**	**10.41**	**109**
100 (default)	**–**	**–**	**–**	**–**	**–**	**–**
Total	**46 271**	**8 316**	**37.74**	**44 548**	**1.46**	**324**

	Banks and securities firms					
	At 30 June 2024					
PD scale	Average LGD (%)	Average maturity (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	**29.20**	**0.14**	**1 638**	**7.56**	**4**	
0.15 to <0.25	**33.92**	**0.31**	**939**	**21.35**	**3**	
0.25 to <0.50	**34.82**	**0.67**	**4 613**	**41.55**	**15**	
0.50 to <0.75	**29.45**	**2.14**	**640**	**46.96**	**3**	
0.75 to <2.50	**48.11**	**0.40**	**109**	**97.32**	**1**	
2.50 to <10	**51.85**	**0.98**	**1 149**	**162.75**	**19**	
10 to <100	**31.07**	**1.02**	**6 827**	**131.16**	**164**	
100 (default)	**–**	**–**	**–**	**–**	**–**	
Total	**31.68**	**0.47**	**15 915**	**35.73**	**209**	**218**

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	Banks and securities firms					
	As at 30 June 2023					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF (%)	EAD post CRM and post CCF (R million)	Average PD (%)	Number of obligors
0.00 to <0.15	19 033	3 508	28.59	29 417	0.06	43
0.15 to <0.25	3 115	5 573	52.99	6 479	0.17	35
0.25 to <0.50	10 784	4 763	43.68	11 146	0.41	70
0.50 to <0.75	914	443	40.83	1 105	0.68	22
0.75 to <2.50	1 473	544	37.30	1 744	1.21	43
2.50 to <10	678	1 568	28.88	1 128	5.22	34
10 to <100	778	481	21.44	889	11.40	30
100 (default)	–	–	–	–	–	–
Total	36 775	16 880	41.33	51 908	0.51	277

	Banks and securities firms					
	As at 30 June 2023					
PD scale	Average LGD (%)	Average maturity (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	28.44	0.11	2 150	7.31	5	
0.15 to <0.25	24.15	0.61	1 059	16.35	3	
0.25 to <0.50	32.04	0.84	4 548	40.80	14	
0.50 to <0.75	34.71	0.53	550	49.77	3	
0.75 to <2.50	29.31	1.88	1 243	71.27	7	
2.50 to <10	48.18	0.84	1 750	155.14	29	
10 to <100	31.86	0.91	1 192	134.08	30	
100 (default)	–	–	–	–	–	
Total	29.33	0.43	12 492	24.07	91	96

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	SME corporate					
	At 30 June 2024					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF (%)	EAD post CRM and post CCF (R million)	Average PD (%)	Number of obligors
0.00 to <0.15	344	310	63.25	463	0.10	5 168
0.15 to <0.25	9 444	2 991	61.34	12 319	0.24	3 503
0.25 to <0.50	7 942	7 043	45.89	10 922	0.44	18 340
0.50 to <0.75	12 851	8 290	49.40	16 482	0.67	10 462
0.75 to <2.50	52 074	17 344	52.93	59 010	1.47	17 957
2.50 to <10	16 556	4 692	49.36	18 141	3.99	10 573
10 to <100	1 820	358	54.11	1 995	20.95	2 631
100 (default)	1 976	–	–	1 997	100.00	7 828
Total	103 007	41 028	53.24	121 329	3.46	76 462

	SME corporate					
	At 30 June 2024					
PD scale	Average LGD (%)	Average maturity (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	17.89	1.46	30	6.48	–	
0.15 to <0.25	25.25	1.01	3 231	26.23	7	
0.25 to <0.50	25.39	2.11	3 554	32.54	12	
0.50 to <0.75	23.79	2.00	6 530	39.62	26	
0.75 to <2.50	23.18	2.08	28 814	48.83	201	
2.50 to <10	26.75	2.08	13 554	74.71	192	
10 to <100	24.30	2.11	2 271	113.83	97	
100 (default)	30.36	1.27	1 012	50.68	1 042	
Total	24.32	1.95	58 996	48.62	1 577	1 805

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	SME corporate					
	As at 30 June 2023					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF (%)	EAD post CRM and post CCF (R million)	Average PD (%)	Number of obligors
0.00 to <0.15	302	585	38.15	517	0.09	6 969
0.15 to <0.25	8 537	193	47.46	12 281	0.24	3 356
0.25 to <0.50	9 026	6 676	45.19	11 888	0.43	17 147
0.50 to <0.75	9 467	5 776	44.10	11 808	0.65	9 172
0.75 to <2.50	47 924	15 176	55.42	54 289	1.50	16 951
2.50 to <10	13 957	4 544	58.58	15 592	4.03	9 409
10 to <100	1 906	313	72.49	2 087	20.78	2 558
100 (default)	2 474	–	–	2 520	100.00	5 594
Total	93 593	33 263	51.64	110 982	4.10	71 156

	SME corporate					
	As at 30 June 2023					
PD scale	Average LGD (%)	Average maturity (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	26.06	1.14	41	7.93	–	
0.15 to <0.25	25.38	1.01	3 237	26.36	7	
0.25 to <0.50	24.62	2.11	4 104	34.52	12	
0.50 to <0.75	22.91	1.94	4 457	37.75	18	
0.75 to <2.50	21.61	1.91	25 013	46.07	170	
2.50 to <10	24.65	2.10	10 906	69.95	152	
10 to <100	21.66	2.14	2 108	101.01	96	
100 (default)	31.93	2.48	2 547	101.07	852	
Total	23.17	1.88	52 413	47.23	1 307	1 483

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	SME retail					
	At 30 June 2024					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF (%)	EAD post CRM and post CCF (R million)	Average PD (%)	Number of obligors
0.00 to <0.15	**140**	**98**	**45.92**	**167**	**0.08**	**121**
0.15 to <0.25	**72**	**87**	**59.41**	**112**	**0.20**	**839**
0.25 to <0.50	**1 924**	**1 106**	**50.97**	**2 463**	**0.43**	**5 583**
0.50 to <0.75	**4 039**	**2 818**	**69.86**	**6 245**	**0.62**	**6 148**
0.75 to <2.50	**46 741**	**10 377**	**58.03**	**54 177**	**1.88**	**174 792**
2.50 to <10	**23 424**	**4 552**	**45.35**	**27 849**	**4.37**	**345 771**
10 to <100	**5 100**	**249**	**27.01**	**5 344**	**25.49**	**32 131**
100 (default)	**4 570**	**–**	**99.99**	**4 668**	**100.00**	**41 351**
Total	**86 010**	**19 287**	**53.33**	**101 025**	**8.42**	**606 736**

	SME retail					
	At 30 June 2024					
PD scale	Average LGD (%)	Average maturity* (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	**23.40**		**8**	**4.79**	**–**	
0.15 to <0.25	**46.55**		**27**	**24.11**	**–**	
0.25 to <0.50	**30.37**		**509**	**20.67**	**3**	
0.50 to <0.75	**32.08**		**1 749**	**28.01**	**13**	
0.75 to <2.50	**31.42**		**22 528**	**41.58**	**324**	
2.50 to <10	**43.66**		**18 787**	**67.46**	**572**	
10 to <100	**45.40**		**5 592**	**104.64**	**675**	
100 (default)	**51.20**		**1 711**	**36.65**	**2 844**	
Total	**36.47**		**50 911**	**50.39**	**4 431**	**4 990**

* *As per the Regulations, average maturity is not applied to the SME retail RWA calculation.*

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	SME retail					
	As at 30 June 2023					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF (%)	EAD post CRM and post CCF (R million)	Average PD* (%)	Number of obligors
0.00 to <0.15	140	140	48.84	208	0.06	1 726
0.15 to <0.25	94	83	43.39	130	0.20	1 045
0.25 to <0.50	1 732	1 019	50.27	2 225	0.42	5 326
0.50 to <0.75	3 897	2 583	70.06	5 941	0.64	8 855
0.75 to <2.50	31 000	9 990	57.79	38 137	1.73	149 008
2.50 to <10	31 603	3 844	46.07	35 399	4.11	373 661
10 to <100	4 791	215	29.58	4 997	27.17	32 614
100 (default)	3 856	–	–	3 923	100.00	41 822
Total	77 113	17 874	56.14	90 960	8.19	614 057

	SME retail					
	As at 30 June 2023					
PD scale	Average LGD* (%)	Average maturity** (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions* (R million)
0.00 to <0.15	41.45		12	5.77	–	
0.15 to <0.25	41.31		28	21.54	–	
0.25 to <0.50	28.36		427	19.19	3	
0.50 to <0.75	31.58		1 641	27.62	12	
0.75 to <2.50	31.56		15 633	40.99	216	
2.50 to <10	39.51		21 407	60.47	601	
10 to <100	42.62		4 956	99.18	606	
100 (default)	53.02		1 774	45.22	2 929	
Total	36.14		45 878	50.44	4 367	3 735

* *The risk aggregation process was enhanced in 2023, which included average PD, average LGD and provisions.*

** *As per the Regulations, average maturity is not applied to the SME retail RWA calculation.*

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	Retail mortgages					
	At 30 June 2024					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF (%)	EAD post CRM and post CCF (R million)	Average PD (%)	Number of obligors
0.00 to <0.15	**40 576**	**32 263**	**62.39**	**53 684**	**0.08**	**58 084**
0.15 to <0.25	**24 664**	**10 782**	**81.79**	**31 252**	**0.20**	**31 603**
0.25 to <0.50	**47 078**	**9 079**	**93.67**	**55 319**	**0.36**	**54 840**
0.50 to <0.75	**32 608**	**1 882**	**97.22**	**34 942**	**0.62**	**37 149**
0.75 to <2.50	**64 108**	**2 123**	**98.34**	**67 686**	**1.31**	**82 905**
2.50 to <10	**23 841**	**341**	**98.69**	**24 777**	**4.71**	**35 957**
10 to <100	**14 004**	**42**	**99.20**	**14 292**	**29.73**	**20 745**
100 (default)	**18 467**	**–**	**–**	**18 487**	**100.00**	**25 703**
Total	**265 346**	**56 512**	**89.35**	**300 439**	**8.43**	**346 986**

	Retail mortgages					
	At 30 June 2024					
PD scale	Average LGD (%)	Average maturity* (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	**16.89**		**1 993**	**3.71**	**8**	
0.15 to <0.25	**17.29**		**2 272**	**7.27**	**11**	
0.25 to <0.50	**16.88**		**6 088**	**11.01**	**34**	
0.50 to <0.75	**16.17**		**5 393**	**15.43**	**35**	
0.75 to <2.50	**16.87**		**17 885**	**26.42**	**151**	
2.50 to <10	**16.69**		**13 548**	**54.68**	**194**	
10 to <100	**16.38**		**12 528**	**87.66**	**711**	
100 (default)	**27.85**		**18 692**	**101.11**	**3 737**	
Total	**17.47**		**78 399**	**26.09**	**4 881**	**5 422**

* *As per the Regulations, average maturity is not applied to the retail mortgages RWA calculation.*

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	Retail mortgages					
	As at 30 June 2023					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF (%)	EAD post CRM and post CCF (R million)	Average PD (%)	Number of obligors
0.00 to <0.15	40 832	32 068	42.23	54 374	0.09	59 498
0.15 to <0.25	24 993	11 626	64.18	32 454	0.20	33 415
0.25 to <0.50	45 759	10 257	92.20	55 217	0.36	55 703
0.50 to <0.75	31 505	2 123	122.14	34 098	0.62	38 518
0.75 to <2.50	60 298	2 248	161.14	63 921	1.29	81 717
2.50 to <10	20 455	283	287.92	21 269	4.68	33 539
10 to <100	14 973	23	1 236.15	15 254	30.45	22 935
100 (default)	14 192	–	–	14 202	100.00	22 021
Total	253 007	58 628	64.43	290 789	7.29	347 346

	Retail mortgages					
	As at 30 June 2023					
PD scale	Average LGD (%)	Average maturity* (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	16.55		1 993	3.67	8	
0.15 to <0.25	17.08		2 328	7.17	11	
0.25 to <0.50	16.73		6 002	10.87	33	
0.50 to <0.75	15.60		5 074	14.88	33	
0.75 to <2.50	16.13		15 991	25.02	134	
2.50 to <10	15.83		10 997	51.70	157	
10 to <100	15.42		12 496	81.92	730	
100 (default)	26.11		12 068	84.97	2 799	
Total	16.79		66 949	23.02	3 905	4 288

* *As per the Regulations, average maturity is not applied to the retail mortgages RWA calculation.*

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	Retail revolving					
	At 30 June 2024					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF (%)	EAD post CRM and post CCF (R million)	Average PD (%)	Number of obligors
0.00 to <0.15	11	547	99.85	636	0.12	22 015
0.15 to <0.25	129	1 477	95.58	1 680	0.21	59 574
0.25 to <0.50	1 714	8 812	80.39	8 673	0.39	256 849
0.50 to <0.75	2 268	6 242	80.95	7 175	0.61	200 570
0.75 to <2.50	15 219	15 808	84.83	28 311	1.48	726 183
2.50 to <10	18 053	7 444	90.02	25 402	4.57	559 644
10 to <100	4 015	632	93.57	4 677	25.98	143 107
100 (default)	5 474	–	—	5 548	100.00	147 964
Total	46 883	40 962	87.44	82 102	10.26	2 115 906

	Retail revolving					
	At 30 June 2024					
PD scale	Average LGD (%)	Average maturity* (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	66.59		32	5.03	1	
0.15 to <0.25	67.60		132	7.86	2	
0.25 to <0.50	71.15		1 187	13.69	24	
0.50 to <0.75	71.22		1 412	19.68	31	
0.75 to <2.50	71.71		10 948	38.67	301	
2.50 to <10	72.47		21 878	86.13	841	
10 to <100	69.47		8 248	176.35	848	
100 (default)	79.18		4 795	86.43	3 999	
Total	72.10		48 632	59.23	6 047	6 219

* *As per the Regulations, average maturity is not applied to the retail revolving RWA calculation.*

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	Retail revolving					
	As at 30 June 2023					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF (%)	EAD post CRM and post CCF (R million)	Average PD (%)	Number of obligors
0.00 to <0.15	13	576	114.26	672	0.12	22 623
0.15 to <0.25	129	1 397	105.37	1 601	0.21	57 729
0.25 to <0.50	1 592	8 585	77.79	8 270	0.38	248 462
0.50 to <0.75	2 191	6 569	75.20	7 131	0.61	202 643
0.75 to <2.50	14 035	17 417	75.60	27 202	1.49	732 860
2.50 to <10	16 165	9 478	80.64	23 808	4.51	578 936
10 to <100	3 248	688	97.86	3 921	25.62	126 228
100 (default)	4 373	–	—	4 450	100.00	129 479
Total	41 746	44 710	78.80	77 055	9.10	2 098 960

	Retail revolving					
	As at 30 June 2023					
PD scale	Average LGD* (%)	Average maturity** (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	66.59		34	5.06	1	
0.15 to <0.25	67.46		125	7.81	2	
0.25 to <0.50	70.98		1 124	13.59	23	
0.50 to <0.75	71.23		1 406	19.72	31	
0.75 to <2.50	71.76		10 555	38.80	291	
2.50 to <10	72.47		20 338	85.43	778	
10 to <100	69.45		6 888	175.67	701	
100 (default)	78.36		4 148	93.21	3 170	
Total	71.97		44 618	57.90	4 997	5 390

* *The risk aggregation process was enhanced in 2023, which included average LGD.*

** *As per the Regulations, average maturity is not applied to the retail revolving RWA calculation.*

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	Other retail*					
	At 30 June 2024					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF (%)	EAD post CRM and post CCF (R million)	Average PD (%)	Number of obligors
0.00 to <0.15	**60**	**197**	**44.61**	**113**	**0.09**	**53**
0.15 to <0.25	**40**	**63**	**64.10**	**71**	**0.19**	**87**
0.25 to <0.50	**299**	**150**	**84.78**	**410**	**0.38**	**2 538**
0.50 to <0.75	**10 539**	**107**	**90.36**	**10 612**	**0.55**	**45 834**
0.75 to <2.50	**60 620**	**230**	**98.28**	**60 904**	**1.75**	**306 366**
2.50 to <10	**34 427**	**76**	**99.93**	**35 262**	**5.65**	**554 030**
10 to <100	**15 362**	**17**	**99.95**	**16 148**	**28.35**	**2 044 870**
100 (default)	**14 756**	**–**	**–**	**14 756**	**100.00**	**498 338**
Total	**136 103**	**840**	**99.47**	**138 276**	**16.24**	**3 452 116**

	Other retail*					
	At 30 June 2024					
PD scale	Average LGD (%)	Average maturity** (years)	RWA (R million)	RWA density (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	**13.71**		**4**	**3.54**	**–**	
0.15 to <0.25	**21.06**		**7**	**9.86**	**–**	
0.25 to <0.50	**41.85**		**115**	**28.05**	**1**	
0.50 to <0.75	**21.85**		**1 861**	**17.54**	**13**	
0.75 to <2.50	**28.58**		**22 767**	**37.38**	**310**	
2.50 to <10	**62.14**		**34 988**	**99.22**	**1 291**	
10 to <100	**54.73**		**19 814**	**122.70**	**2 327**	
100 (default)	**62.75**		**10 257**	**69.51**	**9 126**	
Total	**43.35**		**89 813**	**64.95**	**13 068**	**14 636**

* *Included in other retail is VAF, which comprises 64% of the EAD with a total risk density of 36%.*

** *As per the Regulations, average maturity is not applied to the other retail RWA calculation.*

CR6: AIRB – FRBSA CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE continued

	Other retail*					
	As at 30 June 2023					
PD scale	Original on-balance sheet gross exposure (R million)	Off-balance sheet exposures pre CCF (R million)	Average CCF** (%)	EAD post CRM and post CCF (R million)	Average PD (%)	Number of obligors
0.00 to <0.15	68	144	63.87	118	0.11	48
0.15 to <0.25	102	137	144.05	158	0.21	147
0.25 to <0.50	269	215	86.28	424	0.39	2 612
0.50 to <0.75	5 661	92	211.00	5 726	0.55	31 618
0.75 to <2.50	48 882	234	327.75	49 152	1.72	280 585
2.50 to <10	49 471	91	109.94	50 347	5.12	628 018
10 to <100	14 313	21	110.82	15 018	27.70	1 835 047
100 (default)	12 289	–	–	12 290	100.00	336 133
Total	131 055	934	123.92	133 233	14.94	3 114 208

	Other retail*					
	As at 30 June 2023					
PD scale	Average LGD** (%)	Average maturity# (years)	RWA (R million)	RWA density** (%)	Expected loss (R million)	Provisions (R million)
0.00 to <0.15	15.70		5	4.24	–	
0.15 to <0.25	14.47		10	6.33	–	
0.25 to <0.50	42.99		119	28.07	1	
0.50 to <0.75	20.17		928	16.21	6	
0.75 to <2.50	26.75		17 057	34.70	231	
2.50 to <10	53.47		42 595	84.60	1 489	
10 to <100	54.47		18 199	121.18	2 128	
100 (default)	62.19		9 537	77.60	7 535	
Total	42.98		88 450	66.39	11 390	12 956

* *Included in other retail is VAF, which comprises 65% of the EAD with a total risk density of 37%.*

** *The risk aggregation process was enhanced in 2023, which included average CCF, average LGD and RWA density.*

\# *As per the Regulations, average maturity is not applied to the other retail RWA calculation.*

CR9: AIRB – BACKTESTING OF PD PER PORTFOLIO

The following table provides backtesting data to validate the reliability of PD calculations. Comparison of the PD used in AIRB capital calculations with the effective default rates of bank obligors is done using a minimum five-year average annual default rate to allow for stable quantities to be compared.

CR9: AIRB – BACKTESTING OF PD PER PORTFOLIO

	Corporate							
	As at 30 June 2024							
				Number of obligors		Defaulted obligors		
PD scale	External rating equivalent	Weighted average PD (%)	Arithmetic average PD by obligors (%)	End of prior year	End of current year	During current year	New during current year	Average historical annual default rate (%)
0.00 to <0.12	AAA, AA, A	**0.07**	**0.04**	**6**	**41**	**–**	**–**	**–**
0.12 to <0.45	BBB	**0.28**	**0.33**	**107**	**294**	**–**	**–**	**–**
0.45 to <1.08	BB+, BB	**0.68**	**0.68**	**192**	**313**	**–**	**–**	**–**
1.08 to <1.80	BB-	**1.34**	**1.43**	**170**	**266**	**–**	**–**	**–**
1.80 to <3.23	B+	**2.45**	**2.45**	**85**	**144**	**–**	**–**	**–**
3.23 to <9.12	B	**4.34**	**4.84**	**155**	**292**	**–**	**–**	**–**
9.12 to <18.23	B-	**10.07**	**10.07**	**47**	**76**	**–**	**–**	**–**
18.23 to <99.99	Below B-	**19.17**	**25.44**	**32**	**28**	**–**	**–**	**–**
100 (default)	Defaulted	**100.00**	**100.00**	**7**	**12**	**5**	**–**	**100.00**
Total		**1.50**	**5.66**	**801**	**1 466**	**5**	**–**	**0.37**

	Corporate							
	As at 30 June 2023							
				Number of obligors		Defaulted obligors		
PD scale	External rating equivalent	Weighted average PD* (%)	Arithmetic average PD by obligors (%)	End of prior year	End of current year	During current year	New during current year	Average historical annual default rate (%)
0.00 to <0.12	AAA, AA, A	0.09	0.08	2	6	–	–	–
0.12 to <0.45	BBB	0.29	0.31	97	107	–	–	–
0.45 to <1.08	BB+, BB	0.65	0.65	166	192	–	–	–
1.08 to <1.80	BB-	1.39	1.39	161	170	–	–	–
1.80 to <3.23	B+	2.45	2.45	73	85	–	–	–
3.23 to <9.12	B	4.50	4.80	143	155	–	–	–
9.12 to <18.23	B-	10.07	10.07	55	47	–	–	–
18.23 to <99.99	Below B-	21.51	25.71	35	32	–	–	–
100 (default)	Defaulted	100.00	100.00	9	7	3	–	100.00
Total		1.89	5.68	741	801	3	–	0.39

* *The risk aggregation process was enhanced in 2023, which included weighted average PD.*

CR9: AIRB – BACKTESTING OF PD PER PORTFOLIO continued

	Specialised lending							
	As at 30 June 2024							
				Number of obligors		Defaulted obligors		
PD scale	External rating equivalent	Weighted average PD (%)	Arithmetic average PD by obligors (%)	End of prior year	End of current year	During current year	New during current year	Average historical annual default rate (%)
0.00 to <0.12	AAA, AA, A	**0.08**	**0.08**	**1**	**1**	**–**	**–**	**–**
0.12 to <0.45	BBB	**0.36**	**0.31**	**42**	**61**	**–**	**–**	**–**
0.45 to <1.08	BB+, BB	**0.69**	**0.83**	**282**	**390**	**–**	**–**	**0.39**
1.08 to <1.80	BB-	**1.27**	**1.38**	**598**	**633**	**2**	**2**	**0.87**
1.80 to <3.23	B+	**2.40**	**2.40**	**495**	**612**	**6**	**6**	**1.07**
3.23 to <9.12	B	**4.23**	**4.10**	**259**	**244**	**4**	**3**	**1.61**
9.12 to <18.23	B-	**12.95**	**14.92**	**129**	**22**	**5**	**4**	**2.66**
18.23 to <99.99	Below B-	**31.37**	**26.97**	**15**	**22**	**3**	**2**	**17.74**
100 (default)	Defaulted	**100.00**	**100.00**	**40**	**76**	**39**	**3**	**100.00**
Total		**4.06**	**6.37**	**1 861**	**2 061**	**59**	**20**	**4.01**

	Specialised lending							
	As at 30 June 2023							
				Number of obligors		Defaulted obligors		
PD scale	External rating equivalent	Weighted average PD* (%)	Arithmetic average PD by obligors (%)	End of prior year	End of current year	During current year	New during current year	Average historical annual default rate (%)
0.00 to <0.12	AAA, AA, A	0.08	0.08	1	1	–	–	–
0.12 to <0.45	BBB	0.37	0.37	37	42	–	–	–
0.45 to <1.08	BB+, BB	0.65	0.85	299	282	–	–	0.39
1.08 to <1.80	BB-	1.32	1.38	693	598	7	7	0.77
1.80 to <3.23	B+	2.44	2.39	461	495	9	9	0.95
3.23 to <9.12	B	4.15	4.19	201	259	5	5	1.56
9.12 to <18.23	B-	15.71	15.91	18	129	1	1	2.17
18.23 to <99.99	Below B-	24.91	26.57	17	15	5	5	10.76
100 (default)	Defaulted	100.00	100.00	35	40	33	2	100.00
Total		3.84	6.47	1 762	1 861	60	29	4.04

* *The risk aggregation process was enhanced in 2023, which included weighted average PD.*

CR9: AIRB – BACKTESTING OF PD PER PORTFOLIO continued

				Sovereign				
				As at 30 June 2024				
				Number of obligors		Defaulted obligors		
PD scale	External rating equivalent	Weighted average PD (%)	Arithmetic average PD by obligors (%)	End of prior year	End of current year	During current year	New during current year	Average historical annual default rate (%)
0.00 to <0.12	AAA, AA, A	**0.04**	**0.04**	**6**	**41**	**–**	**–**	**–**
0.12 to <0.45	BBB	**0.35**	**0.06**	**–**	**4**	**–**	**–**	**0.48**
0.45 to <1.08	BB+, BB	**0.49**	**0.56**	**117**	**78**	**–**	**–**	**–**
1.08 to <1.80	BB-	**1.34**	**1.12**	**36**	**96**	**–**	**–**	**–**
1.80 to <3.23	B+	**2.41**	**1.84**	**21**	**47**	**–**	**–**	**1.27**
3.23 to <9.12	B	**4.91**	**2.66**	**894**	**895**	**–**	**–**	**0.31**
9.12 to <18.23	B-	**10.07**	**9.98**	**5**	**38**	**–**	**–**	**–**
18.23 to <99.99	Below B-	**26.30**	**17.63**	**5**	**7**	**–**	**–**	**–**
100 (default)	Defaulted	**—**	**—**	**—**	**—**	**–**	**–**	**–**
Total		**0.60**	**4.24**	**1 084**	**1 206**	**–**	**–**	**0.19**

				Sovereign				
				As at 30 June 2023				
				Number of obligors		Defaulted obligors		
PD scale	External rating equivalent	Weighted average PD (%)	Arithmetic average PD by obligors (%)	End of prior year	End of current year	During current year	New during current year	Average historical annual default rate* (%)
0.00 to <0.12	AAA, AA, A	0.04	0.04	8	6	–	–	–
0.12 to <0.45	BBB	–	0.20	—	—	–	–	12.16
0.45 to <1.08	BB+, BB	0.48	0.75	67	117	–	–	–
1.08 to <1.80	BB-	1.35	1.49	30	36	–	–	–
1.80 to <3.23	B+	2.46	2.45	64	21	–	–	0.17
3.23 to <9.12	B	4.94	6.67	997	894	–	–	0.27
9.12 to <18.23	B-	10.11	11.46	6	5	–	–	–
18.23 to <99.99	Below B-	26.23	33.09	4	5	–	–	8.33
100 (default)	Defaulted	100.00	100.00	1	1	1	–	100.00
Total		0.76	7.02	1 177	1 085	1	–	0.57

* *The risk aggregation process was enhanced in 2023, which included average historical annual default rate.*

CR9: AIRB – BACKTESTING OF PD PER PORTFOLIO continued

	Banks and securities firms							
	As at 30 June 2024							
				Number of obligors		Defaulted obligors		
PD scale	**External rating equivalent**	**Weighted average PD (%)**	**Arithmetic average PD by obligors (%)**	**End of prior year**	**End of current year**	**During current year**	**New during current year**	**Average historical annual default rate (%)**
0.00 to <0.12	AAA, AA, A	**0.07**	**0.07**	**43**	**62**	**–**	**–**	**–**
0.12 to <0.45	BBB	**0.27**	**0.32**	**66**	**50**	**–**	**–**	**–**
0.45 to <1.08	BB+, BB	**0.52**	**0.56**	**66**	**54**	**–**	**–**	**–**
1.08 to <1.80	BB-	**1.25**	**1.30**	**21**	**8**	**–**	**–**	**–**
1.80 to <3.23	B+	**2.45**	**0.61**	**17**	**24**	**–**	**–**	**–**
3.23 to <9.12	B	**5.10**	**5.17**	**34**	**17**	**–**	**–**	**–**
9.12 to <18.23	B-	**10.07**	**10.07**	**20**	**103**	**–**	**–**	**–**
18.23 to <99.99	Below B-	**35.87**	**33.14**	**10**	**6**	**–**	**–**	**–**
100 (default)	Defaulted	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total		**1.46**	**6.41**	**277**	**324**	**–**	**–**	**–**

	Banks and securities firms							
	As at 30 June 2023							
				Number of obligors		Defaulted obligors		
PD scale	External rating equivalent	Weighted average PD (%)	Arithmetic average PD by obligors (%)	End of prior year	End of current year	During current year	New during current year	Average historical annual default rate (%)
0.00 to <0.12	AAA, AA, A	0.06	0.07	42	43	–	–	–
0.12 to <0.45	BBB	0.25	0.31	69	66	–	–	–
0.45 to <1.08	BB+, BB	0.57	0.58	69	66	–	–	–
1.08 to <1.80	BB-	1.13	1.21	21	21	–	–	–
1.80 to <3.23	B+	2.45	2.45	18	17	–	–	–
3.23 to <9.12	B	5.22	4.83	41	34	–	–	–
9.12 to <18.23	B-	10.07	10.07	16	20	–	–	–
18.23 to <99.99	Below B-	34.87	34.42	6	10	–	–	–
100 (default)	Defaulted	–	–	–	–	–	–	–
Total		0.51	6.74	282	277	–	–	–

CR9: AIRB – BACKTESTING OF PD PER PORTFOLIO continued

	SME corporate							
	As at 30 June 2024							
				Number of obligors		Defaulted obligors		
PD scale	External rating equivalent	Weighted average PD (%)	Arithmetic average PD by obligors (%)	End of prior year	End of current year	During current year	New during current year	Average historical annual default rate (%)
0.00 to <0.12	AAA, AA, A	**0.09**	**0.08**	**6 337**	**4 511**	**275**	**233**	**0.03**
0.12 to <0.45	BBB	**0.31**	**0.31**	**17 201**	**18 067**	**619**	**546**	**0.35**
0.45 to <1.08	BB+, BB	**0.78**	**0.78**	**19 929**	**21 533**	**495**	**465**	**0.66**
1.08 to <1.80	BB-	**1.39**	**1.38**	**6 583**	**7 293**	**109**	**102**	**1.90**
1.80 to <3.23	B+	**2.42**	**2.45**	**7 442**	**8 451**	**659**	**630**	**2.19**
3.23 to <9.12	B	**4.52**	**4.53**	**5 467**	**6 109**	**548**	**533**	**4.13**
9.12 to <18.23	B-	**13.27**	**13.41**	**537**	**1 251**	**56**	**41**	**13.68**
18.23 to <99.99	Below B-	**29.32**	**28.08**	**2 066**	**1 419**	**943**	**890**	**25.35**
100 (default)	Defaulted	**100.00**	**100.00**	**5 594**	**7 828**	**13 294**	**8 258**	**100.00**
Total		**3.46**	**6.38**	**71 156**	**76 462**	**16 998**	**11 698**	**5.09**

	SME corporate							
	As at 30 June 2023							
				Number of obligors		Defaulted obligors		
PD scale	External rating equivalent	Weighted average PD (%)	Arithmetic average PD by obligors (%)	End of prior year	End of current year	During current year	New during current year	Average historical annual default rate (%)
0.00 to <0.12	AAA, AA, A	0.06	0.05	554	6 337	90	79	–
0.12 to <0.45	BBB	0.01	0.32	3 125	17 201	208	196	0.28
0.45 to <1.08	BB+, BB	0.08	0.77	14 221	19 929	1 093	1 065	0.69
1.08 to <1.80	BB-	0.27	1.38	7 150	6 583	793	785	2.32
1.80 to <3.23	B+	0.31	2.37	5 021	7 442	148	122	1.98
3.23 to <9.12	B	0.88	4.71	8 973	5 467	1 568	1 530	3.57
9.12 to <18.23	B-	1.17	12.59	435	537	49	36	8.38
18.23 to <99.99	Below B-	3.92	27.90	876	2 066	208	182	24.21
100 (default)	Defaulted	100.00	100.00	7 846	5 594	11 773	7 025	100.00
Total		4.10	6.26	48 201	71 156	15 930	11 020	4.63

CR9: AIRB – BACKTESTING OF PD PER PORTFOLIO continued

	SME retail							
	As at 30 June 2024							
				Number of obligors		Defaulted obligors		
PD scale	**External rating equivalent**	**Weighted average PD (%)**	**Arithmetic average PD by obligors (%)**	**End of prior year**	**End of current year**	**During current year**	**New during current year**	**Average historical annual default rate (%)**
0.00 to <0.12	**AAA, AA, A**	**0.07**	**0.07**	**1 706**	**100**	**412**	**412**	**0.05**
0.12 to <0.45	**BBB**	**0.40**	**0.41**	**5 533**	**5 050**	**24**	**22**	**0.66**
0.45 to <1.08	**BB+, BB**	**0.85**	**0.85**	**18 942**	**16 010**	**100**	**97**	**1.34**
1.08 to <1.80	**BB-**	**1.32**	**1.32**	**33 794**	**30 476**	**533**	**525**	**0.81**
1.80 to <3.23	**B+**	**2.35**	**2.35**	**222 975**	**225 253**	**11 554**	**11 236**	**3.13**
3.23 to <9.12	**B**	**5.43**	**5.42**	**252 153**	**250 871**	**66 168**	**64 473**	**9.38**
9.12 to <18.23	**B-**	**12.56**	**12.55**	**19 373**	**21 057**	**2 519**	**2 424**	**12.92**
18.23 to <99.99	**Below B-**	**37.99**	**37.47**	**17 759**	**16 568**	**3 495**	**3 316**	**27.75**
100 (default)	**Defaulted**	**100.00**	**100.00**	**41 822**	**41 351**	**36 305**	**8 385**	**100.00**
Total		**8.42**	**7.55**	**614 057**	**606 736**	**121 110**	**90 890**	**8.88**

	SME retail							
	As at 30 June 2023							
				Number of obligors		Defaulted obligors		
PD scale	External rating equivalent	Weighted average PD* (%)	Arithmetic average PD by obligors (%)	End of prior year	End of current year	During current year	New during current year	Average historical annual default rate (%)
0.00 to <0.12	AAA, AA, A	0.02	0.05	1 009	1 706	261	261	0.02
0.12 to <0.45	BBB	0.02	0.41	5 127	5 533	75	73	0.65
0.45 to <1.08	BB+, BB	0.01	0.82	32 075	18 942	1 068	1 063	1.45
1.08 to <1.80	BB-	0.02	1.36	96 791	33 794	718	692	0.79
1.80 to <3.23	B+	1.07	2.45	637 516	222 975	12 730	12 002	3.95
3.23 to <9.12	B	0.77	5.42	1 604 036	252 153	69 146	64 812	9.35
9.12 to <18.23	B-	1.12	12.80	55 039	19 373	3 098	2 834	13.84
18.23 to <99.99	Below B-	13.04	37.03	29 987	17 759	4 957	4 422	34.85
100 (default)	Defaulted	100.00	100.00	132 404	41 822	99 519	12 715	100.00
Total		8.19	7.54	2 593 984	614 057	191 572	98 874	9.73

* *The risk aggregation process was enhanced in 2023, which included weighted average PD.*

CR9: AIRB – BACKTESTING OF PD PER PORTFOLIO continued

	Retail mortgages								
	As at 30 June 2024								
				Number of obligors		Defaulted obligors		
PD scale	External rating equivalent	Weighted average PD (%)	Arithmetic average PD by obligors (%)	End of prior year	End of current year	During current year	New during current year	Average historical annual default rate (%)
0.00 to <0.12	**AAA, AA, A**	**0.07**	**0.07**	**45 822**	**45 011**	**—**	**—**	**0.06**
0.12 to <0.45	**BBB**	**0.26**	**0.26**	**93 676**	**90 521**	**—**	**—**	**0.28**
0.45 to <1.08	**BB+, BB**	**0.71**	**0.72**	**81 416**	**79 123**	**5**	**–**	**0.85**
1.08 to <1.80	**BB-**	**1.37**	**1.37**	**32 986**	**34 345**	**8**	**—**	**1.76**
1.80 to <3.23	**B+**	**2.37**	**2.39**	**24 132**	**25 205**	**19**	**—**	**3.19**
3.23 to <9.12	**B**	**5.22**	**5.29**	**23 045**	**24 903**	**98**	**—**	**5.60**
9.12 to <18.23	**B-**	**13.13**	**13.17**	**11 378**	**10 794**	**71**	**—**	**15.62**
18.23 to <99.99	**Below B-**	**40.76**	**39.48**	**12 870**	**11 381**	**78**	**—**	**38.37**
100 (default)	**Defaulted**	**100.00**	**100.00**	**22 021**	**25 703**	**9 840**	**280**	**100.00**
Total		**8.43**	**7.84**	**347 346**	**346 986**	**10 119**	**280**	**9.40**

	Retail mortgages							
	As at 30 June 2023							
				Number of obligors		Defaulted obligors		
PD scale	External rating equivalent	Weighted average PD (%)	Arithmetic average PD by obligors (%)	End of prior year	End of current year	During current year	New during current year	Average historical annual default rate (%)
0.00 to <0.12	AAA, AA, A	0.07	0.07	18 246	45 822	20	1	0.08
0.12 to <0.45	BBB	0.26	0.26	39 397	93 676	26	3	0.21
0.45 to <1.08	BB+, BB	0.71	0.72	101 399	81 416	20	–	0.73
1.08 to <1.80	BB-	1.37	1.37	69 470	32 986	19	3	1.20
1.80 to <3.23	B+	2.36	2.38	43 187	24 132	23	2	2.40
3.23 to <9.12	B	5.22	5.25	36 949	23 045	98	6	4.91
9.12 to <18.23	B-	13.27	13.30	6 125	11 378	92	5	12.40
18.23 to <99.99	Below B-	41.93	40.77	10 154	12 870	112	13	39.98
100 (default)	Defaulted	100.00	100.00	21 979	22 021	9 087	324	100.00
Total		7.29	8.02	346 906	347 346	9 497	357	7.62

CR9: AIRB – BACKTESTING OF PD PER PORTFOLIO continued

	Retail revolving								
	As at 30 June 2024								
				Number of obligors		Defaulted obligors			
PD scale	**External rating equivalent**	**Weighted average PD (%)**	**Arithmetic average PD by obligors (%)**	**End of prior year**	**End of current year**	**During current year**	**New during current year**	**Average historical annual default rate (%)**
0.00 to <0.12	**AAA, AA, A**	**0.11**	**0.11**	**10 100**	**9 760**	**–**	**–**	**0.48**
0.12 to <0.45	**BBB**	**0.32**	**0.32**	**274 625**	**282 095**	**19**	**–**	**0.77**
0.45 to <1.08	**BB+, BB**	**0.74**	**0.74**	**453 155**	**455 396**	**53**	**–**	**1.53**
1.08 to <1.80	**BB-**	**1.41**	**1.38**	**340 035**	**334 289**	**60**	**–**	**2.59**
1.80 to <3.23	**B+**	**2.46**	**2.45**	**346 247**	**335 149**	**68**	**1**	**3.62**
3.23 to <9.12	**B**	**5.08**	**5.18**	**407 266**	**392 949**	**174**	**5**	**6.90**
9.12 to <18.23	**B-**	**12.00**	**12.15**	**67 496**	**75 377**	**91**	**2**	**15.06**
18.23 to <99.99	**Below B-**	**38.63**	**36.45**	**70 557**	**82 927**	**535**	**4**	**36.92**
100 (default)	**Defaulted**	**100.00**	**100.00**	**129 479**	**147 964**	**64 285**	**2 968**	**100.00**
Total		**10.26**	**7.35**	**2 098 960**	**2 115 906**	**65 285**	**2 980**	**10.23**

	Retail revolving							
	As at 30 June 2023							
				Number of obligors		Defaulted obligors		
PD scale	External rating equivalent	Weighted average PD (%)	Arithmetic average PD by obligors* (%)	End of prior year	End of current year	During current year*	New during current year	Average historical annual default rate* (%)
0.00 to <0.12	AAA, AA, A	0.11	0.11	44 169	10 100	1	—	0.62
0.12 to <0.45	BBB	0.32	0.32	440 377	274 625	96	1	0.73
0.45 to <1.08	BB+, BB	0.74	0.74	429 079	453 155	232	8	1.09
1.08 to <1.80	BB-	1.41	1.38	272 131	340 035	226	7	2.09
1.80 to <3.23	B+	2.46	2.45	311 127	346 247	305	8	3.28
3.23 to <9.12	B	5.10	5.16	305 943	407 266	634	43	6.64
9.12 to <18.23	B-	12.03	12.16	67 402	67 496	204	21	13.76
18.23 to <99.99	Below B-	38.98	36.65	68 048	70 557	559	30	36.88
100 (default)	Defaulted	100.00	100.00	128 103	129 479	59 350	2 449	100.00
Total		9.10	7.37	2 066 379	2 098 960	61 607	2 567	12.88

* *The risk aggregation process was enhanced in 2023, which included arithmetic average PD by obligors, number of defaulted obligors and average historical annual default rate.*

CR9: AIRB – BACKTESTING OF PD PER PORTFOLIO continued

	Other retail							
	As at 30 June 2024							
				Number of obligors		Defaulted obligors		
PD scale	**External rating equivalent**	**Weighted average PD (%)**	**Arithmetic average PD by obligors (%)**	**End of prior year**	**End of current year**	**During current year**	**New during current year**	**Average historical annual default rate (%)**
0.00 to <0.12	**AAA, AA, A**	**0.09**	**0.08**	**36**	**42**	**–**	**–**	**1.52**
0.12 to <0.45	**BBB**	**0.29**	**0.38**	**1 618**	**1 641**	**1**	**1**	**10.36**
0.45 to <1.08	**BB+, BB**	**0.68**	**0.68**	**55 342**	**67 090**	**2**	**1**	**0.88**
1.08 to <1.80	**BB-**	**1.52**	**1.52**	**114 469**	**125 704**	**4**	**1**	**0.66**
1.80 to <3.23	**B+**	**2.15**	**2.32**	**232 719**	**221 959**	**12**	**—**	**1.72**
3.23 to <9.12	**B**	**5.69**	**5.88**	**498 571**	**455 823**	**148**	**1**	**7.87**
9.12 to <18.23	**B-**	**11.86**	**13.03**	**269 854**	**263 584**	**1 194**	**8**	**14.66**
18.23 to <99.99	**Below B-**	**37.67**	**35.88**	**1 605 466**	**1 817 935**	**41 337**	**6 073**	**21.77**
100 (default)	**Defaulted**	**100.00**	**100.00**	**336 133**	**498 338**	**394 384**	**118 394**	**100.00**
Total		**16.24**	**7.47**	**3 114 208**	**3 452 116**	**437 082**	**124 479**	**24.94**

	Other retail							
	As at 30 June 2023							
				Number of obligors		Defaulted obligors		
PD scale	External rating equivalent	Weighted average PD (%)	Arithmetic average PD by obligors (%)	End of prior year	End of current year	During current year	New during current year	Average historical annual default rate (%)
0.00 to <0.12	AAA, AA, A	0.07	0.07	375	36	–	–	1.23
0.12 to <0.45	BBB	0.29	0.37	2 301	1 618	–	–	1.99
0.45 to <1.08	BB+, BB	0.72	0.70	49 381	55 342	8	1	0.97
1.08 to <1.80	BB-	1.48	1.50	112 504	114 469	7	1	1.58
1.80 to <3.23	B+	2.35	2.42	237 520	232 719	57	1	2.68
3.23 to <9.12	B	5.48	5.85	473 783	498 571	289	3	7.24
9.12 to <18.23	B-	11.83	13.00	252 820	269 854	1 464	26	14.38
18.23 to <99.99	Below B-	37.76	35.95	1 526 563	1 605 466	39 759	5 163	25.04
100 (default)	Defaulted	100.00	100.00	494 108	336 133	242 290	76 703	100.00
Total		14.94	7.48	3 149 355	3 114 208	283 874	81 898	29.47

CCR4: AIRB – COUNTERPARTY CREDIT RISK EXPOSURES BY PORTFOLIO AND PD SCALE

The following tables provide the counterparty credit risk exposures per portfolio and PD scale where the AIRB approach is used for credit risk. They also include the main parameters used in the calculation of RWA.

CCR4: AIRB – COUNTERPARTY CREDIT RISK EXPOSURES BY PORTFOLIO AND PD SCALE

	Banks						
	As at 30 June 2024						
PD scale	**EAD post CRM (R million)**	**Average PD (%)**	**Number of obligors**	**Average LGD (%)**	**Average maturity (years)**	**RWA (R million)**	**RWA density (%)**
0.00 to <0.15	**3 580**	**0.07**	**33**	**32.43**	**2.12**	**608**	**16.97**
0.15 to <0.25	**932**	**0.16**	**7**	**37.86**	**2.23**	**276**	**29.60**
0.25 to <0.50	**1 287**	**0.40**	**15**	**34.17**	**1.09**	**779**	**60.48**
0.50 to <0.75	**2**	**0.74**	**2**	**20.50**	**1.00**	**1**	**34.80**
0.75 to <2.50	**62**	**1.33**	**6**	**42.00**	**1.13**	**42**	**67.58**
2.50 to <10	**8**	**4.93**	**8**	**50.00**	**1.20**	**12**	**148.52**
10 to <100	**172**	**30.21**	**9**	**33.22**	**0.86**	**356**	**207.48**
100 (default)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Subtotal	**6 043**		**80**			**2 074**	**34.32**

	Banks						
	As at 30 June 2023						
PD scale	EAD post CRM (R million)	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (years)	RWA (R million)	RWA density (%)
0.00 to <0.15	8 375	0.07	19	33.66	2.12	1 265	15.50
0.15 to <0.25	713	0.16	7	37.29	2.23	206	28.90
0.25 to <0.50	1 060	0.46	13	36.51	1.09	469	44.23
0.50 to <0.75	81	1.00	2	33.00	1.00	44	54.00
0.75 to <2.50	28	1.20	5	42.40	1.13	21	77.44
2.50 to <10	8	5.28	8	52.13	1.20	13	160.03
10 to <100	20	34.79	7	43.57	0.86	43	213.46
100 (default)	–	–	–	–	–	–	–
Subtotal	10 285		61			2 061	20.03

The reduction in exposure in the 0.00 to <0.15 PD band was because of further recognition of collateral offsets for exposures to counterparties through the London Clearing House as a qualified CCP.

CCR4: AIRB – COUNTERPARTY CREDIT RISK EXPOSURES BY PORTFOLIO AND PD SCALE continued

	Corporate						
	As at 30 June 2024						
PD scale	**EAD post CRM (R million)**	**Average PD (%)**	**Number of obligors**	**Average LGD (%)**	**Average maturity (years)**	**RWA (R million)**	**RWA density (%)**
0.00 to <0.15	**34**	**0.08**	**97**	**34.50**	**1.98**	**9**	**26.29**
0.15 to <0.25	**5 837**	**0.19**	**43**	**32.23**	**0.91**	**515**	**8.83**
0.25 to <0.50	**1 447**	**0.41**	**84**	**32.75**	**1.14**	**574**	**39.63**
0.50 to <0.75	**2 197**	**0.69**	**51**	**29.75**	**1.05**	**850**	**38.69**
0.75 to <2.50	**2 509**	**1.73**	**145**	**42.25**	**1.04**	**2 241**	**89.34**
2.50 to <10	**128**	**4.41**	**24**	**38.72**	**0.97**	**137**	**107.36**
10 to <100	**37**	**13.43**	**9**	**49.50**	**0.69**	**99**	**266.72**
100 (default)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Subtotal	**12 189**		**453**			**4 425**	**36.31**

	Corporate						
	As at 30 June 2023						
PD scale	EAD post CRM (R million)	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (years)	RWA (R million)	RWA density (%)
0.00 to <0.15	10	0.09	1	30.00	1.86	1	11.79
0.15 to <0.25	482	0.20	20	34.73	1.42	120	24.85
0.25 to <0.50	693	0.41	53	33.38	1.06	275	39.64
0.50 to <0.75	2 340	0.69	43	29.65	1.27	895	38.24
0.75 to <2.50	448	1.56	68	33.76	1.17	251	56.10
2.50 to <10	216	4.43	22	39.53	1.27	205	95.05
10 to <100	18	11.87	5	34.02	2.11	27	151.23
100 (default)	–	–	–	–	–	–	–
Subtotal	4 207		212			1 774	42.18

The increase in EAD and RWA in the 0.75 to <2.50 PD bands were driven by the increase in foreign exchange and commodity hedging activity against corporate counterparties.

CCR4: AIRB – COUNTERPARTY CREDIT RISK EXPOSURES BY PORTFOLIO AND PD SCALE continued

	Sovereign						
	As at 30 June 2024						
PD scale	**EAD post CRM (R million)**	**Average PD (%)**	**Number of obligors**	**Average LGD (%)**	**Average maturity (years)**	**RWA (R million)**	**RWA density (%)**
0.00 to <0.15	**–**	**–**	**2**	**–**	**–**	**–**	**–**
0.15 to <0.25	**1**	**0.17**	**2**	**45.00**	**0.55**	**–**	**34.40**
0.25 to <0.50	**185**	**0.48**	**4**	**34.23**	**0.59**	**6**	**3.25**
0.50 to <0.75	**2**	**0.60**	**1**	**45.00**	**0.69**	**1**	**56.70**
0.75 to <2.50	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2.50 to <10	**–**	**–**	**–**	**–**	**–**	**–**	**–**
10 to <100	**–**	**–**	**–**	**–**	**–**	**–**	**–**
100 (default)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Subtotal	**188**		**9**			**7**	**3.88**

	Sovereign						
	As at 30 June 2023						
PD scale	EAD post CRM (R million)	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (years)	RWA (R million)	RWA density (%)
0.00 to <0.15	–	–	–	–	–	–	–
0.15 to <0.25	3	0.17	2	34.25	0.68	1	35.57
0.25 to <0.50	25	0.48	3	31.67	0.91	3	12.18
0.50 to <0.75	3	0.60	2	45.00	0.80	2	56.81
0.75 to <2.50	–	–	–	–	–	–	–
2.50 to <10	–	–	–	–	–	–	–
10 to <100	–	–	–	–	–	–	–
100 (default)	–	–	–	–	–	–	–
Subtotal	31		7			6	19.00

The increase in exposure in the 0.25 to <0.50 PD band was as a result of increased mark-to-market movements on foreign exchange trades.

CCR4: AIRB – COUNTERPARTY CREDIT RISK EXPOSURES BY PORTFOLIO AND PD SCALE continued

	Securities						
	As at 30 June 2024						
PD scale	**EAD post CRM (R million)**	**Average PD (%)**	**Number of obligors**	**Average LGD (%)**	**Average maturity (years)**	**RWA (R million)**	**RWA density (%)**
0.00 to <0.15	**4 050**	**0.07**	**7**	**30.71**	**1.56**	**609**	**15.05**
0.15 to <0.25	**106**	**0.17**	**4**	**41.35**	**1.08**	**32**	**29.90**
0.25 to <0.50	**632**	**0.48**	**15**	**34.29**	**1.97**	**277**	**43.75**
0.50 to <0.75	**1 072**	**0.67**	**4**	**38.13**	**0.61**	**542**	**50.55**
0.75 to <2.50	**6**	**2.45**	**1**	**36.00**	**1.00**	**7**	**107.32**
2.50 to <10	**37**	**5.99**	**2**	**43.00**	**3.00**	**70**	**189.83**
10 to <100	**—**	**—**	**—**	**—**	**—**	**—**	**—**
100 (default)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Subtotal	**5 903**		**33**			**1 537**	**26.03**

	Securities						
	As at 30 June 2023						
PD scale	EAD post CRM (R million)	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (years)	RWA (R million)	RWA density (%)
0.00 to <0.15	6 288	0.07	5	27.85	0.79	474	7.54
0.15 to <0.25	6 428	0.19	33	32.07	1.43	800	12.45
0.25 to <0.50	2 081	0.43	49	31.90	1.19	582	27.97
0.50 to <0.75	519	0.72	14	31.17	1.42	258	49.73
0.75 to <2.50	1 948	2.04	79	49.02	1.20	1 725	88.52
2.50 to <10	36	4.82	7	41.71	1.33	35	97.08
10 to <100	1	10.07	2	39.00	0.90	2	180.00
100 (default)	–	–	–	–	–	–	–
Subtotal	17 301		189			3 876	22.40

The large reduction in exposure in the 0.00 to <0.15 PD band was driven by restructure of significant equity derivative hedges. The large reduction in the 0.15 to <0.25 PD band was driven by reduced equity trading and increased collateral recognition against exposures.

CCR4: AIRB – COUNTERPARTY CREDIT RISK EXPOSURES BY PORTFOLIO AND PD SCALE continued

	Public sector and local government						
	As at 30 June 2024						
PD scale	**EAD post CRM (R million)**	**Average PD (%)**	**Number of obligors**	**Average LGD (%)**	**Average maturity (years)**	**RWA (R million)**	**RWA density (%)**
0.00 to <0.15	**–**	**–**	**1**	**–**	**—**	**–**	**–**
0.15 to <0.25	**837**	**0.17**	**2**	**15.37**	**1.05**	**73**	**8.71**
0.25 to <0.50	**4**	**0.40**	**2**	**36.97**	**1.00**	**2**	**47.85**
0.50 to <0.75	**–**	**–**	**–**	**–**	**—**	**–**	**–**
0.75 to <2.50	**465.00**	**0.91**	**1**	**30.00**	**3.30**	**327.00**	**70.24**
2.50 to <10	**67**	**4.93**	**1**	**30.00**	**1.16**	**63**	**94.03**
10 to <100	**–**	**–**	**–**	**–**	**—**	**–**	**–**
100 (default)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Subtotal	**1 373**		**7**			**465**	**33.83**

	Public sector and local government						
	As at 30 June 2023						
PD scale	EAD post CRM (R million)	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (years)	RWA (R million)	RWA density (%)
0.00 to <0.15	–	–	–	–	–	–	–
0.15 to <0.25	5	0.24	1	23.01	1.00	1	25.02
0.25 to <0.50	1 005	0.48	3	30.00	1.23	408	40.62
0.50 to <0.75	–	–	–	–	–	–	–
0.75 to <2.50	–	–	–	–	–	–	–
2.50 to <10	33	4.93	1	30.00	1.00	32	96.79
10 to <100	–	–	–	–	–	–	–
100 (default)	–	–	–	–	–	–	–
Subtotal	1 043		5			441	42.32

The increase in exposure in the 0.15 to <0.25 PD band was driven by short-term cross-currency swap exposures to state-owned enterprises.

CCR4: AIRB – COUNTERPARTY CREDIT RISK EXPOSURES BY PORTFOLIO AND PD SCALE continued

	Other						
	As at 30 June 2024						
PD scale	**EAD post CRM (R million)**	**Average PD (%)**	**Number of obligors**	**Average LGD (%)**	**Average maturity (years)**	**RWA (R million)**	**RWA density (%)**
0.00 to <0.15	**–**	**–**	**28**	**–**	**–**	**–**	**–**
0.15 to <0.25	**27**	**0.24**	**1**	**15.00**	**1.65**	**4**	**14.11**
0.25 to <0.50	**996**	**0.43**	**28**	**20.26**	**2.54**	**345**	**34.64**
0.50 to <0.75	**2 163**	**0.67**	**25**	**22.25**	**2.58**	**980**	**45.31**
0.75 to <2.50	**685**	**1.16**	**28**	**26.66**	**1.34**	**370**	**54.03**
2.50 to <10	**21**	**5.36**	**8**	**30.06**	**1.12**	**17**	**79.82**
10 to <100	**17**	**23.02**	**2**	**29.26**	**3.58**	**16**	**90.37**
100 (default)	**—**	**100.00**	**1**	**45.00**	**–**	**–**	**–**
Subtotal	**3 909**		**121**			**1 732**	**44.29**

	Other						
	As at 30 June 2023						
PD scale	EAD post CRM R million	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (years)	RWA (R million)	RWA density (%)
0.00 to <0.15	–	–	–	–	–	–	–
0.15 to <0.25	66	0.24	1	15.00	1.00	8	11.88
0.25 to <0.50	1 171	0.43	23	20.49	1.17	302	25.85
0.50 to <0.75	88	0.67	16	21.03	1.13	42	48.65
0.75 to <2.50	14	1.48	21	25.83	1.43	8	51.76
2.50 to <10	17	5.31	9	32.80	1.09	13	80.55
10 to <100	28	23.02	2	29.26	1.00	25	89.79
100 (default)	15	100	1	37.00	1.00	–	–
Subtotal	1 399		73			398	28.54

The increase in exposure in the 0.50 to <0.75 and the 0.75 to <2.50 PD bands was driven by increased hedging relating to renewable energy project financing, off the back of mark-to-market movements on medium-term cross-currency swaps.

www.firstrand.co.za

FirstRand

www.firstrand.co.za