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basel pillar 3 standardised disclosures
as at 31 March

introduction

In accordance with the Basel Pillar 3 framework and *Regulation 43 of the amended Regulations relating to banks*, the group is required to publish standardised disclosure templates that provide users with key quantitative and qualitative information that is comparable and consistent. This report includes the Pillar 3 disclosure templates as at 31 March 2020.



FirstRand

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Certain entities within the FirstRand group are Authorised Financial Services and Credit Providers. This analysis is available on the group's website:

www.firstrand.co.za

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

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01

key prudential
requirements and risk
weighted assets (RWA)

KM1 – Key metrics (at consolidated group)



R million	FirstRand Limited				
	March 20	December 19	September 19	June 19	March 19
AVAILABLE CAPITAL (AMOUNTS)*					
1 Common Equity Tier 1	127 133	117 081	118 757	113 429	114 608
1a Fully loaded ECL accounting model	124 970	114 918	116 594	110 185	111 363
2 Tier 1	135 046	125 376	127 192	121 081	121 990
2a Fully loaded ECL accounting model Tier 1	132 883	123 213	125 029	117 837	118 745
3 Total capital	159 862	149 210	152 032	144 729	144 694
3a Fully loaded ECL accounting model total capital	158 875	148 178	151 356	142 638	145 831
RISK WEIGHTED ASSETS (AMOUNTS)					
4 Total risk weighted assets	1 116 352	1 024 252	1 044 259	1 007 155	988 099
RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA*					
5 Common Equity Tier 1 (%)	11.4%	11.4%	11.4%	11.3%	11.6%
5a Fully loaded ECL accounting model Common Equity Tier 1 (%)	11.2%	11.2%	11.2%	10.9%	11.3%
6 Tier 1 (%)	12.1%	12.2%	12.2%	12.0%	12.3%
6a Fully loaded ECL accounting model Tier 1 (%)	11.9%	12.0%	12.0%	11.7%	12.0%
7 Total capital (%)	14.3%	14.6%	14.6%	14.4%	14.6%
7a Fully loaded ECL accounting model total capital (%)	14.2%	14.5%	14.5%	14.1%	14.7%
ADDITIONAL CET1 BUFFER REQUIREMENTS AS A PERCENTAGE OF RWA					
8 Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9 Countercyclical buffer requirement (%)	0.000%	0.180%	0.186%	0.180%	0.189%
10 Bank G-SIB and/or D-SIB additional requirements (%)**	–	–	–	–	–
11 Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.500%	2.680%	2.686%	2.680%	2.689%
12 CET1 available after meeting the bank's minimum capital requirements (%)	2.82%	2.81%	2.74%	2.59%	2.95%
BASEL III LEVERAGE RATIO#					
13 Total Basel III leverage ratio exposure measure	1 930 289	1 765 746	1 781 542	1 731 375	1 709 341
14 Basel III leverage ratio (%) (row 2/row13)	7.0%	7.1%	7.1%	7.0%	7.1%
14a Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a/row 13)	6.9%	7.0%	7.0%	6.8%	6.9%
LIQUIDITY COVERAGE RATIO (LCR)					
15 Total HQLA	264 924	276 704	269 369	249 134	229 784
16 Total net cash outflow	218 318	187 377	194 505	203 070	207 334
17 LCR ratio (%)	121%	148%	138%	122%	111%
NET STABLE FUNDING RATIO (NSFR)					
18 Total available stable funding	1 210 650	1 120 492	1 096 495	1 092 423	1 079 458
19 Total required stable funding	1 051 231	945 482	930 446	920 362	952 629
20 NSFR ratio	115%	119%	118%	118%	113%

* Excludes unappropriated profits.

** Not disclosed as it is confidential.

Based on month-end balances.

KEY DRIVERS: MARCH 2020 vs DECEMBER 2019

Risk-based capital ratios*		<p>Available capital</p> <ul style="list-style-type: none"> > CET1 capital increase driven mainly by the increase in the foreign currency translation reserve and appropriation of profits. <p>Risk weighted assets (RWA)</p> <ul style="list-style-type: none"> > Increase in total RWA driven primarily by credit risk and counterparty credit risk, with slight decline in market risk. <ul style="list-style-type: none"> – Credit and counterparty credit risk: relates primarily to the depreciation of the ZAR against major currencies, most notably UK exposures, increased utilisation of facilities by large corporates towards the end of March 2020 and risk migration. – Market risk: decrease in the bank's market risk multiplier and refinement of methodologies.
Leverage ratio		<p>Total exposure measure</p> <ul style="list-style-type: none"> > Increase due to depreciation of the ZAR against major currencies and increased utilisation of facilities by large corporates towards the end of March 2020. <p>Tier 1 capital measure</p> <ul style="list-style-type: none"> > Refer to CET1 capital commentary above.
Liquidity ratios		<ul style="list-style-type: none"> > The decrease in the LCR is mainly as a result of deliberate management actions taken to manage the LCR in January 2020 and February 2020, as well as the early effects of the COVID-19 stress which began in mid-March. The group's LCR and NSFR exceeded the 100% minimum requirements.

* Reflect the transitional Day 1 impact of IFRS 9.

OV1 – Overview of RWA

R million	FirstRand Limited			
	RWA			Minimum capital requirements*
	As at 31 March 2020	As at 31 December 2019	As at 31 March 2019	As at 31 March 2020
1 Credit risk (excluding counterparty credit risk)**	784 263	710 104	691 777	90 190
2 – Standardised approach	312 249	259 479	241 006	35 909
5 – AIRB	472 014	450 625	450 771	54 281
16 Securitisation exposures in banking book	41 391	35 078	39 050	4 760
17 – IRB ratings-based approach	–	–	–	–
18 – IRB supervisory formula approach	2 227	2 037	2 092	256
19 – Standardised approach/simplified supervisory formula approach	39 164	33 041	36 958	4 504
Total credit risk	825 654	745 182	730 827	94 950
6 Counterparty credit risk#	16 425[^]	8 859	8 123	1 889
7 – Standardised approach	16 425[^]	8 859	8 123	1 889
10 Credit valuation adjustment	14 533[^]	7 725	6 985	1 671
11 Equity positions in banking book under market-based approach[†]	29 490	28 823	25 995	3 391
15 Settlement risk	–	–	–	–
20 Market risk[‡]	21 926	29 165	26 085	2 521
21 – Standardised approach	9 302	10 274	9 525	1 070
22 – Internal model approach	12 624	18 891	16 560	1 451
24 Operational risk	135 440	135 440	124 079	15 576
– Basic indicator approach	15 000	15 000	14 886	1 725
– Standardised approach	25 260	25 260	24 901	2 905
– Advanced measurement approach	95 180	95 180	84 292	10 946
25 Amounts below the thresholds for deduction (subject to 250% risk weight)	24 061	23 746	19 577	2 767
26 Floor adjustment	13 399	13 399	16 205	1 541
Other assets	35 424	31 913	30 223	4 074
27 Total	1 116 352	1 024 252	988 099	128 380

* Capital requirement calculated at 11.50% of RWA (March 2019: 11.689%). The minimum requirement excludes the bank-specific capital requirements, but includes the CCyB requirement. The difference to the BCBS base minimum (8%) relates to the buffer add-ons for Pillar 2A, CCyB and capital conservation as prescribed in the Regulations.

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

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

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

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

^ The increases in counterparty credit risk and credit valuation adjustment RWA are mainly due to a combination of increased risk positions and mark-to-market values on foreign exchange and commodity currency transactions, on the back of a weaker ZAR against major currencies.

CR8 – RWA flow statements of credit risk exposures under AIRB

<i>R million</i>		RWA
1	RWA at 31 December 2019*	450 625
2	Asset size	18 449
3	Asset quality	2 940
4	Model updates	–
5	Methodology and policy	–
6	Acquisitions and disposals	–
7	Foreign exchange movements	–
8	Other	–
9	RWA at 31 March 2020*	472 014

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

MR2 – RWA flow statements of market risk exposures under IMA*

<i>R million</i>		VaR	sVaR	RWA
1	RWA at 31 December 2019	8 909	9 982	18 891
2	Movement in risk levels	(4 260)	(2 007)	(6 267)
3	Model updates/changes	–	–	–
4	Methodology and policy	–	–	–
5	Acquisitions and disposals	–	–	–
6	Foreign exchange movements	–	–	–
7	Other	–	–	–
8	RWA at 31 March 2020	4 649	7 975	12 624

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

02

leverage

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

R million		As at 31 March 2020	
		FirstRand Limited	FirstRand Bank Limited**
1	Total consolidated assets as per published financial statements	1 926 574	1 413 479
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–	–
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	(73 219)	(66 422)
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	4 172	4 172
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	71 449	79 912
7	Other adjustments	1 313	12 530
8	Leverage ratio exposure	1 930 289	1 443 671

* Based on month-end balances.

** FirstRand Bank Limited including foreign branches.

LR2 – Leverage ratio common disclosure template*

R million	FirstRand Limited		FirstRand Bank Limited**		
	As at 31 March 2020	As at 31 December 2019	As at 31 March 2020	As at 31 December 2019	
ON-BALANCE SHEET EXPOSURES					
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1 801 502	1 654 369	1 293 650	1 233 943
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(31 417)	(28 250)	(18 278)	(16 997)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	1 770 085	1 626 119	1 275 372	1 216 946
DERIVATIVE EXPOSURES					
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) [#]	16 120	4 452	16 205	4 401
5	Add-on amounts for PFE associated with all derivatives transactions	23 478	22 210	23 580	22 845
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–	–	–
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–	–	–	–
8	(Exempted CCP leg of client-cleared trade exposures)	–	–	–	–
9	Adjusted effective notional amount of written credit derivatives	7 048	5 979	7 048	5 979
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(5 590)	(5 310)	(5 590)	(5 310)
11	Total derivative exposures (sum of lines 4 to 10)	41 056	27 331	41 243	27 915
SECURITIES FINANCING TRANSACTION EXPOSURES					
12	Gross SFT assets (with no recognition of netting) after adjusting for sale accounting transactions	43 526	40 339	42 972	39 977
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–	–	–	–
14	CCR exposure for SFT assets	4 172	2 625	4 172	2 625
15	Agent transaction exposures	–	–	–	–
16	Total securities financing transaction exposures (sum of lines 12 to 15)	47 698	43 024	47 144	42 602
OTHER OFF-BALANCE SHEET EXPOSURES					
17	Off-balance sheet exposure at gross notional amount	370 703	363 326	352 960	345 826
18	(Adjustments for conversion to credit equivalent amounts)	(299 253)	(294 054)	(273 048)	(270 887)
19	Off-balance sheet items (sum of lines 17 and 18)	71 450	69 272	79 912	74 939
CAPITAL AND TOTAL EXPOSURES					
20	Tier 1 capital	135 046	125 376	97 932	93 149
21	Total exposures (sum of lines 3, 11, 16 and 19)	1 930 289	1 765 746	1 443 671	1 362 402
LEVERAGE RATIO					
22	Basel III leverage ratio	7.0%	7.1%	6.8%	6.8%

* Based on month-end balances.

** FirstRand Bank Limited including foreign branches.

[#] Increase in replacement cost due to volumes and depreciation of the ZAR against major currencies.

03

liquidity

LIQ1 – Liquidity coverage ratio (LCR)

R million	FirstRand Limited consolidated*		FirstRand Bank Limited South Africa*	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
HIGH-QUALITY LIQUID ASSETS				
1 Total high-quality liquid assets (HQLA)		298 752		232 408
CASH OUTFLOWS				
2 Retail deposits and deposits from small business customers, of which:	406 394	35 974	289 193	28 919
3 Stable deposits	70 168	2 351	–	–
4 Less stable deposits	336 226	33 623	289 193	28 919
5 Unsecured wholesale funding, of which:	431 566	238 546	352 895	187 103
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	107 416	26 854	107 416	26 854
7 Non-operational deposits (all counterparties)	311 639	199 181	233 765	148 535
8 Unsecured debt	12 511	12 511	11 714	11 714
9 Secured wholesale funding		560		560
10 Additional requirements, of which:	269 799	38 482	242 439	35 742
11 Outflows related to derivative exposures and other collateral requirements	12 052	12 052	11 361	11 361
12 Outflows related to loss of funding on debt products	130 291	6 515	122 472	6 124
13 Credit and liquidity facilities	127 456	19 915	108 606	18 257
14 Other contractual funding obligations	45	45	–	–
15 Other contingent funding obligations	234 784	9 494	214 723	8 583
16 Total cash outflows		323 101		260 907
CASH INFLOWS				
17 Secured lending (e.g. reverse repos)	4 406	4 406	4 406	4 406
18 Inflows from fully performing exposures	122 006	98 508	95 305	76 431
19 Other cash inflows	3 972	3 951	3 812	3 812
20 Total cash inflows	130 384	106 865	103 523	84 649
21 Total HQLA**		264 924		232 408
22 Total net cash outflow#		218 318		176 258
23 Liquidity coverage ratio (%)†		121%		132%

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

** The weighted value has been calculated after the application of the respective haircuts for HQLA, outflows and inflows. The surplus HQLA holdings by subsidiaries and foreign branches in excess of the minimum required LCR of 100% which is not considered as fully transferable has been excluded in the calculation of the consolidated LCR for the group.

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

† The LCR is calculated as a simple average of 91 days of daily observations over the period ended 31 March 2020 for FirstRand Bank Limited South Africa and London branch. The remaining international banking entities including Aldermore, and the India and Channel Island branches are based on the month-end or quarterly values. The figures are based on the regulatory submission to the Prudential Authority.