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basel pillar 3 standardised disclosures
as at 30 September

introduction

In accordance with the Basel Pillar 3 framework and *Regulation 43 of the amended Regulations relating to banks*, the group is required to publish standardised disclosure templates that provide users with key quantitative and qualitative information that is comparable and consistent. This report includes the Pillar 3 disclosure templates at 30 September 2019.



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

contents

01

Key prudential requirements and risk weighted assets (RWA)

- 02 KM1 – Key metrics (at consolidated group)
- 03 OV1 – Overview of RWA
- 04 CR8 – RWA flow statements of credit risk exposures under AIRB
- 04 MR2 – RWA flow statements of market risk exposures under IMA

02

Leverage

- 06 LR1 – Summary comparison of accounting assets vs leverage ratio exposure measure
- 06 LR2 – Leverage ratio common disclosure template

03

Liquidity

- 08 LIQ1 – Liquidity coverage ratio (LCR)

01

key prudential
requirements and risk
weighted assets (RWA)

KM1 – Key metrics (at consolidated group)

<i>R million</i>	September 19	June 19	March 19	December 18	September 18
AVAILABLE CAPITAL (AMOUNTS)*					
1 Common Equity Tier 1	118 757	113 429	114 608	109 440	103 130
1a Fully loaded ECL accounting model	116 594	110 185	111 363	106 196	99 886
2 Tier 1	127 192	121 081	121 990	115 107	108 237
2a Fully loaded ECL accounting model Tier 1	125 029	117 837	118 745	111 863	104 993
3 Total capital	152 032	144 729	144 694	137 062	132 597
3a Fully loaded ECL accounting model total capital	151 356	142 638	145 831	138 199	133 225
RISK WEIGHTED ASSETS (AMOUNTS)					
4 Total risk weighted assets	1 044 259	1 007 155	988 099	972 199	941 437
RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA*					
5 Common Equity Tier 1 (%)	11.4%	11.3%	11.6%	11.3%	11.0%
5a Fully loaded ECL accounting model Common Equity Tier 1 (%)	11.2%	10.9%	11.3%	10.9%	10.6%
6 Tier 1 (%)	12.2%	12.0%	12.3%	11.8%	11.5%
6a Fully loaded ECL accounting model Tier 1 (%)	12.0%	11.7%	12.0%	11.5%	11.2%
7 Total capital (%)	14.6%	14.4%	14.6%	14.1%	14.1%
7a Fully loaded ECL accounting model total capital (%)	14.5%	14.1%	14.7%	14.2%	14.2%
ADDITIONAL CET1 BUFFER REQUIREMENTS AS A PERCENTAGE OF RWA					
8 Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	2.500%	2.500%	1.875%	1.875%
9 Countercyclical buffer requirement (%)	0.186%	0.180%	0.189%	0.130%	0.068%
10 Bank G-SIB and/or D-SIB additional requirements (%)**	–	–	–	–	–
11 Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.686%	2.680%	2.689%	2.005%	1.943%
12 CET1 available after meeting the bank's minimum capital requirements (%)	2.74%	2.59%	2.95%	2.84%	2.89%
BASEL III LEVERAGE RATIO#					
13 Total Basel III leverage ratio exposure measure	1 781 542	1 731 375	1 709 341	1 657 140	1 632 157
14 Basel III leverage ratio (%) (row 2/row13)	7.1%	7.0%	7.1%	6.9%	6.6%
14a Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a/row 13)	7.0%	6.8%	6.9%	6.8%	6.4%
LIQUIDITY COVERAGE RATIO (LCR)					
15 Total HQLA	269 369	249 134	229 784	216 232	212 982
16 Total net cash outflow	194 505	203 070	207 334	176 586	171 146
17 LCR ratio (%)	138%	122%	111%	122%	124%
NET STABLE FUNDING RATIO (NSFR)					
18 Total available stable funding	1 096 495	1 092 423	1 079 458	1 039 693	
19 Total required stable funding	930 446	920 362	952 629	927 138	
20 NSFR ratio	118%	118%	113%	112%	

* Excludes unappropriated profits.

** Not disclosed as it is confidential.

Based on month-end balances.

KEY DRIVERS: SEPTEMBER 2019 vs JUNE 2019

Risk-based capital ratios*	↑	Available capital <ul style="list-style-type: none"> > CET1 increase relates to appropriation of profits. > Additional Tier 1 (AT1) tap issuance of R761 million in July 2019. Risk weighted assets (RWA) <ul style="list-style-type: none"> > Increase in all risk types, with the most significant impact noted for credit risk.
Leverage ratio*	↑	<ul style="list-style-type: none"> > An increase in Tier 1 capital due to appropriation of profits. > Total exposure measure increased mainly due to an increase in on-balance sheet and derivative exposures.
Liquidity ratios	↑	<ul style="list-style-type: none"> > The increase in the LCR is a result of the implementation of optimisation strategies and business as usual seasonal trends. The group's LCR and NSFR exceeded the 100% minimum requirements for 2019.

* Reflects the transitional Day 1 impact of IFRS 9.

OV1: Overview of RWA

R million	RWA			Minimum capital requirements*
	As at 30 September 2019	As at 30 June 2019	As at 31 March 2019	As at 30 September 2019
1 Credit risk (excluding counterparty credit risk)**	728 351	704 725	691 777	85 115
2 – Standardised approach	267 939	250 438	241 006	31 311
5 – AIRB	460 412	454 287	450 771	53 804
16 Securitisation exposures in banking book	38 274	37 792	39 050	4 472
17 – IRB ratings-based approach	–	–	–	–
18 – IRB supervisory formula approach	2 032	2 180	2 092	237
19 – Standardised approach/simplified supervisory formula approach	36 242	35 612	36 958	4 235
Total credit risk	766 625	742 517	730 827	89 587
6 Counterparty credit risk#	9 870	7 814	8 123	1 153
7 – Standardised approach	9 870	7 814	8 123	1 153
10 Credit valuation adjustment	8 578	8 254	6 985	1 002
11 Equity positions in banking book under market-based approach†	29 913	27 901	25 995	3 496
15 Settlement risk	–	–	–	–
20 Market risk‡	26 261	24 523	26 085	3 069
21 – Standardised approach	9 479	11 252	9 525	1 108
22 – Internal model approach	16 782	13 271	16 560	1 961
24 Operational risk	137 573	137 573	124 079	16 077
– Basic indicator approach	14 697	14 697	14 886	1 718
– Standardised approach	25 516	25 516	24 901	2 982
– Advanced measurement approach	97 360	97 360	84 292	11 377
25 Amounts below the thresholds for deduction (subject to 250% risk weight)	24 454	23 971	19 577	2 858
26 Floor adjustment	6 169	6 169	16 205	721
Other assets	34 816	28 433	30 223	4 069
27 Total	1 044 259	1 007 155	988 099	122 032

* Capital requirement calculated at 11.686% of RWA (June 2019: 11.680%). 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 SA-CCR was 1 October 2019, however, this has been further delayed.

† The proposed implementation date for the capital requirements for equity investment in funds was 1 October 2019, however, this has been further delayed. Rows 12 – 14 of the OV1 template have, therefore, been excluded from this table.

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

CR8 – RWA flow statements of credit risk exposures under AIRB

<i>R million</i>	RWA
1 RWA at 30 June 2019*	454 287
2 Asset size	4 041
3 Asset quality	(2 315)
4 Model updates	4 399
5 Methodology and policy	–
6 Acquisitions and disposals	–
7 Foreign exchange movements	–
8 Other	–
9 RWA at 30 September 2019*	460 412

* 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 30 June 2019*	3 977	9 294	13 271
2 Movement in risk levels	2 851	660	3 511
3 Model updates/changes	–	–	–
4 Methodology and policy	–	–	–
5 Acquisitions and disposals	–	–	–
6 Foreign exchange movements	–	–	–
7 Other	–	–	–
8 RWA at 30 September 2019*	6 828	9 954	16 782

* 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 30 September 2019	
	FirstRand Limited	FirstRand Bank Limited**
1 Total consolidated assets as per published financial statements	1 722 305	1 305 806
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	(14 591)	(12 057)
5 Adjustment for securities financing transactions (i.e. repos and similar secured lending)	2 419	2 419
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	70 453	71 241
7 Other adjustments	956	11 887
8 Leverage ratio exposure	1 781 542	1 379 296

* 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 30 September 2019	As at 30 June 2019	As at 30 September 2019	As at 30 June 2019
ON-BALANCE SHEET EXPOSURES				
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1 663 133	1 602 539	1 247 525	1 226 983
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(28 434)	(26 529)	(16 736)	(15 423)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	1 634 699	1 576 010	1 230 789	1 211 560
DERIVATIVE EXPOSURES				
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	4 853	4 412	5 163	4 190
5 Add-on amounts for PFE associated with all derivatives transactions	29 670	22 913	30 236	23 360
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	5 155	4 931	5 155	4 931
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(4 531)	(4 429)	(4 531)	(4 429)
11 Total derivative exposures (sum of lines 4 to 10)	35 147	27 827	36 023	28 052
SECURITIES FINANCING TRANSACTION EXPOSURES				
12 Gross SFT assets (with no recognition of netting) after adjusting for sale accounting transactions	38 824	47 366	38 824	46 314
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	–	–	–	–
14 CCR exposure for SFT assets	2 419	1 815	2 419	1 815
15 Agent transaction exposures	–	–	–	–
16 Total securities financing transaction exposures (sum of lines 12 to 15)	41 243	49 181	41 243	48 129
OTHER OFF-BALANCE SHEET EXPOSURES				
17 Off-balance sheet exposure at gross notional amount	368 184	368 832	350 201	349 374
18 (Adjustments for conversion to credit equivalent amounts)	(297 731)	(290 475)	(278 960)	(270 354)
19 Off-balance sheet items (sum of lines 17 and 18)	70 453	78 357	71 241	79 020
CAPITAL AND TOTAL EXPOSURES				
20 Tier 1 capital	127 192	121 081	93 525	89 523
21 Total exposures (sum of lines 3, 11, 16 and 19)	1 781 542	1 731 375	1 379 296	1 366 761
LEVERAGE RATIO				
22 Basel III leverage ratio	7.1%	7.0%	6.8%	6.5%

* Based on month-end balances.

** FirstRand Bank Limited including foreign branches.

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)	296 526		240 295
CASH OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	379 339	34 136	282 192
3	Stable deposits	57 250	1 927	–
4	Less stable deposits	322 089	32 209	282 192
5	Unsecured wholesale funding, of which:	398 100	211 176	332 645
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	92 742	23 185	92 742
7	Non-operational deposits (all counterparties)	297 916	180 549	232 741
8	Unsecured debt	7 442	7 442	7 162
9	Secured wholesale funding		2 203	
10	Additional requirements, of which:	296 355	42 556	269 548
11	Outflows related to derivative exposures and other collateral requirements	11 744	11 744	11 124
12	Outflows related to loss of funding on debt products	156 707	7 835	148 508
13	Credit and liquidity facilities	127 904	22 977	109 916
14	Other contractual funding obligations	85	85	–
15	Other contingent funding obligations	232 246	9 364	214 919
16	Total cash outflows		299 520	
CASH INFLOWS				
17	Secured lending (e.g. reverse repos)	2 542	2 542	2 542
18	Inflows from fully performing exposures	130 004	100 186	106 935
19	Other cash inflows	3 070	3 061	2 911
20	Total cash inflows	135 616	105 789	112 388
21	Total HQLA**		269 369	240 295
22	Total net cash outflow#		194 505	162 242
23	Liquidity coverage ratio (%)†		138%	148%

* 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 92 days of daily observations over the period ended 30 September 2019 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.