



# FirstRand Bank

## FIRSTRAND BANK LIMITED ISSUER DISCLOSURE DOCUMENT

dated 23 February 2024

---

This is the Issuer disclosure document described in:

- (i) the programme memorandum dated 24 February 2004 in respect of the FirstRand Bank Limited ZAR5 000 000 000 domestic medium term note programme (as amended, including in terms of the supplement to that programme memorandum dated 30 November 2018);
- (ii) the programme memorandum dated 31 July 2007 in respect of the FirstRand Bank Limited ZAR20 000 000 000 domestic medium term note programme (as amended, including in terms of the supplement to that programme memorandum dated 6 December 2018);
- (iii) the programme memorandum dated 11 February 2008 in respect of the FirstRand Bank Limited ZAR15 000 000 000 structured note and preference share programme (the **"FirstRand Bank Limited structured note and preference share programme"**) (as amended, including in terms of the first supplement to that programme memorandum dated 30 November 2018 and the second supplement to that programme memorandum dated 4 August 2020) (the **"FirstRand Bank Limited structured note and preference share programme memorandum"**);
- (iv) the programme memorandum dated 22 April 2008 in respect of the FirstRand Bank Limited ZAR20 000 000 000 domestic medium term note programme (as amended, including in terms of the supplement to that programme memorandum dated 30 November 2018);
- (v) the programme memorandum dated 24 August 2010 in respect of the FirstRand Bank Limited ZAR30 000 000 000 note programme (as amended, including in terms of the supplement to that programme memorandum dated 6 December 2018);
- (vi) the programme memorandum dated 29 November 2011 in respect of the FirstRand Bank Limited ZAR30 000 000 000 note programme (the **"FirstRand Bank Limited note programme"**) (as amended, including in terms of the supplement to that programme memorandum dated 30 November 2018) (the **"FirstRand Bank Limited note programme memorandum"**);

- (vii) the programme memorandum dated 29 November 2011 in respect of the FirstRand Bank Limited ZAR50 000 000 000 domestic medium term note programme (as amended, including in terms of the supplement to that programme memorandum dated 30 November 2018);
- (viii) the programme memorandum dated 20 February 2015 in respect of the FirstRand Bank Limited ZAR80 000 000 000 domestic medium term note programme (as amended, including in terms of the amended and restated programme memorandum dated 14 October 2015 and the supplement to that amended and restated programme memorandum dated 6 December 2018);
- (ix) the programme memorandum dated 1 November 2018 in respect of the FirstRand Bank Limited ZAR100 000 000 000 domestic medium term note programme (as amended);
- (x) the programme memorandum dated 17 September 2019 in respect of the FirstRand Bank Limited ZAR5 000 000 000 preference share programme (as amended);
- (xi) the programme memorandum dated 8 October 2019 in respect of the FirstRand Bank Limited ZAR100 000 000 000 domestic medium term note programme (as amended); and
- (xii) the programme memorandum dated 13 April 2021 in respect of the FirstRand Bank Limited ZAR100 000 000 000 domestic medium term note programme (the “**DMTN programme**”) (as amended) (the “**DMTN programme memorandum**”).

This is also the Issuer disclosure and risk factors document for any programme established by a programme memorandum into which this document is expressly incorporated by reference.

Each of the programmes described above is a “**Programme**” and each of the programme memoranda described above (as amended or replaced from time to time) is a “**Programme Memorandum**”.

This document is split into two sections covering the following topics:

- **Part A (“issuer disclosure”)**: This section covers risk factors relating to the Issuer and South Africa, a description of FirstRand Bank Limited, the banking sector and exchange control sector in South Africa, and director disclosures.
- **Part B (“risk factors relating to notes”)**: This section covers the risk factors relating to notes.

# **PART A: ISSUER DISCLOSURE**

Updated: 23 February 2024

## **CONTENTS**

<b>RISK FACTORS RELATING TO THE ISSUER AND SOUTH AFRICA.....</b>	<b>2</b>
<b>DESCRIPTION OF FIRSTRAND BANK LIMITED .....</b>	<b>32</b>
<b>BANKING SECTOR IN SOUTH AFRICA .....</b>	<b>69</b>
<b>SOUTH AFRICAN EXCHANGE CONTROL .....</b>	<b>72</b>
<b>ANNEXURE A: ADDITIONAL DIRECTOR DISCLOSURES .....</b>	<b>74</b>

## **RISK FACTORS RELATING TO THE ISSUER AND SOUTH AFRICA**

---

*Words used in this section headed “Risk factors” shall, in relation to a Programme, (i) have the meanings given to them in the applicable Programme Memorandum or (ii) where not defined in the applicable Programme Memorandum, have the meanings given to them in the DMTN programme memorandum mutatis mutandis, in each case except to the extent that they are separately defined in this section, or this is clearly inappropriate from the context.*

*FirstRand Bank Limited (“**Issuer**” or the “**Bank**”) believes that the factors described below, which are not set out in any particular order, represent key risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Some risks are not yet known and some that are not currently deemed material could later turn out to be material. Accordingly, the Issuer does not represent or warrant that the statements below regarding the risks of holding of any Notes are exhaustive.*

*All these risks could materially affect the Issuer, its reputation, business, results of its operations and overall financial condition.*

*The information set out below is therefore not intended as advice and does not purport to describe all the considerations that may be relevant to a prospective investor.*

*Investors’ contemplating making an investment in the Notes should determine their own investment objectives and experience, and any other factors which may be relevant to them in connection with such investment.*

*Unless otherwise indicated, the factors described below apply to Notes issued under any Programme.*

### **FACTORS THAT MAY AFFECT THE ISSUER’S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER A PROGRAMME**

#### **1. RISKS RELATING TO THE ISSUER**

##### **1.1. The investments, business, profitability and results of operations of the Issuer may be adversely affected by political, social and economic risks in South Africa and global economic conditions**

The Issuer's operations are predominantly concentrated in South Africa, with the majority of its revenues derived from operations in South Africa. The Issuer is, therefore, highly exposed to South African macroeconomic conditions and, as a result of their impact on the South African economy, global economic conditions. Any material deterioration in global or South African macroeconomic conditions could lead to a reduction in business activity, higher impairment charges, increased funding costs, and reduced revenues and profitability.

### **1.1.1 Global economic conditions**

The South African economy is exposed to the global economy through the current and capital accounts of the balance of payments. South Africa's exports are impacted by economic activity of some of the world's largest economies including China, the United States ("US"), the United Kingdom ("UK") and Europe. Commodity prices and the rand exchange rate have a material impact on South African exports. The South African economy is also reliant on foreign capital inflows.

If global economic growth or global financial conditions deteriorate materially, it is likely to have a negative impact on macroeconomic conditions in South Africa.

While the global economy is still recovering from the post-pandemic inflation shocks and interest rate rises, the longer-term consequences of geopolitical fragmentation for the macro economy remain uncertain. In addition to concerns around permanent damage to production capacity, there are also concerns about persistently high global inflation and high interest rates against a backdrop of high levels of global indebtedness. If these factors translate into a fall in global production capacity, specifically in Europe and Asia, this will have a negative impact on South African economic activity through lower exports and higher import prices. This could also have negative consequences for capital flows towards South Africa. An even more severe geopolitical or financial market disruption could weigh on global risk appetite and capital flows to South Africa and will likely result in financial market pressure and rand weakness.

Looking beyond risks to the near-term economic cycle, permanent global trade impediments (including tariffs), social tensions, natural disasters and environmental damage represent risk factors that could permanently reduce global demand for South African goods and global risk appetite towards South Africa.

In addition, a sharp increase in oil prices, and/or a fall in precious metal and/or base metal prices could also result in a deterioration in the rand exchange rate, higher interest rates and higher bond yields.

### **1.1.2 South African economic conditions**

Since the 2008 global financial crisis the South African macroeconomic environment has been characterised by low private sector investment growth, weak employment growth, rising levels of public sector debt and downward pressure on domestic demand. In addition, domestic consumer and business confidence have remained low over this period. The Issuer expects the longer-term structural pressures to remain in place.

Structural changes, including financial and business reforms at state-owned enterprises, an improvement in the quality of education, much higher fixed capital investment and labour market reforms remain critical to change the long-term trajectory of the country. The solvency and liquidity challenges at some state-owned enterprises remain a significant concern.

### **1.1.3 South African political conditions**

The Issuer currently anticipates there will be strong political debates around the need to implement measures to ensure fiscal sustainability with increasing socio-economic pressures in the country. These will include debates around the implementation of measures that will lift South Africa's potential growth rate. In addition, the Issuer expects debates in respect of various sensitive issues such as land expropriation, the geopolitical alignment of various political parties and the mandate of the South African Reserve Bank ("**SARB**"). Ongoing political developments may impact private sector investment, foreign investment and business confidence towards South Africa.

The country's high unemployment rate and unequal wealth and income distribution may fuel socio-economic pressure and encourage government to change its current macroeconomic policies.

### **1.1.4 South African conditions specific to the banking sector**

The South African banking sector remains well capitalised, funded, regulated and managed. The South African financial sector is widely regarded as one of the country's key pillars of economic strength. The banking sector is, however, highly exposed to South African macroeconomic conditions, including the sovereign, and will be impacted by negative macroeconomic developments, geopolitical developments and deterioration in the government's fiscal position.

Although household and corporate affordability conditions benefited from a normalisation in economic activity combined with low interest rates in the immediate aftermath of the pandemic, looking ahead weak economic growth, higher inflation and high unemployment will keep household and corporate income growth low by historical standards. A deterioration in the country's institutions, especially the independence of the SARB and policy conduct at the National Treasury, could have a negative impact on the banking sector if this were to transpire.

The Issuer's financial performance has been and is likely to remain linked to the performance of the South African and global economy.

## **1.2 Risk management**

The Issuer, in common with other issuers in South Africa and elsewhere, is exposed to commercial and market risks in its ordinary course of business, the most significant of which are credit risk, liquidity risk, market risk in the trading book, operational risk and equity investment risk.

Credit risk is the risk of loss due to 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 also includes credit default risk, pre-settlement risk, country risk, concentration risk, securitisation risk and climate risk (physical and transitional risks).

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 bilateral risk of loss. Counterparty credit risk measures a counterparty's ability to satisfy its obligations under a contract that has positive economic value for the Issuer 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 Issuer or the counterparty.

Liquidity risk is the risk of being unable to effectively meet current and future cash flow and collateral requirements without negatively affecting the ordinary course of business, financial position, or reputation. The risk is also observed in market disruptions that affect liquidity access in part or in whole without negatively impacting market prices significantly.

The Issuer distinguishes between traded market risk and non-traded market risk. Traded market risk is the risk of adverse revaluation of any financial instrument as a consequence of changes in market prices or rates. For non-traded market risk, the Issuer distinguishes between interest rate risk in the banking book ("**IRRBB**") and structural foreign exchange risk. IRRBB relates to the sensitivity of a bank's balance sheet and earnings to unexpected, adverse movements in interest rates. Structural foreign exchange risk is the risk of an adverse impact on a bank's financial position or earnings or other key ratios as a result of movements in foreign exchange rates impacting balance sheet exposures.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events.

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

Any failure to control these risks adequately or unexpected developments in the future economic environment could have an adverse effect on the financial condition and reputation of the Issuer (see the sub-section titled "*Risk Management*" in the section headed "*Description of FirstRand Bank Limited*").

### **1.2.1 Credit risk**

Credit risk arises primarily from advances and certain debt investment securities. Other sources of credit risk include reinsurance assets, cash and cash equivalents, accounts receivable, off-balance sheet exposures and derivative balances.

The Issuer's lending and trading businesses are subject to inherent risks relating to the credit quality of its counterparties and the recoverability of loans and advances due from these counterparties. Changes in the credit quality of the Issuer's lending and trading counterparties or arising from systemic risk in the financial sector could reduce the value of the Issuer's assets, resulting in increased credit impairments.

Many factors affect the ability of the Issuer's counterparties to repay their loans, including adverse changes in consumer confidence levels due to local, national, and global factors; levels of consumer spending; bankruptcy rates and increased market volatility. These factors might be

difficult to predict and are completely beyond the Issuer's control. The Issuer performs regular stress tests on its credit portfolios to identify the key factors impacting its credit risk profile to anticipate possible future outcomes, and to implement necessary actions to reduce risk.

The Issuer continues to apply origination strategies which are aligned to its broader financial resource management processes and macroeconomic outlook. Based on the Issuer's credit risk appetite, as measured on return on equity ("ROE"), net income after cost of capital ("NIACC") and earnings volatility, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management practices, therefore, spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement, as well as collection and recovery of delinquent accounts. Credit risk is managed through the implementation of comprehensive policies, processes, and controls to ensure a sound credit risk management environment with appropriate credit origination, administration, measurement, monitoring and reporting. Credit risk appetite measures are set in line with overall risk appetite. The aim is to deliver an earnings profile that will perform within acceptable levels of volatility determined by the Issuer.

Global developments, manifesting in increased inflation and interest rate outlook as well as local developments (e.g. electricity supply constraints) impacting the growth outlook negatively are being monitored closely, and could warrant additional risk responses.

Persistent political and policy uncertainty, ongoing governance issues at state-owned enterprises and continued erosion of confidence in institutional strength and independence all continue to have a negative impact on confidence, which in turn constrains private sector investment, places pressure on employment and ultimately undermines gross domestic product growth. Such a macroeconomic environment will be characterised by low domestic demand growth (consumption, investment, and government spending) and downward pressure on personal income. This could result in increased levels of impairment in the Issuer's credit portfolio, which could have an adverse impact on the Issuer's ability to grow its revenues and manage its credit impairments and could therefore negatively impact its financial condition.

### **1.2.2 Credit concentration risk**

Credit concentration risk is the risk of loss arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument, type of security, country or region, or maturity. 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.

As part of the Issuer's credit risk appetite framework, concentration limits (both on a single name and portfolio risk segment basis) are set to maintain exposures that could contribute to high or volatile credit losses, within acceptable levels. Concentration limits are reviewed at least annually and monitored monthly. This is further supported by credit performance triggers across all material portfolios. Actual performance is then measured against these on a monthly basis (on both back book and new business).



The Issuer's business by nature is predominantly focused on the South African market and the Issuer, therefore, faces a geographic concentration risk. Operations in South Africa are subject to various risks which include political, social, and economic risks, which could affect an investment in the Notes. The existence of such factors may have a negative impact on South African economic conditions generally, and more specifically on the business and results of the Issuer in ways that cannot be predicted.

Any adverse changes affecting the South African economy are likely to have an adverse impact on the Issuer's ability to grow revenues as well as credit impairments and, therefore, on its financial condition.

### **1.2.3 Liquidity risk**

Liquidity risk is defined as the risk that an entity cannot maintain or raise adequate cash resources to meet in full its payment obligations as they fall due or can only do so at materially disadvantageous terms, although it may be sufficiently capitalised. Liquidity risk may arise where counterparties who provide the Issuer with short-term funding, withdraw or decline to roll over that funding, or where normally liquid assets become illiquid as a result of a generalised disruption in asset markets. The nature of banking gives rise to continued liquidity risk exposure.

The Issuer recognises two types of liquidity risk:

- Funding liquidity risk – the risk that the Issuer is unable to effectively meet current and future cash flow and collateral requirements without negatively affecting its normal course of business, financial position or reputation.
- Market liquidity risk – the risk that market disruptions or lack of market liquidity will inhibit the Issuer's ability to trade in specific markets without affecting market prices significantly.

#### *Structural characteristics impacting the funding and liquidity profile of South African banks*

South Africa is characterised by a low discretionary savings rate and a higher degree of contractual savings captured by institutions such as pension funds, life insurers and asset managers. A portion of these contractual savings are transformed into institutional funding for banks, which is riskier from a liquidity perspective than funding raised through banks' deposit franchises. 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, mitigated by the following market dynamics:

- the closed rand system, where rand transactions are cleared and settled through registered banks and clearing institutions domiciled in South Africa. The Issuer is one of the major clearing and settlement banks;
- concentration of customer current accounts with the large South African banks;
- the prudential exchange control framework; and

- South African banks' low dependence on foreign currency funding.

These factors contributed to South Africa's resilience during the 2007–2008 global financial crisis, and the Covid-19 pandemic. The current environment is marked by renewed global and local macroeconomic risks which may lead to increased funding costs and/or changes in the composition of available funding pools. These may impact the cost and availability of funding.

#### *The revised SARB monetary policy implementation framework*

In June 2022, following extensive research and market consultation, the SARB announced a modernisation to its monetary policy implementation framework (“**MPIF**”). The MPIF is the means by which the monetary policy stance is transmitted to financial markets and the price of money and credit. The SARB has moved from a shortage framework, which transmits the policy rate by virtue of the marginal rate of borrowing, to a surplus framework which seeks to transmit the policy rate through offering a deposit rate for excess marginal deposits.

Following the initial implementation of the updated MPIF, which concluded in September 2022, the SARB introduced further revisions to the framework in February 2023. The revisions followed the anticipated drawdowns of National Treasury's sterilisation reserve deposits at the SARB. To accommodate the additional market liquidity and avoid market disruptions or any weakening of monetary policy transmission, the SARB increased the quotas for market participants. The MPIF and the resultant additional market liquidity have afforded market participants greater payment capacity, improved liquidity availability and transmission, and enhanced financial market stability.

#### *Foreign currency funding risks*

The low level of discretionary savings in South Africa, and its high investment and social welfare requirements, increase the economy's reliance and vulnerability to foreign capital inflows, driven by the country's fiscal and current accounts.

The Issuer seeks to mitigate its exposure to its foreign currency funding by operating a prudent foreign currency management framework and operating within foreign currency borrowing limits that are more conservative than the macroprudential limits applied by the SARB. The Issuer seeks to avoid exposing itself to undue liquidity risk and to maintain its liquidity profile within the risk appetite approved by the board and risk committees.

The Issuer believes that its level of access to domestic and international interbank, capital and repo markets will enable it to meet its short-term and long-term liquidity needs. However, any maturity mismatches may have a material adverse effect on its financial condition.

#### *Funding and other risks relating to securitisations*

Securitisation is the process whereby assets (such as illiquid loans and other receivables) are packaged, underwritten and sold in the form of asset-backed securities to investors. The Issuer makes use of securitisations from time to time to complement its overall funding strategy.

While an important component of its overall funding strategy, the Issuer limits the use of securitisation to ensure appropriate strategy diversification and agility. Furthermore, the Issuer does not aim to execute securitisations specifically for credit or capital relief purposes. Lower-

rated mezzanine and equity tranches are typically retained within the wider group, but may be offered to investors depending on market appetite and pricing considerations. As structured, the FirstRand Group retains all risks and rewards associated with the underlying assets. In addition, the use of securitisation as part of the Issuer's funding strategy generates complementary risks such as:

- funding and liquidity risk in respect of any potential repurchase of the transferred assets (for example, in circumstances where there is a breach of contractual representations and warranties relating to the underlying assets);
- operational risks related to the servicing of the transferred assets, administration of the securitisation vehicle and investor reporting relating thereto; and
- interest rate and other risks through derivatives transacted with the securitisation entities.

The Issuer executes securitisation transactions to manage and mitigate rather than add to the funding and liquidity risk profile.

#### **1.2.4 Operational risk**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It includes, for example, internal and external fraud risk, people risk, information technology risk, information risk, legal risk, business resilience risk, process risk, cyber risk and third-party risk.

The principal operational risks currently facing the Issuer are:

- business resilience risk due to susceptibility to external factors, e.g. floods, civil unrest and power supply constraints as well as 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 lack of direct control over external service providers, the potential impact of external events on the Issuer's supply chain and reliance on critical service providers who may pose as single points of failure;
- people risk due to social and economic pressures on employees, and the shortage of skilled staff, particularly in the information technology and data fields expertise; 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, as well as 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..

*Business resilience risk: the Issuer's business is subject to its ability to quickly adapt to disruptions while maintaining continuous business operations*

The Issuer has established a business resilience management framework to govern business continuity (including disaster recovery) and to improve the capability of the business to effectively respond to disruptive events from internal failures or external events. This is achieved through the business continuity strategies including regular review of business continuity plans (including disaster recovery), scenario planning (including blackout planning), testing and due diligence on key outsourced vendors. Any failure in the continuity of the Issuer's operations and services could have a material adverse effect on its business, financial condition and/or results of operations.

*Cyber risk: cybercrime could have a negative impact on the Issuer's operations*

The Issuer's operations are dependent on its own IT systems and those of its third-party service providers. The Issuer could be negatively impacted by cyberattacks on any of these. As the Issuer continues to leverage digital and mobile platforms, the risk of cybercrime increases, especially as infiltrating technology is becoming increasingly sophisticated. Whilst there are ongoing enhancements to information and cyber-security controls, cyber risk remains a key risk focus area for the Issuer due to the ever-changing external threat landscape and the growing complexity of the attacks. Risk-based rollout of Group cyber capabilities has prioritised the securing of key environments across the cyber-security programme focus areas. A defence-in-depth response to the priority threats is applied. This includes various operational practices and continuous monitoring activities across the following key focus themes: data protection, reliable access, attack surface reduction, and secure perimeter and network.

*Technology risk: the Issuer may suffer a failure of, interruption in or breach of its information technology systems*

The Issuer's information technology ("IT") risk refers to the risk associated with the use of, ownership of, operation of, involvement in, influence over and adoption of IT. It consists of IT-related conditions that could potentially impact the business. The Issuer's main IT risks include cyber-security, the failure or interruption of critical systems and third-party risk.

The Issuer has a high dependency on its IT systems and operations infrastructure to conduct its business. The Issuer regards these systems as critical to improving productivity and maintaining the Issuer's competitiveness. Any failure, interruption or breach in security of these systems could result in failures or interruptions in its risk management, general ledger, deposit servicing, loan servicing, debt recovery, payment custody and/or other important systems. If the Issuer's information systems fail, it could be unable to serve some or all customers' needs on a timely basis, which could result in a loss of business. In addition, a temporary shutdown of the Issuer's information systems could result in costs that are required for information retrieval and verification. The occurrence of any prolonged failures or interruptions in the Issuer's IT systems and operations infrastructure could have a materially adverse effect on the Issuer's business, financial condition and/or results of operations.

*Payment risk: amendments introduced via the regulatory environment will fundamentally change how the industry operates*

International and local industry reforms expose the payment system and all participants to increased risk. Consequences of these changes will result in the removal of the current payments system management body and its replacement by a new payments industry body which will carry a revised mandate and function. This will change the way in which the Issuer contracts into domestic payment systems and manages operational risk inherent in interoperable payment systems. The Issuer's ability to maintain system stability and straight-through processing is vital as the Issuer is a systemically important participant in the national payment system. In-flight initiatives are top priority and delivery targets are closely monitored to ensure minimal negative impact on customers.

*Vendor risk: the Issuer is exposed to delivery risk from key vendors due of lack of direct oversight over these unrelated parties*

The Issuer's business operations are dependent on the products and services provided by key vendors. Accordingly, failure or interruption in the provision of such products and services may adversely affect the Issuer's reputation as well as its ability to meet customer requirements and regulatory obligations.

The nature of the services provided by certain vendors requires the Issuer to share personal information of its customers, which leads to a security risk where data is shared. Uncertainty over the cyber-security posture of the Issuer's key vendors therefore remain an area of concern, however the use of cyber-security ratings from an external cyber-security rating agency provide some assurance in this regard.

The sensitivity of key vendors to global supply chain challenges and geopolitical risks, as well as the Issuer's susceptibility to incidents impacting national infrastructure, expose it to additional second order risks.

Given the large number of key vendors that form a critical part of service delivery of the Issuer to customers, the monitoring of service level agreements remains a priority.

*Change risk: the volume, nature and extent of strategic and regulatory projects introduce change risk*

The effective management of change and implementation of a number of regulatory-driven change initiatives across all segments of the Issuer is critical to enable strategic success. The Issuer has applied a prioritisation strategy to ensure that resources are adequate to successfully deliver on these initiatives.

*Execution, delivery and process management risk: the Issuer remains susceptible to process and control breakdowns*

In conducting its business, the Issuer makes use of complex processes and IT systems that support these processes. Due to this complexity, as well as the manual nature of some of the processes, control activities and ongoing redesign to automate, there is an increased risk of

failure in delivering of services. Failure could result in financial loss, detriment to clients or third parties, litigation, reputational harm and regulatory risk.

### **1.3 Environmental, social and climate risk**

Environmental risk is defined as the impact of the natural environment on the Issuer's business, as well as the impact and dependencies of the Issuer's business 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, related self-regulatory organisational standards and codes of conduct applicable to its activities.

Environmental risks can be grouped into two areas of impact for the Issuer, namely direct environmental risk (own operations and climate resilience), and indirect environmental and climate risk (lending, financing and investment).

Climate risk, a subset of environmental risk, is defined as a risk resulting from climate change, which causes an increase in physical risks (stemming from increased incidences of natural disasters and extreme weather events), transition risks (resulting from changes in laws, regulations, customer preferences or manufacturing processes) and third-party liability risks (due to non-compliance with climate regulations). The impact of climate change is expected to prompt substantial structural adjustments to the global economy. Several sectors, such as fossil fuels, are expected to experience disruption from changes in investor or end-user preferences, or changes in regulations, whilst others, such as renewable energy and other green energy sources, and carbon capture and adaptation technologies, are likely to benefit. Such fundamental changes will inevitably impact the balance sheets and operations of banks, leading to both risks and opportunities. Regulators are beginning to act, and investors, clients and civil society are looking for actions, mitigation, adaptation and transparency on the issue.

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 for 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<sup>1</sup> may be reduced temporarily or permanently, resulting in nature-related financial risks. A full analysis of natural capital impacts and dependencies may present opportunities, such as the potential financial benefits resulting from positive impacts on nature or the strengthening of nature on which an organisation depends.

Social risk relates to social impacts associated with activities of customers, investee companies or stakeholders resulting in financial, lending/financing, investment and equity interest exposure that may lead to the risk of legal or regulatory sanctions, material financial loss or reputational damage. The Issuer may suffer in any of these aspects because of its clients' or stakeholders' failure to comply with all 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. These risks could lead to criminal sanction, termination of operations and production losses, and subsequently pose a financial, reputational or credit risk to the Issuer.

---

<sup>1</sup> 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.

Environmental, social and climate risk is typically a cross-cutting risk issue and therefore cannot be managed in a single risk function. The Issuer's environmental, social and climate risk management framework consists of an outline of programmes and initiatives which are designed to manage and mitigate the following areas and types of environment-related risk.

- Reputational: Damage to reputation from association with environmental and social impacts.
- Market and liquidity: Higher levels of market volatility, shift in asset valuations, dislocations and shifts in market appetite with regards to the type of assets funded.
- Credit: Adverse impact on customers' ability to pay, impaired collateral values mainly driven by an increase in physical risks (e.g. drought or property damage) or transition risks (lower demand of product).
- Legal action, regulatory sanction or reputational damage may occur as a result of the Issuer's approach to environmental and social risk.
- Policy risk due to the impact of new requirements, such as the impact of carbon taxes, prudential requirements and emissions reporting.
- Substitution of a client's existing products and services with lower-emission options, or the unsuccessful investment in new technologies.
- Disruptions to the Issuer's operations, infrastructure, workforce, processes and supply chain may result from acute environmental events.

The Issuer has established policies relating to restrictions on the financing of excluded and sensitive industries. These policies define the industries which the Issuer will not finance and in which it will not invest. They also provide restrictions for sensitive industries. The policies are available at <https://www.firstrand.co.za/investors/esg-ressource-hub/policies-and-practices/>.

The Issuer has established a climate change policy to guide the businesses' approach to climate change risk, including short-, medium- and long-term commitments to support clients' and society's climate resilience and a just transition to a low-carbon world. This policy is supported by sector-specific policies and limits that address industries that are more sensitive to transition risk, such as thermal coal, oil and gas. The Issuer is focusing on adapting strategies across its operating jurisdictions to respond to emerging climate risks and opportunities.

The Group has published its sustainability bond framework under which the Issuer plans to issue bonds. The Group's sustainability bond framework is available at <https://www.firstrand.co.za/investors/esg-resource-hub/policies-and-practices/>.



#### **1.4 The Issuer's risk management policies and procedures may not have identified or anticipated all potential risk exposures**

The Issuer has devoted significant resources to developing its risk management policies and procedures, particularly in connection with credit, concentration, market and liquidity risks, and expects to continue to do so in the future. Nonetheless, its risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Issuer's methods of managing risk are based upon its use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be greater than historical measures indicate. Other risk management methods depend upon evaluation of information regarding the markets in which the Issuer operates, its clients or other matters that are publicly available or otherwise accessible by the Issuer. This information may not be accurate in all cases, complete, up to date or properly evaluated. Any failure arising out of the Issuer's risk management techniques may have an adverse effect on the results of its operations and financial condition.

#### **1.5 Competitive landscape**

The Issuer is subject to significant competition from other banks operating in South Africa, including competitors that may have greater financial and other resources. Many of these banks operating in the Issuer's markets compete for substantially the same customers as the Issuer. The Issuer also faces competition from other non-bank entities that increasingly provide similar services to those offered by banks, e.g. asset managers, insurers, retailers, mobile phone operators, shadow banking players and fintech companies. Increased competition from non-bank entities in the money and capital markets could impact the Issuer's ability to attract funding.

To the extent that state-owned enterprises will be licensed as banks in future, competition in the South African banking landscape will increase further. Increasing competition could also require that the Issuer increases its rates offered on deposits or lower the rates it charges on loans, which could also have a materially adverse effect on the Issuer, including on its profitability. Although the Issuer's financial resource management approach requires it to price appropriately for financial resources, should competitive forces prevent it from doing so, it may withdraw from offering certain products. This may negatively affect its business results and prospects by, among other things, limiting its ability to generate revenue, increase its customer base and/or expand its operations.

If the Issuer's customer service levels were perceived by the market to be materially below those of its competitor financial institutions, the Issuer could lose existing and potential new business. If the Issuer is not successful in retaining and strengthening customer relationships, the Issuer may lose market share, incur losses on its activities or fail to attract new deposits or retain existing

deposits, which could have a material adverse effect on its operating results, available financial resources, and financial condition and prospects.

#### **1.6 Downgrade of the Issuer's credit ratings or the credit rating of South Africa could have an adverse effect on the Issuer's funding sources and costs thereof**

The Issuer's credit ratings affect the cost and other terms upon which the Issuer can obtain funding. Rating agencies regularly evaluate the Issuer, and the ratings of its long-term debt are based on several factors, including capital adequacy levels, quality of earnings, business position, credit exposure, funding and liquidity risks, the risk management framework, as well as the sovereign ratings and the macroeconomic risk profiles for its country of incorporation and those of its operating jurisdictions. These parameters and their possible impact on the Issuer's credit ratings are closely monitored and incorporated into its liquidity risk management and contingency planning considerations. In particular, as rating agencies impose a cap on the Issuer's rating at the level of the sovereign rating, a change to the sovereign rating will, therefore, impact the Issuer's rating.

In addition, a downgrade or potential downgrade of the South African sovereign rating, or a change in rating agency methodologies relating to systemic support provided by the South African sovereign, could also negatively affect the perception by rating agencies of the ratings of the Issuer. Any downgrade of the credit ratings of the Issuer would likely increase its borrowing costs and could require the Issuer to post additional collateral or take other actions under some of its derivative contracts. This could limit the Issuer's access to capital markets.

There can also be no assurance that the rating agencies will maintain the current ratings or the rating outlooks of the Issuer, or those of South Africa. Failure to maintain favourable ratings and outlooks could increase the Issuer's cost of funding and adversely affect interest margins, which could have a materially adverse effect on the Issuer. Ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

#### **1.7 The Issuer is subject to capital requirements that could affect its operations**

The Issuer is subject to capital adequacy guidelines adopted by the Prudential Authority ("PA"), which provide for minimum capital requirements for Common Equity Tier 1 ("CET1"), Tier 1 and total capital. Any failure by the Issuer to maintain its minimum capital requirements in terms of the Regulations Relating to Banks (defined below) (including the capital conservation and countercyclical buffer requirements) could result in restrictions being placed on distributions, including dividends and other discretionary payments. This may also result in actions taken against the Issuer, which may in turn impact on its ability to fulfil its obligations under the Notes.

The Regulations Relating to Banks (defined below) are based on the Basel III framework and specify the minimum risk-based capital ratios. The minimum requirements for CET1, Tier 1 and total capital as at 30 September 2023 were 8.5%, 10.75% and 13.0%, respectively. These minimum ratios exclude the confidential bank-specific individual capital requirements. The Issuer aligns its capital targets to end-state minimum requirements and also considers various other

stakeholder requirements. The PA has released a proposed directive requiring South African banks to hold a positive cycle-neutral countercyclical buffer of 1% with a proposed implementation date of 1 January 2026. This will be incorporated in the Issuer's targets once finalised.

In addition, the Prudential Regulation Authority increased the UK countercyclical buffer requirement to 2% in July 2023. This impacts the Issuer's UK operations.

## **1.8 The Issuer is subject to liquidity requirements that could affect its operations**

Basel III prescribes two minimum liquidity standards for funding and liquidity:

- Liquidity coverage ratio (“**LCR**”), which aims to ensure that banks maintain an adequate level of high-quality liquid assets (“**HQLA**”) to meet liquidity needs over a 30-calendar-day period under a severe liquidity stress scenario.
- Net stable funding ratio (“**NSFR**”), which aims to promote medium and long-term funding of banks' assets and activities.

The PA published Directive 11/2022 on 14 December 2022, addressing items of national discretion relating to the LCR. The primary update related to foreign currency liquid assets and its contribution to domestic currency LCR. The directive noted that until 31 December 2023 banks are permitted to include foreign currency denominated level 1 HQLA (subject to an 8% haircut) for purposes of domestic currency LCR, limited to the top 10 most liquid currencies.

The NSFR is a structural balance sheet ratio focusing on promoting a more resilient banking sector. The ratio calculates the amount of available stable funding relative to the amount of required stable funding. In August 2016, the PA amended the NSFR framework whereby funding received from financial corporates, excluding banks, maturing within six months receives an available stable funding factor of 35%. These changes were anchored in the assessment of true liquidity risk and assisted the South African banking sector in meeting the NSFR requirements. The PA published Directive 1/2023 on 23 January 2023, addressing items of national discretion relating to the NSFR. To be fully compliant with the NSFR framework, the PA has decided to phase out the ASF 35% factor as follows:

- From 1 June 2023 to 31 December 2023: ASF 30%
- From 1 January 2024 to 31 December 2024: ASF 20%
- From 1 January 2025 to 31 December 2027: ASF 10%
- From 1 January 2028 onwards: ASF 0%

## **1.9 Changing regulatory environment**

The Issuer is subject to applicable laws, regulations and related frameworks, including administrative actions in South Africa and each respective jurisdiction in which it operates.

Changes in legal and regulatory requirements in South Africa and the various jurisdictions in which the Issuer operates may materially affect the Issuer's business, products and services being offered, the value of its assets and its financial condition. Although the Issuer works closely

with its regulators and continually monitors regulatory feedback and proposals, changes in applicable legal and regulatory requirements and related frameworks or other policies cannot be predicted and are beyond the control of the Issuer.

The Issuer has devoted significant resources to developing its compliance risk management governance arrangements, which include, among others, policies and procedures particularly related to the laws listed below, and subordinated regulatory instruments issued in terms thereof. Nonetheless, its compliance risk management governance arrangements may not be fully effective in mitigating all compliance-related risk exposures, including compliance risks that are unidentified or unanticipated. It follows that failures arising out of the Issuer's compliance risk management governance arrangements may have an adverse effect on its operations and financial condition.

Applicable laws and other requirements, as amended from time to time, include:

- Banks Act, 1990 ("**Banks Act**") and the regulations to that Act (the "**Regulations Relating to Banks**").
- Collective Investment Schemes Control Act, 2002.
- Companies Act, 2008 ("**Companies Act**").
- Competition Act, 1998 ("**Competition Act**").
- Consumer Protection Act, 2008 ("**CPA**").
- Currency and Exchanges Act, 1933 and the Exchange Control Regulations (defined in the section headed "*South African Exchange Control*").
- Financial Advisory and Intermediary Services Act, 2002.
- Financial Intelligence Centre Act, 2001 ("**FIC Act**").
- Financial Markets Act, 2012 ("**FMA**").
- Financial Sector Laws Amendment Act, 2021 ("**FSLAA**").
- Financial Sector Regulation Act, 2017 ("**FSRA**").
- Home Loans and Mortgage Disclosure Act, 2000.
- Insurance Act, 2017 ("**Insurance Act**").
- King Code of Governance Principles for South Africa, 2016 ("**King IV**").
- National Credit Act, 2005 ("**NCA**").
- National Payment System Act, 1998 ("**NPS Act**").
- Prevention and Combating of Corrupt Activities Act, 2004.
- Protected Disclosures Act, 2000.
- Protection of Personal Information Act, 2013 ("**POPIA**").

- Promotion of Access to Information Act, 2000.
- United States Foreign Account Tax Compliance Act, 2010 read together with the agreement between the Government of the Republic of South Africa and the Government of the United States of America, the annexes thereto and related memorandum of understanding, seek to improve international tax compliance and to implement Foreign Account Tax Compliance Act (“**FATCA**”), the annexes thereto and the related memorandum of understanding.
- Legislation, listings requirements and rules related to listed instruments on various exchanges.
- Statutory codes of conduct, regulatory instruments (including prudential standards, conduct standards and joint standards) and other subordinate legislation issued by, among others, the Financial Sector Conduct Authority (“**FSCA**”) and the PA, including the Conduct Standard for Banks.
- Applicable laws, applicable regulations, regulatory instruments, and related requirements of the foreign jurisdictions in which the Issuer has operations.

The Issuer is also subject to any applicable regulatory instruments issued in terms of or related to, among others, any of the above-mentioned laws. The above-mentioned list of applicable laws is not exhaustive but merely indicates that the operations of the Issuer are highly regulated.

## **1.10 Reference rate reform and transition**

### **1.10.1 LIBOR transition**

The London Interbank Offered Rate (“**LIBOR**”) has been the reference interest rate underpinning trillions of dollars of loan and derivative contracts worldwide. The reform of these reference rates and their replacement with alternative risk-free rates (“**ARRs**”) has been a priority for global regulators. LIBOR cessation occurred on 31 December 2021 for pound, euro, yen and Swiss franc for all tenors, and for dollars for one-week and two-month tenors. Cessation for all other dollar LIBOR tenors occurred on 30 June 2023. One-, three- and six-month dollar LIBOR will continue to be published under an unrepresentative synthetic methodology until end September 2024, hereafter publication will cease permanently.

Given the difference in the manner in which the LIBOR rate and alternative risk-free rates are determined, adjustments were applied to LIBOR referencing contracts to ensure economic equivalence on transition to the new alternative risk-free rates. The following alternative risk-free

rates replaced the respective LIBORs which the Issuer is exposed to. These alternative risk-free rates differ by region, currency, tenor, and basis.

- Dollar – Secured Overnight Financing Rate (“**SOFR**”) (overseen by the Federal Reserve Bank of New York – secured rate).
- Pound – Sterling Overnight Index Average (“**SONIA**”) (Bank of England – unsecured rate).
- Euro – Euro Short-term Rate (“**€STR**”) (European Central Bank – unsecured rate).
- Yen – Tokyo Overnight Average Rate (“**TONA**”) (Bank of Japan – unsecured rate).
- Swiss franc – Swiss Average Rate Overnight (“**SARON**”) (Zurich-based SIX Exchange – secured rate).

The alternative risk-free rates are structured differently from LIBOR rates and impact the calculations of interest and other payments for transactions and products as follows:

- LIBOR is a forward-looking term rate, which means that the LIBOR rate for an interest period or calculation period is set at the start of that period with payment due at the end. This provides certainty of funding costs and expected cash flow. LIBOR also embeds a credit premium (it implies bank credit risk) and a liquidity premium (it includes a premium for longer-dated funds).
- The nominated alternative risk-free rates are mostly backward-looking overnight rates, and designed to be near risk free, with no additional premium.

The transition of existing LIBOR-based contracts to contracts referencing alternative risk-free rates involve the payment of a credit spread adjustment (“**CAS**”) and may impact the operation of certain financial covenants. There may also be cash flow and hedge accounting impacts if a mismatch arises on the transition between a loan and a related derivative.

The Issuer established a steering committee consisting of key finance, tax, risk, IT, treasury, legal, compliance and client-facing personnel, as well as external advisors which oversees the interbank offered rate reform transition plan. The committee has put in place a transition project for affected contracts with the aim of minimising the potential disruption to business and mitigating operational and conduct risks and possible financial losses.

#### **1.10.2 South African reference rate reform**

In line with this coordinated global response towards strengthening major interest rate benchmarks that are used as reference rates, the SARB published a “*Consultation paper on selected interest rate benchmarks in South Africa*” on 30 August 2018. It provides proposals on the reform of key interest rate benchmarks used in South Africa as well as proposals on a suite of new benchmarks that could potentially be used as alternative reference interest rates. The SARB also set up an independent body referred to as the Market Practitioners Group (“**MPG**”) comprising members of the SARB, the FSCA, and senior professionals from a variety of financial institutions, reflecting different market interest groups active in the domestic derivative and money markets, to provide input into the design and operationalisation of the benchmark proposals.

Comments from the public in respect of the methodologies and policies contained in a technical specification paper (“**TSP**”) were published on 30 November 2021. The SARB embarked on a data collection process which has enabled the testing of the proposed benchmarks as well as the observation and refinement of those benchmarks. The South African Overnight Index Average (“**ZARONIA**”) was in observation until 31 October 2023. On 3 November 2023, the SARB announced that the ZARONIA observation period had come to an end and that the endorsed rate was available for use in financial contracts. The plan is to commence liquidity build in the derivatives market. Backfilling of the rate is being undertaken to ensure data is available from 1 January 2016. The TSP will be revised as necessary, based on feedback received and observations made.

The reform of interest rate benchmarks in South Africa, as well as the change to the SARB monetary policy implementation framework in September 2022, may cause such benchmarks to perform differently than in the past, to withdraw entirely, or have other consequences which cannot be predicted with certainty. Any such consequences could have materially adverse effect on any notes linked to or referencing such benchmarks.

Recommended market conventions for linear derivatives were published in September 2023. In January 2024 recommended conventions were published for the cash market: bond market, money market and loan market.

It is not possible to predict with certainty whether, and to what extent, any other benchmark will continue to be supported going forward. This may cause such benchmarks to perform differently than they have done in the past and may have other consequences which cannot be predicted. The potential elimination of any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Terms and Conditions of the Notes, or result in other consequences, in respect of any Notes referencing such benchmark.

The Issuer established a steering committee consisting of key finance, tax, risk, IT, operational, treasury, legal, compliance and client-facing personnel which oversees the rate reform transition process. The committee is in the process of executing a transition project for affected contracts with the aim of minimising the potential disruption to business, and mitigating operational and conduct risks and possible financial losses when the affected benchmark cessation dates are announced by the SARB in conjunction with the MPG.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any benchmark reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

## **2 RISKS RELATING TO SOUTH AFRICA**

### **2.1 Risks relating to emerging markets**

South Africa is an emerging market with significant socio-economic challenges. Investors in emerging markets such as South Africa should be aware that these markets carry risks which are different from those that apply to investing in more developed markets. These risks include

economic and financial market volatility which may be exacerbated by global economic volatility, as well as, in some cases, significant geopolitical, legal and political risks.

Economic and financial market instability in South Africa has been caused by many different factors, including:

- high interest rates;
- high levels of inflation;
- exchange rate volatility;
- exchange controls;
- commodity price fluctuations;
- industrial action;
- the slowdown in the economic activity of its trading partners;
- wage and price controls;
- changes in economic and tax policies;
- the imposition of trade barriers;
- wide current account deficit;
- capital outflows;
- perceived or actual internal security issues; and
- general social, economic and business conditions.

Any of these factors, amongst others, as well as volatility in the markets for securities similar to the Notes, may adversely affect the value or liquidity of the Notes.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved. Prospective investors are urged to consult with their own legal and financial advisers before making an investment in the Notes/Securities.

Investors should also note that developing markets such as South Africa are subject to rapid change, and that the information set out in this Issuer disclosure document may become outdated relatively quickly.

## **2.2 Exchange controls**

Dealings in Notes and the performance by the Issuer of its obligations under Notes may be subject to the Exchange Control Regulations (defined below).

Non-residents may freely invest in South Africa, provided that suitable documentary evidence is viewed, and the transaction adheres to certain accepted market principles such as settlement at fair and market-related prices. Similarly, the local sale or redemption proceeds of non-resident-owned assets in South Africa may be regarded as freely transferable abroad provided prescribed market-related principles alluded to above are adhered to. In certain circumstances where



matters may not meet prescribed requirements but there is merit in the transaction, relief may be sought from the SARB with assistance provided by authorised dealers.

The South African Minister of Finance is supportive of exchange controls in South Africa being gradually relaxed. The extent to which the South African government may further relax such exchange controls cannot be predicted with absolute certainty. However, recent relaxations in respect of capital restrictions on emigrants and the upliftment of previously prohibited structures known as “loop structures” are positive signs of ongoing intended relaxations.

A new draft capital flow management framework is under development by the SARB in conjunction with the South African Minister of Finance and National Treasury. Authorised dealers and other interested parties have been granted the opportunity to provide comments in support of its development. This framework is intended to replace the existing currency and exchanges manual for authorised dealers, and it is anticipated to be implemented in the near term.

### **2.3 Regulatory environment**

The Issuer is subject to formal regulation, directly or indirectly, as the case may be, in South Africa and in the foreign jurisdictions in which the Issuer operates. Regulatory agencies have broad jurisdiction over many aspects of the Issuer’s business, which include capital adequacy, premium rates, marketing and selling practices, advertising, licensing, policy forms, terms of business and permitted investments.

Changes in government policy, legislation, regulatory requirements and interpretation applying to the sectors, markets and jurisdictions in which the Issuer operates may adversely affect the Issuer's product range, distribution channels, capital requirements, environmental and social obligations and, consequently, reported results and financing requirements. In this regard, any change in regulation to increase the requirements for capital adequacy or liquidity, or a change in accounting standards, could have a materially adverse impact on the Issuer's business, results, financial condition or prospects. Other changes arising from legislation which may require changes to key procedures and the customer value chain may impact the organisation.

Having regard for the large volume and complexities of the legal and regulatory requirements which apply to the Issuer’s business operations, the Issuer, despite having robust systems and processes in place to detect failures, may not be able to detect, in a timely manner, all instances of non-compliance and/or related matters which require improvement. This can also expose the Issuer and its operations to regulatory sanctions and additional liability which may have a materially adverse effect on its business, financial condition and/or the results of operations.

From a South African perspective, the implementation of the Twin Peaks system of financial sector regulation in South Africa has resulted in numerous new and/or amended regulatory objectives and legal, regulatory and supervisory requirements. In addition, ongoing amendments to regulatory and supervisory requirements are also informed by the need to align to international best practice requirements. These are informed by, among others, jurisdictional member requirements of international standard-setting bodies such as the Bank of International Settlements (“**BIS**”), including the Basel Committee on Banking Supervision (“**BCBS**”), the

International Organisation of Securities Commissions and the International Association of Insurance Supervisors. Banks and banking groups in South Africa are governed by a comprehensive legislative framework, most significantly the FSRA, read with the Banks Act, which is comparable to similar legislation in BCBS member jurisdictions such as the UK, Australia and Canada.

### **2.3.1 Financial stability**

The overarching objective of the implementation of Twin Peaks was to make the South African financial sector safer and to ensure that it remained effective insofar as it would serve the interests of all South Africans. In broad terms, important objectives in relation to Twin Peaks are financial stability, the safety and soundness of financial institutions, the fair treatment and protection of financial customers, responsible lending and the combating of money laundering and terrorist financing.

The key objective of the Twin Peaks system of financial regulation in South Africa is to ensure that there is effective cooperation and collaboration among the SARB, the PA, the FSCA, the National Credit Regulator (“NCR”), the Financial Intelligence Centre (“FIC”), the Competition Commission, the Financial Sector Transformation Council, the Information Regulator and other authorities, local and abroad, as the case may be, which may result in additional complexities in relation to the Issuer’s ability to effectively manage its legal and regulatory obligations and related risks. The Issuer will continue to work closely with its regulators, both locally and abroad, on matters pertaining to the above.

On 28 January 2022, the President assented the Financial Sector Laws Amendment Bill (“FSLAB”) and it is now an Act, i.e. the Financial Sector Laws Amendment Act 23 of 2021 (“FSLAA”). The FSLAA introduces critical elements relating to, among others, how to deal with failing banks and other systemically important financial institutions. Its ultimate objective is to ensure financial stability in South Africa. Aligned to the aforesaid, the creation of the new resolution regime in South Africa requires several amendments to various other acts, including the Financial Sector Regulation Act, the Insolvency Act, the South African Reserve Bank Act, the Banks Act, the Mutual Banks Act, the Competition Act, the Financial Markets Act and the Insurance Act.

FSLAA provides for the establishment of a framework for the resolution of designated institutions (including banks and their holding companies) to ensure that the impact or potential impact of the failure of a designated institution on financial stability is managed appropriately. In addition, FSLAA also provides for the designation of the SARB as the resolution authority and for the establishment of a deposit insurance scheme, including a corporation for deposit insurance and a deposit insurance fund. The FSLAA enables South Africa to meet certain post-2008 global financial crisis international standards, as endorsed by the G20 countries and outlined in the Financial Stability Board’s document, *Key Attributes of Effective Resolution Regimes for Financial Institutions*, which sets out the international standard for resolution regimes to address challenges in relation to banks which are considered “too big to fail”. The relevant regulatory

authorities are continually engaging with industry on matters relating to the intended resolution framework.

On 24 March 2023, the Minister of Finance published a commencement schedule for the provisions of the FSLAA in a Government Gazette notice which sets out the implementation dates for some of the 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 effective 1 June 2023, and providing it with the necessary powers to operationalise an effective resolution regime and issue resolution standards. The Corporation for Deposit Insurance (“CoDI”) was also established as a legal entity in March 2023, and will be fully operational in April 2024. The newly-established Resolution Authority and CoDI continue to publish discussion papers and standards focusing on the key aspects that will facilitate the implementation of the resolution framework in South Africa, as well as form the basis of the resulting secondary legislation and standards.

The RA published a draft standard, *Flac instrument requirements for designated institutions*, in December 2023, which sets out the qualifying criteria of Flac instruments and the level of required instruments to ensure sufficient loss absorption and recapitalisation capacity. The proposed implementation date is 1 January 2025 with a six-year phase-in period.

### **2.3.2 Prudential regulation**

After the 2007-2008 global financial crisis, various international standard-setting bodies agreed to comprehensive measures and reforms to promote financial stability, and the safety and soundness of financial institutions. The BCBS also issued various new frameworks, standards and requirements for implementation by member jurisdictions which inform, among others, intended amendments and changes to South African prudential frameworks, standards and/or prescribed requirements.

Proposed implementation dates for the remaining Basel III reforms were published by the PA in July 2023, and include, *inter alia*, revised frameworks for credit risk, operational risk and market risk, with proposed implementation ranging from 1 July 2025 to 1 January 2028. The interest rate risk in the banking book disclosure requirements proposed for implementation on 1 January 2024 is still pending. Reforms of the prudential treatment of banks crypto-asset exposures is expected to be implemented on 1 January 2026.

The FSRA introduced the prudential oversight of financial conglomerates in South Africa. The financial conglomerate supervision framework introduces a Tier 3 supervisory approach aimed at financial institutions designated as financial conglomerates. It is focused on the contagion risks that manifest in financial institutions involved in banking, insurance, market infrastructure and securities activities.

Prudential standards for financial conglomerates came into effect on 1 January 2022, covering intragroup transaction and exposures, auditor requirements for holding companies, governance and risk management and risk concentration requirements. The draft capital standard is currently subject to voluntary field testing by designated financial conglomerates and other financial institutions. FirstRand Limited has not been designated as a financial conglomerate but

voluntarily participates in the field testing of the draft capital standard and the reporting on the final standards noted above.

### **2.3.3 Market conduct regulations**

The draft Conduct of Financial Institutions Bill (“**CoFI**”) is another overarching piece of intended legislation to amend and/or repeal certain existing financial sector laws. Once enacted and effective, CoFI will, to a large extent, substantially reduce current fragmentation in the South African market conduct regulatory framework, including the introduction of a new licensing regime. COFI provides for the establishment of a consolidated, comprehensive and consistent regulatory framework for the conduct of financial institutions. It aims at streamlining the legal landscape for conduct regulation in the financial services sector; protecting and promoting the fair treatment of financial customers (including through the Treating Customers Fairly principles); promoting innovation and the development of and investment in innovative technologies, processes and practices, as well as trust and confidence in the financial sector; and assisting the SARB in maintaining financial stability. It is envisaged that CoFI will consolidate the market conduct regulation of financial institutions and will regulate conduct in respect of credit and payment services. Pending the finalisation of the CoFI Bill, the FSCA is progressing its conduct regulatory framework through the harmonisation project, which seeks to utilise mechanisms in existing laws to shift towards a more outcomes and principles-based approach. This includes issuing regulatory instruments under the FSRA and repealing subordinate legislation where applicable.

Market conduct regulators and/or central banks, as the case may be, in South Africa and in the jurisdictions in which the Issuer operates, require the Issuer to provide assurance that the fair treatment of customers is embedded within the culture of the Issuer. It also requires that due procedures and controls exist to provide demonstrable evidence that the Issuer is treating its financial customers fairly, throughout the product life cycle, from product design to after-sales service.

There are various regulatory developments with themes similar to those covered by the FSCA in some of the jurisdictions in which the Issuer operates. In the UK, the Financial Conduct Authority (“**FCA**”) has published the final guidelines on the new Consumer Duty in 2022. This directly impacts the Issuer’s UK business and represents a further increase in the focus on customer treatment looking to drive a higher level of consumer protection and duty of care for retail financial markets. The principle will also apply to firms that manufacture products for or supply them to retail financial markets, even if there is no direct relationship with end customers. Firms were required to align to the outlined standards by July 2023, with businesses then required to embed the required processes and cultural changes to ensure ongoing compliance. The successful implementation will be tested by the FCA by a combination of data monitoring, information requests and for some firms, site visits. Non-compliance likely to be met with regulatory action.

On 3 July 2020, the FSCA introduced the Conduct Standard for Banks. This regulatory framework enables the FSCA to critically and urgently supervise the market conduct of the banking sector in South Africa, in accordance with its mandate, as outlined in the FSRA. The

standard became fully effective on 3 July 2021. Non-compliance with requirements imposed in terms of the conduct standards may result in enforcement actions being taken against the Issuer, which may include, among others, fines and penalties.

#### **2.3.4 Anti-money laundering regulations**

*The Issuer may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose it to additional liability with material adverse effects*

The Issuer is required to comply with applicable anti-money laundering (“**AML**”), combatting of terrorism financing (“**CTF**”), combatting of proliferation financing (“**CPF**”), and anti-bribery and corruption (“**ABC**”) laws and other regulations in South Africa. These laws and regulations require the Issuer, among other things, to implement a risk-based approach and adopt and enforce policies and procedures for customer due diligence, sanctions risk management, transaction monitoring and regulatory reporting. While the Issuer has adopted policies and procedures aimed at detecting and preventing the use of its banking platforms for money-laundering, terrorism financing and proliferation financing, such policies and procedures may not completely eliminate instances in which the Issuer may be used by third parties to engage in money laundering or other illegal or improper activities. To the extent the Issuer may fail to fully comply with applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines and other penalties on the Issuer. In addition, the Issuer's business and reputation could suffer if customers use it for money laundering or illegal or improper purposes.

In February 2023 Financial Action Task Force (“**FATF**”) placed South Africa on its grey list of jurisdictions subject to increased monitoring, due to concerns about its capacity to fight financial crime. It should be noted that the FATF review did not find any material deficiencies in the South African banking system. South Africa is expected to address the eight areas of strategic deficiencies identified by the FATF, by no later than the end of January 2025. Government hopes to address them sooner, possibly in 2024.

The Issuer has implemented a financial crime framework which includes AML, CTF and CPF policies in its risk management and compliance programme and takes measures to effect continual improvement in its processes to address its money laundering, terrorist financing risks and proliferation financing risks.

#### **2.3.5 National Credit Act (as amended)**

The NCA came into effect on 1 June 2007. In terms thereof, interest rates, costs and fees which retail banks and other credit providers may charge are regulated. By way of example, maximum prescribed interest rates which may be levied in terms of credit agreements are set out in the regulations to the NCA. The NCA further stipulates a closed list of costs and fees which may be recovered under credit agreements, in addition to the capital amounts and interest charges. These relate to initiation fees, monthly service fees, default administration costs and collection costs. Fees for initiating credit agreements may not exceed the maximum prescribed amount, whilst monthly service fees in relation to the administration of credit agreements are capped. Administration charges must be levied in accordance with the Magistrates' Courts Act, 1944 and

collection costs are also limited. The NCA also prescribes matters in relation to the registration of credit providers, which has the effect that credit agreements entered into by non-registered credit providers will be void *ab initio*. In addition, credit agreements which contain unlawful provisions in contravention of the NCA could potentially be rendered void *ab initio*.

The NCA has strict provisions in relation to the prohibition of selling and collecting outstanding debts which have prescribed. This means that credit providers cannot collect on loans where no legal actions were taken and no payments were received for a period of more than three years. This applies to all loans which were in existence as of 13 March 2015 as well as to new loans granted thereafter. The said provisions may therefore impact on the ability of banks to collect existing non-performing and written-off loans which have prescribed. In addition, affordability assessment regulations, which came into effect on 13 March 2015, and credit providers' commitments to combating over-indebtedness, are important considerations for the NCR. These matters form part of considerations in relation to the conditions of registration of credit providers. The National Credit Amendment Act, 2019 was promulgated during August 2019. The effective date has not yet been proclaimed by the Minister of Trade and Industry. The amendment in the Act includes, among others, a debt intervention measure to assist consumers to whom insolvency measures are not accessible in practice. This process will involve the extinguishment of debt, where applicable. The NCR will implement a debt intervention process and refer matters to the National Consumer Tribunal to adjudicate on debt intervention applications. Debt counsellors will be required to investigate reckless credit agreements and report such to the NCR in respect of consumers who apply for debt review. The possibility of extinguishment of debt, though limited to certain income thresholds and unsecured debt, may result in negative consumer payment behaviour which can result in the adjustment of credit risk appetites by the credit industry.

### **2.3.6 Companies Act**

The Companies Act provides for, among others, the incorporation, registration and management of companies, capitalisation of profit companies, shareholder provisions, accountability and transparency, corporate finance, directors' duties and board governance, mechanisms for efficient business rescue of financially distressed companies, fundamental transactions, takeovers and share purchases that could potentially have an impact on the rights and duties of the Issuer and noteholders.

Amendments had been made to the Companies Act and Regulations, resultant from the General Laws Amendment Act 22 of 2022 (Anti-Money Laundering and Combating Terrorism Financing) which came into effect on 31 December 2022, with certain sections coming into effect on 1 April 2023. The amendments, among others, provide broader obligations on companies to keep record of persons with beneficial interests in their securities and their ultimate owners/controllers, and expansion of grounds for disqualification of persons from being directors.

A guidance note on beneficial owner filing requirements has also been published by the Companies and Intellectual Property Commission. The guidance note was issued to give effect to and provide guidance on the filing of beneficial owner information as required by the General

Laws Amendment Act 22 of 2022. The threshold of 5% of ownership and/or control applies to all entities required to file beneficial ownership information.

The above amendments will soon be reflected in the Companies Act as an explanatory summary of the companies First Amendment Bill, 2023 (“**First Amendment Bill**”) and Companies Second Amendment Bill, 2023 (“**Second Amendment Bill**”), which were published in August 2023, ahead of the bills’ introduction in Parliament. The First Amendment Bill addresses, among others, greater disclosure of the ultimate owner of shares in a business as part of the broader efforts to combat corruption and money laundering. The Second Amendment Bill seeks to extend the time bar within which a director of a company may be declared delinquent or under probation.

The bills also introduce further proposed changes relating to the following:

- A requirement for the remuneration policy and implementation report to be approved through a binding vote of shareholders at an AGM, and the consequences of shareholders not approving these documents, which includes ineligibility of non-executive directors to serve on the remuneration committee for a period of three years after such non-approval, and presenting at the next AGM an explanation on the manner in which the shareholders’ concerns have been taken into account.
- Disclosure of the full remuneration of both the highest paid employee and the lowest paid employee.
- Election of a Social and Ethics Committee at each AGM of a public company or state-owned company.

### **2.3.7 Consumer Protection Act**

The CPA came into effect on 1 April 2011. The CPA gives consumers the right to demand quality service and requires full disclosure of the price of goods and services. The CPA also protects consumers against false, misleading and deceptive representations. The CPA fundamentally changed the way in which business is conducted in South Africa. It requires businesses to transform the way in which they interact with consumers and also demands that consumers are treated in a fair, reasonable and honest manner. Although credit agreements which are governed by the NCA do not fall within the ambit of the CPA, goods or services which were provided in terms of credit agreements are included in the ambit of the CPA. The CPA allows certain industries to be exempt from specific provisions of the CPA where there are existing consumer protection regimes in place in respect of those industries. By way of example, banks are exempted from section 14 of the CPA, which deals with fixed-term contracts. In this regard, concerns were previously expressed by the banking sector that the said provision would adversely impact fixed-term deposits and thus bank customers’ abilities to withdraw such

deposits early. Amendments to the CPA are required to adequately and appropriately provide for matters relating to the manner in which business is conducted in a digital environment.

### **2.3.8 Protection of Personal Information Act**

One of the key purposes of POPIA is to give effect to the section 14 constitutional right to privacy and ensure harmony with international standards on data privacy. POPIA was enacted during 2013 and all private and public bodies were required to ensure compliance with the provisions of POPIA by 1 July 2021. POPIA specifically regulates the processing of personal information, which is broadly defined as information relating to an identifiable, living, natural person, and where applicable, an identifiable, existing, juristic person. The term applied to these natural and juristic persons is “data subject”. POPIA also provides for the establishment of an information regulator.

In terms of section 3(1) of POPIA, its provisions apply to the processing of personal information entered in a record by or for a responsible party, using automated or non-automated means, where the responsible party is either domiciled in South Africa or makes use of automated or non-automated means to process personal information within South Africa. The Issuer is considered a responsible party (also acting in conjunction with other entities) when determining the purpose of and means for processing personal information of its customers, employees and suppliers.

POPIA establishes eight minimum conditions for the lawful processing of personal information. These conditions can be summarised as follows:

- (a) **Accountability:** The responsible party must comply with all the conditions for lawful processing.
- (b) **Processing limitation:** Processing must be justified on grounds recognised under POPIA (e.g. consent/legitimate interests of the data subject, responsible party or the third party to whom the information is supplied).
- (c) **Purpose specification:** Personal information must only be collected for a specific, explicitly defined lawful purpose related to a function or activity of the responsible party.
- (d) **Further processing limitation:** Processing must be in accordance with or compatible with the purpose for which it was initially collected, subject to limited exceptions.
- (e) **Information quality:** Steps must be taken to ensure that the personal information is complete, accurate, not misleading and updated where necessary.
- (f) **Openness:** Notification or disclosure requirements must be complied with when collecting personal information.
- (g) **Security safeguards:** Appropriate, reasonable technical and organisational measures must be implemented and maintained to prevent loss of damage to, or unauthorised destruction of or unlawful access to personal information.
- (h) **Data subject participation:** Data subjects have the right to request details of the personal information that a responsible party holds about them and, in certain circumstances,



request access to such information. Data subjects can also request the correction or deletion of personal information which is inaccurate, irrelevant, excessive, out of date, incomplete, misleading or obtained unlawfully.

Further conditions are specified for the processing of information relating to children, special personal information, direct marketing, transborder information flows, automated processing of information, and other specified matters and privacy rights afforded to data subjects.

It is within each of these conditions where material risks can emerge if the responsible party does not adhere to the corresponding requirements and provisions. Such risks could attract sanctions for the responsible party, which include a fine, imprisonment, or both a fine and imprisonment, for a period of no longer than ten years, or alternatively, may lead to an administrative fine. Security compromises can also result in irreparable reputational damage. Currently the maximum fine that can be issued is R10 million.

### **2.3.9 National Payment System Act**

The draft amendments to the NPS Act have been included under the CoFI Bill as consequential amendments to address certain urgent matters. The remaining NPS Act amendments will be effected through the Financial Services Laws General Amendment Bill ("**Omnibus Bill**") at a later date. Amendments to the NPS Act are expected to expand the regulatory powers of the SARB, reduce the role of the Payment System Management Body, license non-bank participation in payments, and introduce activity-based regulation. The CoFI Bill also brings payment services within scope of the FSCA. It is also expected that the SARB's National Payment System ("**NPS**") department will continue to work closely with the FIC on relevant requirements emanating from recommendations issued by the FATF.

The SARB issued terms-of-reference to the Payments Association of South African in 2022 to facilitate a design of a new payments industry body which will replace the Payments Association of South Africa ("**PASA**") and will include as members all entities licensed to perform payments activities under the revised NPS Act. This design has been submitted to the SARB for its review. Certain functions currently performed by PASA will transfer to the SARB and to payment system operators, e.g. BankServ Africa. The Banking Association South Africa ("**BASA**") has embarked on a programme to define and outline a payments modernisation journey for South Africa and the role of banks in that journey.

# DESCRIPTION OF FIRSTRAND BANK LIMITED

---

## OVERVIEW

FirstRand Bank Limited (the “**Bank**” or the “**Issuer**”) is a wholly owned subsidiary of FirstRand Limited (“**FirstRand**”), which is a bank controlling company for the purposes of the Banks Act. FirstRand is listed on the JSE Limited (the “**JSE**”) and the Namibian Stock Exchange (the “**NSX**”) and is one of the largest financial institutions in Africa by market capitalisation. In this Issuer disclosure document, references to the “**Group**” are to FirstRand Limited and its subsidiaries (including the Bank and its operating businesses). The Bank provides a comprehensive range of retail, commercial, corporate and investment banking products and services in South Africa and offers niche products in certain international markets.

The Bank is one of the largest banks in South Africa measured by total assets (according to statistics published by the SARB (*Source: BA900, SARB*)). The Bank holds a full banking licence granted by the SARB and its relevant businesses are authorised to provide financial services in South Africa. The Issuer complies with the provisions of the Banks Act, and at all times complies in all material aspects with and is acting in conformity with its constitutional documents. The Bank is also an authorised dealer in foreign exchange in terms of the Exchange Control Regulations (defined in the section headed “*South African Exchange Control*”). It is a central securities depository Participant in Strate Proprietary Limited and is a member of the JSE. Through FirstRand Securities (a wholly owned subsidiary of FRI (as defined below)), the Group is a member of the interest-rate derivatives clearing service, SwapClear, one of the clearing platforms provided by multi-national clearing house LCH.

The Bank was incorporated and registered in South Africa on 11 January 1929 under registration number 1929/001225/06 and is a public company with limited liability duly registered under the company laws of South Africa. The Bank’s headquarters and registered address are located at 4 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton, 2196, South Africa (telephone number: +27 11 282 1808; fax number: +27 11 282 8088).

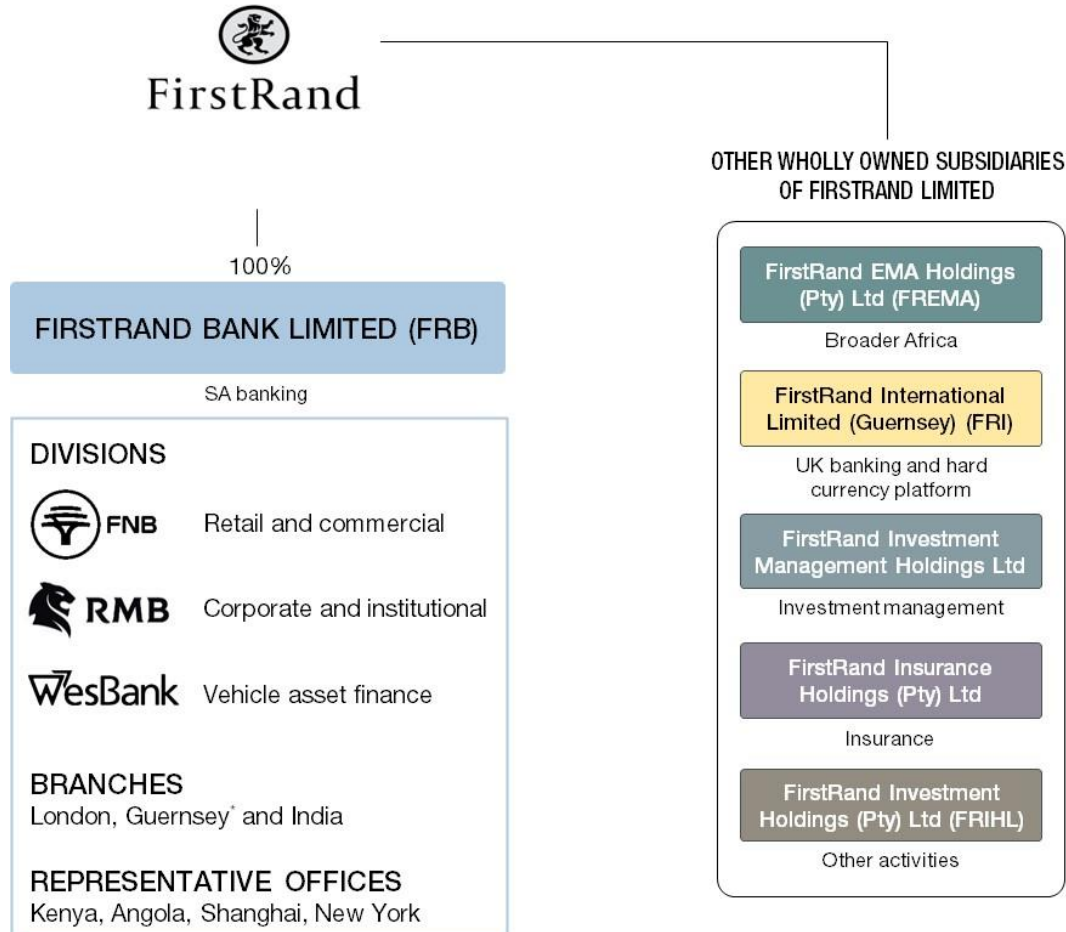
The Bank operates through three major divisions (referred to as “operating businesses” across the Group) which are separately branded, namely First National Bank (“**FNB**”), the retail and commercial bank, Rand Merchant Bank (“**RMB**”), the corporate and investment bank and “**WesBank**”, the instalment finance business. The operating businesses also undertake activities outside of the Bank in other wholly owned subsidiaries in the Group, namely, FirstRand EMA Holdings (Pty) Ltd (“**FREMA**”), FirstRand Investment Holdings (Pty) Ltd (“**FRIHL**”), FirstRand Investment Management Holdings Limited and FirstRand Insurance Holdings (Pty) Ltd. FirstRand International Limited (Guernsey) (“**FRI**”) is also a wholly owned subsidiary of the Group and is the holding company for Aldermore Group plc (“**Aldermore**”). Aldermore is a UK specialist bank.

In addition to its operations in South Africa, the Bank operates mainly through branches in London and Guernsey (trading as FNB Channel Islands). The Bank has representative offices in Kenya, Angola and Shanghai and New York.

Following a review of RMB’s strategy in India, it was decided to close the Bank’s India branch and instead establish a representative office. RMB remains committed to its presence in India as it has successfully

focused on facilitating trade and investment activity in the Indo-Africa corridor. RMB has recently established an advisory business in India (RMB Capital India) which is focused on capital raising and M&A. RMB Capital India has a licence from the Securities and Exchange Board of India.

The following chart sets out the position of the Bank and its operating businesses relative to FirstRand Limited.



\* Trading as FNB Channel Islands.

## STRATEGY

### Group strategic framework

FirstRand Limited is a portfolio of integrated financial services businesses operating in South Africa, certain markets in sub-Saharan Africa and 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.

### South Africa

FirstRand's earnings remain tilted towards South Africa and are mainly generated by its large lending and transactional 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, given the Group's size, any aspiration to outperform requires strategic distinction combined with sound execution. The key growth imperative in the domestic franchises is 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.

#### *Broader Africa*

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.

In addition to the Group's hard currency platform (RMB Mauritius), the Bank's balance sheet is also utilised in RMB's cross-border lending and trade finance activities in broader Africa. The Group's subsidiaries in the broader Africa portfolio form part of FREMA and thus fall outside the Bank.

#### *UK*

The UK operations continue to offer significant optionality in a large market with attractive risk-adjusted returns. The combined businesses of Aldermore and MotoNovo have healthy margins, a diversified asset portfolio, a scalable savings franchise and small shares of deep profit pools. The Group remains confident it can build a more valuable business in the UK over time. Aldermore Group and its subsidiaries are part of FRI and thus fall outside the Bank. Loans originated by MotoNovo prior to integration with Aldermore (the back book) are still housed in FirstRand Bank London branch (but managed by MotoNovo) and will continue to be funded through existing funding mechanisms but will be run down over time. As a result, MotoNovo will ultimately cease to form part of the Bank.

### **OVERVIEW OF THE BANK'S OPERATING BUSINESSES**

The Group's multi-branded model has enabled each business to calibrate its brand, strategies and client propositions to specific segments and sub-segments. This has, over time, resulted in FNB, RMB and WesBank being recognised as market leaders in South Africa in the specific markets in which they operate.

Aligned to the overall strategic framework described above, the Bank's operating businesses execute growth strategies appropriate to their segments and customer bases.

#### **FNB**

FNB represents the Bank's activities in the retail and commercial segments in South Africa.

##### *Retail segment*

FNB's retail segment focuses on providing financial services solutions to individual customers across all income ranges. The primary business areas for the retail segment include:

- residential mortgages (including wealth mortgages and housing finance);

- credit cards (issuing);
- personal loans (including micro and student loans); and
- retail other, which includes the following business lines:
  - cheque and transmission products, including cheque and debit cards, overdrafts and revolving loans;
  - investments and equity products;
  - cash investment products;
  - certain trust and fiduciary services;
  - insurance brokers;
  - rewards (including eBucks rewards programmes);
  - digital banking (including online, cellphone banking, FNB Connect (a mobile virtual network operator or “**MVNO**”), and the FNB banking app); and
  - manual banking (including ATMs/ADTs and physical representation points).

#### *Commercial segment*

FNB’s commercial segment provides financial solutions, including working capital, structured finance, investment products, transactional banking and term loans to two sub-segments. These segments are growth (comprising small businesses with turnover up to R10 million per annum) and commercial (medium-sized corporates). FNB’s commercial segment offers the following products and business lines:

- cheque and transmission products, including overdrafts and revolving loans;
- cash management solutions;
- merchant services (card acquiring);
- eWallet Pro (allows payment to a cellphone number or card to eliminate cash/cheques);
- cash investment products;
- commercial property finance;
- credit cards;
- debtor and leveraged finance;
- securities-based lending;
- selective invoice discounting;
- insurance broking;
- retail and business foreign exchange services;
- rewards (eBucks rewards for Business); and

- other value-add products (e.g. Companies and Intellectual Property Commission (CIPC) registration, DocTrail, instant accounting solutions, instant payroll, instant invoicing, instant cashflow, employee value banking solutions).

### *FNB's strategy*

FNB's strategy is underpinned by:

- a main-banked client strategy anchored to growing and retaining customer relationships using core transactional accounts as a key lever;
- a digital platform providing market-leading digital interfaces to deliver contextual, cost-effective, innovative and integrated financial services offerings to its customers on either an assisted (in-person) or unassisted (self-service) basis;
- using its deep customer relationships and extensive data insights to offer enhanced customer experiences and inform cross-sell opportunities across the full suite of financial services products, including banking, insurance and investment management;
- integrating WesBank's vehicle and asset finance offering on platform;
- providing innovative products to incentivise and grow customer savings and investments and, in turn, the retail deposit franchise;
- applying disciplined and integrated credit origination strategies that appropriately support customer requirements and affordability across all credit products;
- utilising eBucks to reward customer behaviour, and drive platform adoption and enable cross-sell;
- leveraging its MVNO to augment customer value propositions, as well as to provide affordable telecommunication services to customers; and
- managing the physical points-of-presence network to ensure cost optimisation through right-sizing, appropriate coverage from a geographic and segment perspective and assisting customers with digital adoption.

## **WESBANK**

WesBank represents the Bank's asset-based finance activities in the retail, commercial and corporate segments. It is one of the leading providers of vehicle finance and fleet management in South Africa.

WesBank's major business units are described below.

*WesBank Motor:* WesBank Motor provides vehicle finance to the retail sector and sources its business primarily through motor dealers. It makes use of a joint alliance strategy with a number of vehicle manufacturers and large dealer groups to ensure critical mass and through this model, WesBank has developed a strong presence at the dealer point of sale.

*WesBank Corporate:* WesBank Corporate specialises in financing assets such as plant, machinery, aircraft, computers, office equipment and vehicle fleets and offers a full range of financing products including instalment sales, financial and operating leases, rentals, term loans, full maintenance leases and fleet management solutions. Lines of credit are established, allowing customers flexibility to draw down on these facilities as the need for additional finance arises. WesBank Corporate has also created

a number of profit-sharing alliances, similar to those in the Motor division, with industry suppliers, manufacturers and distributors.

### *WesBank's strategy*

WesBank's strategy is underpinned by:

- leveraging its long-standing model of partnering with motor manufacturers, suppliers and large dealer groups and fulfilling motor financing requirements at point of sale;
- leveraging and integrating into the FNB platform to offer vehicle and asset-based finance solutions to existing FNB retail and commercial customers, further entrenching main-banked relationships;
- applying disciplined credit origination strategies that appropriately support customer requirements and affordability across asset-backed credit products; and
- utilising FNB's loyalty programme, eBucks, to reward desired customer behaviours and drive platform adoption.

### **RMB**

RMB represents the Bank's activities in the corporate and investment banking ("CIB") segment. RMB's portfolio spans investment banking, markets and structuring and corporate transactional banking activities. RMB services corporate, institutional and public-sector clients across all industries. RMB's private equity and principal investing businesses are activities of FRIHL and do not, therefore, form part of the operations of the Bank. Certain of RMB's activities in the broader are booked on the in-country subsidiary's balance sheet and, as these are subsidiaries of FREMA, these activities do not form part of the operations of the Bank. Certain cross-border lending and trade finance activities do, however, utilise the Bank's balance sheet.

RMB's activities that are represented within the Bank are described in more detail below.

#### *Banking business*

Banking business comprises of investment banking and advisory activities, corporate transactional banking and coverage.

Investment banking and advisory offers clients M&A advisory, debt and equity capital markets and funding solutions across multiple industries.

- *Corporate finance*: offers financial advice on transactions, including mergers and acquisitions, black economic empowerment transactions, public and private equity capital solutions as well as general corporate finance activities.
- *Leveraged finance*: advises, develops and structures innovative, multi-disciplinary and integrated financial solutions across the entire debt financing spectrum which include: debt and capital structure advisory, debt arranging and structuring, term debt funding (senior and mezzanine), hybrid capital funding solutions including quasi equity and equity-linked options, black economic empowerment (BEE) funding, share cover and/or derivative funding solutions, corporate bonds issuances

(convertible bond issuances), preference share funding and perpetual preference shares, and syndication through an extensive distribution network into the banking and investment markets.

- *Resources sector solutions*: acts as the point of contact for clients in the mining and metals, upstream and downstream oil and gas sectors, as well as trading companies active in these commodities. The team coordinates RMB's offerings of corporate advisory, capital raising, funding and trade solutions, crafting bespoke solutions for individual client needs and circumstances.
- *Infrastructure sector solutions*: provides holistic advisory and financing solutions (including project finance, senior debt, inflation-linked debt, subordinated debt, preference shares and equity finance) to clients across all key infrastructure sectors in sub-Saharan Africa, including renewable energy, public-private-partnerships and concessions, power, transport, water, telecommunications, industrial/manufacturing facilities, social and economic infrastructure and mid-stream oil and gas.
- *Real estate finance*: supports transaction origination and structures, and participates in long-term debt, underwriting and distribution solutions for the listed property sector and owners of large, unlisted property portfolios primarily in South Africa and sub-Saharan Africa.
- *Debt capital markets*: offers corporate clients, sovereigns and parastatals in South Africa and sub-Saharan Africa on- and off-balance sheet financing solutions in both the local and global debt capital markets to meet their capital raising requirements.
- *Debt trade solutions*: provides a wide array of financing and debt advisory services across the capital structure of corporate clients including access to acquisition finance, general corporate financing solutions, trade finance and short-term liquidity.
- *Debt and equity sponsor services*: offers debt and equity sponsor services to equity issuers listed on the Main Board of the JSE and debt issuers listed on the Interest Rate Market of the JSE. The offer includes multi-disciplinary advice to enable clients to meet the JSE Listings and Debt Listings Requirements. This is achieved through excellent relationships maintained with the JSE and representation on the JSE Issuer Regulatory Advisory Committee.
- *Principal investments*: offers the ability to structure, advise and fund bespoke transactions in the mezzanine or shareholder layers of the capital structure. This solution is deployed in all the major asset classes and in particular leverage finance, resource, real estate finance and infrastructure finance, typically by providing quasi-debt or preferred equity funding at either company or shareholder levels.
- *Corporate broking*: offers investor relations advice to C-suite executives, with a particular emphasis on equity capital markets and M&A transactions, financial results, and strategic announcements.
- *Loan syndications*: offers structuring, arranging, underwriting and syndication of large, bespoke debt transactions across the African continent.

*Corporate transactional banking*: offers seamless, integrated platform-based banking solutions to optimise clients' working capital cycles and simplify their banking processes. Solutions include liquidity management, payment and receipting solutions, merchant acquiring (including e-commerce solutions) and the money market invest product suite, and all of the solutions are consumed via digital interfaces.



*Coverage:* structured across sector teams, with seven corporate sectors (auto logistics and services, consumer food and agriculture, retail, technology media and telecommunications, state-owned enterprises, healthcare and hospitality, diversified industrial), four financial institutions group (“**FIG**”) sectors (insurance, banks and development finance institutions (DFIs), asset management and funds; Africa FIG) and four integrated coverage sectors (real estate, sponsors, resources sector solutions and infrastructure sector solutions). The purpose of this design is to ensure that best-in-class sector knowledge is developed within concentrated portfolio of clients. In achieving this, the sector teams are equipped with the most recent industry developments, knowledgeable about the competitive landscape and versed in solutions that create value for clients.

#### *Markets business*

Markets activities include market making, financial risk management and investment across the interest rates, currency, commodity, equity and credit asset classes as well as execution, asset financing, custody and clearing services.

- *Trading and execution:* provide trading and structuring services in fixed income, currencies and commodities securities and derivatives across fixed income, currency, commodity, credit and equity asset classes.
- *Global security services:* execution, financing, asset servicing, custody and clearing facilities to RMB’s largely institutional client base.
- *Invest:* provide comprehensive investment solutions to enable efficient client portfolios across the suite of fixed income, currency, commodity, equity and credit asset classes by leveraging group platforms and geographies where RMB has a presence.
- *Foreign exchange product house (“FXPH”):* FXPH is a segment-agnostic business that provides FX dealing and hedging, and cross-border payment solutions for clients.

#### *RMB’s strategy*

RMB’s strategy is to ensure delivery of integrated CIB value propositions to corporate and institutional clients. These propositions span across a comprehensive portfolio of activities including a leading lending and advisory franchise, an established market-making business which is scaling its distribution product offering, a competitive transactional banking and securities services offering, and capability. This diversified business portfolio, coupled with a disciplined approach to balancing risk, return and growth, is designed to deliver sustainable high-quality earnings, balance sheet resilience and superior returns.

## **FIRSTRAND CORPORATE CENTRE (“FCC”)**

FCC represents key group-wide functions:

- treasury and associated risk functions (including capital management, funding, liquidity risk management, market risk in the banking book, SWIFT and settlement);
- group tax services;
- financial and regulatory reporting;
- enterprise management;
- compliance; and
- internal audit.

The management of the Group’s financial resources is executed through Group Treasury and is independent of the operating businesses. This ensures the required level of discipline is applied in the allocation and pricing of financial resources. This also ensures that Group Treasury’s mandate is aligned with the portfolio’s growth, return and volatility targets to deliver shareholder value. Group Treasury retains responsibility for capital planning and advises the Board (defined below), as well as the strategic executive committee, on potential capital actions, dividend strategy and other capital management related topics.

The Enterprise Risk Management (“ERM”) function provides central independent oversight and risk control as part of the risk governance structure.

The Group Compliance function ensures that business practices, policies, frameworks and approaches across the organisation are consistent with applicable laws.

Group Internal Audit provides independent assurance of the adequacy and effectiveness of risk management practices.

## **MANAGEMENT AND BOARD**

The Group’s strategic executive committee determines strategy and is accountable for overall performance. The committee members are outlined below.

<b>Name</b>	<b>Position</b>
Alan Patrick Pullinger	Chief Executive Officer (chair) (executive director)
Hetash Surendrakumar (Harry) Kellan	Financial Director (executive director)
Mary Vilakazi	Chief Operating Officer (executive director)
Andries du Toit	Group Treasurer
Rajendra Makanjee	Chief Digital Officer

<b>Name</b>	<b>Position</b>
Gert Christoffel Petrus Kruger	Chief Risk Officer
Sally-Anne (Sam) Moss	Head: Investor Relations
Tswelo Kodisang	Group Chief People Officer
Carnita Low	Head: Governance, Ethics and Legal
Jacques Celliers	CEO: FNB
Emrie Brown	CEO: RMB
Steven Cooper	CEO: Aldermore Group plc

The board of directors of the Bank (the “**Board**”) is responsible for reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, monitoring corporate performance and overseeing major capital expenditures, acquisitions and disposals, information technology and stakeholder relations while still retaining full and effective control over the Bank. A common, unitary board serves FirstRand Limited and FirstRand Bank Limited. In terms of the King IV definition, the chairman is an independent non-executive director with extensive experience and knowledge. King IV is a voluntary code of recommendations to ensure good corporate governance practices in South Africa. Certain practices of King IV are, however, effectively made mandatory in terms of the JSE Debt Listings Requirements. The Board comprises of twelve directors of whom three serve in an executive capacity. Non-executive directors comprise individuals of high calibre with diverse backgrounds and expertise, and this provides the necessary objectivity and independence of mind essential for the effective functioning of the Board. The Board steers and sets direction for the Group and brings independent, informed and effective leadership and judgement to bear on the decisions and deliberations reserved for the Board whilst ensuring that strategy, risk, performance and sustainable developments are effectively integrated and appropriately balanced. The Board meets a minimum of four times per annum. One further meeting is scheduled to review and approve strategic plans and the resulting budgets. Additional meetings are convened as and when necessary. To ensure continuous professional development, scheduled training programmes are also attended by the Board.

To fulfil their responsibilities, Board members have access to accurate, relevant and timely information. Any director may call on the professional advice and services of the company secretary in all aspects of the board’s mandate and operations of the Group, to provide guidance on legislative or procedural matters. There is a formal policy detailing the procedures for nominations, elections and appointments to the board to ensure an optimally diverse board with the required skills. Such appointments are formal and transparent, and a matter for the Board, assisted by the nominations committee.

Non-executive directors, excluding the Board chairman, retire by rotation. There is no limit to the number of times that a director may be re-elected to the Board, provided they are below the retirement age. The appointment of directors to the Board and re-election of directors to the Board requires the approval of shareholders at the annual general meeting in terms of the applicable provisions of the Companies Act.

The Bank endorses and endeavours to adhere to the guidelines and principles of King IV. FirstRand Bank Limited has applied the King IV principles as disclosed in the FirstRand Limited corporate governance report, which can be accessed at <https://www.firstrand.co.za/investors/integrated-reporting-hub/governance/>. The audit committee of FirstRand Limited performs the audit committee functions on behalf of FirstRand Bank Limited as contemplated in section 92(2)(b) of the Companies Act. The roles of the chairman and chief executive officer are clearly defined in the Board charter, demonstrating a clear balance of power and authority at Board level to ensure that no one director has unfettered powers of decision-making.

The current members of the Board and their position in respect of the Board and its committees are set out in the following tables as at the date of this Issuer disclosure document.

<b>Name</b>	<b>Position and memberships</b>
William Rodger (Roger) Jardine	Independent non-executive chairman (resigned effective 30 November 2023)
Johan Petrus Burger	Independent non-executive chairman (change in designation effective 1 December 2023)
Sibusiso Patrick Sibisi	Lead independent non-executive director
Alan Patrick Pullinger	Chief executive officer (executive director)
Hetash Surendrakumar (Harry) Kellan	Financial director (executive director)
Mary Vilakazi	Chief operating officer (executive director)
Grant Glenn Gelink	Independent non-executive director
Tamara Carol Isaacs	Independent non-executive director
Russell Mark Loubser	Independent non-executive director (retired effective 30 November 2023)
Premilla Devi (Shireen) Naidoo	Independent non-executive director
Zelda Roscherr	Independent non-executive director
Louis Leon von Zeuner	Independent non-executive director

Name	Position and memberships
Thomas Winterboer	Independent non-executive director

The business address of the members of the Board is the Bank’s registered office.

Additionally, the Bank has a company secretary, C Low, who is suitably qualified and was appointed by the Board on 6 January 2014. She plays an essential role in corporate governance and is responsible to the Board for, *inter alia*, acting as a central source of information and advice to the Board on its duties and responsibilities, adherence to good corporate governance principles, and compliance with procedures and applicable statutes and regulations. She is, *inter alia*, responsible for the duties stipulated in section 88 of the Companies Act.

In accordance with the JSE Debt Listings Requirements, the Issuer appointed Bhulesh Singh as its Debt Officer on 1 November 2020.

### Conflicts of Interest

All directors of the Bank serve as directors of one or more of the Bank’s affiliates (including FirstRand and other companies within the Group). The Bank engages in transactions with some of these affiliates, including transactions in the ordinary course of business.

All directors of the Bank are also directors of the Bank’s parent company, FirstRand, and they therefore also owe duties in that capacity to FirstRand as well as to the Bank. It is possible that the duties which these directors owe to FirstRand may potentially conflict with their duties to the Bank.

In respect of potential conflicts of interest that may arise in the future, the Bank has processes for the management of such conflicts such that it does not expect that any actual conflict of interest would arise. Refer to <https://www.firstrand.co.za/investors/esg-resource-hub/policies-and-practices/> for the Group’s conflict of interest policy.

Policies are in place to manage any potential conflicts of interest. Directors sign quarterly declarations stating that they are not aware of any undeclared conflicts of interest that may exist due to their interests in, or association with, any other company. In addition, directors disclose interests in contracts and related party transactions for the Board to assess whether such transactions are on arm’s-length commercial terms. In instances that they are conflicted, directors will recuse themselves from the relevant deliberations.

As described below in “*Risk Management*”, the Board discharges its duties through several FirstRand committees and subcommittees. Although the Group and the Bank each has its own board of directors, there is a single set of governance committees for the Group and each of its major subsidiaries, including the Bank.

FirstRand board committees responsible for the Bank include the following:

### **FirstRand audit committee**

The current members of the audit committee are as follows:

<b>Name</b>	<b>Position</b>
Grant Glenn Gelink	Independent non-executive director (chair)
Russell Mark Loubser	Independent non-executive director (retired effective 1 December 2023)
Thomas Winterboer	Independent non-executive director
Louis Leon von Zeuner	Independent non-executive director
Tamara Carol Isaacs	Independent non-executive director (appointment effective 1 December 2023)
Zelda Roscherr	Independent non-executive director (appointment effective 1 December 2023)

The audit committee is the board subcommittee responsible for assisting the Board in fulfilling its oversight responsibilities in areas such as internal and external audit functions, financial reporting, financial risk management, regulatory compliance and internal control systems.

The committee is constituted as a statutory committee of FirstRand in respect of its duties in terms of section 94(7) of the Companies Act, 71 of 2008 and section 64 of the Banks Act of 1990.

The committee meets a minimum of four times per annum.

### **FirstRand risk capital management and compliance committee (“RCCC”)**

The current members of the RCCC are as follows:

<b>Name</b>	<b>Position</b>
Russell Mark Loubser	Independent non-executive director (chairman) (retired effective 30 November 2023)
Zelda Roscherr	Independent non-executive Chairman (appointed 1 December 2023)
Grant Glenn Gelink	Independent non-executive director
Johan Petrus Burger	Non-executive director (change in designation to independent non-executive director)
Louis Leon von Zeuner	Independent non-executive director
Thomas Winterboer	Independent non-executive director

<b>Name</b>	<b>Position</b>
Tamara Carol Isaacs	Independent non-executive director (appointed effective 1 December 2023)
Sibusiso Patrick Sibisi	Independent non-executive director

The RCCC provides independent oversight of the Group's risk, capital management and compliance activities. This includes ensuring an effective policy and plan for risk management have been implemented to improve FirstRand's ability to achieve its desired outcomes, and that risk disclosures are timely, sufficiently detailed and relevant to the Group's stakeholders.

The Basel Pillar 3 report, published on the FirstRand website, sets out the specific risk and compliance management actions undertaken during the year.

The RCCC has delegated responsibility for a number of specialist topics to various subcommittees as described further in "*Risk Management*" below. The committee meets a minimum of four times per annum and in addition has two framework approval committee meetings during the year.

#### **FirstRand large exposures committee**

The current members of the large exposures committee are:

<b>Name</b>	<b>Position</b>
Russell Mark Loubser	Independent non-executive director (chairman) (retired effective 30 November 2023)
Louis Leon von Zeuner	Independent non-executive chair (appointed effective 1 December 2023)
Johan Petrus Burger	Independent non-executive director
Louis Leon von Zeuner	Independent non-executive director (designation change from member to chairman effective 1 December 2023)
Zelda Roscherr	Independent non-executive director (appointed effective 1 December 2023)
Alan Patrick Pullinger	Chief Executive Officer (executive director)
Hetash Surendrakumar (Harry) Kellan	Financial Director (executive director)
Mary Vilakazi	Chief Operating Officer (executive director)
Gert Christoffel Petrus Kruger	Chief Risk Officer
Thabani Zungu	Head: Wholesale credit

<b>Name</b>	<b>Position</b>
Jacques Mouton	Group ERM Credit Executive

The large exposures committee has been constituted in accordance with the requirements of Banks Act Directive 5/2008, section 73 of the Banks Act and Banks Act Regulations. The prime objective of the committee is to assist the Board in discharging its credit risk oversight responsibilities, specifically with regard to credit granting and credit risk management.

The committee assesses transactions (e.g. the making of investments or the granting of credit) exceeding 10% of the Group's qualifying Tier 1 capital and reserves in terms of section 73 of the Banks Act. It also assesses the making of investments in or the granting of credit to related parties, or writing off of any related-party exposure where the amount exceeds 1% of the Group's qualifying CET1 capital and reserves, in terms of Regulation 24(9) of the Banks Act. During the financial year ended 30 June 2023, nine meetings were held. Meetings are convened monthly, however, additional meetings may be convened on an *ad hoc* basis as and when required in terms of section 73 of the Banks Act. The committee meets as often as it deems necessary for the purpose of discharging its duties and responsibilities in terms of its charter, but not fewer than six times per annum.

#### **FirstRand directors' affairs and governance committee**

The current members of the directors' affairs and governance committee are:

<b>Name</b>	<b>Position</b>
Sibusiso Patrick Sibisi	Independent non-executive director (chair)
Johan Petrus Burger	Non-executive director (change in designation to independent non-executive director)
Grant Glenn Gelink	Independent non-executive director
William Rodger (Roger) Jardine	Independent non-executive director (resigned effective 30 November 2023)
Russell Mark Loubser	Independent non-executive director (retired effective 30 November 2023)
Premilla Devi (Shireen) Naidoo	Independent non-executive director
Thomas Winterboer	Independent non-executive director
Tamara Carol Isaacs	Independent non-executive director (effective 22 June 2023)
Louis Leon von Zeuner	Independent non-executive director
Zelda Roscherr	Independent non-executive director



The directors' affairs and governance committee oversees continual refinements in the Group's corporate governance structures and processes, ensuring that arrangements for delegation within these structures promote independent judgement and assist with the balance of power and effective discharge of its duties. This ensures that corporate governance provides a solid foundation for the development and execution of business strategy. The committee meets a minimum of four times per annum.

### **Information technology risk and governance committee**

FirstRand embarked on a process to review and simplify its IT governance and committee structures with specific focus on the IT risk and governance committee, platform executive committee and the scope of the Group's operational risk committee.

The aim of the review was to improve efficiency in the governance process by streamlining and reducing duplication, and to enhance focus on key topics, e.g. cyber risk.

Key stakeholders across the Group contributed to the review and analysis. As a result, the IT risk and governance committee was dissolved effective 30 June 2022. An operational and IT risk committee ("OIRC") was established as a subcommittee of RCCC effective 1 July 2022. The OIRC has a dual chairmanship, to ensure appropriate focus are provided to each discipline. The IT risk segment of the agenda is chaired by Dr Sibusiso Sibisi and the operational risk segment is chaired by Mrs Zelda Roscherr.

### **Social, ethics and transformation committee**

The current members of the social, ethics and transformation committee are:

<b>Name</b>	<b>Position</b>
Zelda Roscherr	Independent non-executive director (chair) (resigned effective 30 November 2023)
Premilla Devi (Shireen) Naidoo	Independent non-executive director (chair effective 1 December 2023)
Sibusiso Patrick Sibisi	Independent non-executive director
Premilla Devi (Shireen) Naidoo	Independent non-executive director
Johan Petrus Burger	Non-executive director (change in designation to independent non-executive director)

### **Mandatory attendees (one of the following)**

Alan Patrick Pullinger	Chief executive officer (executive director)
Hetash Surendrakumar (Harry) Kellan	Financial director (executive director)
Mary Vilakazi	Chief operating officer (executive director)

The FirstRand social, ethics and transformation committee is a mandated Board committee. The role of the committee is to assist the Board with ensuring responsible social and ethical business practices across the Group, and to monitor Group activities regarding the Companies Act, King IV, the committee charter and other legal requirements or prevailing codes of best practice in respect of social, transformation and economic development matters.

### **Remuneration committee**

The current members of the remuneration committee are:

<b>Name</b>	<b>Position</b>
Louis Leon von Zeuner	Independent non-executive chairman
Grant Glenn Gelink	Independent non-executive director
William Rodger (Roger) Jardine	Independent non-executive director (resignation effective 30 November 2023)
Johan Petrus Burger	Non-executive director (change in designation to independent non-executive director)
Russell Mark Loubser	Independent non-executive director (retired effective 30 November 2023)

FirstRand's remuneration practices are governed by the FirstRand remuneration committee. The committee assists the Board in ensuring that the Group meets the requirements of section 64C of the Banks Act, the Financial Stability Board's Principles for Sound Compensation Practices and its Implementation Standards, Basel Pillar 3 remuneration guidelines and the recommended practices of King IV, where appropriate.

## COMPETITION

In South Africa, as at 31 December 2023, there were 17 registered banks, four mutual banks, six co-operative banks, 12 local branches of foreign banks and 29 foreign banks with approved local representative offices. According to information published by the PA, the South African banking sector had total assets of R7 570 billion as at 31 December 2023 (*Source: SARB website, Selected South African banking sector trends, December 2023*).

In addition to the Bank, the largest banks in South Africa (and the Bank's principal competitors) are Absa Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited. The Bank's competitors also include Investec Bank Limited and Capitec Bank Limited, as well as the local operations of international banks.

## LEGAL PROCEEDINGS

The Bank has been, and continues to be, the subject of legal proceedings and adjudications from time to time.

There are a number of legal or potential claims against the Bank, the outcome of which cannot at present be foreseen. These claims are not regarded by management as material either on an individual or collective basis.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), in the twelve months prior to the date of this Issuer disclosure document, which may have or have had in the recent past, a significant effect on the financial position or profitability of the Bank and its subsidiaries.

In 2017, the Competition Commission ("**the Commission**") referred a complaint to the Competition Tribunal (the "**Tribunal**") in relation to certain financial institutions. In the referral, the Commission alleged unlawful collusion between those financial institutions in the trading of the US dollar/South African rand currency pair. In June 2020, the Commission added further financial institutions to a new referral, including RMB. This concerns a matter which has been ongoing before the competition authorities since 2015. RMB is defending the matter. RMB remains confident that it has not been party to any conspiracy to manipulate the currency, as alleged.

The Commission has referred a complaint against WesBank and another, to the Tribunal. The Commission alleges that a restraint clause in a shareholder's agreement to which WesBank is a party contravenes section 4(1)(b)(ii) of the Competition Act. WesBank is of the view that the agreement which is the subject of the Commission's referral is legitimate and does not contravene the Competition Act, and its view is that it will defend the matter.

## INSURANCE

The Bank has a comprehensive insurance programme with cover for bankers' bond, computer crime, professional indemnity, directors' and officers' liability, cybercrime, assets and liabilities. Regular benchmarking reviews of policy provisions, covers and limits ensure that the level of risk mitigation is adequate in relation to the Bank's risk profile.

All major insurance covers are placed at Group level to maximise economies of scale and to ensure all entities are included. However, where appropriate, non-South African Group companies place their local requirements in their countries of operation.

## **IT/TECHNOLOGY**

Information technology is an integral part of the Bank's operations and a key enabler to offer innovative products and services to customers. The Bank continues to make significant investment in IT and related resources, with an aim to enhance the customer experience as part of digital strategies and product offerings. The Bank continues to see a positive migration from traditional bricks and mortar channels to digital channels, enhancing the customer experience and improving cost efficiency. The Bank also continually seeks to improve the operating features and security of its IT systems, in particular for new technologies to support and enhance its business strategies in the digital age. Significant effort and investment are made in cybersecurity and data strategies, two themes that are and will remain strategically important for the foreseeable future.

Information risk management not only involves securing bank information and systems, but also entails the application of risk management principles to ensure efficient, reliable and timely delivery of services.

Key areas of focus include:

- Protection of information systems against unauthorised access, destruction, modification and use.
- Ensuring confidentiality, availability and integrity of systems that maintain, process and disseminate this information.
- Continuously assessing systems for vulnerabilities and reporting to relevant risk and business stakeholders.
- Alignment of IT and related frameworks with changing business models and technology landscape.
- Conducting regular IT risk assessments to ensure improvement of identified gaps.

## **THE BANK'S CREDIT RATINGS**

The credit ratings of banks domiciled in South Africa are constrained by the South African sovereign rating. This is due to the direct and indirect impact of sovereign distress on domestic banks' operations. The Bank's standalone credit ratings continue to reflect its strong market position in South Africa, focused strategy, good core profitability, financial flexibility, robust risk management and sound capitalisation.

## **RISK MANAGEMENT**

The Group believes that effective management of risk, performance and financial resources is key to its success and 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.

Risk is managed on a Group basis and therefore, this section also covers the Group's risk philosophy and management practices (which also apply to the Bank). Although the Group and the Bank each has

its own board of directors, there is a single set of governance committees for the Group and all five of its major subsidiaries (i.e. the Bank, FREMA, FRIHL, FRI and FirstRand Insurance Holdings (Pty) Ltd).

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 frameworks set at the Centre to ensure financial discipline, and incorporate performance metrics, risk appetite and FRM into long-term strategic planning and tactical decision making.

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

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, create opportunities, achieve desired objectives, and avoid adverse outcomes and reputational damage.

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 is achieved by controlling risk at the level of individual exposures, at portfolio level, and across all risk types and businesses through the application of the risk-return and risk appetite frameworks. The Group's risk-return and risk appetite frameworks enables organisational decision-making and is aligned with FirstRand's strategic objectives.

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

### **Risk governance framework**

The Group believes that effective risk management is supported by effective governance structures, robust policy frameworks, and a risk-focused culture. This helps to embed risk considerations in business processes and ensures 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.

The Group's risk management framework describes 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 (namely risk ownership, risk control and independent assurance).

### **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 risk matters across the Group is the RCCC. It has delegated responsibility for a number of specialist topics and key risk types to various 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 more specialist risk committees. Statutory risk and audit committees exist where there are separate legal entity or jurisdiction requirements, e.g. Aldermore and FirstRand Investment Management Holdings. These committees report to the relevant statutory boards.

There are also additional board committees with clearly defined responsibilities. The group board 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 across the Group. 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.

#### *Risk, capital management and compliance committee*

The RCCC is the principal Board committee responsible for overall oversight of risk management across the Group. Its key functions are:

- Approves Group risk management policies, frameworks, strategies and processes, including its subcommittees' charters 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 the Group risk management frameworks.
- Monitors the implementation of risk and compliance management approaches and processes and the effectiveness of risk management of existing and emerging risks.
- Approves, ratifies and monitors corrective risk management initiatives by management.
- Monitors that the Group takes appropriate action to manage its compliance, conduct and prudential risks, and complies with applicable laws, 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 assessment of the adequacy and effectiveness of risk appetite, risk management, BCBS 239, the Group's internal capital adequacy assessment process ("ICAAP"), recovery plan, compliance processes and information governance.
- Oversees the Group's climate change risk management programme and approves the climate-related disclosures jointly with the Group social, ethics and transformation committee ("SETCOM").

The RCCC has established a number of specialised subcommittees which deal with specific risk types or oversight activities (as detailed below).

#### *Audit committee*

The role of the audit committee is to:

- Assist the Board with its duties relating to the safeguarding of assets, implementation of adequate systems and controls, and the assessment of its going-concern status. Ensures that relevant compliance and risk management processes are in place.
- Oversee and review work performed by the external auditors and internal audit function.
- Oversee financial risks and internal financial controls, including the integrity, accuracy and completeness of financial information and annual financial statements, which are provided to shareholders and other stakeholders.

#### *Large exposures committee*

The role of the large exposures committee is to:

- Review and decline or approve applications and/or renewals for investments, advances or other credit instruments in excess of 10% of the Bank's qualifying Tier 1 capital and reserves.
- Review and approve transactions with a related party and the write-off of any related party exposure exceeding 1% of the Bank's qualifying CET1 capital and reserve funds.
- Review and approve applications and renewals outside the mandate of the wholesale credit approval committee.

- Delegate 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.
- Ensure 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.

#### *RCCC subcommittees*

The RCCC has established the below subcommittees to address specific risk types or oversight activities:

##### *Credit risk management committee*

- Approves the Group's credit risk management framework and related credit risk policies.
- Monitors the quality of in-force business and business origination in terms of the Group's view of the credit macroeconomic outlook.
- Ensures the uniform interpretation of credit regulatory requirements and an 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 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.



*Market and investment risk committee (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.
- Approves the final outputs for submission into the ICAAP for investment, market and counterparty credit risk types.
- Approves market, investment and counterparty credit risk-related limits.

*Model risk and validation committee*

- Approves model risk management frameworks, policies and standards as well as model risk tolerance.
- 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, interest rate risk in the banking book, structural foreign exchange risk)*

- Approves and monitors effectiveness of management policies, assumptions, limits and processes for liquidity and funding risk, 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 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.

*Compliance risk committee*

- Monitors the effectiveness of the management of the Group's compliance risk in all the jurisdictions in which it operates and recommends corrective action, where required.

- Approves and monitors implementation of compliance risk management frameworks, policies, standards, coverage plans, and governance arrangements.
- Receives compliance risk profile reports relating to financial crime, market conduct, prudential compliance, privacy and general compliance sub-risk types, and any other material matters relating to compliance within operating businesses of the Group, as and when these arise.
- Reviews compliance monitoring reports and internal audit reports on compliance matters, including the maintenance of an independent compliance risk management function.
- Reviews progress feedback relating to compliance risk projects.
- Approves and monitors compliance risk appetite.

#### *Tax risk committee*

- Approves and monitors tax strategy and tax risk appetite.
- Approves tax risk management frameworks and policies.
- Monitors tax risk assessments and 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 such actions and issues instructions as may be appropriate to improve the overall status of operational and IT (including cyber) risk.
- Implements a delegation framework to enable management forums to ensure that all supporting risks are properly managed and monitored within risk management and monitoring structures.
- Approves and monitors the Group's operational and IT risk appetite.
- Monitors the Group, segment and operating business risk profiles against operational risk appetites and escalates relevant risks to RCCC timeously.
- Approves operational and IT risk management frameworks, policies and meeting charters (e.g. integrated crime, protective security, legal risk, business resilience risk and vendor risk).

### **Risk appetite**

The Group's risk-return and risk appetite frameworks inform decision-making and is aligned to FirstRand's strategic objectives. Business and strategic decisions are aligned to risk-return and risk appetite targets and measures to ensure 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, earnings volatility limits and required hurdle rates and targets.

### *Return and 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 execution of 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:

- deliver 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 and financial targets frame its risk appetite in the context of risk, reward and growth. The targets contextualise the level of reward the Group expects to deliver to stakeholders under normal and stressed conditions for the direct and consequential risks it assumes in the normal course of business.

The risk-return framework drives the discipline of balancing risk, return and sustainable growth across all portfolios and helps the Group 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 financial resource management frameworks, the Group sets quantitative measures, thresholds and targets which underpin its commitments to stakeholders.

The Group risk appetite statement is the overarching summary of the aggregate level and type of acceptable risk the Group is willing to take in pursuit of its strategic objectives. This 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 the strategic objectives. Risk appetite is approved by the Board.

### *Application of the return and risk appetite framework 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. The Group cascades overall appetite into targets and limits at risk type, business and activity level, and these represent the constraints the Group imposes to ensure it will deliver on its commitments at a defined confidence level. Risk management roles and responsibilities are outlined in the Group risk management framework.

### *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 the risk appetite. The aim is to protect and enhance earnings without adding to the overall 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.

FirstRand uses the Group's macroeconomic house view 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 and their 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, foreign currency assets should be supported by foreign currency liabilities, primarily in the same jurisdiction. It aligns with one of the Group's strategic priorities to increase geographic diversification, which is evidenced by the integration of the MotoNovo business into the Aldermore group 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. The Group evaluates the impact of various macroeconomic scenarios on the business and considers the need for adjustment to origination and takes 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 required management actions/responses.

Stress tests are conducted throughout the Group for all regulated entities and several unregulated 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 useful insight into the Group's financial position, level of earnings volatility, risk profile, and future 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 and impact performance measurement.

From a regulatory perspective, stress testing and scenario analysis feed into the Group's annual 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 measurement 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.

Given its classification as a domestic systemically important bank (D-SIB) FirstRand participated in the SARB's common stress and scenario analysis (CSST) during 2023. The CSST consists of a comprehensive set of top-down and bottom-up macroprudential stress tests covering D-SIBs' solvency and liquidity profiles. It is the SARB's intention to run a further climate stress test in 2024. Similarly to the 2023 CSST, the climate stress test will consist of both top-down and bottom-up assessments to test the resilience of the banking sector to transition and physical risk, and to evaluate the vulnerabilities of the sector's credit and market risk exposures in the event of certain climate risks materialising.

## 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 *Key Attributes of Effective Resolution Regimes*. The PA adopted this requirement and had, 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, FirstRand Bank Limited (including the foreign branches), the Aldermore Group, FirstRand Namibia and FNB Botswana, will recover from a severe stress event/scenario that threatens their commercial viability.

The recovery plan:

- analyses the potential for severe stress in the Group 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 forces 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 then reconcile these exposures to its own risk appetite and strategy. Strategies to optimise the balance sheet structure and preserve the Group’s critical functions to support the recovery from a severe stress event with the least negative impact are considered. This process enables banks to better understand the critical functions for customers and the financial system, as well as which assets that 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, the most recent in December 2023.

### *Resolution framework*

The SARB released a discussion paper on South Africa’s intended approach to bank resolution in July 2019. The paper outlined the objectives of the proposed resolution framework with an emphasis on open-bank resolution. Open-bank resolution is applicable to systemically important institutions where the bank continues to function in its existing form under its own licence post resolution. The proposed resolution framework provides more clarity on the regulator’s approach to further enhance financial stability in the country.

Refer to section 2.3.1 of Part A for further detail on FSLAB and FSLAA. A commencement schedule for the provisions of the FSLAA has been published 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 effective 1 June 2023 and providing it with the necessary powers to operationalise an effective resolution regime and issue resolution standards. The SARB has commenced engagements with SIFIs on resolution planning.

The SARB continues to publish discussion papers focusing on the key aspects that will affect and facilitate the implementation of the resolution framework in South Africa, as well as form the basis of secondary legislation and standards.

## **RISK PROFILE**

The Bank is exposed to a number of risks that are inherent in its operations. Identifying, assessing, pricing and managing these risks appropriately are core competencies of the individual business areas.

### **Credit risk**

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 also includes credit default risk, pre-settlement risk, country risk, concentration risk, securitisation risk and climate risk (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.

As advances are split across the operating businesses, default risk is allocated to the income-receiving portfolio. The goal of credit risk management is to maximise the Group's measure of economic profit, NIACC, within acceptable levels of earnings volatility by maintaining credit risk exposure within acceptable parameters.

Credit risk is one of the core risks assumed as part of achieving the Group's business objectives. It is the most significant risk type in terms of regulatory and economic capital requirements.

Credit risk management objectives are two-fold:

- **Risk control:** Appropriate limits are placed on the assumption of credit risk. There are also processes in place to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams are responsible for risk control.
- **Management:** Credit risk is taken within the constraints of the Group's return and risk appetite, and credit risk appetite frameworks. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions, overseen by the Group credit risk management function in ERM and relevant Board committees, fulfil this role.

Credit risk management principles including holding the appropriate level of capital and pricing of risk on an individual and portfolio basis. The scope of credit risk identification and management practices across

the Group therefore spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement, as well as collection and recovery of delinquent accounts.

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting.

### **Capital adequacy**

The Bank actively manages capital aligned to strategy and risk appetite/profile.

The Bank is subject to regulatory capital requirements as prescribed in the Banks Act and Regulations Relating to Banks. The Bank's targets have been aligned to the PA minimum capital requirements and are subject to ongoing review and consideration of various stakeholder expectations. Capital is managed on a forward-looking basis and the Bank remains appropriately capitalised under a range of normal and severe stress scenarios. The Bank aims to back all economic risk with loss-absorbing capital and remains well capitalised in the current environment. The Bank actively manages its capital stack to ensure an efficient capital structure, closely aligned to Bank internal targets and strategic growth plans.

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;
- consistent standards and measurements for each risk type, where relevant;
- continual refinements to risk drivers, sensitivities, correlations and aggregations;
- transparent and verifiable results, subject to rigorous governance processes; and
- alignment and integration with the Group's risk and capital frameworks.

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

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 and embed a responsible risk culture across the Group. A key input into ICAAP is an assessment of economic risk, with the outcome used to assess the Group's capital position



and targeted level of capitalisation, i.e. the Group is capitalised at the higher of economic and 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 the 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 in the Group's ICAAP via stress and scenario analysis that will continue to evolve as more information, approaches and methodologies emerge. The Group has formulated a climate risk stress test framework that will be updated annually.

The Bank continues to participate in the PA's bi-annual quantitative impact studies to assess and incorporate the impact of Basel III on capital adequacy and leverage ratios.

The Basel III leverage ratio is a supplementary measure to the risk-based capital ratios framework.

## **Funding and liquidity risk**

### **FUNDING MANAGEMENT**

See the "*Risk factors – Liquidity risk*" section above for a discussion of certain structural characteristics of the South African banking sector which are relevant to the Bank's funding sources and strategy. In this section, "institutional funding" refers to wholesale funding from financial institutions across a range of deposits, money market and capital market financial instruments and bilateral and syndicated loan facilities.

The Bank aims to fund its activities in an efficient and flexible manner, from diverse and sustainable funding pools, whilst operating within prudential limits and incorporating rating agency requirements. The Bank's objective is to maintain and enhance its deposit market share by appropriately rewarding depositors. The four building blocks of the Bank's funding strategy are discussed in further detail below.

#### *Diversification*

The Bank views funding diversification from several different perspectives:

- Customer segments – the Bank has a strong and stable deposit franchise, which spans retail, commercial and corporate client segments. Reliance on institutional funding represents a liquidity

risk concentration that is actively managed by optimising same relative to available funding sources and funding demand, holding appropriate liquidity buffers, and continued focus on managing and optimising its term profile.

- Country and currency of issue – the Bank has access to a variety of funding and capital markets offshore and locally, including South Africa, Europe, Asia, and the rest of Africa.
- Instrument types and maturity profile – the Bank funds itself with a variety of funding instruments, including various retail, commercial and corporate deposit products, negotiable certificates of deposit, fixed rate, floating rate and inflation-linked notes, bilateral loan facilities, syndicated loans, development finance facilities, vanilla and structured capital market issuances including: securitisation, asset warehouses and short term asset backed commercial paper programmes.

The Bank seeks to broaden and diversify its debt investor base as far as possible.

### *Efficiency*

The Bank's aim is to fund the balance sheet in the most efficient manner, taking into account the liquidity risk management framework, as well as regulatory and rating agency requirements.

To maximise efficiency and flexibility in accessing institutional funding opportunities, both domestic and international debt programmes are in place. The Bank's strategy for domestic vanilla public issuances is to offer benchmark tenor bonds to meet investor requirements and facilitate secondary market liquidity. This strategy enables the Bank to identify cost-effective funding opportunities whilst maintaining an understanding of available market liquidity.

### *Flexibility*

The Bank has a track record of differentiating itself through new and innovative funding mechanisms. It constantly reviews new proposals relating to funding options and strategies based on forecast balance sheet growth, to anticipate and plan for future funding and structural liquidity requirements.

### *Strong counterparty relationships*

The Bank places great value on its strong relationships with both domestic and foreign investors and is committed to keeping investors fully informed. Therefore, an active marketing approach is embedded in the funding strategy. Through forums such as conference calls, domestic and international roadshows and investor presentations, the Bank aims to extend its investor base, and keep stakeholders updated on its financial performance and counterparty status.

### **Foreign currency balance sheet**

The Bank's foreign currency activities, specifically lending and trade finance, have steadily increased over the past few years. It is, therefore, important to have a sound framework for the assessment and management of foreign currency external debt, given the inherent vulnerabilities and liquidity risks associated with cross-border financing.

This framework includes the Bank's exposure to branches, foreign currency assets and guarantees. The management of the Bank's foreign currency balance sheet considers multiple components, including the quality and sustainability of the assets being funded, appropriate capitalisation and pricing, appropriate

debt level and repayment capacity, and the liquidity risk. The Bank manages its translation risk to limit the impact on its earnings, net asset value, capital position and ROE, thereby taking a comprehensive view on foreign currency asset and liability management.

The funding and liquidity risks are of specific importance and the Bank seeks to avoid exposing itself to undue liquidity risk and to maintain liquidity risk within the risk appetite approved by the ALCCO and RCCC. As an authorised dealer, the Bank is subject to foreign currency macro-prudential limits and reporting requirements as set out in the Currency and Exchanges Manual for Authorised Dealers issued by the SARB.

### **FirstRand Bank's philosophy on foreign currency external debt**

The key determinants of an institution's ability to fund and refinance foreign currency exposures is the sovereign risk and associated external financing requirement. The Bank's framework for the management of external debt considers the sources of sovereign risk, foreign currency funding capacity, and the macroeconomic vulnerabilities of South Africa. To determine South Africa's foreign currency funding capacity, the Bank takes into account the external debt of all South African entities (private and public sector, and financial institutions) as all these entities utilise the South African system's capacity, namely, confidence and export receipts. The Bank thus employs a self-imposed structural borrowing limit and a liquidity risk limit more stringent than that allowed by regulations.

The Bank monitors its foreign currency exposure and liquidity risk profile according to a survival period methodology. The survival period assumes that the Bank maintains sufficient liquidity buffers to ensure that its liquidity requirements are met during a period of prolonged market liquidity stress. The Bank targets a survival period for its foreign currency exposure in excess of six months.

### **LIQUIDITY RISK MANAGEMENT**

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

The Bank recognises two types of liquidity risk:

- Funding liquidity risk – the risk that a bank will not be able to effectively meet current and future cash flow and collateral requirements without negatively affecting its normal course of business, financial position or reputation.
- Market liquidity risk – the risk that market disruptions or lack of market liquidity will cause a bank to be unable (or able, but with difficulty) to trade in specific markets without affecting market prices significantly.

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

The Group's approach to liquidity risk management distinguishes between structural, daily and contingent liquidity risk management across all currencies, and various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis.

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 cashflows, liquidity, profitability and solvency position; and
- proactively evaluating the potential secondary and tertiary effects of other risks on the Group.

Given the liquidity risk introduced by its business activities, the Bank optimises its funding composition within structural and regulatory constraints to enable business to operate in an efficient and sustainable manner. Liquidity buffers are actively managed via the Bank's pool of HQLA as prescribed in the Regulations Relating to Banks pertaining to the LCR, associated directives and guidance notes. The Bank's high-quality liquid assets ("HQLA") portfolio 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 composition and quantum of available liquid assets are defined behaviourally by considering both the funding liquidity-at-risk and the market liquidity depth of these instruments. The HQLA portfolio has been constructed considering the Group's funding composition and growth, liquidity risk appetite and prudential requirements. The portfolio is continually assessed and actively managed to ensure optimal composition, return and size.

Compliance with the Basel III liquidity ratios influences the Bank's funding strategy, particularly as it seeks to price for liquidity on a risk-adjusted basis. The Bank continues to offer innovative and competitive products to further grow its deposit franchise whilst also optimising its institutional funding profile. These initiatives continue to improve the funding and liquidity profile of the Bank.

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

The Group's ability to meet all of its daily funding obligations and emergency liquidity needs is of paramount importance and, in order to ensure that this is always adequately managed, the Group maintains a liquidity contingency plan. The objective of the liquidity contingency plan is to achieve and maintain funding levels in a manner that allows the Group to emerge from a potential funding crisis with its reputation intact and maintain its financial position for continuing operations. The plan designed is 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-planned response mechanism to facilitate swift and effective responses to contingency funding events. These events may be triggered by financial distress in the

market (systemic) or bank-specific events (idiosyncratic) which may result in the loss of funding sources. The plan is reviewed annually and tested regularly via a group-wide liquidity stress simulation exercise to ensure the document remains up to date, relevant and familiar to all key personnel within the Group who have a role to play, should it ever experience an extreme liquidity stress event.

The plan is reviewed annually and tested regularly via a group-wide liquidity stress simulation exercise to ensure it remains up to date, relevant and familiar to all key personnel within the Group who have a role to play, should it ever experience an extreme liquidity stress event.

### **Market risk**

The Group distinguishes between traded market risk and non-traded market risk. 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, and is taken and managed by RMB. The relevant business units in RMB function as the centres of expertise for all market risk-related activities. Market risk is managed and contained within the Group's risk appetite.

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

- business mix – ensure that RMB's current and future strategies, spanning various activities and geographies, achieve their 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 the 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.

Management and monitoring of the interest rate risk in the banking book is split between the RMB banking book and the remaining domestic banking book. RMB manages the majority of its banking book under the market risk framework, with risk measured and monitored in conjunction with the trading book and management oversight provided by the FirstRand market and investment risk committee (MIRC).

For non-traded market risk, the Group distinguishes between IRRBB and structural foreign exchange risk. IRRBB relates to the sensitivity of a bank's balance sheet and earnings to unexpected, adverse movements in interest rates. Foreign exchange risk is the risk of an 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 following table describes how these risks are measured, managed and governed.

<b>RISK AND JURISDICTION</b>	<b>RISK MEASURE</b>	<b>MANAGED BY</b>	<b>OVERSIGHT</b>
<b>Interest rate risk in the banking book</b>			
Domestic – FNB, RMB, WesBank and FCC	<ul style="list-style-type: none"> <li>• 12-month earnings sensitivity.</li> <li>• Economic sensitivity of open risk position.</li> </ul>	Group Treasury	<ul style="list-style-type: none"> <li>• FCC Risk management</li> <li>• Group ALCCO</li> </ul>
Subsidiaries in the broader Africa, and the Bank's foreign branches	<ul style="list-style-type: none"> <li>• 12-month earnings sensitivity.</li> <li>• economic sensitivity of open risk position.</li> </ul>	In-country management	<ul style="list-style-type: none"> <li>• Group Treasury</li> <li>• FCC Risk Management</li> <li>• In-country ALCCOs</li> <li>• Rest of Africa and foreign branches ALCCO</li> </ul>
<b>Structural foreign exchange risk</b>			
<b>Group</b>	<ul style="list-style-type: none"> <li>• Total capital in a functional currency other than rand.</li> <li>• Impact of translation back to rand reflected in Group's income statement.</li> <li>• Foreign currency translation reserve value.</li> </ul>	Group Treasury	<ul style="list-style-type: none"> <li>• FCC Risk Management</li> <li>• Group ALCCO</li> </ul>

## **BANKING SECTOR IN SOUTH AFRICA**

---

Similar to other jurisdictions, prior written approval from the PA, on application, is required for both local entities and banking institutions from other countries to conduct the business of a bank in South Africa. In this regard, and according to the latest available information, which is subject to change, the South African banking sector comprises, among others, locally controlled banks, foreign controlled banks, branches of foreign banks and foreign bank representatives. Other deposit-taking institutions include mutual banks and co-operative banks.

The South African banking system is well developed and effectively regulated. According to information published by the PA in its 2022/2023 annual report, South Africa's banking sector is still dominated by the five largest banks which collectively held 89.5% of the total banking sector assets as at 31 March 2023. Local branches of international banks accounted for approximately 6.25% of the banking sector assets and other locally registered banks for approximately 4.25%. Although the South African banking sector remains well capitalised, funded, regulated and managed, it is highly exposed to South African macroeconomic conditions, and it will be impacted by negative macroeconomic developments.

### **SARB**

The SARB is, as South Africa's central bank and macroprudential regulator, responsible for, among others, contributing towards the achievement and maintenance of a stable financial system, protecting and enhancing financial stability, and restoring and maintaining financial stability in relation to systemic events. The SARB has a long and proud history of serving, chairing and actively contributing to the work of international and regional bodies, organisations and standard setting bodies. In this regard, the SARB is represented on prominent regional and international forums such as the G20, the International Monetary Fund, the World Bank, BRICS, the Financial Stability Board ("FSB"), the BIS, the BCBS, the International Association of Insurance Supervisors, the Committee on Payments and Market Infrastructures, IOSCO, the FATF, the International Association of Deposit Insurers, the Committee of Central Bank Governors, the Southern African Development Community, the Association of African Central Banks and the Common Monetary Area.

### **Prudential Authority**

The PA, which is a juristic person operating within the administration of the SARB, commenced its mandate on 1 April 2018. The SARB had, prior to the implementation of South Africa's Twin Peaks regulatory framework on 1 April 2018, performed its function as banking regulator through its bank supervision department. The PA is responsible for, among others, the licensing of banks and the prudential regulation and supervision of banks, banking groups (consolidated supervision), licensed insurers and financial conglomerates in South Africa. The PA is responsible for the prudential regulation and supervision of the Issuer in accordance with applicable financial sector laws, on a solo and consolidated basis. The PA's duties and responsibilities include the promotion and enhancement of the safety and soundness of financial institutions in support of the SARB's mandate of achieving and maintaining financial stability.

It has extensive regulatory and supervisory powers which, among others, oblige banks to furnish certain prescribed financial and risk returns to it, to enable it to monitor compliance with the various prudential and other regulatory requirements imposed on banks in terms of the Banks Act, the Regulations Relating to Banks and other applicable regulatory instruments. The chief executive officer of the PA is a deputy governor of the SARB and a member of the SARB's Financial Stability Oversight Committee.

The PA participates in, and contributes to, various international forums and technical sub-working groups to keep abreast of and influence the latest developments pertaining to regulation and supervision within the financial sector. These include the BCBS, International Association of Insurance Supervisors, IOSCO, Community of African Banking Supervisors, Committee of Insurance, Securities and Non-banking Financial Authorities, FATF, the Information Technology Supervisors Group and the Eastern and Southern Africa Anti-Money Laundering Group. Supervisory colleges take place among regulators in different jurisdictions for financial institutions that are regulated by the PA.

The PA has adopted a collaborative and consultative approach to regulation and engages with regulators, industry bodies and stakeholders.

The PA has memoranda of understanding (“**MOUs**”) with foreign supervisory bodies, other regulators in South Africa, such as the FSCA, the NCR, the FIC and the SARB to facilitate cooperation and collaboration.

The PA is also responsible for the supervision of compliance by specific institutions, with AML/CTF legal and regulatory requirements.

In addition, the BCBS monitors the timely adoption of regulations by its members and assesses its member jurisdictions' consistency with the Basel framework through the committee's regulatory consistency assessment programme (“**RCAP**”). The RCAP is a comprehensive programme introduced by the BCBS in 2012 to assess its members' implementation of Basel 2, 2.5 and 3. The objective of the programme is to assist member jurisdictions to ensure full, timely and consistent implementation of the Basel framework. It furthermore assists to raise the resilience of the global banking system, maintain market confidence in regulatory ratios, and promote a level playing field. An RCAP assessment was conducted during September 2022, which focused on the net stable funding ratio and the large exposure framework.

### **National payment system department**

The SARB's NPS department has responsibility for the national payment system, which it operates, regulates, supervises and oversees. It is also responsible for related policymaking. Since the NPS department regulates, among others, payment and settlement systems, the Issuer's conduct in relation to payments and related services is also regulated, directly and indirectly, by the NPS department.

### **Financial Sector Conduct Authority**

The FSCA is the other pillar of South Africa's Twin Peaks financial sector regulatory architecture (the first being the PA). The FSCA is the South African market conduct regulator of financial institutions which are licensed in terms of South African financial sector laws. These include, among others, banks, insurers, managers of collective investment schemes and market infrastructures. The FSCA's mandate includes enhancing and supporting the efficiency and integrity of financial markets, assisting in maintaining



financial stability, protecting financial customers by promoting their fair treatment by financial institutions, and promoting and providing financial education to financial customers to ensure that these customers are adequately informed, and that the financial system is more efficient. The FSCA expects all licensed financial institutions to act with integrity and to treat their customers fairly. Furthermore, the FSCA expects financial institutions to have a culture that is conducive to consumer protection and market integrity, supported by a conduct risk framework. On 3 July 2020, the FSCA introduced the Conduct Standard for Banks. This regulatory framework enables the FSCA to critically and urgently supervise the market conduct of the banking sector in South Africa, in accordance with its mandate, as outlined in the FSRA. The standard became fully effective on 3 July 2021.

Various aspects of the Issuer's market conduct are regulated by the FSCA and it works closely with, among others, the PA on various matters.

### **General**

The Issuer's relationships with its regulatory authorities are largely managed by a dedicated Group Compliance risk management function and FirstRand Limited's Public Policy and Regulatory Affairs Office. The Issuer views its relationship with its regulators as being of the utmost importance. The Issuer is a member of the BASA, which is effectively the mandated representative of the banking sector in South Africa, as it facilitates the enablement of a conducive banking environment through robust engagement with government and relevant stakeholders. The Issuer is supportive of the Twin Peaks regulatory objectives and endorses, as an active participant in the new regulatory landscape, improvements in risk management, governance and market conduct practices. The same approach is also applied in respect of the Issuer's cooperation with other regulatory authorities. Much effort and resources are dedicated in a cost-efficient manner in order to reap maximum benefits emanating from the implementation of best practice and the resultant enablement of its global business activities.

## **SOUTH AFRICAN EXCHANGE CONTROL**

---

Words used in this section headed “South African Exchange Control” shall, in relation to a Programme, (i) have the same meanings given to them in the applicable Programme Memorandum or (ii) where not defined in the applicable Programme Memorandum, have the meanings given to them in the DMTN programme memorandum mutatis mutandis, in each case except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The information below is intended as a general guide to the current position under the exchange control regulations as at the date of this Issuer disclosure document. The contents of this section headed “South African Exchange Control” do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.

For purposes of this Issuer disclosure document:

- (i) **“Common Monetary Area”** means South Africa, Lesotho, Namibia and Eswatini;
- (ii) **“emigrants”** includes private individuals who have ceased to be residents for tax purposes in South Africa; and
- (iii) **“Exchange Control Regulations”** means the Currency and Exchanges Act, 1933, the Exchange Control Regulations, 1961 promulgated pursuant to that Act, the policies, directives, circulars of the Financial Surveillance Department of the SARB (**“FinSurv”**) and the Currency and Exchanges Manual for Authorised Dealers (each as amended from time to time).

### **Non-South African resident Noteholders and emigrants from the Common Monetary Area**

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes and the applicable Terms and Conditions may be subject to the Exchange Control Regulations.

#### **Emigrant remaining assets**

An emigrant may make use of their remaining assets for the subscription for or purchase of Notes, subject to tax clearance.

#### **Emigrants from the Common Monetary Area**

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area must be endorsed “non-resident”.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD and its relevant Participants, the securities account maintained for such emigrant (which will be treated as an emigrant transferable account) will be credited, subject to tax clearance.

Payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be credited to such emigrant’s transferable account. Such amounts are transferable subject to the appropriate tax clearance.

### **Non-residents of the Common Monetary Area**

Non-residents may freely invest in South Africa and financing must be in the form of the introduction of foreign currency or Rand from a non-resident Rand account in the name of the non-resident.

Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed "non-resident". In the event that a Beneficial Interest in Notes is held by a non-resident of the Common Monetary Area through the CSD and its relevant Participants, the securities account for such Noteholder will be credited and the account will be designated as a "non-resident" account. It will be incumbent on any such non-resident Noteholder to instruct their authorised dealer in foreign exchange (in terms of an income declaration) as to how any funds due to them in respect of Notes are to be dealt with.

Such proceeds may be regarded as freely transferable and may also be freely used in the Common Monetary Area by non-residents for investments and other purposes.

### **Exchange control – Issuer**

To the extent required, the Issuer will obtain the necessary exchange control approval for the relevant Programme or Note issue.

## ANNEXURE A: ADDITIONAL DIRECTOR DISCLOSURES

---

- a) Full names: **Johan Petrus Burger**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Independent non-executive chairman**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director:
- **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **Bernalk Investments (Pty) Ltd;**
  - **Clarence Drive (Pty) Ltd;**
  - **Drakenzicht Investments (Pty) Ltd;**
  - **FirstRand Life Assurance Ltd;**
  - **FirstRand Insurance Holdings (Pty) Ltd;**
  - **FirstRand Short Term Insurance Ltd;**
  - **FirstRand Insurance Holdings (Pty) Ltd**
  - **FirstRand Insurance Services Company Ltd;**
  - **FirstRand Investment Management Holdings Ltd;**
  - **Harris and Mapson Share Block (Pty) Ltd;**
  - **Idea Tank (Pty) Ltd;**
  - **New Seasons Investment Fund (Pty) Ltd;**
  - **Nodus Equity (Pty) Ltd;**
  - **Olifantsdrif Nommer 1 Beleggings (Pty) Ltd;**
  - **Olifantsdrif Nommer 2 Beleggings (Pty) Ltd;** and
  - **OUTsurance Holdings Limited, OUTsurance Insurance Co Ltd, OUTsurance Life Insurance Co Ltd.**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**

- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any offence involving dishonesty committed by such person: **None**
- k) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- l) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the Close Corporations Act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973 (act no. 61 of 1973): **None**
- m) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- n) Details of being barred from entry into any profession or occupation: **None**
- o) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- p) Expertise and experience

**Johan is qualified chartered accountant and graduated from the University of Johannesburg with a BCom (Hons) in 1983. He has more than 20 years' experience as a seasoned banker in the financial services sector and his skills include strong business leadership, technical expertise and strategic planning. Johan is a mature businessman and banker who is renowned for his strong business acumen, commercial astuteness, extensive experience in broad macroeconomics, financial trends, investment management and private equity.**

**Prior to joining FirstRand, Johan completed his articles with Coopers & Lybrand (now PwC) and started his career at Rand Merchant Bank in 1986. He has had an illustrious business career, mostly serving in top executive positions. He was appointed as CFO of the Group in 2002, and in addition to this role assumed the position of group COO in 2009. He was appointed as CEO in October 2015, delivered superior shareholder value during his tenure and lead highly trained executive teams of multidisciplinary managers and professionals. He retired from his position as CEO in March 2018.**

- a) Full names: **Alan Patrick Pullinger**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Chief executive officer (Executive director)**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director:
- **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **FirstRand Finance Company (Pty) Ltd; and**
  - **Aldermore Group PLC.**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any offence involving dishonesty committed by such person: **None**
- k) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- l) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the Close Corporations Act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973 (act no. 61 of 1973): **None**
- m) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- n) Details of being barred from entry into any profession or occupation: **None**

o) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**

p) Expertise and experience

**Alan graduated from the University of Witwatersrand in 1991 and qualified as a Chartered Accountant.**

**Alan is a seasoned investment banker with extensive experience in regional and emerging markets. He has strong leadership skills, strategic development, planning and execution which includes enhancing organisational competitiveness.**

**Alan started his career with Deloitte and Touche and was appointed to partnership in 1996. He later joined the investment banking division in 1998 at Rand Merchant Bank and spent the greater part of his career in various roles. Alan was appointed as CEO of Rand Merchant Bank in 2008 and later promoted to deputy CEO of FirstRand Limited on 1 October 2015. He occupies the position of a Chief Executive Director and Executive Director at FirstRand Limited and FirstRand Bank Limited since April 2018.**

- a) Full names: **Hetash Surendrakumar (Harry) Kellan**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Financial director (Executive director)**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director:
- **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **FirstRand EMA Holdings (Pty) Ltd;**
  - **FirstRand Finance Company (Pty) Ltd;**
  - **FirstRand Investment Holdings (Pty) Ltd;**
  - **Rejah Investments (Pty) Ltd;** and
  - **Aldermore Group PLC.**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any offence involving dishonesty committed by such person: **None**
- k) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- l) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the Close Corporations Act, 1984 (act no. 69 of 1984)



or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973 (act no. 61 of 1973): **None**

- m) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- n) Details of being barred from entry into any profession or occupation: **None**
- o) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- p) Expertise and experience

**Harry qualified as a Chartered Accountant in 1998 after graduating from the University of Witwatersrand in 1994.**

**Harry has strong financial management, budgeting and forecasting skills. His experience extends to balance sheet management at a Group and subsidiary level. He has an in-depth understanding of banking regulations and reporting standards**

**Harry specialised in financial services at Arthur Andersen from June 1998 to August 2000, including a year at the London office. He then joined HSBC South Africa in September 2000 as an associate director in corporate finance. Harry started his career with the FirstRand Group in 2005 at FNB as group financial manager. He was later appointed CFO of FNB in 2007, a position he held until his appointment to FirstRand Limited. He occupies the position of a Financial Director and Executive Director at FirstRand Limited and FirstRand Bank Limited since January 2014.**

- a) Full names: **Mary Vilakazi**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Chief operating officer (Executive director)**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which she is a director:
- **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **FirstRand Investment Holdings (Pty) Ltd;**
  - **FirstRand Insurance Services Company Ltd;**
  - **FirstRand EMA Holdings (Pty) Ltd;**
  - **FirstRand Investment Management Holdings Ltd;**
  - **FirstRand Life Assurance Ltd;**
    - **FirstRand Insurance Holdings (Pty) Ltd;**
    - **FirstRand Short Term Insurance Ltd;**
    - **Hillrise Properties (Pty) Ltd;** and
    - **St Mary's School (non-profit).**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any offence involving dishonesty committed by such person: **None**

- k) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- l) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the Close Corporations Act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973 (act no. 61 of 1973): **None**
- m) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- n) Details of being barred from entry into any profession or occupation: **None**
- o) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- p) Expertise and experience

**Mary graduated from the University of the Witwatersrand with BComm (Honours in Accountancy) in 1999. She joined PricewaterhouseCoopers to serve articles and qualified as chartered accountant in 2002. Mary was admitted an audit partner in 2005, specialising in the audit of financial services companies, signing off the audit of a listed insurer in 2007.**

**Mary left the audit profession to pursue more entrepreneurial ventures, joining Mineral Services Group as group CFO and serving on the boards on its varied investee businesses. Over time the nature of the role with MS Group evolved into a consulting arrangement, freeing up capacity for Mary to take up non-executive directorships as a way of expanding business and industry experience. She served as a non-executive director for Metropolitan Holdings (which later became MMI Holdings), Kagiso Media Limited, Holdsport Limited and Development Bank of Southern Africa (DBSA). She also served as an advisor to the Minister of Finance on long-term insurance.**

**Mary joined MMI Holdings Ltd in 2014 as CEO of balance sheet management, before becoming the Group finance director in 2015. She was later appointed as deputy CEO in June 2017 responsible for overseeing IT, operations and the life retail business.**

**Mary is currently the Chief Operating Officer and executive director at FirstRand Limited since July 2018.**

- a) Full names: **Grant Glenn Gelink**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Independent, non-executive director**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director:
- **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **Aucacams (Pty) Ltd;**
  - **Gradidge-Maura Investments (Pty) Ltd;**
  - **Grindrod Limited;**
  - **MTN Zakhele Futhi (RF) Limited**
  - **Pralene Investments (Pty) Ltd;**
  - **Rain Group (Pty) Ltd;**
  - **Vumelana Advisory Fund (non-profit);**
  - **ABG Industries (Pty) Ltd; and**
  - **Altron Limited.**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**

- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any offence involving dishonesty committed by such person: **None**
- k) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- l) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the Close Corporations Act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973 (act no. 61 of 1973): **None**
- m) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- n) Details of being barred from entry into any profession or occupation: **None**
- o) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- p) Expertise and experience

**Grant is a qualified Chartered Accountant and also holds a Hdip Education and Dip Public Administration (Peninsula Technical College).**

**He has more than 26 years' experience from Deloitte and Touché LLP South Africa, where he was CEO from 2006 to 2012.**

**Prior to joining Deloitte, Grant was a high school teacher in Durban for 6 years. Thereafter, he pursued a career at Deloitte & Touché South Africa where he held various senior executive positions ranging from partnership, consulting and advisory and CEO: human capital corporation.**

**He presently serves as an independent non-executive director on the boards of Allied Electronics Corporation Limited (ALTRON), Grindrod Limited and MTN Zakhele Futhi (RF) Limited.**

- a) Full names: **Tamara Carol Isaacs**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Independent, non-executive director**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director:
- **FirstRand Ltd;**
  - **FirstRand Bank Ltd;** and
  - **KAP Industrial Holdings Ltd**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any offence involving dishonesty committed by such person: **None**
- k) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- l) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the Close Corporations Act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973 (act no. 61 of 1973): **None**
- m) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**

- n) Details of being barred from entry into any profession or occupation: **None**
- o) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- p) Expertise and experience

**Tamara started her career at PricewaterhouseCoopers where she ascended to the position of audit partner and also served as the human capital partner for three years. She later joined KPMG and served as the partner in charge of management consulting at their Cape Town office and was a member of the KPMG Consumer Markets forum. Tamara served as an independent non-executive director on the board of PSG Konsult Limited, where she served as a member of the audit, social and ethics, and risk committees. Tamara has a strong social-upliftment background and is a long-standing trustee on the Mitchells Plain Bursary and Role Models Trust, and also serves as a trustee of Sakhumzi Foundation Empowerment Trust and Zanzele development trust. She is a fellow on the Africa Leadership Initiative and a member of the Aspen Global leaders Initiative. Tamara was appointed as an independent non-executive director of FirstRand Limited and FirstRand Bank Ltd on 22 June 2023.**

- a) Full names: **Premilla Devi (Shireen) Naidoo**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Independent, non-executive director**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which she is a director:
- **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **National Business Initiative (Non-governmental organisation (NGO));**
  - **Kanaka Chemicals (Pty) Ltd;** and
  - **PDN Sustainability and ESG Advisors (Pty) Ltd.**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any offence involving dishonesty committed by such person: **None**
- k) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- l) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the Close Corporations Act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973 (act no. 61 of 1973): **None**



- m) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- n) Details of being barred from entry into any profession or occupation: **None**
- o) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- p) Expertise and experience

**Shireen studied chemistry and mathematics and obtained a BSc from the University of South Africa in 1986.**

**She has more than 30 years extensive international and multi-sector experience in the fields of sustainability, and health, safety and environmental (HSE) management, supporting various key business initiatives and projects in more than 15 countries. Shireen has presented sustainability reporting papers at various international conferences including the Global Reporting Initiative (GRI) conference in Amsterdam in 2006, where the G3 version of the GRI guidelines was launched.**

**She started her career in analytical chemistry research and development at an international chemical company before taking on the role of the HSE Manager. Thereafter, she spent the greater part of her career at KPMG, where she held the position of a partner in the climate change and sustainability unit, which she was instrumental in setting up in 1998.**

**She is an independent sustainability and environment, social and governance (ESG) advisor since May 2019 and a sole director of PDN Sustainability and ESG advisors since May 2021. In addition, she is a board member and member of the remuneration committee of the National Business Initiative (NBI) (South Africa).. She is also a member of the Social and Ethics Committee Forum for Institute of Directors (South Africa).**

- a) Full names: **Zelda Roscherr**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Independent, non-executive director**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which she is a director:
- **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **FirstRand Investment Management Holding Ltd;**
  - **Dragonfly Foods (Pty) Ltd;**
  - **Ethos Lead NPC (Non-profit); and**
  - **Interactive Trading 716.**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any offence involving dishonesty committed by such person: **None**
- k) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- l) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the Close Corporations Act, 1984 (act no. 69

of 1984) or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973 (act no. 61 of 1973): **None**

- m) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- n) Details of being barred from entry into any profession or occupation: **None**
- o) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- p) Expertise and experience

**Zelda has more than 30 years' experience in financial markets and banking. Her operational experience includes executive-level management at an investment bank, banking treasurer, head of fixed income, currency, and commodities (FICC) and as an advisory board member for various banking divisions including Dublin and Mauritius (2000s). Her business experience includes investment and corporate banking, and asset management.**

**She has been an independent advisor to FirstRand on various risk and business committees prior to joining the Board in 2020. She holds the following post-graduate degrees: M.Sc. degree in Global Finance (UK), B. Com (Hons) in Econometrics (UJ); and undergraduate degrees: B.Sc. (Mathematics and Statistics) and B. Com (Economics and Econometrics) (UJ). She has completed the Competent Boards (Canada) ESG Competent Director Certificate in 2023.**

**As an internationally accredited John Maxwell Leadership Coach, she had the privilege of coaching leaders transitioning into executive positions. She has been mentoring young women from Gr 11 through university to the first few years of their careers. She has also been a small business entrepreneur in agri-processing with a social empowerment purpose of creating jobs for women in the community.**

- a) Full names: **Sibusiso Patrick Sibisi**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Independent, non-executive director**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which she is a director:
- **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **FirstRand Insurance Services Company;**
  - **FirstRand Life Assurance;**
  - **FirstRand Short Term Insurance;**
  - **FirstRand Insurance Holdings;**
  - **Telkom SA SOC Ltd (State Owned Company);** and
  - **Cambia Limited.**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any offence involving dishonesty committed by such person: **None**
- k) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**

- l) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the Close Corporations Act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973 (act no. 61 of 1973): **None**
- m) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- n) Details of being barred from entry into any profession or occupation: **None**
- o) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- p) Expertise and experience

**Sibusiso has a BSc (Physics) from London University's Imperial College (1978) and a PhD (Mathematics) from Cambridge University (1983). He has a passion for science and technology and empowering the next generation of leaders. He has more than 35 years' experience in information technology, risk management, strategy, sustainability and technology innovation, supporting key initiatives and fostering socio-economic development.**

**Sibusiso was appointed executive director at Plessey in Cape Town in 1997 before joining the University of Cape Town as deputy vice-chancellor for research and innovation in 2000. In 2002 he was appointed president and CEO of the Council for Scientific and Industrial Research (CSIR), a position he held until 2016.**

**He was awarded the Order of Mapungubwe (Silver) by President Thabo Mbeki in 2007 for his contribution to technology and research. The official tribute accompanying this high award states: "Sibisi is a physicist and mathematician who is well-versed in the workings of the corporate world. His work recognises the importance of linking the academic world of science and the commercial world of business. This is heavily influenced by where he started his work, which was at one of the world's highest-profile innovation hubs, Cambridge Science Park."**

- a) Full names: **Louis Leon von Zeuner**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Independent, non-executive director**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director:
- **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **Telkom SA SOC Ltd (State Owned Company);-**
  - **Mahela Boerdery (Pty) Ltd;**
  - **Mahela Group Holdings (Pty) Ltd;**
  - **Wildeklaar Investments (Pty) Ltd; and**
  - **Sappi Limited.**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **Louis resigned from the Board of Tongaat Hulett Limited during May 2022. The company was placed in business rescue on 27 October 2022. The company uncovered possible accounting fraud events (pre-2019, previous board and management), prior to him joining the board. Shareholders replaced the previous Board and appointed Louis as part of the new board to pursue a possible turnaround strategy.**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any offence involving dishonesty committed by such person: **None**

- k) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- l) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the Close Corporations Act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973 (act no. 61 of 1973): **None**
- m) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- n) Details of being barred from entry into any profession or occupation: **None**
- o) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- p) Expertise and experience

**Louis has a bachelor's degree in Economics from the University of Stellenbosch and is a Chartered Director (SA).**

**In a career spanning 32 years, he has gained experience in the financial sector as well as a wide variety of other business sectors ranging from industrial, telecommunications, agriculture, sport and non-profit organizations. Louis's areas of expertise include banking, insurance, finance, auditing and risk management.**

**He served as the Deputy Group Chief Executive of ABSA Group Limited from 2009 to 2012 and serves in various management and executive management roles. Louis served as a chair of African Bank (post curatorship) from 2015 to 2018 and as a chair of Tongaat Hulett from 2019-2022. He previously served on the boards of Afgri Limited, Transnet SOC Limited, MMI Group Limited, enX Group (previously Eqstra) and Paycorp Pty Ltd.**

**He presently serves as a non-executive director on the boards of Telkom SA SOC Limited, Sappi Limited and is also a board member for some private companies and serves on the Council of the University of the Free State.**

- a) Full names: **Thomas Winterboer**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Independent, non-executive director**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director:
- **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **Hentiq 1201 (Pty) Ltd;**
  - **Corner 69 (Pty) Ltd;** and
  - **Mantaray 101 (Pty) Ltd**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any offence involving dishonesty committed by such person: **None**
- k) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- l) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the Close Corporations Act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973 (act no. 61 of 1973): **None**



- m) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- n) Details of being barred from entry into any profession or occupation: **None**
- o) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- p) Expertise and experience

**Tom is a qualified chartered accountant and a well-known financial leader responsible for driving financial strategy. He is a member (and past chairman) of the SAICA Banking Project Group.**

**He has multinational experience that he acquired during his extensive business career and is a former member of PricewaterhouseCoopers Inc. global and central cluster financial services leadership team. Tom spent the greater part of his career at PricewaterhouseCoopers Inc. where he industrialised and launched various banking and financial services thought leadership material such as the strategic and emerging issues surveys in banking, and in other financial areas. He took a range of global thought leadership material to the market in addition to providing extensive advisory services to multinational industries.**

**During the course of his career, in addition to serving financial services clients, he served as partner to clients in various other industries outside financial services. He is a seasoned director with a broad reservoir of knowledge, extensive financial and investment banking experience, and robust business and leadership skills.**

- a) Full names: **Bhulesh Singh**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **FirstRand Bank Treasurer and Debt Officer**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director: **None**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any offence involving dishonesty committed by such person: **None**
- k) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- l) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the Close Corporations Act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973 (act no. 61 of 1973): **None**
- m) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- n) Details of being barred from entry into any profession or occupation: **None**
- o) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**

p) Expertise and experience

**Bhulesh is an actuary associate of the faculty of actuaries (AFA) and holds a BSc Honours degree from the University of the Witwatersrand (Statistics, Actuarial Sciences, SA Financial Markets).**

**He has extensive knowledge on banking, insurance, financial markets and the financial system. Bhulesh has remained with the FirstRand Group for the past 13 years and held various senior roles in FirstRand Treasury and RMB Global Markets. He has served on various industry working groups covering market infrastructure, market functioning, regulatory and policy initiatives, and has a specific interest on how banks and the financial system can better serve the real economy.**

## **PART B: RISK FACTORS RELATING TO NOTES**

Updated: 23 June 2023

### **CONTENTS**

<b>RISK FACTORS RELATING TO NOTES .....</b>	<b>99</b>
---	-----------

## RISK FACTORS RELATING TO NOTES

---

Words used in this section headed “Risk factors” shall, in relation to a Programme, (i) have the meanings given to them in the applicable Programme Memorandum or (ii) where not defined in the applicable Programme Memorandum, have the meanings given to them in the DMTN programme memorandum mutatis mutandis, in each case except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

FirstRand Bank Limited (“**Issuer**” or the “**Bank**”) believes that the factors described below, which are not set out in any particular order, represent key risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Some risks are not yet known and some that are not currently deemed material could later turn out to be material. Accordingly, the Issuer does not represent or warrant that the statements below regarding the risks of holding of any Notes are exhaustive.

All of these risks could materially affect the Issuer, its reputation, business, results of its operations and overall financial condition.

The information set out below is therefore not intended as advice and does not purport to describe all of the considerations that may be relevant to a prospective investor.

Investors’ contemplating making an investment in the Notes should determine their own investment objectives and experience, and any other factors which may be relevant to them in connection with such investment.

Unless otherwise indicated, the factors described below apply to Notes issued under any Programme.

### FACTORS THAT MAY AFFECT THE ISSUER’S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER A PROGRAMME

#### 1. RISKS RELATING TO THE NOTES

##### 1.1 There is no active trading market for the Notes

Notes issued under a Programme may be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already in issue). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, and the financial condition of the Issuer. Although applications may be made for the Notes to be traded on the JSE or on such other Financial Exchange(s) as may be determined by the Issuer, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so listed or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

## **1.2 The Notes may be redeemed prior to maturity**

Unless in the case of any particular Tranche of Notes the relevant Applicable Pricing Supplement specifies otherwise and, in the case of Subordinated Capital Notes, subject to the Regulatory Capital Requirements, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Applicable Pricing Supplement specifies that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may (subject to the Regulatory Capital Requirements in the case of Subordinated Capital Notes) choose to redeem the Notes at times when prevailing interest rates may be relatively low. An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor may be unable to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

## **1.3 Investors will have to rely on the CSD's procedures for transfer, payment and communication with the Issuer as uncertificated Notes are held by or on behalf of the CSD**

Notes issued under a Programme which are listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange(s) and/or held in the CSD must, subject to Applicable Laws and the Applicable Procedures, be issued in uncertificated form. Unlisted Notes may also be held in the CSD in uncertificated form. Notes held in the CSD will be issued, cleared and settled in accordance with the Applicable Procedures through the electronic settlement system of the CSD. Except in the limited circumstances described in the Terms and Conditions, investors will not be entitled to receive Individual Certificates. The CSD will maintain records of the Beneficial Interests in Notes issued in uncertificated form which are held in the CSD (whether such Notes are listed or unlisted). Investors will be able to trade their Beneficial Interests only through the CSD and in accordance with the Applicable Procedures.

Payments of principal and/or interest in respect of uncertificated Notes will be made to the CSD and the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the CSD for distribution to their account holders. A holder of a Beneficial Interest in uncertificated Notes, whether listed or unlisted, must rely on the procedures of the CSD to receive payments under the relevant Notes. Each investor shown in the records of the CSD shall look solely to the CSD for their share of each payment so made by the Issuer to the registered holder of such uncertificated Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, such Beneficial Interests.

Holders of Beneficial Interests in uncertificated Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the CSD to appoint appropriate proxies.

#### **1.4 Unlisted Notes**

The Issuer may issue unlisted Notes under a Programme. Unlisted Notes will not be regulated by the JSE or any other Financial Exchange. The holders of unlisted Notes will have no recourse against the JSE Debt Guarantee Fund Trust (or any successor fund) in respect of unlisted Notes.

#### **1.5 Credit rating**

If a credit rating (“**rating**”) is solicited by the Issuer from one or more external credit assessment institutions and is assigned to any issue of Notes, the Issuer, or a Programme, the rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein, and other factors that may affect the value of the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning external credit assessment institutions. Any adverse change in an applicable rating could adversely affect the trading price for the Notes issued under a Programme.

#### **1.6 EU Savings Directive, U.S. Foreign Account Tax Compliance Withholding, EU Savings Directive and Other Withholding Tax Obligations**

Generally, if, pursuant to the European Council Directive 2003/48/EC on the taxation of savings income and/or the US Foreign Account Tax Compliance Act (“**FATCA**”), a withholding or deduction obligation is imposed on a Note, none of the Issuer, any Paying Agent (as defined in the Applicable Pricing Supplement) or any other person will be obliged to pay additional amounts with respect to such Note as a result of the imposition of such withholding tax.

Purchasers are advised to consult their own professional advisers as to the tax consequences of investing in the Notes, including any withholding tax consequences and the effects on such a purchaser of there being no obligation on the Issuer, the Paying Agent (as defined in the Applicable Pricing Supplement) or any other person to pay additional amounts in respect to Notes where a withholding obligation is imposed. The Issuer and/or the Paying Agent may further have a regulatory reporting obligation in respect of Purchasers investing in the Notes to one or more applicable revenue authorities. Purchasers are further advised to consult their own professional advisors in this regard.

#### **1.7 Notes issued at a substantial discount or premium**

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

## **1.8 Modification, waivers and substitutions**

The Terms and Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

## **1.9 Change of law**

The applicable Programme Memorandum, the Applicable Pricing Supplement, the Notes, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with South Africa law. No assurance can be given as to the impact of any possible judicial decision or change to South African law or the law of any other jurisdiction or administrative practice after the date of signature of the Applicable Pricing Supplement. Such changes in South African law may include, but are not limited to, the introduction of a variety of statutory resolution and loss-absorption tools which may affect the rights of holders of securities issued by the Issuer, including the holders of Subordinated Capital Notes. Such tools may include the ability to write off sums otherwise payable on such securities at a time when the Issuer is no longer considered viable by its regulator or upon the occurrence of another trigger event (see sections 2 and 3 below for further details). The Subordinated Capital Notes issued or to be issued currently provide in the contractual terms and conditions thereof for the write off or conversion of such Notes (or a Relevant Part thereof) upon the occurrence of a Trigger Event (see sections 2 and 3 below for further details).

## **1.10 The Notes may not be a suitable investment for all investors**

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in the applicable Programme Memorandum, each supplement thereto, or any Applicable Pricing Supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and



- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield where the addition of risk to their overall portfolio is measured, appropriate and well understood. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under variable conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

A wide range of Notes may be issued under a Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

#### **1.10.1. Index-linked and dual currency Notes**

The Issuer may issue Notes, the terms of which provide for interest or principal payable in respect of such Note to be determined by reference to an index or formula, to changes in the prices of specified securities or commodities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”) or with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated.

Potential investors should be aware that:

- the market price of such Notes may be volatile;
- no interest may be payable on such Notes;
- payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not be correlated with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

### **1.10.2 Partly Paid Notes**

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

### **1.11 Legal investment considerations may restrict certain investments**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent:

- (i) Notes are legal investments for it;
- (ii) Notes can be used as collateral for various types of borrowing; and
- (iii) other restrictions apply to the purchase or pledge by it of any Notes. Financial institutions should consult their legal advisers and/or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

### **1.12 Financial markets**

A prospective investor of the Notes should be aware of prevailing market conditions and of current liquidity in the secondary markets for instruments similar to the Notes. The Issuer cannot predict if and when conditions or circumstances will change, and if and when they do, how changes in liquidity or otherwise may impact the Notes and instruments similar to the Notes.

### **1.13 Foreign exchange control**

Foreign derived loan capital or equity capital may be introduced into South Africa through a formal system of exchange control as summarised in the section headed "*South African Exchange Control*". The proceeds from the sale of assets in South Africa owned by a non-resident are not remittable to the non-resident unless prior approval is received from an authorised dealer in foreign exchange or, if such authorised dealer in foreign exchange is unable to approve the request as per the requirements laid down in the Currency and Exchanges Manual for Authorised Dealers, then prior approval is required from the SARB.

## **2. RISKS RELATING TO SUBORDINATED CAPITAL NOTES**

Unless otherwise indicated, capitalised terms used but not defined in this section 2 have the meanings given to them in the DMTN programme memorandum.

These risk factors apply to Subordinated Capital Notes.

### **2.1 The Issuer's obligations under Subordinated Notes are subordinated**

The payment obligations of the Issuer under Subordinated Notes (including Subordinated Capital Notes) will rank behind Senior Notes and in particular the payment obligations of the Issuer under (a) Additional Tier 1 Notes will rank behind Senior Notes and Tier 2 Notes and (b) Tier 2 Notes will rank behind Senior Notes. See Conditions 6 (*Status and characteristics of Subordinated*

*Notes, Write Off and Conversion of Subordinated Capital Notes*) and 8 (*Interest payments on Additional Tier 1 Notes*) for a full description of the subordination and payment obligations of the Issuer under Subordinated Capital Notes.

With regard to any Subordinated Notes, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, curatorship or wound-up, the Issuer will be required to pay or discharge the claims of Senior Notes and other unsubordinated creditors (including depositors) in full before it can make any payments in respect of such Subordinated Notes (see Condition 17 (*Events of Default*)). If this occurs, the Issuer may not have enough assets remaining following these payments to pay amounts due under such Subordinated Notes.

## **2.2 Subordinated Capital Notes**

For the proceeds of the issue of a Tranche of Subordinated Notes to rank as Regulatory Capital, the Subordinated Notes must comply with the applicable Regulatory Capital Requirements and such Additional Conditions (if any) as may be prescribed by the Relevant Authority in respect of such Tranche of Subordinated Notes.

## **2.3 The investment in, and disposal or Write-off or Conversion of, Subordinated Capital may have tax consequences in the hands of Noteholders, the Issuer or both**

The investment in, and disposal or Write-off or Conversion upon the occurrence of a Trigger Event of Subordinated Capital Notes may have considerable tax consequences in the hands of Noteholders, the Issuer or both. As any such potential consequences depend on various factors, prospective investors in Subordinated Capital Notes are strongly advised to consult their own professional advisers as to the tax consequence of investing in Subordinated Capital Notes, and particularly as to whether a disposal, Write-off or Conversion of Subordinated Capital Notes will result in a tax liability. See the section headed "*South African Taxation*" in the DMTN programme memorandum.

## **2.4 Early redemption of Subordinated Capital Notes for tax reasons or following the occurrence of a Change in Law or Regulatory Capital Event**

For the purposes of this document a "**Tax Event**" will occur if, as a result of any change in applicable South African tax laws which becomes effective after the Issue Date of a Tranche of Subordinated Capital Notes, (i) the Issuer would be required to pay additional amounts to compensate holders of Subordinated Capital Notes for a withholding in respect of tax levied by South Africa or (ii) the Issuer's treatment of the interest payable by it on Subordinated Capital Notes as a tax deductible expense for South African income tax purposes is not accepted by the South African Revenue Service.

Following the occurrence of a Tax Event, a Change in Law or a Regulatory Capital Event but subject to Condition 11.8 (*Conditions to redemption, purchase, cancellation, modification, substitution or variation of Subordinated Capital Notes*), the Issuer may, at its option, redeem the Subordinated Capital Notes at the relevant Early Redemption Amount together with interest

accrued from (and including) the immediately preceding Interest Payment Date to (but excluding) the date of redemption or as specified in the Applicable Pricing Supplement.

There can be no assurance that holders of Subordinated Capital Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in such Subordinated Capital Notes.

## **2.5 Substitution or variation**

Following the occurrence and continuation of a Tax Event, a Change in Law or a Regulatory Capital Event, the Issuer may, without the consent of holders, elect to substitute all (but not some only), of the relevant Subordinated Capital Notes, or vary the terms of all (but not some only) of the relevant Subordinated Capital Notes so that they (i) in the case of Tier 2 Notes, continue to qualify as or become Qualifying Tier 2 Securities or (ii) in the case of Additional Tier 1 Notes, continue to qualify or become Qualifying Additional Tier 1 Securities, as applicable, in accordance with the applicable Regulatory Capital Requirements.

As set out in Condition 11.8 (*Conditions to redemption, purchase, cancellation, modification, substitution or variation of Subordinated Capital Notes*), any such substitution or variation will be subject to satisfaction of, among others, the following conditions:

- (i) the Issuer having notified the Relevant Authority of its intention to substitute or vary that Series of Tier 2 Notes or Additional Tier 1 Notes and having received written approval from the Relevant Authority; and
- (ii) both at the time when the notice of substitution or variation of that Series of Tier 2 Notes or Additional Tier 1 Notes is given and immediately following the substitution or variation of that Series of Tier 2 Notes or Additional Tier 1 Notes, the Issuer is or will be (as the case may be) in compliance with its capital adequacy requirements as provided in the Regulatory Capital Requirements (except to the extent that the Relevant Authority no longer so requires) as confirmed by the Relevant Authority.

There can be no assurance that, due to the particular circumstances of each Noteholder, any Qualifying Tier 2 Securities or Qualifying Additional Tier 1 Securities will be as favourable to each Noteholder in all respects or that, if it were entitled to do so, a particular Noteholder would make the same determination as the Issuer as to whether the terms of the relevant Qualifying Tier 2 Securities or Qualifying Additional Tier 1 Securities are not materially less favourable to Noteholders than the terms of the Subordinated Capital Notes being substituted or varied. The Issuer bears no responsibility towards the holders of Subordinated Capital Notes for any adverse effects of such substitution or variation (including, without limitation, with respect to any adverse tax consequences suffered by any Noteholder).

## **2.6 Waiver of set-off**

In the event the Issuer is placed into liquidation or wound-up, the Terms and Conditions provide that a holder of Subordinated Capital Notes may not exercise or claim any right of set-off in respect of any amount arising out of or in connection with the Subordinated Capital Notes owed

to it before, in the case of Tier 2 Notes, the claims of all Depositors and Senior Creditors of the Issuer have been paid or discharged in full and in the case of Additional Tier 1 Notes, the claims of all Depositors, Senior Creditors and holders of Junior Debt of the Issuer have been paid or discharged in full, as further described in Conditions 6.2 (*Status of Tier 2 Notes*) and 6.3 (*Status of Additional Tier 1 Notes*). However, holders of Subordinated Notes should note that their right to exercise set-off during any liquidation, curatorship or winding-up (or analogous proceedings) of the Issuer, even after the claims of such Depositors, Senior Creditors and (if applicable) holders of Junior Debt have been paid or discharged in full, may be limited under South African law.

## **2.7 No restrictions on the issuance of securities**

There is no restriction on the amount of securities or indebtedness which the Issuer may issue or incur which rank senior to or *pari passu* with the Subordinated Notes (including Subordinated Capital Notes) in the event that the Issuer is wound up or placed into liquidation. The issue of any such securities or indebtedness may reduce the amount recoverable by holders of Subordinated Notes (including Subordinated Capital Notes) on a winding-up, liquidation or curatorship of the Issuer.

## **2.8 Limitations on remedies**

If the Issuer defaults in the payment of any amount payable in respect of Tier 2 Notes and such default continues for longer than the relevant grace period (if any) specified in the DMTN programme memorandum, after receiving written notice from any of the Tier 2 Noteholders, such Tier 2 Noteholder may only institute proceedings for the winding-up of the Issuer (and/or prove in any winding-up of the Issuer) but take no other action in respect of that default. Only if an order is made or an effective resolution is passed for the winding-up of the Issuer (otherwise than for the purpose of an amalgamation, merger, consolidation or re-organisation not involving liquidation, winding-up or bankruptcy) shall the Tier 2 Noteholder be able to declare (upon written notice) such Tier 2 Note immediately due and payable.

If the Issuer defaults in the payment of any amount payable in respect of Additional Tier 1 Notes and such default continues for longer than the relevant grace period (if any) specified in the DMTN programme memorandum, after receiving written notice from any of the Additional Tier 1 Noteholders, such Additional Tier 1 Noteholder may only institute proceedings for the winding-up of the Issuer (and/or prove in any winding-up of the Issuer) but take no other action in respect of that default.

## **2.9 Statutory loss absorption at the point of non-viability of the Issuer and the Write off or Conversion of Subordinated Capital Notes**

Basel III requires the implementation of certain non-viability requirements as set out in the section of the press release dated 13 January 2011 of the BCBS entitled "*Minimum requirements to ensure loss absorbency at the point of non-viability*" (the "**Basel III Non-Viability Requirements**"). The Basel III Non-Viability Requirements represent part of the broader package

of guidance issued by the BCBS on 16 December 2010 and 13 January 2011 (and revised in July 2011) in relation to Basel III.

Under the Basel III Non-Viability Requirements, the terms and conditions of all instruments issued by an internationally-active bank, the proceeds of which rank (or are intended to rank) as Tier 2 Capital or Additional Tier 1 Capital must have a provision that requires such instruments, at the option of the relevant authority, to either be written off and cancelled or converted into common equity upon the occurrence of a trigger event (described below) ("**Trigger Event**") unless:

- (a) the governing jurisdiction of the bank has in place laws that (i) require such instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before taxpayers are exposed to loss (a "**Statutory Loss Absorption Regime**" or "**SLAR**");
- (b) a peer group review confirms that the jurisdiction conforms with paragraph (a) above; and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under paragraph (a) above.

The "trigger event" for Additional Tier 1 Notes which are accounted as equity and Tier 2 Notes will be the occurrence of the "trigger event" specified in writing by the Relevant Authority, provided that, as a minimum, that "trigger event" must be the earlier of: (i) a decision that a write off, without which the Issuer (on a consolidated basis or as otherwise required by the Regulatory Capital Requirements) would become non-viable, is necessary, as determined by the Relevant Authority; and (ii) the decision to make a public sector injection of capital, or equivalent support, without which the Issuer (on a consolidated basis or as otherwise required by the Regulatory Capital Requirements) would have become non-viable, as determined by the Relevant Authority.

The "trigger event" for Additional Tier 1 Notes which are accounted as liabilities will be the first to occur of the following events: (i) the occurrence of the "trigger event" specified in writing by the Relevant Authority (as described above) or (ii) the "common equity tier 1 capital" ratio of the Issuer ("**CET 1 ratio**") equals or falls below the value set out in Guidance Note 6 (defined below) (5.875% as at the date of this document) (or such other amount as may from time to time be prescribed in the Regulatory Capital Requirements).

Regulations 38(12) and 38(11)(b) of the Regulations Relating to Banks refer to the need for the Basel III Non-Viability Requirements to be reflected in the terms and conditions of instruments the proceeds of which rank (or are intended to rank) as Tier 2 Capital or Additional Tier 1 Capital respectively, unless a duly enforceable SLAR is in place.

The SARB has provided some clarity on the loss absorbency requirements contemplated in the Regulations Relating to Banks in, among others, Guidance Note 6 of 2017 (*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital*) ("**Guidance Note 6**"), paragraph 1.3 of which provides that the SARB will continue to monitor international developments around loss absorbency requirements, and if necessary, will issue further guidance.

The phased approach the SARB has previously articulated it intends taking in relation to the development of bank resolution plans and a Statutory Loss Absorption Regime has taken a major step forward with the assent by the president of the FSLAB (which is now an Act) on 25 January 2022. As noted in section 2.3.1 of Part A, on 24 March 2023 the Minister of Finance published a commencement schedule for the provisions of the FSLAA in a Government Gazette notice which sets out the implementation dates for some of the 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), with the necessary powers to operationalise an effective resolution regime and issue resolution standards, on 1 June 2023.

Guidance Note 6 requires banks to indicate, in the contractual terms and conditions of instruments the proceeds of which rank (or are intended to rank) as Tier 2 Capital or Additional Tier 1 Capital, whether such instruments would be either written off or converted into the most subordinated form of equity of the bank and/or its controlling company at the occurrence of a Trigger Event determined at the Relevant Authority's discretion, as envisaged in Regulations 38(12)(a)(i) and 38(11)(b)(i) of the Regulations Relating to the Banks respectively. To the extent that any instruments are issued prior to the commencement of the SLAR, such instruments will have to contractually provide for Write off or Conversion (at the discretion of the Relevant Authority) at the occurrence of a Trigger Event, as Write off and Conversion are understood and applied in terms of the regulatory framework applicable at the time of the issuance of such instruments in order to qualify as Tier 2 Capital or Additional Tier 1 Capital, as the case may be. The Terms and Conditions for Subordinated Capital Notes issued under the DMTN programme memorandum accordingly provide for the Write off or Conversion of such Subordinated Capital Notes in accordance with the Regulatory Capital Requirements upon the occurrence of a Trigger Event (see Conditions 6.4 (*Non-Viability Loss Absorption*) to 6.15 (*Covenants*)).

Notwithstanding the requirement to provide for Write off and/or Conversion in the contractual terms and conditions of an instrument the proceeds of which rank (or are intended to rank) as Tier 2 Capital or Additional Tier 1 Capital, paragraph 6.3 of Guidance Note 6 provides that banks have the option to elect, upon the commencement of the SLAR, to have the existing contractual Write Off/Conversion provisions of any such instrument issued prior to the implementation of the SLAR replaced with the Write Off/Conversion provisions in the legislation and/or regulations which implement(s) the SLAR (see Conditions 6.10 (*Disapplication of the Non-Viability Absorption Condition or Contractual Conversion Condition or Contractual Write Off Condition*) and 6.11 (*Automatic disapplication of Non-Viability Loss Absorption Condition*)).

Whether in terms of the contractual Write off/Conversion provisions in the Terms and Conditions or the Write off/Conversion provisions in the legislation and/or regulations which implement(s) the Statutory Loss Absorption Regime, the possibility of Write off or Conversion means that holders of Subordinated Capital Notes may lose some or all of their investment. The exercise of any power by the Relevant Authority to Write off or Convert Subordinated Capital Notes or any suggestion of such exercise could materially adversely affect the price or value of a Noteholder's investment in Subordinated Capital Notes and/or the ability of the Issuer to satisfy its obligations under such Subordinated Capital Notes.

Despite the above, whether regulated by the contractual Write Off/Conversion provisions or the Write Off/Conversion provisions in the legislation and/or regulations which implement(s) the SLAR, paragraph 2.6 of Guidance Note 6 provides that Write off or Conversion of instruments ranking (or intended to rank) as Tier 2 Capital or Additional Tier 1 Capital will only occur to the extent deemed by the Relevant Authority as necessary to ensure that the relevant bank is viable, as specified in writing by the Relevant Authority. Accordingly, any Write off or Conversion of the Subordinated Capital Notes will generally be effected to ensure compliance with these minimum requirements only.

Any Write offs or Conversions will also be subject to any restrictions on holding shares in a bank and/or a controlling company of a bank under South African law.

#### **2.10 Payment of any amounts of principal and interest in respect of Subordinated Capital Notes will be cancelled or Written-off upon the occurrence of a Trigger Event**

Upon the occurrence of a Trigger Event, Subordinated Capital Notes will be cancelled (in the case of a Conversion or Write off (as applicable) in whole) or converted or written off in part on a *pro rata* basis (in the case of a Conversion or Write off (as applicable) in part) in accordance with the Regulatory Capital Requirements.

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, many of which are outside of the Issuer's control.

Further to such cancellation or Conversion or Write off (as applicable), holders of Subordinated Capital Notes will no longer have any rights against the Issuer with respect to any amounts cancelled or Converted or Written off (as applicable) and the Issuer shall not be obliged to pay compensation in any form to Noteholders. Furthermore, any such cancellation or Conversion or Write off (as applicable) will not constitute an Event of Default or any other breach of the Issuer's obligations under the Terms and Conditions of any Subordinated Capital Notes.

### **3. ADDITIONAL RISKS RELATING TO ADDITIONAL TIER 1 NOTES**

Unless otherwise indicated, capitalised terms used but not defined in this section 3 have the meanings given to them in the DMTN programme memorandum.

These risk factors apply to Additional Tier 1 Notes.

#### **3.1 Election not to pay interest on Additional Tier 1 Notes**

The Issuer may elect not to pay any Interest Amount (or any portion thereof) on the Additional Tier 1 Notes, on the relevant Interest Payment Date. The Issuer shall also be obliged to elect not to pay any Interest Amount, on the relevant Interest Payment Date if the Issuer is in breach of the Regulatory Capital Requirements on the Business Day prior to the relevant Interest Payment Date or would be in breach of the Regulatory Capital Requirements if the relevant Interest Amount (or any portion thereof) were paid on the relevant Interest Payment Date.

Any obligation that the Issuer would have had in the absence of an election (or an obligation to elect) not to pay the interest on any such Interest Payment Date shall be extinguished in its



entirety. Any failure to pay such interest will not constitute a default by the Issuer or any other breach of obligations under the Additional Tier 1 Notes. An Additional Tier 1 Noteholder will have no claim in respect of any such non-payment.

Any actual or anticipated election (or obligation to elect) not to pay interest on the Additional Tier 1 Notes will likely have an adverse effect on the market price of the Additional Tier 1 Notes. In addition, as a result of the interest election provisions of the Additional Tier 1 Notes, the market price of the Additional Tier 1 Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such an election (or obligation to elect) not to pay and may be more sensitive generally to adverse changes in the Issuer's financial condition.

### **3.2 Payment out of distributable reserves only**

Should the Issuer pay any distribution or coupon in respect of an instrument or shares of which the proceeds rank as Additional Tier 1 Capital, such distribution or coupon shall be paid out of the distributable reserves only, as envisaged by regulation 38(11)(b)(vi)(D) of the Regulations Relating to Banks.

Holders of Additional Tier 1 Notes should note that if the Issuer does not have sufficient distributable reserves, then it will not be permitted to make any payments in respect of the Additional Tier 1 Notes.

### **3.3 Perpetual securities**

The Additional Tier 1 Notes have no fixed maturity date and will only be redeemed, at the aggregate outstanding Nominal Value of the Additional Tier 1 Notes plus accrued interest (if any), on a winding-up or liquidation of the Issuer (other than a solvent reconstruction).

The Additional Tier 1 Notes may only be redeemed, substituted, varied or purchased prior to a winding-up or liquidation of the Issuer upon the occurrence of a Tax Event or a Regulatory Event, or at the option of the Issuer and may be subject to the prior approval of the Relevant Authority. Holders may therefore be required to bear the risks of an investment in the Additional Tier 1 Notes for an indefinite period of time.

### **3.4 Holders will bear the risk of fluctuations in the CET1 ratio**

The market price of the Additional Tier 1 Notes is expected to be affected by fluctuations in the Issuer's CET1 ratio. Fluctuations in the CET1 ratio may be caused by changes in the amount of the Issuer's Common Equity Tier 1 capital and/or its risk-weighted assets, as well as changes to their respective definitions under the capital adequacy standards and guidelines. Any indication that the CET1 ratio is moving towards the level of a Trigger Event (where Additional Tier 1 Notes are accounted for as liabilities) may have an adverse effect on the market price of the Additional Tier 1 Notes. The level of the CET1 ratio may significantly affect the trading price of the Additional Tier 1 Notes.

#### 4. RISKS RELATING TO STRUCTURED NOTES

Unless otherwise indicated, capitalised terms used but not defined in this section 4 have the meanings given to them in the FirstRand Bank Limited note programme memorandum or the FirstRand structured note and preference share programme memorandum, as applicable.

These risk factors apply to Structured Notes (as defined in the FirstRand Bank Limited note programme memorandum) and Notes (as defined in the FirstRand structured note and preference share programme memorandum) ("**Structured Notes**").

##### **General considerations**

The Notes involve a degree of risk, which may include interest rate, corporate, market, foreign exchange, time value and/or political risks, as well as other risks arising from fluctuations in the values of the relevant securities (or basket of securities), index (or basket of indices), commodity (or commodity index) or other Reference Item(s) which may be specified in the Applicable Pricing Supplement, and general risks applicable to the stock market (or markets) and capital markets.

To realise a return upon an investment in a Structured Note, an investor must have correctly anticipated the timing and magnitude of an anticipated increase or the absence of a decrease of the value of the relevant Reference Item(s) relative to the Issue Price and must also be correct about when any change will occur. If the value of the Reference Item(s) does not increase, or decreases, as the case may be, before such Structured Note is redeemed, part of the investor's investment in such Structured Note may be lost on such redemption. Other than in respect of Notes which are redeemable prior to the Maturity Date at the option of the Noteholder, the only means by which a Noteholder can realise value from its Notes prior to their Maturity Date is to sell such Notes at their then market price in the secondary market (if available) (see section 4.8 "*Possible Illiquidity of the Secondary Market*" below). Fluctuations in the value of the relevant index or basket of indices (including the prices of securities included in an Index or Basket of Indices) will affect the value of Single Index Notes and Basket of Indices Notes. Fluctuations in the price of the relevant equity security or value of the basket of equity securities will affect the value of Equity Linked Notes and Equity Basket Notes. In both these cases and in the case of Currency Linked Notes, fluctuations in the value of the currency or currencies in or to which the notes or the "Underlying Securities" (defined as, in relation to a particular Tranche of Notes as appropriate, an underlying share or the underlying bonds or debt securities to which such Notes relate specified as such in the Applicable Pricing Supplement) or Index are denominated or linked will also affect the value of such notes. Also, due to the character of the particular markets on which most equity securities are traded, the absence of last sale information and the limited availability of quotations for such equity securities may make it difficult for many investors to obtain timely, accurate data for the price or yield of such equity securities.

Fluctuations in the value of a Relevant Commodity or Commodity Index (as such terms have been defined in the Terms and Conditions of the applicable Programme Memorandum) may affect the value of Commodity Linked Notes. An investment in Commodity Linked Notes may

bear similar market risks to a direct investment in the Relevant Commodity(ies) and investors should take advice accordingly.

Prospective investors in Notes should understand the risks of transactions involved in the Relevant Notes and should reach an investment decision only after careful consideration of the suitability of such Notes in light of the investor's particular financial circumstances, information set forth herein and any other available information regarding the relevant Notes and the Reference Item(s) to which the value of such Notes may relate. Where the Issuer is required to redeem the Notes prior to the Maturity Date at the option of the Noteholders, an investor should understand the consequences of liquidating any investment in the Notes by redeeming such investment as opposed to selling it. This includes knowing when the Notes are redeemable and how to redeem them.

The Issuer may subject to the Terms and Conditions of the FirstRand Bank Limited note programme or the Terms and Conditions of the FirstRand Bank Limited structured note and preference share programme, as applicable, vary the manner in which a particular series of Notes is redeemed. At its sole and unfettered discretion, it may elect not to pay the relevant Noteholders the Redemption Amount or the Early Redemption Amount (as such term has been defined in the Terms and Conditions of the applicable Programme Memorandum), as the case may be, or to deliver or, in the case of a Structured Note, procure delivery of the relevant Underlying Securities or Deliverable Obligations to the relevant Noteholders, as the case may be, and in lieu thereof, deliver or procure the delivery of the relevant Underlying Securities or Deliverable Obligations or make payment of the Redemption Amount or the Early Redemption Amount on the Maturity Date or the Early Redemption Payment Date, as the case may be, to the relevant Noteholders. See the sections relating to *Redemption and Purchase* in the Terms and Conditions of the FirstRand Bank Limited note programme and the Terms and Conditions of the FirstRand Bank Limited structured note and preference share programme, as applicable.

#### **4.1 Disrupted Days and Disruption Events**

Where the Structured Notes are Equity Basket Notes, Equity Linked Notes, Single Index Notes or Basket of Indices Notes, and a Disrupted Day is specified as applying in the Applicable Pricing Supplement, the Calculation Agent may determine that an event giving rise to a Disrupted Day (as such term has been defined under the Terms and Conditions of the applicable Programme) has occurred at any relevant time. Where the Structured Notes are Currency Linked Notes, the Calculation Agent may determine that a Disruption Event (as such term has been defined under the Terms and Conditions of the applicable Programme) has occurred at any relevant time. Where the Structured Notes are Commodity Linked Notes, the Calculation Agent may determine that a Commodity Market Disruption Event has occurred at any relevant time. Any such determination may influence the timing of valuation and consequently the value of the Structured Notes and/or may delay settlement in respect of the Structured Notes. Prospective purchasers should review the Terms and Conditions of the Structured Notes and the Applicable Pricing Supplement to ascertain whether and how such provisions apply to the Structured Notes. See section 4.6 "*Time Lag After Redemption*" below

and sections relating to “*Rights of the Issuer in the Event of a Disrupted Day or Disruption Event*” of the Terms and Conditions of the applicable Programme Memorandum.

#### **4.2 Settlement Risk**

Where the Notes provide for physical delivery, the Calculation Agent may determine that a “Settlement Disruption Event” (defined as, in relation to an Underlying Security, an event beyond the control of the parties as a result of which the relevant clearing system cannot clear the transfer of such Underlying Security) is subsisting. Any such determination may affect the value of the Structured Notes and/or may delay settlement in respect of the Structured Notes.

#### **4.3 Certain factors Affecting the Value and Trading Price of Structured Notes**

Generally, Structured Notes offer investment diversification opportunities, but also pose some additional risks with regard to interim value. The interim value of Structured Notes varies with the price and/or level of the Reference Item and is affected by several other factors, including but not limited to:

- (i) the value and volatility of the Reference Item(s);
- (ii) where the Reference Item(s) is/are equity securities, the dividend rate on the Reference Item(s) and the financial results and prospects of the issuer of each Reference Item;
- (iii) market interest rates;
- (iv) fluctuations in currency exchange rates;
- (v) fluctuations in commodities prices;
- (vi) the liquidity of the Structured Notes or any Reference Item(s) in the secondary market;
- (vii) the time remaining to any redemption date or the maturity date; and
- (viii) economic, financial and political events in one or more jurisdictions, including factors affecting capital markets generally and stock exchange(s) on which any Reference Item or Structured Notes may be traded.

There can be no assurance that a Noteholder will be able to sell any Structured Notes prior to maturity at a price equal to or greater than the market value of the Structured Notes on the Issue Date and such Noteholder may only be able to sell the Structured Notes at a discount, which may be substantial to the Issue Price. The past performance of any Reference Item should not be taken as an indication of the future performance of that Reference Item during the term of any Structured Note.

Some Notes are not principal protected, and Noteholders may lose some or a significant part of their principal. Noteholders may lose the value of their entire investment or part of it, as the case may be.

#### 4.4 No Claim against any Reference Item

A Structured Note will not represent a claim in respect of any Reference Item and, in the event that the amount paid by the Issuer on redemption of the Structured Notes is less than the Nominal Amount of the Structured Notes, a Noteholder will not have recourse under a Structured Note to any Reference Item.

#### 4.5 Limitations on Redemption

If so indicated in the Applicable Pricing Supplement, the Issuer will have the option to limit the number of Notes which Noteholders (whether or not acting in concert) may require the Issuer to redeem at any one time to the maximum number specified in the Applicable Pricing Supplement - see sections relating to *Limits on number of Notes that can be redeemed* of the Terms and Conditions of the applicable Programme Memorandum. In the event that the total number of Notes which Noteholders have requested the Issuer to redeem on any date exceeds such maximum number and the Issuer elects to limit the number of Notes redeemable on such date, a Noteholder may be unable to redeem all the Notes that such holder desires to redeem on such date. Notes to be redeemed on such date will be selected on a *pro rata* basis (unless otherwise specified in the Applicable Pricing Supplement). Unless otherwise specified in the Applicable Pricing Supplement, the Notes in respect of which the Issuer has received requests for redemption from Noteholders, but which are not redeemed on such date will be redeemed on the next date on which Notes may be redeemed, subject to the same daily maximum limitation and delayed redemption provisions.

If so indicated in the Applicable Pricing Supplement, the number of Notes which a Noteholder may request the Issuer to redeem on any day may be subject to a specified minimum number of Notes and thereafter to specified integral multiples of Notes. Thus, Noteholders with fewer than the specified minimum number of Notes or specified multiples thereof will either have to sell their Notes or purchase additional Notes, incurring transaction costs in each case, in order to realise their investment. Furthermore, holders of such Notes incur the risk that there may be differences between the trading price of such Notes and the Redemption Amount or Early Redemption Amount, as the case may be, or the value of any Reference Item which the Issuer elects to deliver on redemption of such Notes.

Subject to section 4.6 *Time Lag After Redemption* below, when the Issuer elects to deliver Underlying Securities, Structured Notes may only be redeemed in such amounts that will ensure that the number of Underlying Securities to be delivered is equal to an integral multiple of the minimum board lot for the trading of the Underlying Securities on the relevant Exchange as from time to time specified by such Exchange (a "**Board Lot**") (see sections relating to "*Minimum Board Lot*" of the applicable Programme Memorandum). Noteholders who request that the Issuer redeem a holding of Structured Notes which would not result in the purchase of a number of Underlying Securities equal to an integral multiple of the relevant Board Lot, will receive the maximum number of Underlying Securities equivalent to the maximum permissible integral multiple of a Board Lot and may be entitled to a payment in lieu thereof at the option of the Issuer in respect of the remaining Underlying Securities unless any such payment is of a *de minimis* amount, in which case Noteholders shall not receive anything in respect of the

remaining Structured Notes. Noteholders will, therefore, either have to sell their Structured Notes or purchase additional Structured Notes, incurring transaction costs in either case, in order to realise their investment.

#### **4.6 Time Lag After Redemption**

Unless otherwise specified in the Applicable Pricing Supplement, in the case of Notes which the Issuer is required to redeem prior to the Maturity Date at the option of the Noteholder, there will be a time lag between the time a Noteholder gives the instruction to redeem and the time the applicable Early Redemption Amount is determined by the Calculation Agent. Such time lag could be significantly longer, however, particularly in the case of a delay in the redemption of Notes due to there being a limit on the maximum number of Notes redeemable on any one day, following the imposition of any exchange controls or similar regulations affecting the ability to obtain or exchange any relevant currency (or basket of currencies), or following a determination by the Paying Agent, or the Calculation Agent, as applicable, that there is any Settlement Disruption Event or that a Disrupted Day (as such term has been defined in the applicable Programme Memorandum) has occurred. The applicable Early Redemption Amount may change significantly during any such period, and such movement or movements could decrease the Early Redemption Amount, and may result in a Noteholder not realising a return on an investment in the Notes.

#### **4.7 Hedging**

In connection with the offering of the Notes, the Issuer and/or any of its affiliates may enter into one or more hedging transactions with respect to the Reference Item(s) or related derivatives. In connection with such hedging activities or with respect to proprietary or other trading activities by the Issuer and/or any of its affiliates the Issuer and/or any of its affiliates of their absolute discretion may enter into transactions in the Reference Item(s) or related derivatives which may, but are not intended to, affect the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interest of the relevant Noteholders.

#### **4.8 Possible Illiquidity of the Secondary Market**

There can be no assurance as to how Notes will trade in the secondary market or whether such market will be liquid or illiquid. The number of Notes of any Series may be relatively small, further adversely affecting the liquidity of such Notes. The Issuer may list Notes on the JSE or any other exchange as is specified in the Applicable Pricing Supplement or may issue unlisted Notes. However, no assurance can be given that any secondary trading market will develop for the Notes (other than in the case of Deposit Notes, in which case the Issuer undertakes to ensure and maintain a secondary trading market in respect thereof). If Notes are not listed or traded on any exchange, pricing information for such Notes may be more difficult to obtain and the liquidity of such Notes may be adversely affected. Certain Notes are also subject to transfer

restrictions. See sections relating to *Form and Denomination, Title and Transfer of Notes* of the Terms and Conditions of the applicable Programme Memorandum.

#### **4.9 Termination of the Notes in the Event of Unlawfulness or Impracticability**

If the Calculation Agent determines that the Issuer's performance under the Notes, or any arrangements made to hedge the Issuer's obligations under the Notes, have or shall become unlawful or impracticable in whole or in part for any reason, the Issuer may terminate the Notes by paying each holder of such Notes an amount determined by the Calculation Agent. Such termination may result in an investor not realising a return on an investment in the relevant Notes.

#### **4.10 Potential Conflicts of Interest**

The Issuer and its affiliates may engage in trading and market-making activities and may hold long or short positions in the relevant Reference Item(s) and other instruments or derivative products based on or related to the relevant Reference Item(s) for their proprietary accounts or for other accounts under their management. The Issuer and its respective affiliates may also issue Structured Notes in respect of the relevant Reference Item(s) which are securities, or issue derivative instruments in respect thereof. To the extent the Issuer, directly or through its affiliates, serves as issuer, agent, manager or underwriter of such securities or other instruments, its interests with respect to such products may be adverse to those of the Noteholders. The Issuer or its affiliates may also act as underwriter in connection with future offerings of securities which comprise the Reference Items or may act as financial advisers to certain Underlying Companies or Reference Entities. Such activities could present certain conflicts of interest, could influence the prices of such Reference Items and could adversely affect the value of the Structured Notes.

#### **4.11 Deposit Notes**

An investment in Deposit Notes exposes Noteholders to risks usually associated with retail depositors and a bank. Each potential investor in a Deposit Note must determine the suitability of that investment in light of its own circumstances. The risks associated with Deposit Notes include, but are not limited to, the following:

- (i) **Issuer Risk:** risk that the Issuer will not be able to make payments of interest and/or capital in respect of Deposit Notes as and when required. However, the Issuer is required by regulation to meet certain capital adequacy requirements to ensure that it is in a position to make payments to holders of Deposit Notes as and when required, thereby mitigating such "Issuer Risk".
- (ii) **Interest Rate Risk:** in the case of interest-bearing Deposit Notes, fluctuations in short term interest rates. Depending on the Interest Basis specified in respect of the Deposit Notes (if any), the Noteholder may not enjoy full benefit of such fluctuations in short term interest rates as, for example, interest payable in respect of a Floating Rate Note, is calculated for each Interest Period at its commencement and the Deposit Notes will accrue interest at the specified Interest Rate until the interest is reset periodically in

accordance with the terms and conditions of the relevant Deposit Notes.

## 5 RISKS RELATING TO CREDIT-LINKED NOTES

Unless otherwise indicated, capitalised terms used but not defined in this section 5 have the meanings given to them in the “Credit-Linked Terms and Conditions” as that term is defined in the FirstRand Bank Limited note programme memorandum or the FirstRand Bank Limited structured note and preference share programme memorandum, as applicable (the “**Credit-Linked Terms and Conditions**”).

These risk factors apply to Credit-Linked Notes (as defined in the FirstRand Bank Limited note programme memorandum) and Credit Linked Notes (as defined in the FirstRand Bank Limited structured note and preference share programme memorandum) (“**Credit-Linked Notes**” or “**CLNs**”).

CLNs have a different risk profile to ordinary unsecured debt securities. The return on a CLN is linked to the credit risk of one or more Reference Entities and certain obligations of one or more Reference Entities underlying that CLN. Investing in a CLN is not equivalent to investing directly in shares of any Reference Entity or in any obligation of any Reference Entity, nor is it equivalent to investing or hedging using over-the-counter derivatives.

### 5.1 Independent Review and Advice

Each Noteholder is fully responsible for making its own investment decisions as to whether the CLNs (1) are fully consistent with its financial needs, objectives and conditions (or if it is acquiring the CLNs in a fiduciary capacity, the beneficiary’s financial needs, objectives and conditions), (2) comply and are fully consistent with all investment policies, guidelines and restrictions applicable to it (or its beneficiary) and (3) are a fit, proper and suitable investment for it (or its beneficiary).

Noteholders are deemed to have sufficient knowledge, experience and professional advice to make their own investment decisions, including, without limitation, their own legal, financial, tax, accounting, credit, regulatory and other business evaluation of the risks and merits of investment in the CLNs. Noteholders should ensure that they fully understand the risks associated with investments of this nature which are intended to be sold only to sophisticated investors.

Noteholders should be aware that neither the Issuer nor any Dealer has any duty to conduct or accepts any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of any Reference Entity and its Obligations, Reference Obligations and Deliverable Obligations. Noteholders are solely responsible for making their own independent appraisal of, and investigation into, such matters. Purchasers of the CLNs may not rely on the views or advice of the Issuer for any information in relation to any person or entity other than the Issuer itself.

CLNs are complex financial instruments. A prospective investor should not invest in CLNs unless it has the expertise (either alone or with a financial adviser) to evaluate how the CLNs



will perform under changing conditions, the resulting effects on the value of the CLNs and the impact this investment will have on the prospective investor's overall investment portfolio.

## **5.2 Risks related to the structure of a particular issue of CLNs**

CLNs may have features which contain particular risks for prospective investors. Set out below is a description of the most common of those features:

### **5.2.1 CLNs subject to optional redemption by the Issuer after a Credit Event**

The Issuer may redeem CLNs (or, if so specified in the Applicable Pricing Supplement, a portion thereof) earlier than the stated Maturity Date if a Credit Event occurs and the Conditions to Settlement specified in the Applicable Pricing Supplement are satisfied. The optional redemption feature of CLNs is likely to limit their market value. During any period when the Issuer may elect to redeem CLNs, the market value of those CLNs generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

At the time of such optional redemption, an investor may be unable to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the CLNs being redeemed. Prospective Noteholders should consider such reinvestment risk in light of other investments available at the time.

### **5.2.2 Risk of Loss of Interest**

Save as otherwise provided in the Applicable Pricing Supplement, interest will cease to accrue on CLNs upon the occurrence of an Event Determination Date.

### **5.2.3 Risk of Loss of Principal**

Investors bear the risk of loss if any Event Determination Date occurs and the Conditions to Settlement, if any, are satisfied. The Cash Settlement Amount in respect of each Cash Settled CLN is likely to be less than the outstanding principal amount of such CLN and may be zero. Similarly, the market value of the Deliverable Obligations in respect of each Physically Settled CLN is likely to be less than the outstanding principal amount of such Note and may be zero.

### **5.2.4 Determination Agent and Conflict of Interest**

Unless otherwise specified in the Applicable Pricing Supplement, the Issuer shall act as the Determination Agent for each Series of CLNs and therefore potential conflicts of interest may exist between the Determination Agent and the Noteholders, including with respect to the exercise of the very broad discretionary powers of the Determination Agent. The Determination Agent has the authority (1) to determine whether a Credit Event has occurred and (2) to determine any resulting adjustments and calculations as described in the CLN Terms and Conditions. Prospective investors should be aware that any determination made by the Determination Agent may have an impact on the value and financial return of the CLNs. Any such discretion exercised by, or any calculation made by, the Determination Agent (in the absence of manifest or proven error) shall be binding on the Issuer and all Noteholders.

See also “*Risks relating to Settlement Method*” below.

### **5.3 Risks relating to the Credit Derivatives Definitions and the Credit Derivatives Determinations Committees**

#### **5.3.1 Credit Derivatives Definitions**

The terms and conditions of the CLNs **do not** incorporate by reference the definitions and provisions of the 2014 ISDA Credit Derivatives Definitions (the “**Credit Derivatives Definitions**”) and there may be differences between the definitions used in the Credit-Linked Terms and Conditions and the Credit Derivatives Definitions. Consequently, investing in CLNs is not exactly equivalent to investing in a credit default swap that incorporates the Credit Derivatives Definitions. The Terms and Conditions as specified in the applicable Programme Memorandum are determinative of the rights and obligations of the Issuer and of Noteholders.

While ISDA has published and supplemented the Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit derivative market, the credit derivative market has evolved over time and is expected to continue to change. Consequently, the Credit Derivatives Definitions and the terms applied to credit derivatives, including CLNs, are subject to interpretation and further evolution. Past events have shown that the views of market participants may differ as to how the Credit Derivatives Definitions operate or should operate. As a result of the continued evolution in the market, interpretation of the CLNs may differ in the future because of future market standards. Such a result may have a negative impact on the CLNs.

There can be no assurances that changes to the terms applicable to credit derivatives generally will be predictable or favourable to the Issuer or Noteholders. Future amendments or supplements to the terms applicable to credit derivatives generally will only apply to CLNs that have already been issued should the Issuer and the Noteholders agree to amend the CLNs to incorporate such amendments or supplements and other conditions to amending the CLNs have been met.

#### **5.3.2 Credit Derivatives Determinations Committees**

Credit Derivatives Determinations Committees were established pursuant to the March 2009 Supplement to the 2003 ISDA Credit Derivatives Definitions to make determinations that are relevant to the majority of the credit derivatives market and to promote transparency and consistency. Further information about the Credit Derivatives Determinations Committee may be found at <https://www.isda.org>.

Whether or not a Credit Event or Succession Event has occurred, and certain decisions relating thereto, may be dependent on determinations made by the Credit Derivatives Determinations Committee. In certain circumstances, determinations made by the Determination Agent may be overridden by subsequent determinations made by the Credit Derivatives Determinations Committee. If the Determination Agent delivers a Credit Event Notice or Succession Event Notice such notice may be superseded by a determination of the Credit Derivatives Determinations Committee.

In making any determination in its capacity as Determination Agent or Issuer, the Issuer may have regard to (and in certain circumstances, is bound by) decisions made by the ISDA Credit Derivatives Determinations Committee. Further information about the ISDA Credit Derivatives Determinations Committee may be found at <https://www.isda.org>.

### **5.3.3 Exposure to Reference Entities, Obligations, Reference Obligations and Deliverable Obligations**

Unless otherwise provided in the Applicable Pricing Supplement, purchasers of CLNs are exposed to the credit risks and other risks associated with the Reference Entities and their Obligations, Reference Obligations, Deliverable Obligations and any relevant jurisdictional risks.

### **5.3.4 Synthetic Exposure**

The CLNs do not represent a claim against any Reference Entity and, in the event of any loss, purchasers of CLNs will not have recourse under the CLNs to any Reference Entity. The Issuer is not obliged to own or hold any Obligation or Reference Obligation, and no inference may be drawn from the applicable Programme Memorandum, the section of the FirstRand Bank Limited note programme memorandum headed "*Credit-Linked Annex – Additional Terms and Conditions of Credit-Linked Notes*" or any Applicable Pricing Supplement that the Issuer holds any such Obligation or Reference Obligation or has any credit exposure to any Reference Entity. Unless otherwise provided in the Applicable Pricing Supplement, amounts payable under the CLNs are not, in any direct or indirect way, limited by, associated with, or linked or calculated by reference to, any loss of bargain, cost of funding or any other actual loss or cost suffered by the Issuer as a result of its holding or not holding any Obligation or Reference Obligation.

### **5.3.5 Credit Events**

Potential purchasers should note that not all Credit Events have easily ascertainable triggers and disputes can and have arisen as to whether a specific event did or did not constitute a Credit Event. However, under the Credit-Linked Terms and Conditions and subject to any subsequent determinations made by a Credit Derivatives Determinations Committee, the Determination Agent's determination of a Credit Event will, in the absence of manifest error, be conclusive and binding on all persons (including, without limitation, the Noteholders), notwithstanding the disagreement of such persons or other financial institutions, rating agencies or commentators.

### **5.3.6 Succession Events and Substitute Reference Obligations**

Upon the occurrence of a Succession Event, one or more Successor Reference Entity(s) will (unless otherwise specified in the Applicable Pricing Supplement) be deemed to be a Reference Entity in replacement of (or in addition to, as applicable) the Reference Entity originally specified in the Applicable Pricing Supplement. Further, upon a Reference Obligation ceasing to exist in the manner specified in the definition thereof, a Substitute Reference Obligation may be selected. As a result of this, a Series of CLNs may be linked to the credit of certain Reference Entities and its Obligations and Reference Obligations notwithstanding that such Reference

Entities, Obligations and Reference Obligations were not specified in the Applicable Pricing Supplement upon issuance of such Series of CLNs.

### **5.3.7 Redemption after Maturity Date**

Redemption may occur irrespective of whether a Credit Event is continuing on or after an Event Determination Date. The Cash Settlement Date or the Physical Settlement Date may be later than the Maturity Date. In certain circumstances, delivery of Deliverable Obligations contained in the Portfolio may be delayed to a date beyond the Physical Settlement Date. The Determination Agent may in certain circumstances elect to extend the maturity of the CLNs by service of an Extension Notice. During the Extension Period an Event Determination Date may occur.

### **5.3.8 Discretion of Determination Agent**

The decision when and whether to deliver a Credit Event Notice and, if applicable, a Notice of Publicly Available Information, is at the sole and absolute discretion of the Determination Agent. Such notices are effective when delivered to the Issuer. The delivery of or failure to deliver such notices to Noteholders will not affect the effectiveness of such notices.

### **5.3.9 Risks relating to the Settlement Method**

The Settlement Method specified in the Applicable Pricing Supplement will affect how the CLNs are redeemed. Prospective investors should assess whether the Settlement Method is appropriate for them prior to investing in the CLNs.

Where the CLNs are Single Reference Entity Cash or Physical CLN, Nth-to-Default Cash or Physical CLN or Basket Cash or Physical CLN, the Issuer may elect the Settlement Method after the occurrence of a Credit Event. Prospective investors should be aware that this may result in a different Settlement Method than the method originally anticipated by the CLNs.

### **5.3.10 Physical Settlement**

#### **5.3.10.1 Redemption Failure/Alternative Settlement**

In relation to a Physically Settled CLN, if the Issuer is unable to Deliver any portion of the Portfolio the CLN may be subject to alternative settlement. If the minimum denomination of Deliverable Obligations is not a whole integral number of the amount of the Portfolio, the Issuer may Deliver such whole integral amount of the Portfolio and cash settle the fractional shortfall.

#### **5.3.10.2 Noteholder Obligations**

If a CLN is a Physically Settled CLN, the Issuer's obligation to Deliver the Portfolio is subject to various conditions, including, without limitation, the obligation of the Noteholder, where the Note is in definitive form, to deliver to the Issuer an Asset Transfer Notice within the prescribed time frame. If a Noteholder fails to do so, the obligations of the Issuer to that Noteholder may be discharged without any payment or Delivery. In any event, no payment or Delivery will be made in respect of a Physically Settled CLN unless the Issuer has received any required instructions,

certifications, information and, where applicable, the relevant CLN represented by an Individual Certificate has been delivered and surrendered to the Transfer Agent in accordance with the Terms and Conditions and the Applicable Pricing Supplement.

#### **5.3.10.3 Auction Settlement**

If “Auction Settlement” is specified as applicable in respect of any Cash Settled CLN, then the amounts payable by and/or rights and obligations of the parties under such CLN in respect of the relevant Reference Entity or Reference Obligation will be determined in accordance with the Auction Final Price. This may result in a lower recovery value than a Reference Entity or Reference Obligation would have if such Auction Final Price had not been used.

If “Section Settlement” is specified as applicable in respect of any Cash Settled CLN but the Credit Derivatives Determinations Committee does not decide to conduct an Auction with respect to obligations of the relevant Reference Entity satisfying the relevant characteristics as set out in the Applicable Pricing Supplement, then the Fallback Settlement Method shall apply. In such circumstances, either the Final Price will be determined pursuant to the Valuation Method or the Issuer will Deliver to Noteholders the Portfolio.

#### **5.3.10.4 Cash Settlement**

If “Cash Settlement” is specified as applicable in respect of any Cash Settled CLN or deemed to apply pursuant to the Fallback Settlement Method, then the Determination Agent will value the Reference Obligation in accordance with the Valuation Method specified in the Applicable Pricing Supplement. The date, time and method of such Valuation will impact the Final Price.

Investors should note that the Final Price determined in accordance with “Cash Settlement” may be significantly different to the Auction Final Price.

## **6 OTHER CLN RISK FACTORS**

Unless otherwise indicated, capitalised terms used but not defined in this section 6 have the meanings given to them in the applicable Credit-Linked Terms and Conditions.

These risk factors apply to Credit-Linked Notes (as defined in section 5).

### **6.1 Recent Market Developments**

#### **Hedging**

In the ordinary course of their business, including without limitation in connection with their market-making activities, the Issuer, the Dealer and/or any Agent or any Affiliate of any of them (each such entity, a “**Programme Party**”) may affect transactions for their own account or for the account of their customers and hold long or short positions in any applicable Reference Obligation or related derivatives. In addition, in connection with the offering of the CLNs, the Issuer and/or any other Programme Party may enter into one or more hedging transactions with respect to any applicable Reference Obligation or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by

the Issuer and/or any other Programme Party, the Issuer and/or any other Programme Party may enter into transactions with respect to any applicable Reference Obligation or related derivatives which may affect the market price, liquidity or value of the CLNs and which could be deemed to be adverse to the interests of the relevant Noteholders. The Issuer and/or any other Programme Party may pursue such hedging or related derivatives actions and take such steps as they deem necessary or appropriate to protect their interests without regard to the consequences for any Noteholder.

## **6.2 No Guarantee of Performance**

The CLNs constitute direct, unsubordinated and unsecured obligations of the Issuer that are linked to the credit risk of the Reference Entities and/or Reference Obligations specified in the Applicable Pricing Supplement. No Programme Party guarantees the performance of or otherwise stands behind the performance of any Reference Entity or Reference Obligation or is under any obligation to make good losses suffered as a result of Credit Events.

## **6.3 Provision of Information**

A Programme Party, whether by virtue of the types of relationships described herein or otherwise, may possess information in relation to any Reference Entity, any Affiliate of a Reference Entity, any Reference Obligation or any guarantor that is or may be material in the context of the CLNs and that may or may not be publicly available or known to the Noteholders or any other person. The CLNs will not create any obligation on the part of any such Programme Party to disclose any such relationship or information (whether or not confidential).

## **7 RISKS RELATING TO OTHER NOTES**

The risks (if any) of investing in particular types of Notes which are not set out in, or covered by, this section of this risk factors document will be set out in the Applicable Pricing Supplement relating to the relevant Tranche of Notes (or an annexure to it) prior to the Issue Date.