FirstRand

MATERIAL RISK FACTOR DISCLOSURE

as required in terms of paragraph 7.F.7 of the JSE Limited Listings Requirements for the year ended 30 June 2025

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FirstRand Limited (FirstRand or the group or the issuer) believes that the factors described below represent key risks inherent to the issuer, and therefore inherent in investing in the issuer's securities. 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 of its securities 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 the considerations that may be relevant to a prospective investor.

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

1 RISKS ASSOCIATED WITH SOUTH AFRICA AND THE OTHER JURISDICTIONS WHERE THE ISSUER OPERATES

1.1 Risks relating to emerging markets

South Africa and the broader Africa markets where the issuer operates face significant socio-economic challenges, as emerging markets. These risks include economic and financial market volatility which may be exacerbated by global economic volatility, causing significant legal and political risks. Economic and financial market instability may be caused by multiple factors, which may include:

- high interest rates;
- high levels of inflation;
- industrial action;
- exchange controls;
- exchange rate volatility;
- electricity supply instability;
- water supply instability and water scarcity;
- degradation of transportation and logistical infrastructure;
- wage controls;
- capital outflows;
- lack of physical security; and
- general social, economic and business conditions.

Any of the abovementioned factors, amongst other factors, may adversely affect the value of the issuer's securities. Investors should exercise care in evaluating risks involved with the issuer' securities. Generally, investment in emerging markets are only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and prospective investors are urged to consult their own legal and financial advisors before investing in the issuer's securities. Emerging markets are subject to rapid change, therefore the information set out in this document may become outdated.

1.2 Exchange controls

Dealings in the issuer's securities may be subject to exchange controls in terms of South Africa's exchange control framework.

Non-residents may freely invest in South Africa, provided that suitable documentary evidence is viewed, and the transaction adheres to the applicable parameters of South Africa's exchange control framework, which includes 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 the prescribed market-related principles and exchange controls 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 and progressively relaxed towards a more liberalised and transparent capital flow management system. 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 previously prohibited structure known as "loop structures" are positive signs of ongoing intended relaxations.

As announced in 2021, the proposed introduction of a new capital flows management framework intended to replace certain aspects of the existing/previous exchange control framework is being prepared by the South African Reserve Bank (SARB) in conjunction with the South African Minister of Finance and National Treasury and there are ongoing changes in this regard that will give effect to the implementation of the new framework in due course.

1.3 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. South Africa's Prudential Authority (PA) has memoranda of understanding in place with the regulatory authorities in the jurisdictions in which the group has foreign banking operations and also liaises with these regulatory authorities on a regular basis. Regulatory authorities 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, business and market conduct, 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 applicable regulation that could result in an increase in 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 regulatory changes which may require changes to key procedures and the customer value chain may impact the organisation.

With regard to 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 unintended 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.

1.3.1 South Africa

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, and the Financial Action Task Force (FATF). Banks and banking groups in South Africa are governed by a comprehensive and robust legal and regulatory framework, most significantly the Financial Sector Regulation Act 9 of 2017 (FSR Act), read with the Banks Act (Act No 94 of 1990), which is comparable to similar legislation in BCBS member jurisdictions such as the UK, Australia and Canada. In addition, other South African financial sector laws, provide specific powers and functions in relation to the specific financial sectors, such as the banking sector. The following specific laws of the Republic of South Africa, are, among other, worth noting: the Constitution of The Republic of South Africa, 1996, the South African Reserve Bank Act 90 of 1989, the National Payment System Act 78 of 1998, the Financial Intelligence Centre Act 38 of 2001 and the National Credit Act 34 of 2005. Banks are also subject to South Africa's deposit insurance framework, which was enacted in April 2024.

The Financial Sector Laws Amendment Act 23 of 2021 (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. The 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.

In terms of the FSR Act, the Resolution Authority (RA) published a standard which sets out the Flac instrument requirements for designated institutions. It sets out the qualifying criteria of Flac instruments and the level of required instruments to

ensure sufficient loss absorption and recapitalisation capacity (the Flac Standard). The implementation date of the Flac Standard is 1 January 2026.

The RA has initiated the resolution planning process for systemically important financial institution (SIFI) banks. The outcome of this process will inform the issuer's idiosyncratic Flac requirement in addition to the base requirement that is calculated for all SIFI banks in South Africa.

1.3.1.1 *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.

The Minister of Finance has, in terms of section 90 of the Banks Act, amended the Regulations on 26 June 2025 in response to the final Basel reforms, which took effect on 1 July 2025. The revised frameworks for credit risk, operational risk and market risk, were implemented on 1 July 2025, whilst others have a staggered implementation date up to 1 January 2028. Reforms of the prudential treatment of banks' crypto-asset exposures is expected to be implemented on 1 January 2026.

The FSR Act 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. The issuer has not been designated as a financial conglomerate but voluntarily participates in reporting and field testing.

1.3.1.2 *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 FSR Act 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. They also require 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 was tested by the FCA by a combination of data monitoring, information requests and for some firms, site visits. The FCA commenced consultation in July 2024 to understand how they can simplify the Consumer Duty requirements for firms.

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 FSR Act. The standard became fully effective on 3 July 2021. The FSCA has been assessing successful

implementation through information requests, periodic engagements, desktop reviews and onsite inspections. 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.

1.3.1.3 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 and third-party 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 and employees for money-laundering, terrorism financing proliferation financing and bribery and corruption, 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 and employees use it for money laundering or illegal or improper purposes.

In February 2023, 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. The FATF announced in June 2025 that South Africa has substantially completed all 22 action items that were contained in the Action Plan. The next step was to have an onsite visit by the FATF Africa Joint Group. The on-site visit took place in July 2025 , and, if the outcome of the visit is positive, the FATF will delist South Africa from the grey list at its next Plenary in October 2025.

The issuer has implemented a financial crime compliance framework which includes AML, CTF, CPF and ABC policies in its financial crime compliance programme and takes measures of both an operational and policy nature to effect continual improvement in its processes to identify, mitigate, manage, prevent and report on money laundering, terrorist financing, proliferation financing and bribery and corruption risks.

1.3.2 UK regulatory risk

Aldermore Group plc including its subsidiaries (collectively the Aldermore Group) represents the issuer's UK operations. Aldermore Group operates in a highly regulated environment in the UK. Following the implementation of the Consumer Duty (as defined below) by the FCA, there has been an increased level of regulatory focus from the FCA on each firm's customer outcome delivery. Focus areas include customer vulnerability, the treatment of customers in arrears and price and fair value for products. The Prudential Regulatory Authority (PRA) continues to focus on firm stability and management of the challenging macro-economic environment.

Regulatory focus and prioritisation of conduct risk continues to increase. In particular, the FCA has finalised rules and guidance relating to the treatment of vulnerable customers and published its final rules implementing a new consumer duty (the Consumer Duty) as one of its Principles for Business setting a higher bar on how UK banks, insurers and wealth and asset managers treat their customers. The Consumer Duty has applied since 31 July 2023 for new and existing products and services that are open to sale or renewal, and since 31 July 2024 for closed products and services. The Consumer Duty has three elements: (i) a consumer principle that provides a high-level expectation of conduct (namely, that a firm must act to deliver good outcomes for retail clients); (ii) a set of overarching cross-cutting rules which develop and amplify the standards of conduct that the FCA expects under the consumer principle; and (iii) a suite of rules and guidance setting more detailed expectations for a firm's conduct according to the four specific outcomes that represent the key elements of the firm and its consumer relationships (communications, products and services, price and value and customer service). Firms are required to monitor, evidence and report against many of the Consumer Duty requirements. There may be added costs associated with making the necessary changes to ensure compliance with the Consumer Duty and an increased risk of customer complaints and/or action if the Aldermore Group fails (or is perceived to have failed) to do so.

Applicable laws and regulations may affect elements of the Aldermore Group's business model and strategy, the products and services it offers and the pricing or costs of those products and services, which may in turn affect the revenue and profits that it is able to generate for the issuer. Actual or alleged breaches by the Aldermore Group of applicable laws and regulations may result in civil litigation, or claims to the Financial Ombudsman Service or in regulatory intervention by the FCA. Notably, on 7 October 2025 the FCA published a consultation paper relating to a proposed industry-wide redress

scheme relating to motor finance commission arrangements. Following the consultation period the FCA is planning to publish the final scheme rules in early 2026. The impact of these proposals on the Aldermore Group and FirstRand Bank's London Branch remains uncertain.

Applicable legislation and consumer protection regulations can also affect the Aldermore Group's ability to recover bad debts and the timing of any such recoveries. For example, the Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 allow individuals to apply for a breathing space or mental health crisis moratorium during which creditors may not demand payment of interest or fees that accrue or enforce a debt owed. For corporate debtors in financial difficulty, the Corporate Insolvency and Governance Act 2020 provides for a pre-insolvency moratorium process to give a period of time to seek a rescue or restructure and a new restructuring plan insolvency procedure to enable debt restructuring. The laws and regulations to which the Aldermore Group and its products and services are subject, and future changes thereto, could adversely affect its (and therefore the issuer's) business, financial condition, results of operations and/or prospects.

The continued evolution of the regulatory landscape, changing focus areas and the requirement to respond to ongoing regulatory initiatives, poses a significant challenge for the Aldermore Group. Changes in such laws, regulations and regulatory policies in the jurisdictions in which the Aldermore Group operates could affect the way the Aldermore Group conducts business and manages capital and liquidity and may have an adverse effect on the Aldermore Group's (and therefore also adversely impact the issuer's) financial condition, results of operations and profitability. In May 2025, the UK government began the process of consulting on potential changes to the Consumer Credit Act 1974 (as amended from time to time). The Consumer Credit Act is a material legislative underpin to the lawful and compliant granting of credit in the UK including by non-bank financial institutions. Future regulatory changes could affect the Aldermore Group by, for example:

- resulting in the need for increased operational, technological and compliance resources to ensure compliance with new or amended laws and regulations;
- requiring changes to the Aldermore corporate structure arising from recovery and resolution planning requirements, wholesale and non-wholesale banking ring-fencing requirements, general prudential consolidation rules and regulations or any other reason;
- restricting the customer base to which the Aldermore Group's products or services can be offered; and/or
- restricting the products or services which the Aldermore Group can provide, including potentially to existing or prospective clients and customers.

Any of these results could have a material adverse effect on the Aldermore Group's (and potentially the issuer's) business, financial condition, results of operations and prospects. In addition, changes to the regulatory authorities' approaches and expectations may result in increased scrutiny of the Aldermore Group's compliance with existing laws and regulation plus the application of current regulatory standards to past practices, which may further result in the Aldermore Group needing to change its internal operations, at increased cost. For example, the high level of scrutiny of the treatment of customers by financial institutions from regulatory bodies, the press and politicians may persist and the FCA will continue to focus on retail conduct risk issues as well as conduct of business activities through its supervision activity which could result in higher expectations, or a different interpretation, of what is required to demonstrate compliance with conduct of business standards in certain markets.

The resolution of a number of issues, including regulatory investigations and reviews and court cases, affecting the financial services sector in the markets in which the Aldermore Group operates could have an adverse effect on its (and potentially the issuer's) operating results, financial condition and prospects, or its relations with its customers and potential customers.

2 RISKS ASSOCIATED WITH THE ISSUER

2.1 The investments, business, profitability and results of the issuer's operations may be adversely affected by global economic conditions, as well as political, social and economic risks in South Africa and the other jurisdictions where it operates

The group's operations are predominantly concentrated in South Africa, with the majority of its revenues derived from its South African operations. In addition, the group's operations in broader Africa (which include businesses in Namibia, Botswana, Eswatini, Ghana, Lesotho, Mozambique, Nigeria and Zambia) contributed 13% of normalised earnings for the year ended 30 June 2025. Furthermore, the group's UK operations (excluding the impact of the UK motor commissions matter) contributed approximately 10% to normalised earnings for the year ended 30 June 2025, and represented c. 20% of total assets.

The issuer is, therefore, exposed to South African, broader Africa and UK macroeconomic conditions, and, as a result of their impact on these economies, global economic conditions. Any material deterioration in global or the macroeconomic conditions in the countries where the group operates could lead to a reduction in business activity, higher impairment charges, increased funding costs, and reduced revenues and profitability.

2.1.1 *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 in some of the world's largest economies and material South African trading partners including China, the United States (US), the United Kingdom (UK), and the European Union (EU). 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, this is likely to have a negative impact on macroeconomic conditions in South Africa and potentially, South African financial markets including foreign demand for South African assets. This consideration also applies to broader Africa and the United Kingdom.

The longer-term consequences of geopolitical fragmentation for the global economy remain uncertain. The realignment of global trade relationships could pose risks to the South African and broader African economies, specifically the impact this process may have on trade, investment and foreign exchange rates. In addition to concerns around implications for production capacity, there are also concerns about inflation persistence in some advanced economies and relatively high interest rates against a backdrop of high levels of global indebtedness. At the same time China is facing deflationary pressures and must realign towards new export markets. 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 and broader African economic activity through lower exports. . This could also have negative consequences for capital flows towards the region. Given the current global policy uncertainty an even more severe geopolitical or financial market disruption could weigh on global risk appetite and capital flows, and will likely result in financial market pressure and currency weakness.

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

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 domestic interest rates and higher bond yields.

2.1.2 *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. Although they have lifted slightly off a low base, domestic consumer and business confidence remain low. The issuer expects these 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, increased levels of household savings and labour market reforms remain critical to change the long-term trajectory of the country. The solvency and liquidity challenges at some municipalities and state-owned enterprises remain a significant concern.

2.1.3 *South African political conditions*

The issuer currently anticipates there will be ongoing political debates around the need to implement measures to ensure fiscal sustainability given socio-economic pressures in the country. These may include debates around the implementation of measures that will lift South Africa's potential growth rate. In addition, the issuer expects ongoing debates about 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.

2.1.4 *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 cyclical reduction in inflation and interest rates, weak economic growth, higher inflation and high unemployment are keeping 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.

2.1.5 *UK economic conditions*

Economic activity in the UK has been negatively affected by persistent inflation pressures and multi-decade challenges in increasing economic productivity, impacting on the cost of living and real disposable household income growth. The issuer expects UK unemployment to increase. Higher UK unemployment and related risk to household disposable income could have negative consequences for the operating environment.

Other risks to the UK economy include:

- general geopolitical and trade and financial flow fragmentation resulting in low levels of economic growth and/or foreign direct investment;
- ongoing adjustments to a post Brexit operating environment could result in declines in UK business and consumer confidence, a weaker pound and a slowdown in overall economic activity; and
- challenges associated with balancing societal demands for social support to households amidst an ageing population whilst managing fiscal resources responsibly could result in political, policy and financial market uncertainty that could negatively impact sentiment and economic activity.

2.1.6 *Broader Africa economic conditions*

Several other sub-Saharan African countries in which the group operates face macroeconomic risks that could negatively impact its operating environment. These include:

- Botswana: Significant further weakness in diamond prices and/or activity in the South African economy will have adverse consequences for the Botswana operating environment.
- **Ghana:** There remain risks to sovereign debt sustainability from domestic and external factors. Broad-based inflation, tighter monetary policy and currency pressures pose a risk to growth, alongside austerity measures to stabilise government finances. Ghana's economy is exposed to fluctuations in oil, gold and cacao prices and production volatility. A fall in the price of these commodities has negative consequences for the operating environment and outlook.
- **Mozambique:** Policy uncertainty, fiscal and balance of payments pressure, inflation and commodity price volatility pose a risk to the Mozambican outlook. Insurgent activity in northern Mozambique is another risk factor in the operating environment, particularly in terms of delays to large liquefied natural gas projects coming online.
- **Namibia, Eswatini and Lesotho:** These economies are particularly exposed to the South African economy and the rand. A severe fall in South African growth and trade, and/or rand weakness will have adverse consequences for their

outlooks. In addition, a dependency on Southern African Customs Union revenues increases the fiscal vulnerability of all three governments.

- **Nigeria:** A lack of diversification in export and fiscal revenues remains a weakness for the country's outlook. Low oil production due to operational issues, volatile global oil prices and the challenges associated with the government's ambitious reform agenda pose risks to growth and government finances, alongside significant policy uncertainty on the exchange rate and foreign currency convertibility.
- **Zambia:** Volatility in copper prices and production, drought, inflation and implementation challenges with external commercial and official debt restructuring are risk factors that could slow down domestic reforms and the growth momentum. Price pressures across the economy are a risk to consumption growth. There is significant risk to sovereign debt sustainability and associated macroeconomic pressure if reform momentum slows.

2.2 Investors' recourse to assets and/or cash flows of the issuer may be subordinated to the rights of investors and funders to the assets and/or cash flows of its subsidiaries

The issuer is a bank controlling company and is the ultimate holding company for the group's interests and conducts its business through operating its subsidiaries. As a result, the issuer's ability to meet its financial obligations depends partially on the results of its operating subsidiaries and its ability to receive distributions and repayments from such subsidiaries.

The issuer's subsidiaries have incurred or may in the future incur indebtedness in financial instruments that rank senior to the issuer's loans to its subsidiaries. Furthermore, such subsidiaries are, or may in the future be, subject to restrictions contained in such financial instruments which prohibit or limit their ability to transfer funds to the issuer and/or require that any existing or new indebtedness of such subsidiaries to the issuer be subordinated to the indebtedness under such financial instrument. The issuer's subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due under securities issued by the issuer or to make any funds available therefore, whether in the form of dividends or otherwise. Any right that the issuer may have to receive assets of any such subsidiary upon its insolvency, and the consequent right of the holders of the issuer's securities to benefit from the distribution of proceeds from those assets, will be effectively subordinated to the claims of creditors of such subsidiaries, including tax authorities, employees, trade creditors and lenders.

As well as the risk of losses in the event of the insolvency of a FirstRand subsidiary, the issuer may suffer losses if any of its loans to, or investments in, such subsidiary are subject to write-off and conversion by statutory power or regulatory direction or if the subsidiary is otherwise subject to resolution proceedings. In particular, the FSR Act specifies that the resolution powers should be applied in a manner such that losses are transferred to shareholders and creditors in an order which reflects the hierarchy prescribed in the relevant financial sector law and which otherwise respects the hierarchy of claims in an ordinary insolvency. In general terms, the more junior the investments in, and loans made to, any group subsidiary are, relative to third-party investors, the greater the losses likely to be suffered by the issuer should any group subsidiary enter into resolution proceedings or be subject to write-down, write-off or conversion of its regulatory capital instruments or other liabilities. If any of the group subsidiaries were subject to resolution proceedings, investors:

(i) may not have direct recourse against such subsidiary; and

(ii) may also be exposed to losses pursuant to the exercise by the Resolution Authority of the resolution powers conferred by statutory bail-in powers or regulatory bail-in.

2.3 Financial risks related to the group's business

2.3.1 The issuer is exposed to credit risk in the ordinary course of business which may adversely affect its financial performance

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.

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

The group'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 group's lending and trading counterparties or arising from systemic risk in the financial sector could reduce the value of the group'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 manage risk exposure.

The issuer applies origination strategies which are aligned to its broader financial resource management processes and macroeconomic outlook. Based on the issuer's credit risk appetite, 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 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, throughout the cycle.

2.3.2 *Concentration of credit risk could increase the issuer's potential for significant losses*

Credit concentration risk is the risk of losses arising from an excessive concentration of exposure to a single counterparty, industry, market, country or region, product, financial instrument, security type, 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 group'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 new and in-force business).

2.3.3 *The issuer faces risks associated with market prices, interest rate levels and volatility*

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.

Market prices and interest rates, which are outside of the issuer's control, including fiscal and monetary policies, as well as political and economic conditions, may affect the issuer's profitability. If the issuer is unable to manage its market risk exposure, its financial condition, business and prospects could be adversely affected, which would ultimately affect the issuer's ability to meet its obligations in terms of the Programme.

2.3.4 *The issuer's business and profitability may be adversely affected by liquidity and funding risks*

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 issuer recognises two types of liquidity risk:

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

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

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

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

The group's liquidity risk management approach includes oversight of key liquidity risk metrics and early warning indicators, regular forecasts of its liquidity position, and scenario analysis for liquidity planning and decisioning.

2.3.5 *The issuer is subject to regulatory capital and liquidity requirements that could affect its operations*

The issuer and its regulated banking entities are subject to capital adequacy guidelines adopted by the Prudential Authority (PA). The issuer's subsidiaries in the UK and broader Africa are also subject to the relevant regulatory capital requirements in each jurisdiction. Entities are required to comply with both the PA and in-country regulations in their respective jurisdictions. Failure to comply with the minimum requirements in each jurisdiction could result in loss of banking licences and restrictions being placed on distributions, including dividends and other discretionary payments.

The Regulations Relating to Banks are based on the Basel III framework and specify the minimum risk-based capital ratios. The minimum requirements for Common Equity Tier 1 (CET1), Tier 1 and total capital as at 30 June 2025 were 9.0%, 11.2% and 13.5%, respectively. These minimum ratios exclude the confidential bank-specific individual capital requirements but include the group's domestic systemically important bank add-on and countercyclical buffer requirement (mainly related to the UK operations). The issuer aligns it capital targets to minimum regulatory requirements and also considers various other stakeholder requirements. The PA has finalised its directive requiring South African banks to hold a positive cycle-neutral countercyclical buffer of 1% effective 1 January 2026 and the additional requirement has been incorporated in the group's targets.

The PA also prescribes minimum liquidity standards, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR).

Failure to comply with these minimum prudential capital and liquidity requirements may result in constrained asset growth and restrictions being placed on distributions.

2.3.6 *The issuer is subject to structural foreign exchange risk*

Foreign exchange risk is the potential adverse impact on the group's financial position or earnings or other key ratios as a result of movements in foreign exchange rates impacting balance sheet exposures. The issuer is incorporated in South African and its currency of financial reporting is the South African rand.

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

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

2.3.7 *The issuer is exposed to equity investment risk*

Equity investment risk in the issuer arises primarily from equity exposures from private equity and investment banking activities, e.g. exposures to equity risk arising from principal investments or structured lending. Other sources of equity investment risk include operational investments which are core to individual businesses' daily operations and are managed as such.

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

2.3.8 *The issuer is exposed to insurance risk*

Insurance risk arises from the inherent uncertainties regarding liabilities payable under an insurance contract. These uncertainties can result from the occurrence, amount or timing of the liabilities differing from expectations. Insurance risk can arise throughout the product cycle and is related to product design, pricing, underwriting and claims management.

Insurance risk emanates from the group's long-term insurance operations, underwritten through its subsidiary FirstRand Life Assurance Limited (FirstRand Life), and short-term insurance operations, underwritten through its subsidiary FirstRand Short Term Insurance Limited (FirstRand Short Term Insurance). FNB originates long-term products on the group's life licence and short-term products on the group's short-term licence.

FirstRand Life offers funeral policies, accidental death plans, underwritten risk policies, credit life policies (against group credit products), health cash plans and guaranteed annuities on the group's life licence. FirstRand Life also writes linked-investment policies and guaranteed endowments. There is, however, no insurance risk associated with these policies.

Most life policies pay benefits upon the death of the policyholder and, therefore, expose the group to mortality risk. The underwritten risk policies, credit life policies and policies sold to companies to cover their employees further cover policyholders for disability and critical illness, which are morbidity risks. Credit life policies also cover retrenchment risk. Health cash plans pay a daily benefit per day for each day that a policyholder is hospitalised. Guaranteed annuities pay benefits on continued survival of the policyholder and expose the group to longevity risk, interest rate risk and inflation risk.

FirstRand Short Term Insurance offers comprehensive insurance cover (including building, home contents and portable possessions cover), motor vehicle insurance, warranty policies, scratch and dent products, legal plans, business cash flow cover policies, money protect and commercial guarantee products on the group's short-term insurance licence.

Building, home contents and motor vehicle cover indemnifies policyholders against damage to property. Legal plans provide legal assistance or pay for legal fees on the occurrence of events specified in these policies. Business cash flow cover provides cover in the form of daily cash amounts to compensate for interruption of commercial customers' business operations due to insured events.

As a result of the insurance risk exposures outlined above, the group is exposed to catastrophe risk stemming from the possibility of any related extreme events, which could adversely affect the issuer's financial condition and performance.

Also, there is the risk that the decrement rates (e.g. mortality rates, morbidity rates, etc.) and associated cash flows are different from those assumed when pricing or reserving. These risks can further be broken down into parameter risk, random fluctuations and trend risk, which may result in the parameter value assumed differing from actual experience.

Policies underwritten by the group are sold through FNB's distribution channels. Some of these channels introduce the possibility of anti-selection, which also affects insurance risk.

2.3.9 *Downgrade of the issuer's or any of its major operating subsidiaries' credit ratings, or the credit rating of South Africa could have an adverse effect on the issuer's funding sources and costs*

The issuer's or its major operating subsidiaries' credit ratings may affect the cost and other terms upon which the issuer can obtain funding. Rating agencies regularly evaluate the issuer and its rated operating subsidiaries. Long-term debt ratings 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 or its operating subsidiaries' 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 issuers' ratings at the level of their sovereign rating, a change to the sovereign rating will, therefore, impact these issuers' ratings.

Given the extent of its South African operations, 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 or its operating subsidiaries would likely increase group borrowing costs and could require the issuer or its

operating businesses to post additional collateral or take other actions under some of its derivative contracts. This could limit the issuer's or its operating subsidiaries' 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, its operating subsidiaries 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.

2.4 Operational risks may disrupt the business of the issuer or result in regulatory action

As a bank controlling company, as defined in the Banks Act, the issuer is subject to stringent regulations. The issuer has implemented risk controls and mitigation measures in relation to potential operational risks, however, it is not possible to be certain that such measures have been or will be effective in controlling each and every operational risk faced by the issuer. The most significant operational risks faced by the issuer are outlined below.

2.4.1 Business reliance risk

Events out of the issuer's control, such as electricity supply failures, strikes, inoperative transport systems, floods, civil unrest and third-party critical service provider system downtime and/or incidents of inoperability may adversely affect the issuer's businesses. The regular occurrence of such events or timing of its occurrence could negatively impact the issuer's operations. In addition to this, the issuer's businesses are supported by the extensive use of technology, which may cause risks relating to the stability and continuity of critical systems, integrity of data as well as the protection of data.

The issuer maintains a comprehensive operational resilience framework aligned with international regulatory principles, designed to ensure the continuity of critical operations under conditions of severe disruption. The framework governs business continuity (including disaster recovery) and improves 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.

2.4.2 Information technology risk (including cyber and information security)

The issuer's operations are dependent on its own information technology (IT) systems. The issuer's technology 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, in addition to cyber-security, include 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.

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. A successful cyber-attack could have far-reaching consequences, and may result in fraud, material losses of client or customer information, cyber extortion, sabotage, damage to IT systems as well as reputational damage. This may result in regulatory penalties, financial losses and damage customers' trust in the banking system. There are ongoing enhancements to information and cyber-security controls and 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.

There is a comprehensive control framework to protect the issuer from IT disruptions and cyber threats, spanning across key domains including IT Governance, IT management (including performance management), cyber protection, detection/response/recovery, security management and resourcing. These controls include measures such as management of software installations, IT continuity plans identity and access management network security, firewall and endpoint protection, vulnerability management, encryption and data loss prevention. Additionally, advanced capabilities like security information threat hunting and event management, threat intelligence sharing and cyber information sharing enhance the issuer's ability to detect and respond to threats. Together, these controls form a layered defence strategy that safeguards the issuer's digital assets and ensures operational resilience.

2.4.3 *Payment and financial market infrastructure risk*

Although international and local industry reforms cater for evolving market needs, it exposes 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 in South Africa 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's operating businesses contract into domestic payment systems and manage operational risk inherent in interoperable payment systems. The ability of FirstRand Bank Limited (FRB), a wholly owned subsidiary of the issuer, to maintain system stability and straight-through processing is vital as FRB 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.

The issuer's subsidiaries, notably FRB, make extensive use of financial market infrastructure, agency banking, correspondent banking and custodial securities services in their day-to-day operations in the process of both customer service provision and general balance sheet management. The potential loss or impairment of access to financial market infrastructure, agency banking, correspondent banking or custodial securities services (and associated payments linked to such securities) risks cashflows not being settled on time and in full.

Failure to manage this risk appropriately may result in financial losses, the crystallisation of funding and liquidity risk as noted in section 2.3.4, negative customer outcomes, regulatory sanction or fines and reputational damage for FRB, the issuer and/or the issuer's other subsidiaries.

The issuer proactively engages with industry and regulators to address risks from evolving payment reforms, supported by a comprehensive control framework evaluated by independent assurance providers. This framework includes strong governance, automated processes, dual authorisation, and operational continuity. Ongoing monitoring ensures compliance with high-risk legislation and clearing rules, whilst real-time fraud screening enhances payment security. The issuer is also advancing data governance and modernising payment rails in line with FATF 16 requirements. Robust third-party oversight and contingency protocols further support system stability and the issuer's role as a systemically important financial participant.

2.4.4 *Financial crime risk*

The issuer aims to protect its platforms against abuse for purposes of financial crime or non-compliance, and to achieve full compliance with all applicable legislation and regulation in this regard. Non-compliance may have serious consequences, which could lead to both civil and criminal liability, including loss or restriction of licences, penalties, claims for loss or damages, restrictions on activities or certain customer segments imposed by regulators, mandatory repayment of some financing facilities and/or arrangements, restrictions and/or limitations placed on certain activities and their cashflows by correspondent banks and reputational damage.

The issuer maintains a comprehensive suite of financial crime controls to safeguard the integrity of its operations and meet regulatory obligations. The group conducts rigorous customer screening to identify sanctioned or high-risk individuals and entities and apply payment screening to detect and block illicit transactions. The group fulfils its obligations by submitting suspicious transaction reports (STRs), cash threshold reports (CTRs), and International Funds Transfer Reporting (IFTR). The group's framework includes robust due diligence processes at onboarding and throughout the customer lifecycle supported by a financial crime risk rating model. The group takes decisive action, including relationship terminations, where financial crime requirements are not complied with or where customers are outside risk appetite. These controls are underpinned by advanced monitoring systems, skilled compliance teams, and a strong culture of accountability.

There may, however, be instances of unintended compliance failures which result in non-compliance. In such instances, remedial action is taken on a prioritised basis.

2.4.5 *Legal risk*

Legal risk is the risk of financial or other losses, penalties, reputational damage or restrictions on the issuer's business activities arising from existing or future legal agreements, dealing with litigation claims, or non-compliance with relevant laws. Actual or alleged breaches by the issuer or its operating businesses of applicable laws and regulations may result in civil litigation or regulatory intervention.

The issuer maintains a robust legal risk management framework designed to mitigate financial, regulatory, and reputational exposure arising from litigation, regulatory action, and non-compliance with applicable laws. Legal risk is managed through a well-defined approach supported by highly skilled internal legal teams and external counsel, where appropriate. Controls include having all contracts drafted and vetted by legal or external attorneys, involvement by the relevant legal department in new product approval processes, legal advice to the group's compliance department to interpret material legislative provisions, legal risk training, proactive dispute management, and issuing guidelines and policies on legal issues which present high risk to the group.

2.4.6 *Third-party risk*

The issuer is exposed to delivery risk from key third parties due to lack of direct oversight over these unrelated parties.

The issuer's business operations are dependent on the products and services provided by key third parties. 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 third parties 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 third parties therefore remain an area of concern, however, the use of cyber-security ratings from an external cyber-security rating agency provides some assurance in this regard.

The sensitivity of key third parties 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.

The group has implemented a vendor risk management framework and is transitioning this to a comprehensive third-party risk management framework to ensure effective oversight and mitigation of risks associated with third-party engagements. This framework establishes a consistent definition of third parties and applies a structured lifecycle approach encompassing sourcing, due diligence, contracting, ongoing monitoring, and termination or renewal. The performance of third parties is closely monitored, and daily scans are conducted to identify any adverse media related to key third parties. Other key controls include early-stage risk profiling, enforceable contractual obligations, and periodic risk assessments. Governance is maintained through a dedicated vendor risk committee, with clear roles and responsibilities assigned across business, risk, compliance and enablement functions to ensure accountability and alignment with the group's risk appetite.

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

2.4.7 *People risk*

Like any other business, the issuer's performance depends on the efforts and talents of key personnel. The loss of these employees, which could be to competitors, would negatively impact the business of the issuer. The issuer's ability to compete and develop its business depends on its ability to recruit, retain, remunerate and motivate employees. The issuer could in future be affected should there be a shortage of skilled labour in the jurisdictions where the group operates.

To mitigate the risk associated with the loss of key personnel and broader human capital challenges, the issuer has implemented a comprehensive suite of controls. These include robust talent acquisition and succession planning frameworks, competitive remuneration and incentive structures aligned with long-term performance, and targeted leadership development programmes. The issuer also maintains a strong employee value proposition to support retention and engagement, underpinned by a culture of inclusion, continuous learning, and career progression. These controls are regularly reviewed and enhanced to ensure alignment with the group's strategic objectives and evolving market conditions.

2.5 The issuer is exposed to reputational risk

Reputational risk is the potential for negative consequences arising from a failure to meet the reasonable expectations and standards of customers, investors, regulators or other stakeholders during the conduct of any of the issuer's business activities. This includes the conduct of all employees and other agents acting for, or otherwise associated with, the issuer. Risks to the issuer's reputation can arise from numerous sources, including (but not limited to) breaches or alleged

breaches of applicable legal and regulatory requirements (including sanctions, anti-bribery, money laundering and anti-terrorism financing requirements), failure to appropriately address potential conflicts of interest, employee misconduct, provision of inappropriate products or services, technology failures that impact upon customer service and accounts or the failure of intermediaries or third parties on whom the issuer's businesses rely, failing to properly identify legal, reputational, credit, liquidity and market risks inherent in products offered or generally poor business performance.

The issuer protects its reputation by proactively implementing robust governance frameworks that ensure compliance with all applicable legal and regulatory requirements and codes of ethical conduct across its operations. Reputational risk can arise from environmental and social issues or as a consequence of financial or operational risk events. To mitigate this, the issuer seeks to avoid large risk concentrations by establishing a risk profile that is balanced within and across different risk types. Potential reputational risks are also taken into account as part of stress testing exercises. The issuer aims to establish a risk and earnings profile within the constraints of its risk appetite, and seeks to limit potential stress losses from credit, market, liquidity or operational risks that may otherwise introduce an undesirable degree of volatility in its financial results and adversely affect its reputation. High-impact transactions or emerging themes from the external or internal environment that may impact the issuer's reputational risk profile are discussed at group and operating business/segment risk committees, as appropriate.

2.6 The issuer is subject to regulatory risks – the impact of future changes in law or regulations on the issuer's business is uncertain

The issuer is subject to applicable laws, regulations and related regulatory frameworks, including administrative actions in South Africa and in the jurisdictions in which it operates, and the issuer's activities may be constrained by applicable legal and regulatory requirements.

Changes in applicable legal and regulatory requirements or accounting standards in South Africa and the various jurisdictions in which the group operates may materially affect the issuer's business, products and services, distribution channels, capital/liquidity requirements and, consequently, its financial condition and performance.

Although the issuer works closely with its regulators and continually monitors regulatory developments and proposals, changes in applicable legal and regulatory requirements and related regulatory frameworks or other policies cannot in all instances be predicted and are beyond the control of the issuer. The issuer may incur reputational damage and financial losses if it is unable to anticipate or prepare for future changes in applicable law or regulation. The impact of emerging legislation or future changes to applicable laws and/or regulations on the issuer's business may be uncertain and may have a material and adverse impact on its business, financial condition and performance, and outlook.

The issuer has devoted significant resources in developing its compliance risk management governance arrangements, which include, among others, implementation of adequate policies and procedures to effectively manage compliance risk. 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.

2.7 Competitive landscape

The issuer's operating businesses are to significant competition from other traditional financial services providers (e.g. banks, insurers, asset managers) in the markets where they operate, including competitors that may have greater financial and other resources. Many of these competitors operating in the issuer's markets compete for substantially the same customers as the group's operating businesses. The issuer also faces competition from non- traditional financial services entities that increasingly provide similar services to those offered by financial services, e.g. retailers, mobile phone operators, shadow banking players and fintech companies. Increased competition from these non-bank financial institutions entities in the issuer's traditional markets could adversely impact the issuer's market share, profitability and/or customer profile.

To the extent that state-owned enterprises could be licensed as banks in future, competition in the South African banking landscape could 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 an 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 operating businesses' customer service levels were perceived by the market to be materially below those of its competitor financial institutions, they could lose existing and potential new business. If the issuer's operating businesses are not successful in retaining and strengthening customer relationships, they may lose market share, incur losses on their activities or fail to attract new deposits or retain existing deposits, which could have a material adverse effect on the issuer's operating results, available financial resources, and financial condition and prospects.

2.8 Environmental, social and climate risks

Environmental risk is defined as the dependencies and impacts of the issuer's business on the environment and 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 and/or legal responsibility of entities to compensate third parties for damages or losses caused by their contributions to climate change).

Climate change has driven shifts in the global economy, disrupting sectors like fossil fuels while benefiting renewables and green technologies. These changes have presented both challenges and opportunities for banks, with regulators, investors and society requiring action, adaptation and greater transparency.

The global context for climate action is undergoing significant change, with some nations, international financial institutions, and carbon-intensive industries scaling back their climate commitments in response to the changing political landscape and market realities. As a result, certain climate action organisations have seen their relevance diminish. Within South Africa, Nationally Determined Contribution (NDC) and sectoral emissions targets currently remain in draft and await legislative backing.

Despite this trend, FirstRand remains committed to its climate-related objectives however, the group recognises that the speed and intensity of its transition may be impacted by external factors and will adapt accordingly. This remains an imperative given that the majority of FirstRand's earnings emanate from the African continent, which is already economically and socially vulnerable, and expected to be severely impacted by climate change. Integrating climate resilience into the group's portfolios will help mitigate potential financial losses arising from extreme weather events, as well as address risks associated with uncompetitive exports due to Carbon Border Adjustment Mechanisms (CBAMs). In addition, the transition to renewable energy remains important for client's operational and cost efficiencies.

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 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.

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 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.

Failure of the issuer to adequately manage its environmental, social or climate risks, or to adapt its strategies and business models to changing requirements and market expectations in a timely manner, could result in an adverse effect on the issuer's operations, financial condition and performance, and reputation.

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-resource-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, and upstream oil and gas. The issuer is focusing on adapting strategies across its operating jurisdictions to respond to emerging climate risks and opportunities. In 2024, the group set interim 2030 targets for upstream oil and gas, thermal coal and power generation mix, the details of which are available at *https://www.firstrand.co.za/media/investors/policies-and-practice/pdf/firstrand-policy-on-energy-and-fossil-fuels-financing-Dec-2024.pdf*.

2.9 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.