

FRB SOCIAL BOND INVESTOR PRESENTATION

November 2024

Meet the team



- Sam Moss Head: FirstRand Investor Relations
- Cameron Gough Head: Structuring, FirstRand Group Treasury
- Melanie Kleinhans Head: Debt Office, FirstRand Group Treasury
- Brigquette Basson Structurer, FirstRand Group Treasury
- Delia Patterson RMB Debt Capital Markets (Distribution)



- Overview of FirstRand's shared prosperity approach
- Operating businesses' value propositions
- FirstRand sustainable finance framework
- FRB's inaugural social bond issuance
- Term sheet

OVERVIEW OF THE GROUP'S SHARED PROSPERITY APPROACH

- South Africa remains one of the most unequal countries with economic growth, unemployment and poverty constraints
- As a **systemic integrated financial services group**, FirstRand can support **inclusive economic activity and positive societal outcomes** through its business activities and role in capital allocation
- Systemic societal needs present both growth opportunities and risks for the group and its customers
- Equitable distribution of wealth is a key imperative for the country's success and sustainability
- The group is intentional about creating value for multiple stakeholders and maintaining trust within the financial system

Group's purpose statement:

FirstRand commits to building a future of SHARED PROSPERITY through enriching the lives of its customers, employees and the societies it serves. This is the foundation to a sustainable future and will preserve the group's enduring promise to create long-term value and superior returns for its shareholders.

Shared prosperity – inclusive value creation



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Underlying business strategies deliver a blend of financial and social outcomes

TRUSTED CUSTODIAN OF THE NATION'S SAVINGS

- Deposits: R2 trillion (group)
- Deposits: R1.5 trillion (SA)

HOME OWNERSHIP

- Mortgage book: R272 billion
- Affordable housing: R22 billion

SUSTAINABLE FINANCE FACILITATION

- R153 billion to date
- Including
- R90.6 billion in FY24
 - R50 billion infrastructure

FINANCIAL INCLUSION ON PLATFORM

- 8.17 million eWallets*
- 4 350 CashPlus agents

SUPPORTING BUSINESS FINANCING

- R169 billion SA commercial
- Including
- R44 billion supporting agriculture
 - R50 billion women-led businesses

ACCELERATED TRANSITION FINANCE

- \$450 million in development finance funding for climate financing
- R7 billion in green bond issuance

* Total active eWallet base, including 1.77 million eWallets belonging to FNB customers.



Nexus of business activities and development needs of SA



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Group activities contributing positively towards financial inclusion

Home
ownership



Transformational
agriculture



Student
financing



MSME development
and financing



Infrastructure
development



Public
services



FirstRand's response to societal challenges



- Utilising **core business** resources and activities to **intentionally** achieve **positive, scalable** and **high-impact societal outcomes** whilst delivering **superior financial returns**
- Ensuring accountability through **remuneration practices** with integration into exec scorecards to drive intentionality and growth

Enablers

- Dedicated **governance structures** embedded in business
- Integrated into **financial resource management (FRM) frameworks** (dedicated FRM committee providing enablement for social solutions)
- Dedicated **sustainable finance teams across business** (origination, risk, strategy)

Frameworks, policies and reporting

- FRM – **pricing** for positive externalities
- **Internal taxonomy** aligned to sustainable finance framework
- Report to society



Societal objectives enabled through financial resource allocation



Bond issuances

- **Disciplined capital allocation**, aligned to long-term objectives
- **Four** bond issuances to date
- Inaugural **social bond** issuance
- Disciplined origination of **new assets**
- Pricing **penalty** of **15 bps** if full allocation not reached within 24 months

Differentiated pricing for positive impact

- **FRM policy** embedded in operating businesses
- Enables **explicit funding benefits** on qualifying social deals to be **passed on** to the **client**

Partnering with developmental finance institutions (DFIs)

- Robust **partnerships with DFIs** to drive mutual growth and shared prosperity
- **Technical assistance** for new market making, solutions and additionality

Structures and platforms

- Established a holdco (FirstRand Social Impact Holdings) to **facilitate social/climate projects** and **unlock funding**, on and off-balance sheet
- Dedicated entities enable **testing of concepts** and isolating various risks
 - Crowd in funding
 - Can enable additional scale and impact



OPERATING BUSINESSES' VALUE PROPOSITIONS

*Ensure low-income consumers can access appropriate financial services
enabling **economic growth and financial inclusion***

Leveraging platforms



- Providing payment channels for unbanked customers
- Digitising cash in informal communities
- Access to financial services through agency plus concept
- Stokvel savings club, mainly utilised by low-income individuals and communities
- Making connectivity more affordable to our communities

Funding solutions



- Targeted solution for low-income segments
 - Home loans
 - Other residential solutions for low-income earners
- Student finance
- Young graduate offering

Financial wellness and literacy



- Consumer education
- Integrated advice
- Will drafting assistance

*Micro, small and medium sized entities (MSMEs) are the backbone of the economy – contribute to **growth, job creation** and **economic development***

- Provide **safe, affordable and accessible** transactional accounts
- **MSME development** – offer a broad range of solutions to enable growth and improve business sustainability
- Provide **innovative multi-lending solutions** on and off-balance sheet (e.g. black-owned businesses, women in business, merchant cash advances)
- **Client-centric approach** – provide advisory services through platforms and networks

RMB's approach to inclusive growth



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RMB prioritises solutions that promote positive social outcomes for marginalised or underserved communities

RMB has facilitated over **R9 billion worth of inclusive growth transactions** since 2022

1 Financial solutions

- **Use of proceeds** solutions directing capital towards positive social outcomes
- **Performance-linked solutions** incentivising achievement of social KPIs such as gender-diversity and financial inclusion

2 Structuring/advisory

Innovative financial mechanisms focusing on achieving commercial and social impacts

3 Market development

Enabling broader access to appropriate investment products, e.g. affordable exchange-traded notes

Unlocking positive social outcomes with innovative sustainable finance products and mechanisms in key sectors



Access to quality healthcare



Digital inclusion



Affordable housing



Access to quality education



SUSTAINABLE FINANCE FRAMEWORK

FirstRand's sustainable finance framework



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- Previous thematic issuances were done under FirstRand's **sustainability bond framework**
- Framework has now been updated to a more comprehensive **sustainable finance framework**
- FirstRand's sustainable finance framework will be used for **future issuances of thematic instruments** (e.g. green, social and/or sustainability financial instruments – primarily bonds, loans, derivatives, etc.)
- Aligned to international best practice
 - International Capital Market Association (ICMA)
 - Loan Market Association (LMA)
 - Loan Syndications and Trading Association (LSTA)
 - Asia Pacific Loan Market Association (APLMA)
- Independently **reviewed by S&P**
- Framework and second-party opinion available on FirstRand's website:
<https://www.firstrand.co.za/investors/debt-investor-centre/sustainable-finance/>



Summary of changes/updates to framework



- Framework now also aligned to ICMA's *Green Loan Principles* and *Social Loan Principles*
- Group framework
 - FRB and other group subsidiaries
 - Can also be used for thematic securitisations
- Use of proceeds
 - Changes to FirstRand's social and green investment categories and eligibility criteria (refer to annexures for more detail)
 - Pure play was introduced as a new category
 - Qualifying on-lending was also introduced as a new category
 - Financing versus refinancing section revised
- Reporting and measurement – added indicative impact indicators for new investment categories



FRB'S INAUGURAL SOCIAL BOND ISSUANCE

FRB's inaugural social bond



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*Bond proceeds will be fully allocated to eligible loan/asset portfolio
within two years from the date of each issuance*



Existing loans are those which have reached financial close, up to 24 months prior to the issuance date



50% of the total bond issuance will be allocated to existing social assets



New loans are those where disbursements have been made any time from the date of the issuance



50% of the total bond issuance will be allocated to new social assets



Above split will be maintained on a best-efforts basis, subject to practical considerations to ensure full allocation is reached



Use of proceeds – FNB social assets



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Indicative portfolio – FNB retail

- Affordable housing
- Low-income home buyers (household monthly income <R32 000*)

Metric	2024	2023	2022
Total affordable housing book (R billion)	22	20.5	18
Number of low-income customers	69.4k	68.6k	67.8k

Indicative impact metrics:

- Number of people with access to affordable housing
- Number of affordable home loans financed

Indicative portfolio – FNB commercial

- MSME** finance

R billion	2024	2023	2022
FNB commercial book	129.8	116.4	107.8
WesBank ABF book	39.0	33.0	26.4
Total MSME# book	168.8	149.4	134.2
Of which SME† book	53.7		

Indicative impact metrics:

- Number of MSMEs financed
- Value of MSME loans
- Estimated number of jobs created

* For 2024 calendar year (income thresholds revised annually).

** Aligned to IFC definition of MSMEs (which is the same definition used in FirstRand sustainable finance framework).

Includes FNB commercial and WesBank asset-based finance (ABF) advances.

† FNB defines small and medium enterprises (SMEs) as businesses with revenue of <R60 million per annum.



Indicative portfolio – RMB

- Information and communication technology (ICT) assets – aligned to sustainable finance framework, including:
 - Data centre construction or refurbishment (physical infrastructure)
 - Increase network penetration by supporting shared networks
 - Deployment of fibre backbone

Indicative impact metrics:

- Number of people with access to ICT
- Number of homes passed in underserved areas
- Infrastructure deployed (km)

- SA faces a particular need:



- c. 80% of homes do not have fast and affordable broadband internet
 - c. 90% of the population does not have access to internet connectivity through fibre or fixed wireless access
- Communication infrastructure has emerged as a critical driver of economic development i.e. broadband networks, internet connectivity, and data centers

Source: 2023 ICASA State of the ICT Sector Report in South Africa.

- FRB will publish an **annual allocation and impact report** on the FirstRand website:
 - <https://www.firstrand.co.za/investors/debt-investor-centre/sustainable-finance/>
 - Supported by a limited assurance report on the allocation provided by external auditors on an annual basis (until full allocation)
- The allocation and impact report will provide:
 - Total amount of proceeds allocated to eligible loans/assets
 - Number of eligible loans/assets
 - Balance of unallocated proceeds
 - Amount/percentage of new financing and refinancing
 - Annual impact indicators for use of proceeds for social assets

TERM SHEET AND TIMELINES

Indicative term sheet



Issuer	FirstRand Bank Limited
National scale credit rating	Moody's Aaa.za & S&P Global zaAA
Nominal target	R2 billion, with the ability to increase to R2.5 billion, subject to volume and bid spreads
Note tenors	3, 5 and 7 years
Instrument type	Floating
Pricing reference rate	3m JIBAR
Auction date	Monday, 18 November 2024
Settlement date	Thursday, 21 November 2024 (t+3)
Maturity date	21 November 2027 (FR27SB), 21 November 2029 (FR29SB), 21 November 2031 (FR29SB)
Instrument status	Social senior unsecured, listed on the sustainability segment of the JSE interest rate market
Use of proceeds	The proceeds of the notes will be used by the issuer to finance and/or refinance, in whole or in part, existing and/or future social projects, which meet certain criteria in accordance with the FirstRand's sustainable finance framework, section 5.1.1. For further information please refer to the applicable pricing supplements (APSs).
Use of proceeds penalty	To the extent the Issuer cannot fully allocate the proceeds within the 24-month allocation period, a penalty of 15 bps will be added to the margin stipulated in the final APS.
Placement methodology	Dutch auction (sealed bid without feedback)



Indicative timeline



- Investor roadshow (virtual meetings): 13 – 14 November 2024
- Term sheet circulated: 11 November 2024
- Price guidance: 3yr: [90 – 100 bps] | 5yr: [110 – 120 bps] | 7yr: [120 – 130 bps]
- Target issuance size: R2 billion with the ability to increase to R2.5 billion
- Auction date: Monday, 18 November 2024, 09:00 – 11:00
- Settlement date: 21 November 2024 (t+3)
- Placement methodology: Dutch auction (sealed bid without feedback)



- **Sustainable finance** page on group website:
<https://www.firstrand.co.za/investors/debt-investor-centre/sustainable-finance/>
- **FirstRand sustainable finance framework:**
<https://www.firstrand.co.za/media/investors/policies-and-practice/pdf/firstrand-sustainable-finance-framework.pdf>
- **S&P second-party opinion:**
<https://www.firstrand.co.za/media/investors/policies-and-practice/pdf/second-party-opinion-firstrand-sustainable-finance-framework.pdf>

ANNEXURES

Summary of changes to investment categories and eligibility criteria in FirstRand's sustainable finance framework

Changes to FirstRand's social investment categories and eligibility criteria



Investment category	Material changes compared to previous framework
Affordable basic infrastructure	<ul style="list-style-type: none">• Restructured the section to highlight the specific areas of investment• Included energy, transportation and telecommunication as additional investment themes
Social infrastructure	<ul style="list-style-type: none">• Restructured the section to highlight the specific areas of investment• Revised the eligibility criteria for education and health• Included digital inclusion as an additional investment theme
Financial inclusion	<ul style="list-style-type: none">• Renamed the category to “financial inclusion” from “improvement of access to funding for MSMEs and low-income populations”• Focus remains on the financing of SMEs• Included criteria for promoting equitable access to assets, services, resources and/or opportunities to reduce inequality
Food security and sustainable food systems	New investment category



Changes to FirstRand's green investment categories and eligibility criteria



Investment category	Material changes compared to previous framework
Renewable energy	<p>Hydropower</p> <ul style="list-style-type: none"> Removed differentiation between large scale and small scale Revised power density threshold to $\geq 10 \text{ W/m}^2$ Revised lifecycle greenhouse gas (GHG) emissions to $\leq 50 \text{ gCO}_2\text{e/kWh}$ Introduced criteria on artificial reservoir or low storage capacity for run-on-river plants <p>Green hydrogen</p> <ul style="list-style-type: none"> Moved eligibility criteria from green hydrogen to renewable energy. Introduced threshold for lifecycle GHG emissions to be lower than $3 \text{ tCO}_2\text{e/tH}_2$
Energy efficiency	<ul style="list-style-type: none"> Introduced a minimum threshold of 20% improvement in overall energy efficiency against a baseline
Electricity distribution networks	<ul style="list-style-type: none"> Removed the eligibility criteria related to modernisation geared at retrofitting transmission lines or substations
Clean transportation	<ul style="list-style-type: none"> Introduced the following new eligibility criteria: <ul style="list-style-type: none"> Fully electric, biofuel or hydrogen-powered passenger/cargo ships in the eligibility criteria Shipping projects Transport infrastructure projects Introduced thresholds for various types of hybrid vehicles.



Changes to FirstRand's green investment categories and eligibility criteria



Investment category	Material changes compared to previous framework
Circular economy	<ul style="list-style-type: none">• Separate investment category• Revised eligibility criteria – changed “reduce the amount of water produced or sent to landfill” to “prevent waste generation”• Removed eligibility criteria related to financing of nature-based carbon capture and storage technologies and projects with carbon capture and storage benefits such as afforestation, marine, wetland and peatland conservation• New eligibility criteria introduced
Pollution prevention and control	<ul style="list-style-type: none">• Introduced the following new eligibility criteria:<ul style="list-style-type: none">– Reduction of air emissions– Reduction/elimination of high global warming potential refrigerants– Phaseout/elimination of substances causing depletion of the ozone layer
Carbon financing or energy attribute certificates	New investment category
Sustainable water	New investment category
Blue finance	New investment category

