



# FirstRand Bank

**FirstRand Bank Limited issuer disclosure  
for JSE listed debt, preference share and exchange traded  
notes programmes**

30 June 2021

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## RISK FACTORS

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Words used in this section entitled "Risk Factors" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

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

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

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

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

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

### 1. RISKS RELATING TO THE ISSUER

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

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

##### 1.1.1. Global economic conditions

The South African economy is exposed to the global economy through the current and capital accounts of the balance of payments. South Africa's exports are impacted by economic activity of some of the world's largest economies including China, the United States (the "US"), the United Kingdom ("UK") and Europe. Commodity prices and the

rand exchange rate also have a material impact on South African exports. The South African economy is also reliant on foreign capital inflows.

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

While the global economy is recovering from COVID-19-related contraction, the longer-term consequences to the macroeconomy remains uncertain. In addition to concerns around permanent damage to production capacity, there are also concerns about the potential for further outbreaks, the efficacy of vaccines and the roll-out thereof in parts of the globe. A fall in global production capacity will have a negative impact on South African economic activity through lower exports and higher import prices. It could also have negative consequences for capital flows towards South Africa.

Apart from concerns around COVID-19, there are also increased uncertainty about the outlook for global inflation and long-term interest rates. A marked increase in inflation that forces major central banks to tighten monetary policy could have severe adverse consequences for emerging economies such as South Africa.

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

In addition, a fall in precious metal and/or base metal prices could also result in a deterioration in the value of the rand, higher interest rates and bond yields.

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

Even before the COVID-19 crisis, the South African macroeconomic environment was characterised by low private sector investment growth, weak employment growth, high levels of public sector debt and downward pressure on domestic demand. In addition, domestic consumer and business confidence was low. Despite a bounce back in activity from the depths of the COVID-related contraction, the Issuer expects the longer-term trends to remain in place.

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

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

The Issuer currently anticipates there will be strong political debates around the need to implement measures to ensure fiscal sustainability. These will include debates around implementation of measures that will lift South Africa's potential growth rate. In addition, the Issuer expects debates in respect of various sensitive issues such as land

expropriation and the mandate of the South African Reserve Bank (“SARB”) which has become a hallmark of the South African political landscape. The impact of COVID-19 on employment and poverty will likely fuel further debate on transfers (either through taxes or intertemporally through borrowing) to the vulnerable in the South African society. Ongoing political developments may impact private sector investment, foreign investment and business confidence towards South Africa.

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

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

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

Although household and corporate affordability conditions are currently benefiting from low inflation and low interest rates, weak economic growth and increased unemployment continues to weigh on household income growth. A deterioration in the country’s institutions, especially the independence of the SARB and policy conduct at the National Treasury, can also have a negative impact on the banking sector.

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

### **1.2. Risk management**

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

Credit risk is the risk of loss due to non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads. Credit risk also includes credit default risk, pre-settlement risk, country risk, concentration risk and securitisation risk.

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. Counterparty credit risk measures a counterparty’s ability to satisfy its obligations under a contract that has positive economic value 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 client.

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 financial position and earnings to unexpected, adverse movements in interest rates. Foreign exchange risk is the risk of an adverse impact on a bank’s financial position or earnings or other key ratios as a result of movements in foreign exchange rates impacting balance sheet exposures.

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

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

### **1.2.1 Credit risk**

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

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

Many factors affect the ability of the Issuer’s clients 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 outside of the Issuer’s control. The Issuer performs regular stress tests on its credit portfolios to identify the key factors impacting the credit risk profile, to anticipate possible future outcomes, and to implement necessary actions to constrain risk.

The Issuer continues to apply origination strategies which are aligned to its broader financial resource management processes and macroeconomic outlook. Based on the Issuer’s credit risk appetite, as measured on return on equity (“**ROE**”), net income after cost of capital (“**NIACC**”) and volatility-of-earnings basis, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management practices, therefore, spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement, as well as collection and recovery of delinquent accounts. Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and

reporting of credit risk exposure. 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's overall risk appetite.

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

The impact of COVID-19 on the economy and on companies and individuals is expected to increase the credit risk in advances and investment securities. The Prudential Authority ("PA") issued Directive 3 of 2020, *Matters related to the treatment of restructured credit exposures due to the Coronavirus (COVID-19) pandemic*, where government and business have called upon the banking sector to continue to extend credit to sectors in need, particularly households and small businesses, and to provide relief measures to reduce the strain on these sectors in an effort to sustain the local economy and maintain financial stability. The PA is supportive of the COVID-19 relief initiatives, such as payment holidays being offered by banks in order to provide relief to certain borrowers in the retail sector in an effort to mitigate the impact of the pandemic. The PA is also cognisant of the possible effect of the pandemic on the corporate sector. The PA has, therefore, decided to amend the requirements specified in Directive 7 of 2015 to provide temporary relief on the minimum capital requirements for banks, controlling companies and branches of foreign institutions relating to credit risk during this time.

### **1.2.2 Concentration risk**

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

The Issuer's business is significantly focused on the South African market and, the Issuer, therefore, faces a geographic concentration risk. Operations in South Africa are subject to various risks which include political, social and economic risks, such as general economic volatility, low growth, relatively high inflation, exchange rate risks, exchange controls, crime and diseases (including, for example, HIV/AIDS), which could affect an investment in the Notes. The existence of such factors may have a negative impact on South African economic conditions

generally, and more specifically on the business and results of the Issuer in ways that cannot be predicted.

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

### 1.2.3 Liquidity risk

*Structural characteristics impacting the funding profile of South African banks*

South Africa is an emerging market with significant socio-economic challenges. These include high levels of poverty and social security needs. The weak economy, high unemployment and rising electricity and fuel costs are among the many factors that contribute to constrained domestic savings and consequently low household savings rates.

In addition to a low domestic savings rate, South Africa's financial system is characterised by structural features which pose additional liquidity challenges for the domestic banking system. A key characteristic is the fact that the available savings in the economy are mostly contractual savings and funded pension liabilities. These savings are concentrated in institutions such as pension funds, provident funds and providers of asset management services. In addition, they tend to have a higher allocation to the equities market relative to fixed income assets (relative to developed market norms) and are invested at banks in the form of institutional funding, comprising wholesale funding from financial institutions across a range of deposits, loans and other financial instruments.

Furthermore, the operational liquidity management needs of institutions are largely met by their investments into the banking sector via the money market. These institutional deposits have a higher liquidity risk than retail deposits.

Given the relative reliance on institutional deposits, liquidity risk in the South African banking system is structurally higher than in most other markets.

However, this risk is to some extent mitigated by:

- the "closed rand" system, whereby all rand transactions (whether physical or derivative) must be cleared and settled in South Africa through registered banks and clearing institutions domiciled in South Africa. The Issuer is one of the major clearing/settlement banks;
- the institutional funding base is stable as it is, in effect, recycled contractual retail savings;
- the country has a prudential exchange control framework in place; and
- relative to emerging market peers, South African banks have a low dependence on foreign currency funding, i.e. low foreign currency roll-over risk.

These factors contributed to South Africa's resilience during the 2007 – 2008 global financial crisis. While COVID-19 initially resulted in liquidity stress for financial market participants, as many funds shortened their duration to remain liquid and meet margin calls as well as client requirements, these effects, however, remained short lived. The SARB introduced various

actions to support the markets through this stress. The aftereffects of the pandemic and SARB interventions was accompanied by a reduction in bank institutional funding spreads as the COVID-19 lockdown bolstered deposit levels, which stemmed from precautionary savings and reduced spending. Risks remain that funding costs could increase as the country emerges from the crisis and growth begins to accelerate.

#### *Foreign currency funding risks*

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

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

The Issuer believes that its level of access to domestic and international inter-bank and capital markets will allow it to meet its short-term and long-term liquidity needs due to the strategy, flexibility and diversification of its liquidity risk management policy in both foreign and domestic currencies. However, any maturity mismatches may have a material adverse effect on its financial condition.

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

Securitisation is the process whereby loans and other receivables are packaged, underwritten and sold in the form of asset-backed securities to investors. The Issuer makes use of securitisations to complement its overall funding strategy. This can, however, constitute a significant proportion of a particular asset class within the broader bank balance sheet.

While an important component of its overall funding strategy, the Issuer limits the use of securitisation to ensure appropriate strategy diversification and agility. Further, the Issuer does not aim to execute securitisations specifically for credit or capital relief purposes, and typically retains subordinated notes within the wider FirstRand Group structure. Consequently, the FirstRand Group retains all risks and rewards associated with the underlying assets. In addition, the use of securitisation transactions as part of the Issuer's funding strategy generates risks such as:

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

The Issuer engages in securitisation transactions in order to mitigate and not add to the funding and liquidity risk profile.

#### **1.2.4 Operational risk**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes, for example, fraud and criminal activity (internal and external), project risk, legal risk, business continuity, information and IT risk, process and human resources risk.

The principal operational risks currently facing the issuer are:

- business continuity risk due to the rapid spread of COVID-19;
- cyber risk (including information security), given the growing sophistication of cyber attacks both locally and globally, and the potential for cyber attacks brought about by the COVID-19 pandemic;
- technology risk, due to the pace of technology change and increasing digitisation;
- vendor risk, due to lack of direct control over external service providers and potential impact of COVID-19 on their ability to continue to deliver services;
- people risk, due to the impact of the COVID-19 pandemic on the physical and emotional wellbeing of employees over time, and potential employee non-adherence to health and safety protocols in the workplace; and
- execution, delivery and process management risk (risk of process weaknesses and control deficiencies) as the business adjusts to a new way of operating due to COVID-19, while still trying to grow and evolve under tough economic conditions.

*The Issuer may suffer a failure or interruption in or breach of its information technology systems*

Information technology (“IT”) risk encompasses both IT risk and IT change risk. The Issuer’s IT risk refers to the risk associated with the use, ownership, operation, involvement, influence and adoption of IT. It consists of IT-related conditions that could potentially impact the business. IT change risk refers to the risk arising from changes, updates or alterations made to the IT infrastructure, systems or applications that could affect service reliability and availability.

The Issuer’s main IT risks include the failure or interruption of critical systems, cybercrime, unauthorised access to systems and the inability to serve its customers’ needs in a timely manner.

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 competitive edge. 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, even for a short period of time, 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 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.

*Cyber-crime could have a negative impact on the Issuer's operations*

The Issuer's operations are dependent on its own IT systems and those of its third-party service providers. The Issuer could be negatively impacted by cyber attacks on any of these. As the Issuer moves banking to digital and mobile platforms, the risk of cybercrime increases, especially as infiltrating technology is becoming increasingly sophisticated, and there can be no assurance that the Issuer will be able to prevent all threats.

Technology has been central to the way people, companies and governments have managed the COVID-19 pandemic and the contact-free economy may also create new employment opportunities in the post-pandemic world. However, a greater dependence on technology has increased cybersecurity risks and privacy concerns. New working patterns may increase cyber attacks and data fraud.

*The Issuer's business is subject to its ability to quickly adapt to disruptions while maintaining continuous business operations*

The Issuer has established a business resilience policy and standards to govern business continuity (including disaster recovery) and to improve the capability of the business to effectively respond to disruptive events from internal failures or external events. This is achieved through the business continuity strategies including regular review of business continuity plans (including disaster recovery) and testing. 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.

*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 and have a material adverse effect on it*

The Issuer is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in South Africa insofar as reasonably practicable. These laws and regulations require the Issuer, among other things, to adopt and enforce "customer due diligence" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. While the Issuer has adopted policies and procedures aimed at detecting and preventing the use of its banking platforms for money laundering and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances in which the Issuer may be used by other parties to engage in money laundering or other illegal or improper activities. To the extent the Issuer may fail to fully comply with applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines and other penalties on the Issuer. In addition, the Issuer's business and reputation could suffer if customers use it for money laundering or illegal or improper purposes.

*The Issuer may be unable to recruit, retain and motivate key personnel*

An engaged workforce is critical to the successful delivery of the Issuer's objectives. The Issuer's performance is dependent on key personnel. The Issuer's continued ability to compete effectively and further grow its businesses also depends on its ability to attract new staff. In relation to the development and training of new and existing employees, the Issuer is reliant on the continued development of South Africa's educational sector, including access to facilities and educational programmes.

*Terrorist acts, hostility arising from competing political groups, acts of war, and other types of event risk could have a negative impact on the business*

Acts of terrorism, hostility from competing political parties, acts of war, government expropriation or confiscatory acts, currency inconvertibility, financial market closure, health pandemics and other types of event risk and responses to those acts and events, may have both direct and indirect negative impacts on the economic conditions of South Africa and internationally, and more specifically on the business and results of the Issuer in ways that cannot be predicted.

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

Environmental risk is defined as the impact of the natural environment on business as well as the impact and dependencies of the business on the environment and natural capital. These impacts can manifest in legal or regulatory requirements, potential financial losses, operational costs, physical damage, credit risk, or reputational risk because of an Issuer's failure to comply with responsible 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).

Social risk references social impacts associated with activities conducted through a business relationship with customers, investee companies or stakeholders as a result of financial exposure, lending/financing, investment and equity interest that may lead to a risk of legal or regulatory sanctions, material financial loss or reputational damage. The Issuer may suffer in any of these aspects because of its client or stakeholder organisation's failure to comply with all applicable laws, voluntary agreements, regulations and/or supervisory requirements. Social risks include product responsibility and inclusion issues, labour-related issues, occupational health and safety, community involvement, community security, human resettlement, indigenous people's rights and human rights. These risks could lead to criminal sanction, termination of operations, production losses and subsequently pose a financial, reputational or credit risk to the Issuer.

Climate risk is defined as a risk resulting from climate change, causing an increase in physical risks (stemming from increased incidences of natural disasters), transition risks (resulting from changes in laws, regulations or customer preferences) and third-party liability risks (due to non-compliance with climate regulations). The impact of climate change is expected to prompt

substantial structural adjustments to the global economy. Several sectors, such as fossil fuels, are expected to experience disruption from changes in investor or end-user preferences, or changes in regulations whilst others, such as renewable energy and other green energy sources, and carbon capture and adaptation technologies, are likely to benefit. Such fundamental changes will inevitably impact the balance sheets and operations of banks, leading to both risks and opportunities. Regulators are beginning to act, and investors, clients and civil society are looking for actions, mitigation, adaptation and transparency on the issue.

Environmental, social and climate risk is typically a crosscutting risk issue and, therefore cannot be managed in only one risk management function:

- Reputational: Damage to reputation from association with environmental and social impacts.
- Market and liquidity: Higher levels of market volatility, shift in asset valuations, dislocations, shift 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 risk.
- Disruptions to the Issuer's operations, infrastructure, workforce, processes and supply chain may result from acute environmental events.

Fiscal capacity has focused on the COVID-19 pandemic with a resultant shortfall of investment in climate adaptation and mitigation efforts. However, worldwide lockdowns resulted in reduced emissions due to decreased industrial activity, travelling and commuting. As economies reopen, global emissions will increase and there is emerging evidence that large-scale infectious disease outbreaks may become more frequent due to a warming climate and biodiversity loss. Many governments have announced green recovery packages that aim to address both economic recovery and climate change. The South African cabinet recently approved the National Climate Change Adaptation Strategy, which acknowledges that a climate resilient economy is vital for job protection and economic growth.

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

The Issuer has devoted significant resources to developing its risk management policies and procedures, particularly in connection with credit, concentration and liquidity risks, and expects to continue to do so in the future. Nonetheless, its risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Issuer's methods of managing risk are based upon its use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be greater than historical measures indicate. Other risk management methods depend upon evaluation of information regarding the markets

in which the Issuer operates, its clients or other matters that are publicly available or otherwise accessible by the Issuer. This information may not be accurate in all cases, complete, up-to-date or properly evaluated. Any failure arising out of the Issuer's risk management techniques may have an adverse effect on the results of its operations and financial condition.

### **1.5 Competitive landscape**

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

In particular, competition may increase in South Africa as a result of the approval of an amendment to the Banks Act on 7 March 2019, which will allow state-owned entities to establish a bank but only at national level.

Increasing competition could also require that the Issuer increases its rates offered on deposits or lower the rates it charges on loans, which could also have a material adverse effect on the Issuer, including its profitability. Although the Issuer's financial resource management approach requires it to price appropriately for financial resources, should competitive forces prevent the Issuer from pricing for these resources appropriately it may withdraw from offering certain products which may also negatively affect the Issuer's business results and prospects, by, among other things, limiting its ability to generate revenue, increase its customer base and/or expand its operations.

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

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

The Issuer's credit ratings affect the cost and other terms upon which the Issuer can obtain funding. Rating agencies regularly evaluate the Issuer and the ratings of its long-term debt are based on a number of 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 macro risk profiles for its country of incorporation and that of its operating jurisdictions. These parameters and their possible impact on the Issuer's credit ratings are closely monitored and incorporated into its liquidity risk management and contingency

planning considerations. In particular, as rating agencies impose a cap on the Issuer's rating at the level of the sovereign rating, a change to the sovereign rating will, therefore, impact the Issuer's rating.

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

There can also be no assurance that the rating agencies will maintain the Issuer's current ratings or outlooks 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 material adverse effect on the Issuer. Ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

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

The Issuer is subject to capital adequacy guidelines adopted by the PA, which provide for minimum capital requirements for Common Equity Tier 1 ("CET1"), Tier 1 and Total Capital. Any failure by the Issuer to maintain its minimum capital requirements may result in restrictions placed on distributions, as well actions against the Issuer, which may in turn impact on its ability to fulfil its obligations under the Notes.

The Regulations Relating to Banks (as amended from time to time) are based on the Basel III framework and provide the minimum risk-based capital ratios. The minimum requirements for CET1, Tier 1 and total capital are 7.75%, 9.63% and 12%, respectively. These minimum ratios exclude the confidential bank-specific individual capital requirement but includes the domestic systemically important bank ("D-SIB") requirement for the Issuer. In response to the COVID-19 pandemic, the PA implemented temporary measures to provide additional capacity to counter economic risks to the financial system and promote ongoing lending to the economy. The PA published Directive 2 of 2020, *Matters related to temporary capital relief to alleviate risks posed by the COVID-19 pandemic*, which temporarily reduced the Pillar 2A capital requirement from 1% to 0%, effective 6 April 2020, as well as allow banks to draw down against the capital conservation buffer as the PA considers this to be a period of financial stress. The abovementioned minimum requirements have been adjusted for these temporary relief measures. The minimum leverage ratio requirement was not adjusted for any COVID-19 relief measures.

The PA published Directive 5 of 2021, *Capital framework for South Africa based on the Basel III framework*, on 20 May 2021 which reinstates the Pillar 2A requirement of 1% in 2022, as well as requires the first 1% of the bank's specified D-SIB requirement to be met with CET1 capital.

The Issuer's internal capital targets were not adjusted following the temporary COVID-19 capital relief measures, as the Issuer aligns its capital targets to the minimum requirements incorporating a fully phased in Pillar 2A capital requirement and a maximum D-SIB requirement.

Failure by the Issuer to meet minimum requirements for example the capital conservation and countercyclical buffer, could result in restrictions being placed on distributions, including dividends and discretionary payments.

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

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

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

To allow markets to continue to operate smoothly and provide banks with temporary liquidity relief during the crisis, the PA issued Directive 1 of 2020, *Temporary measures to aid compliance with the liquidity coverage ratio during the Coronavirus (COVID-19) pandemic stress period*, which temporarily reduced the prudential LCR requirement from 100% to 80%, effective 1 April 2020. No further guidance has been provided by the PA on the planned withdrawal of this liquidity relief measure.

The PA introduced the committed liquidity facility (“**CLF**”) to assist banks to meet the LCR. Guidance Note 8 of 2020, *Continued provision of a committed liquidity facility by South African Reserve Bank to banks*, was released on 9 September 2020, and provides revised guidelines and conditions relating to the continued provision of the CLF, specifically covering the period 1 December 2020 to 30 November 2021. The guidance note also confirmed the phase out of the CLF by 1 December 2021.

Guidance Note 8 also noted the introduction of the restricted-use committed liquidity facility (“**RCLF**”) to be made available to all banks by the PA annually from 1 December 2020 onwards. The provision and terms of the RCLF is legislated in the Regulations relating to Banks. Similar to the CLF, the facility is made available contractually for a year covering the period 1 December 2020 to 30 November 2021. The collateral eligible for both the CLF and RCLF are the same, though unlike the CLF, the RCLF is included in level 2B HQLA and is subject to the overall limit of 15% of level 2B HQLA. Collateral for the RCLF attracts a 50% haircut irrespective of the quality of the underlying instruments.

The NSFR is a structural balance sheet ratio focusing on promoting a more resilient banking sector. The ratio calculates the amount of available stable funding relative to the amount of required stable funding. The amended framework issued by the PA in August 2016, whereby funding received from financial corporates, excluding banks, maturing within six months receives an available stable funding factor of 35% continues to remain in effect. In addition, the PA also applied its discretion in relation to the CLF and NSFR, applying a 5% required stable funding

factor to the assets (post haircut) eligible for CLF purposes. With the phaseout of the CLF the favourable NSFR treatment of CLF collateral noted above will fall away. Under the RCLF, the assets underpinning the facility will attract the standard required stable funding factors for level 2B assets.

### **1.9      Changing regulatory environment**

The Issuer is subject to the laws, regulations, administrative actions and policies of South Africa and each other jurisdiction in which it operates, and the Issuer's activities may be constrained by such legal and regulatory requirements. Changes in regulation and supervision, particularly in South Africa, could materially affect the Issuer's business, the products or services offered, the value of its assets and its financial condition. Although the Issuer works closely with its regulators and continuously monitors the regulatory feedback and proposals, future changes in regulation, fiscal or other policies cannot be predicted and are beyond the control of the Issuer.

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

- Banks Act, 1990 and related Regulations.
- Collective Investment Schemes Control Act (CISCA), 2002.
- Companies Act, 2008.
- Competition Act, 1998.
- Consumer Protection Act, 2008.
- Currency and Exchanges Act, 1993 and Exchange Control Regulations, 1961.
- Financial Advisory and Intermediary Services (FAIS) Act, 2002.
- Financial Intelligence Centre (FIC) Act, 2001.
- Financial Markets Act (FMA), 2012.
- Financial Sector Regulation Act, 2017.
- Foreign Account Tax Compliance Act, 2010.
- King Code of Governance Principles for South Africa, 2016 (King IV).
- National Credit Act (NCA), 2005.
- National Payment System Act, 1998.
- Prevention and Combating of Corrupt Activities Act (PRECCA), 2004.
- Protected Disclosures Act, 2000.
- Protection of Personal Information Act (PoPIA), 2013.
- Legislation and rules related to listed instruments on various exchanges.
- Statutory codes of conduct, standards, joint standards and other subordinate legislation issued by, among others, the Financial Sector Conduct Authority ("FSCA") and the PA.

The Issuer is also subject to any applicable regulatory instruments issued pursuant to any of the abovementioned legislation.

*In accordance with its Basel III and G20 commitments, the SARB is developing a resolution framework but no implementation date has been set.*

The Financial Sector Laws Amendment Bill (“**FSLAB**”) was recently tabled in Parliament. The bill is part of the Twin Peaks reforms of the South African financial sector regulatory system and will reinforce and strengthen financial stability in South Africa. It introduces critical elements relating to, among other, how to deal with failing banks and other systemically important financial institutions, the ultimate objective of which is to protect financial stability in South Africa. Aligned to the aforesaid, the bill proposes necessary amendments to various acts, including, among other, the Financial Sector Regulation Act, 2017; the Insolvency Act; the South African Reserve Bank Act, 1989; the Banks Act, 1990; the Competition Act, 1998 ; the Financial Markets Act; and the Insurance Act. The bill also provides for the establishment of a framework for the resolution of designated institutions to ensure that the impact or potential impact of a failure of a designated institution on financial stability is managed appropriately, the designation of the SARB as the resolution authority and the establishment a deposit insurance scheme, including a Corporation for Deposit Insurance (“**CoDI**”) and a deposit insurance fund. The bill is also necessary to enable South Africa to meet certain post 2008 global financial crisis international standards, as endorsed by G-20 countries and outlined in the Financial Stability Board’s document, *Key Attributes of Effective Resolution Regimes for Financial Institutions*, which sets out the international standard for resolution regimes to address the problem of banks which are considered “too big to fail”. The underlying policy approach to resolution is contained in two policy papers, namely *Strengthening South Africa’s Resolution Framework for Financial Institutions* and *Designing a Deposit Insurance Scheme for South Africa*, which were published by the National Treasury and the SARB during 2015 and 2017, respectively. As referred to above, one of the key amendments included in the bill is the establishment of the CoDI designed to protect depositors’ funds and enhance financial stability.

The SARB released a discussion paper, *Ending too big to fail: South Africa’s intended approach to bank resolution*, on 23 July 2019. The discussion paper outlines the objectives of the resolution framework, planning and conducting a resolution with an emphasis on open-bank resolution, especially in relation to systemically important financial institutions. The intended bank resolution provides more clarity on the SARB’s approach to further enhance financial stability in South Africa. The FSLAB introduced a new tranche of loss-absorbing instruments, i.e. flac instruments, which are subordinated to other unsecured creditors and intended for bail-in in resolution. The flac requirements will be applicable to banks with open bank resolution plans. The SARB acknowledged the international approaches towards calibration of total loss-absorbing capacity but had not detailed how the quantum of required flac instruments will be calculated for relevant institutions, nor the deadline for compliance. PricewaterhouseCoopers (“**PwC**”), appointed by the World Bank and SARB, conducted a survey to analyse various aspects relevant to flac instrument requirements. The World Bank published its report, *South Africa: Feasibility and Cost-Benefit Analysis of Using Bail-In as a Recapitalisation Mechanism* in December 2020, covering:

- the point of non-viability versus the point of resolution;
- characteristics and calibration of flac instruments;
- location of issuance;
- pricing considerations; and
- transitional arrangements.

The SARB published the following discussion papers:

- October 2020: *Group structure reporting requirements for resolution planning*.
- April 2021: *Proposed requirements for funding in resolution*, which outlines:
  - (i) proposed requirements for designated institutions to estimate, assess and develop ex ante funding arrangements to finance their liquidity needs and preserve the critical functions in a resolution; and
  - (ii) proposed arrangements to be put in place by the SARB as a participant in the financial safety net.
- May 2021: *Proposed principles and requirements for Flac instruments*, which outlines the characteristics, calibration, and implementation period for the proposed Flac instruments, and *Using the deposit insurance fund to reimburse covered depositors*, which provides details about the processes to be followed to utilise the deposit insurance fund and the reimbursement methods to be used by CoDI. This paper is also referred to as the “payout paper.”

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

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

South Africa is an emerging market with significant socio-economic challenges. Investors in emerging markets such as South Africa should be aware that these markets carry risks which are different from those which apply to investment in more developed markets. These risks include economic and financial market volatility which may be exacerbated by global economic volatility, as well as, in some cases, significant legal and political risks.

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

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

Any of these factors, amongst others (such as the current COVID-19 crisis), as well as volatility in the markets for securities similar to the Notes, may adversely affect the value or liquidity of the Notes.

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

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

### **2.2 Regulatory environment**

The Issuer is subject to formal regulation in South Africa. Regulatory agencies have broad jurisdiction over many aspects of the Issuer's business, such as safety and soundness

(prudential) requirements pertaining to, among other, capital adequacy and risk management requirements in its broadest sense.

Changes in government policy, legislation or regulatory interpretation applying to the financial services industries in the markets in which the Issuer operates may adversely affect the Issuer's product range, distribution channels, capital requirements, environmental and social obligations and, consequently, reported results and financing requirements. In this regard, any change in regulation to increase the requirements for capital adequacy or liquidity, or a change in accounting standards, could have a material adverse impact on the Issuer's business, results, financial condition or prospects.

During 2011, the government issued a policy paper, *A Safer Financial Sector to Serve South Africa Better*, which articulated its strategic regulatory objectives. The document identified policy priorities to reform the financial sector, most notably: financial stability, consumer protection and market conduct, expanding access of financial services through inclusion, and combating financial crime. Achieving these objectives evidently necessitated a change in the South African regulatory landscape from both a structural and a policy perspective which necessitated the introduction of a "twin-peaks" approach to financial sector regulation. In terms of the twin peaks approach, equal focus is placed on prudential and market conduct regulation with separate but equally important focus on financial stability. A phased-in approach was followed for the implementation of the twin peaks system of financial regulation in South Africa. The twin peaks system of financial regulation in South Africa was implemented on 1 April 2018. The SARB, which is not a financial sector regulator, is responsible for financial stability whilst the PA and the FSCA took effect. It is important to note that a key objective of the twin peaks system of financial regulation in South Africa is to ensure that there is effective co-operation and collaboration among the SARB, the PA, the FSCA, the National Credit Regulator ("NCR"), the Financial Intelligence Centre and the Competition Commission, which may result in additional complexities for financial services and product providers in managing regulatory and conduct risks. The Issuer will continue to work closely with its regulators on matters pertaining to the above.

### **Conduct Standard for Banks**

The FSCA published *Conduct Standard for Banks* on 3 July 2020 ("**Conduct Standard 3 of 2020**"). This standard is being implemented in a staggered manner, with some of the provisions being effective immediately and other provisions being implemented within a period of eight and 12 months of publication. This standard entrenches the FSCA's oversight over products and services being offered by banks. The standard requires compliance with the treating customers fairly regime, including requirements relating to culture and governance (including reward and remuneration), product approval, disclosures, post-sale services (including complaints handling). To some extent, there is overlap with existing regulatory requirements (such as required by the Financial Advisory and Intermediary Services Act and the National Credit Act). In order to avoid excessive disruption to operations, it is necessary to ensure harmonisation of the requirements emanating from this standard, with existing regulatory and customer obligations, where possible. This exercise is currently being conducted internally. Similarly, the request for information from

regulators may overlap or be duplicated and should ideally be managed through the memoranda of agreements between regulators. Non-compliance with the requirements imposed in terms of this standard may result in enforcement actions taken against the Issuer.

### National Credit Act

The National Credit Act, 2005 (“NCA”) which came into effect on 1 June 2007, has made significant changes to the interest, costs and fees which retail banks and other credit providers may charge consumers in South Africa. The maximum prescribed interest rates which may be levied on credit agreements are set out in the regulations to the NCA. The NCA further stipulates a closed list of costs and fees which may be recovered under a credit agreement in addition to the capital amount and interest. These relate to an initiation fee, a monthly service fee, default administration costs and collection costs. The initiation fee for arranging the credit agreement may not exceed the maximum prescribed amount, monthly service fees for the banks administration of the agreement are capped, default administration charges must be levied in accordance with the Magistrates Court Act, 1944 and collection costs are also limited. Other charges which may be applicable are strictly regulated and may only be levied if specifically listed in the NCA and to the extent permitted in the NCA. The NCA also requires certain qualifying credit providers to register with the NCR, and credit agreements entered into by entities which are not registered credit providers, as is required in terms of the NCA, will be *void ab initio*. In addition, certain credit agreements which contain unlawful provisions in terms of the NCA could potentially be rendered *void ab initio*.

The NCA has strict provisions which prohibit the selling or collection of outstanding debts which have prescribed. This means that credit providers can no longer collect on loans where no legal action has been taken and no payments have been received for three years. This will impact the ability of banks to collect existing non-performing and written-off loans which have prescribed and applies to all loans in existence at 13 March 2015 and new loans granted thereafter. In addition, affordability assessment regulations, which came into effect on 13 March 2015, and credit providers’ commitments to combatting over-indebtedness, are important considerations for the NCR in consideration of the registration of credit providers, in terms of the NCA. During August 2019, the National Credit Amendment Act, Act 7 of 2019 was promulgated. The effective date has yet to be proclaimed by the Minister of Trade and Industry through publication in the Government Gazette. The proposed amendments include, among other, a debt intervention measure to assist consumers to whom insolvency measures are not accessible in practice. The process involves the extinguishment of debt, where applicable. The NCR will implement the debt intervention process and refer matters to the National Consumer Tribunal to adjudicate on debt intervention applications. Debt counsellors are required to investigate reckless credit agreements and report such to the NCR in respect of consumers who apply for debt review. The possibility of extinguishment of debt, though limited to certain income thresholds and unsecured debt, may

result in negative consumer payment behaviour which can result in the credit industry adjusting credit risk appetites.

### **Protection of Personal Information Act 4 of 2013 (“POPIA”)**

One of the key purposes of POPIA is to give effect to the section 14 constitutional right to privacy and ensuring harmony with international standards on data privacy. POPIA was enacted in 2013 and came into effect on 1 July 2020, save for certain provisions, but there is a one-year grace period within which to comply with POPIA. POPIA specifically regulates the processing of personal information, which is broadly defined as information relating to an identifiable, living, natural person, and where applicable, an identifiable, existing, juristic person. The term applied to these natural and juristic persons is “data subject”. In terms of section 3(1) of POPIA, its provisions apply to the processing of personal information entered in a record by or for a responsible party, using automated or non-automated means, where the responsible party is either domiciled in South Africa or makes use of automated or non-automated means to process personal information within South Africa. Each of the entities in the FirstRand Group can be considered as a responsible party (also acting in conjunction with other entities) when determining the purpose of and means for processing personal information of its customers, employees and suppliers.

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

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

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

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

### **Companies Act**

The Companies Act 71 of 2008 as amended (“**the Act**”) by the Companies Amendment Act 33 of 2011 was effective from 1 May 2011. The Companies Act provides incorporation, registration and management of companies, capitalisation of profit companies, shareholder provisions, accountability and transparency, corporate finance, director’s duties and board governance, mechanisms for efficient business rescue of financially distressed companies, fundamental transactions, takeovers and share purchases that could potentially have an impact on the rights and duties of the Issuer and Noteholders.

### **Consumer Protection Act**

The Consumer Protection Act, 2009 (“**CPA**”) came into effect on 1 April 2011. The CPA will give consumers the right to demand quality service and to full disclosure of the price of goods and services, and protection against false, misleading or deceptive representations.

The CPA will fundamentally change the way business is done in South Africa. It requires businesses to transform the way in which they interact with consumers and to ensure that all dealings with consumers are fair, reasonable and honest. Credit agreements governed by the NCA do not fall within the ambit of the CPA, however, the goods or services that are the subject of the credit agreement are not excluded from the ambit of the CPA. The CPA provides that certain industries may be exempted from particular provisions of the CPA where there are existing consumer protection regimes in place in respect of those industries. Banks are exempted from section 14 of the CPA which deals with fixed-term contracts as there is concern in the banking industry that the said provision will adversely impact fixed term deposits and bank customer’s ability to withdraw such deposit early.

## **2.3 Exchange controls**

Foreign-derived loan capital or equity capital may be introduced into South Africa through a formal system of exchange control as summarised in the section entitled “*South African Exchange Control*” of this document. However, the proceeds from the sale of assets in South Africa owned by a non-resident are not remittable to the non-resident unless the request is reviewed by an authorised dealer in foreign exchange after which, permission may be granted referencing the specific section of the Authorised Dealer Manual in terms of which the client is

permitted to transact, or if such authorised dealer in foreign exchange is unable to approve the request, only then is prior approval required from the SARB.

Since 1995, certain exchange controls in South Africa have been relaxed. The extent to which the South African Government (the “**Government**”) may further relax such exchange controls cannot be predicted with certainty. The Government has, however, responsibly committed itself to a gradual and orderly approach of relaxation. Further indiscriminate relaxation of exchange controls may precipitate a change in the capital flows to and from South Africa. If the net result of this were to cause large unanticipated capital outflows, this could adversely affect the Issuer’s business and it could have an adverse effect on the financial condition of the Issuer as a whole. In the event of the immediate abolition of exchange control there may be a sudden withdrawal of rand from the South African market by investors. Because South Africa has a fully-floating exchange rate and a flexible interest rate policy, this would result in a rapid depreciation of the rand exchange rate which would serve to stem the flight and would also result in an increase in interest rates due to the depreciation of the rand. The SARB may sell reserves to protect the value of the rand. Such reserve activity by the SARB is likely to be sterilised and as such should not have a significant impact on inflation.

### **3 RISKS RELATING TO THE NOTES**

#### **3.1 Risks relating to the Notes generally**

These risk factors apply to any Notes issued by FirstRand Bank Limited under any DMTN Programme (the “**Programme**”) where this Issuer Disclosure Document is expressly incorporated by reference into such Programme. Terms used in this section “*Risks relating to the Notes*”, will, unless defined herein, bear the meaning given to the relevant definition in the Programme under which the relevant Notes have been or will be issued.

#### **3.2 There is no active trading market for the Notes**

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

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

Unless in the case of any particular Tranche of Notes the relevant Applicable Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts

payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions.

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

In respect of any Tier 2 Notes, the Issuer may, subject to the applicable Regulatory Capital Requirements, also redeem all outstanding Notes in the event of a Regulatory Capital Event. Any redemption of Tier 2 Notes prior to their Maturity Date (other than redemption for regulatory capital reasons) requires the prior written approval of the Prudential Authority, in terms of the Banks Act and any successor or replacement thereto, or any authority having primary responsibility for the prudential oversight and supervision of the Issuer and/or the responsibility of making decisions relating to the declaration of a bank as being non-viable with the effect (as contemplated in the Regulations Relating to Banks) of triggering loss absorption within the relevant capital instruments and/or shares ("Relevant Authority").

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

Notes issued under the Programme which are listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange(s) and/or immobilised in the "CSD" (being Strate Proprietary Limited, or its nominee, being a registered central securities depository operating in terms of the Financial Markets Act (or any successor legislation thereto), or any additional or alternate central securities depository approved by the Issuer) must, subject to Applicable Laws and the Applicable Procedures, be issued in uncertificated form. Unlisted Notes may also be lodged and immobilised in the CSD in uncertificated form. Notes held in the CSD will be issued, cleared and settled in accordance with the Applicable Procedures through the electronic settlement system of the CSD. The CSD will maintain records of the Beneficial Interests in Notes issued in uncertificated form which are held in the CSD (whether such Notes are listed or

unlisted). Investors will be able to trade their Beneficial Interests only through the CSD and in accordance with the Applicable Procedures.

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

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

### **3.5 Unlisted Notes**

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

### **3.6 Credit rating**

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

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

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

Purchasers are advised to consult their own professional advisers as to the tax consequences of investing in the Notes, including any withholding tax consequences and the effects on such a purchaser of there being no obligation on the Issuer, the Paying Agent (as defined in the

Applicable Pricing Supplement) or any other person to pay additional amounts in respect to Notes where a withholding obligation is imposed.

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

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

### **3.9 Modification, waivers and substitutions**

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

### **3.10 Change of law**

The Programme Memorandum, the Applicable Pricing Supplement, the Notes, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with South Africa law. No assurance can be given as to the impact of any possible judicial decision or change to South African law or the law of any other jurisdiction or administrative practice after the date of signature of the Applicable Pricing Supplement. Such changes in South African law may include, but are not limited to, the introduction of a variety of statutory resolution and loss-absorption tools which may affect the rights of holders of securities issued by the Issuer, including the holders of Regulatory Capital Notes. Such tools may include the ability to write off sums otherwise payable on such securities at a time when the Issuer is no longer considered viable by its regulator or upon the occurrence of another trigger event (see section 4 (*Additional Risks Relating to Regulatory Capital Notes*) below for further details). The Regulatory Capital Notes issued or to be issued currently provide in the contractual terms and conditions thereof for the writing off of such Tier 2 Notes (or a Relevant Part thereof) upon the occurrence of a Trigger Event (as defined in the Programme) (see section 4 below for further details).

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in the Programme Memorandum, each supplement thereto, or any Applicable Pricing Supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

### 3.11.1. Index-linked and dual currency Notes

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

Potential investors should be aware that:

- the market price of such Notes may be volatile;
- no interest may be payable on such Notes;
- payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;

- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

### 3.11.2 Partly-Paid Notes

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

## 3.12 Legal investment considerations may restrict certain investments

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

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

## 3.13 Financial markets

A prospective investor of the Notes should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary markets for instruments similar to the Notes. The Issuer cannot predict if and when these circumstances will change, and if and when they do, whether conditions of general market illiquidity for the Notes and instruments similar to the Notes will return in future.

## 3.14 Foreign exchange control

Foreign derived loan capital or equity capital may be introduced into South Africa through a formal system of Exchange Control as summarised in the section headed “South African Exchange Control” of this document. The proceeds from the sale of assets in South Africa owned by a non-resident are not remittable to the non-resident unless prior approval is received from an authorised dealer in foreign exchange or, if such authorised dealer in foreign exchange is

unable to approve the request as per the requirements laid down in the Currency and Exchanges Manual, then prior approval is required from the SARB.

## 4 ADDITIONAL RISKS RELATING TO REGULATORY CAPITAL NOTES

### 4.1 Capital regulations

For the proceeds of the issue of a Tranche of Subordinated Notes to rank as Additional Tier 1 Capital or Tier 2 Capital, as the case may be, the Subordinated Notes must comply with the applicable Regulatory Capital Requirements and such additional conditions as may be prescribed by the Relevant Authority for the proceeds of the issuance of such Tranche of Subordinated Capital Notes to qualify as Regulatory Capital at the time of such issue, as specified in the applicable pricing supplement (if any) in respect of that Tranche of Subordinated Notes.

### 4.2 Statutory loss absorption at the point of non-viability of the Issuer

Basel III (as defined in the “**Statutory Loss Absorption Regime**” definition in the “Interpretation” section of the applicable Programme Memorandum) requires the implementation of certain non-viability requirements as set out in the press release dated 13 January 2011 of the BCBS entitled “*Minimum requirements to ensure loss absorbency at the point of non-viability*” (the “**Basel III Non-Viability Requirements**”). The Basel III Non-Viability Requirements represent part of the broader package of guidance issued by the BCBS on 16 December 2010 and 13 January 2011 and revised in July 2011, in relation to Basel III.

Under the Basel III Non-Viability Requirements, the terms and conditions of all Additional Tier 1 and Tier 2 instruments issued by an internationally-active bank must have a provision that requires such instruments, at the option of the Relevant Authority, to either be written off or converted into common equity upon the occurrence of a trigger event (described below) unless:

- (a) the governing jurisdiction of the bank has in place laws that (i) require such Additional Tier 1 and Tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss (a “**Statutory Loss Absorption Regime**” or “**SLAR**”);
- (b) a peer group review confirms that the jurisdiction conforms with paragraph (a) above; and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under paragraph (a) above.

The trigger event is the earlier of: (i) a decision that a write off, without which the issuing bank would become non-viable, is necessary, as determined by the Relevant Authority; and (ii) the decision to make a public sector injection of capital, or equivalent support, without which the issuing bank would have become non-viable, as determined by the Relevant Authority.

Regulation 38(11) and regulation 38(12) of the Regulations Relating to Banks refer to the need for the Basel III Non-Viability Requirements to be reflected in the terms and conditions of an Additional Tier 1 instrument and/or a Tier 2 instrument (defined below) unless a duly enforceable SLAR is in place.

The SARB has provided some clarity on the loss absorbency requirements contemplated in the Regulations Relating to Banks in Guidance Note 2 of 2012 (*Matters related to the implementation of Basel III*), Circular 6 of 2013 (*Matters related to conditions for the issue of instruments or shares, the proceeds of which rank as Tier 2 capital*), Circular 6 of 2014 (*Interpretation of specified conditions for the issuing of instruments or shares which rank as Additional Tier 1 capital and Tier 2 capital*), and Guidance Note 6 of 2017 (“**Guidance Note 6**”), and has indicated that it, together with National Treasury, is in the process of drafting legislation that will provide for a detailed SLAR. No official statement has, however, been made as to when the SLAR will be implemented in South Africa. The SARB has also provided detail in relation to its approach to bank recovery and outlined the phased-in approach to be followed in relation to the development of bank resolution plans in Guidance Note 4 of 2012 (*Further guidance on the development of recovery and resolution plans by South African banks*). The SARB has provided further guidance on the minimum requirements for the recovery plans of banks, branches of foreign banks and controlling companies in Directive 1 of 2015 (*Minimum requirements for the recovery plans of banks, controlling companies and branches of foreign institutions*). These Guidance Notes are broadly drafted and require further refinement, and market participants continue to discuss the Regulations Relating to Banks and the Guidance Notes with the SARB. Paragraph 1.3 of Guidance Note 6 provides that the SARB will continue to monitor international developments around loss absorbency requirements, and if necessary, will issue further guidance.

Guidance Note 6 requires banks to indicate, in the contractual terms and conditions of any Regulatory Capital Notes issued, whether such instruments would be either written off or converted into the most subordinated form of equity of the bank and/or its controlling company (such conversion, “**Conversion**”) at the occurrence of a trigger event determined at the Relevant Authority’s discretion, as envisaged in Regulation 38(11) and Regulation 38(12) of the Regulations Relating to the Banks. To the extent that Regulatory Capital Notes are issued prior to the commencement of the SLAR, such Regulatory Capital Notes will have to contractually provide for write off or Conversion (at the discretion of the Relevant Authority at the occurrence of a Trigger Event, as write off and Conversion are understood and applied in terms of the regulatory framework applicable at the time of the issuance of such Regulatory Capital Notes) in order to qualify as Regulatory Capital Notes. The terms and conditions of the Tranches of Regulatory Capital Notes issued under this Programme accordingly provide for the write off of Regulatory Capital Notes (or a Relevant Part thereof) or Conversion at the discretion of the Relevant Authority upon the occurrence of a Trigger Event (see also sections relating to “*Write Off of Subordinated Capital Notes upon a Trigger Event*” and “*Conversion of Subordinated Notes upon a Trigger Event*” under the applicable Programme Memorandum).

Notwithstanding the requirement to provide for write off and/or Conversion in the contractual terms and conditions of a Tier 2 instrument, paragraph 6.3 of Guidance Note 6 provides that banks have the option to elect, upon the commencement of the SLAR, to have the existing contractual Write Off/Conversion Provisions of any Tier 2 instruments issued prior to the implementation of the SLAR replaced with the Write Off/Conversion Provisions in the legislation and/or regulations which implement(s) the SLAR. The Terms and Conditions of this Series of Tier 2 Notes accordingly provide that the Issuer shall, subject to certain specific requirements (see sections relating to Disapplication of the Non-Viability Absorption Condition or Contractual

Conversion Condition or Contractual Write Off Condition under the applicable Programme Memorandum) have the option (the “**Amendment Option**”), upon the commencement of the SLAR (subject to the prescribed timeframe), to elect that the Non-Viability Loss Absorption Condition shall cease to apply, and that the Statutory Loss Absorption Regime will instead apply, to the Notes. If the Amendment Option is not exercised by the Issuer (provided that the SLAR is not applied mandatorily to the Notes under Applicable Law), then the Notes will not be subject to the Statutory Loss Absorption Regime and the Non-Viability Loss Absorption Condition will continue to apply to the Notes.

Despite the above, whether regulated by the contractual Write Off/Conversion Provisions or the Write Off/Conversion Provisions in the legislation and/or regulations which implement(s) the SLAR, clause 2.6 of Guidance Note 6 provides that write off or Conversion of Tier 2 instruments will only occur to the extent deemed by the Relevant Authority as necessary to ensure that the Bank is viable, as specified in writing by the Relevant Authority. Accordingly, any write off or Conversion of the Tier 2 Notes will generally be effected to ensure compliance with these minimum requirements only. Any write offs or Conversions will also be subject to any restrictions on holding shares in a bank and/or a controlling company of a bank under South African law.

#### **4.3 Risks relating to Additional Tier 1 Notes**

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

In terms of Regulation 38(11)(b) of the Regulations Relating to Banks, the Issuer must at all times have full discretion regarding any payment of interest on the Additional Tier 1 Notes. Deferred interest payments on the Additional Tier 1 Notes will not be cumulative.

In terms of the sections in the Terms and Conditions of the applicable Programme Memorandum relating to Non-payment of interest, the Issuer is obliged to elect not to pay the relevant Interest Amount, on the relevant Interest Payment Date, if the Issuer is in breach of the Capital Regulations on the Business Day prior to the relevant Interest Payment Date or would be in breach of the Capital Regulations if the relevant Interest Amount (or any portion thereof) were paid on the relevant Interest Payment Date.

Any interest not so paid on any such Interest Payment Date will be cancelled and will no longer be due and payable by the Issuer. A cancellation of interest pursuant to Condition 8.1 (Non-payment of interest) does not constitute an Event of Default under the Additional Tier 1 Notes for any purpose.

Any actual or anticipated cancellation of interest on the Additional Tier 1 Notes will likely have an adverse effect on the market price of the Additional Tier 1 Notes. In addition, as a result of the interest cancellation provisions of the Additional Tier 1 Notes, the market price of the Additional Tier 1 Notes may be more volatile than the market prices of other debt securities on which interest

accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition.

#### **4.4 Risks relating to Tier 2 Notes**

##### **4.4.1 Notes may be subordinated to most of the Issuer's liabilities**

The payment obligations of the Issuer under Tier 2 Notes will rank behind Senior Creditors. See sections related to the Status of Tier 2 Notes under the applicable Programme Memorandum for a full description of the subordination and the payment obligations of the Issuer under Tier 2 Notes.

With regard to any Tier 2 Notes, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, curatorship or wound-up, the Issuer will be required to pay or discharge the claims of Senior Creditors (as such term has been defined in each Programme) in full before it can make any payments in respect of such Tier 2 Notes. If this occurs, the Issuer may not have enough assets remaining following these payments to pay amounts due under such Tier 2 Notes.

##### **4.4.2 No restrictions on the issuance of securities or indebtedness which ranks senior or *pari passu* to Tier 2 Notes**

There is no restriction on the amount of securities or indebtedness which the Issuer may issue or incur which rank senior to, or *pari passu* with, the relevant Tier 2 Notes. The issue of any such securities or indebtedness may reduce the amount recoverable by Tier 2 Noteholders on a winding-up, liquidation or curatorship of the Issuer.

##### **4.4.3 Winding-up, liquidation, curatorship and limited rights of acceleration**

If the Issuer is wound-up or put into liquidation or curatorship, voluntarily or involuntarily, Tier 2 Noteholders will not be entitled to any payments under the Tier 2 Notes until the claims of Senior Creditors which are admissible in any such winding-up, liquidation or curatorship have been paid or discharged in full. If the Issuer does not have enough assets at the time of winding-up, liquidation or curatorship to satisfy those claims, Tier 2 Noteholders will not receive any payment on the Tier 2 Notes. There is no limitation on the ability to issue debt securities in the future that would rank equal or senior in winding-up, liquidation or curatorship to the Tier 2 Notes.

In addition, the rights of Tier 2 Noteholders are limited in certain respects. In particular, if the Issuer defaults in the payment of any amount payable in respect of such Notes, and such default continues for longer than the relevant grace period (if any) specified in the Programme, after receiving written notice from any of the Tier 2 Noteholders, such Tier 2 Noteholder may only institute proceedings for the winding-up of the Issuer (and/or prove in any winding-up of the Issuer) but take no other action in respect of that default. Only if an order is made or an effective resolution is passed for the winding-up of the Issuer (otherwise than for the purpose of an amalgamation, merger, consolidation or re-organisation not involving liquidation, winding-up or bankruptcy) shall the Tier 2

Noteholder be able to declare (upon written notice) such Tier 2 Note immediately due and payable.

**4.4.4 Regulatory Capital Requirements**

For the proceeds of the issuance of Tier 2 Notes to qualify as Tier 2 Capital the Tier 2 Notes must comply with the applicable Regulatory Capital Requirements in respect of any Tranche of Tier 2 Notes.

**4.4.5 For so long as the Regulatory Capital Requirements so provide, early redemption of Tier 2 Notes will require the prior written approval of the Relevant Authority and must be in accordance with the Additional Conditions (if any).**

Subject to the applicable Regulatory Capital Requirements, Tier 2 Notes may have a minimum Maturity Period determined in accordance with the Regulatory Capital Requirements as set out in the Applicable Pricing Supplement. The Maturity Date(s) of any such Tier 2 Notes will accordingly need to fall after the end of any such Maturity Period(s). For so long as the applicable Regulatory Capital Requirements so provide, any redemption of Tier 2 Notes prior to the applicable Maturity Date(s) (including but not limited to early redemption for tax reasons) will require the prior written approval of and must be in accordance with the Additional Conditions (if any) approved by, the Relevant Authority. This is true even where an event of default has occurred.

**4.4.6 Payment of any amounts of principal and interest in respect of Tier 2 Notes will be cancelled or written off upon the occurrence of a Trigger Event**

Upon the occurrence of a Trigger Event, Tier 2 Notes will be cancelled (in the case of a write off in whole) or written off in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Write Off/Conversion Provisions. Further to such cancellation or write off, Tier 2 Noteholders will no longer have any rights against the Issuer with respect to any amounts cancelled or written off and the Issuer shall not be obliged to pay compensation in any form to Tier 2 Noteholders. Furthermore, any such cancellation or write off will not constitute an Event of Default or any other breach of the Issuer's obligations under the Terms and Conditions of any Tier 2 Notes.

A Trigger Event will occur when the Relevant Authority has notified the Issuer, by way of a Relevant Authority's Trigger Event Notice, that it has determined that a "trigger event" as specified in the Regulatory Capital Requirements has occurred. The occurrence of a Trigger Event is therefore inherently unpredictable and depends on a number of factors, many of which are outside of the Issuer's control.

**4.4.7 The investment in, and disposal or write off of, Tier 2 Notes may have tax consequences in the hands of Tier 2 Noteholders, the Issuer or both**

The investment in, and disposal or write off upon the occurrence of a Trigger Event of, Tier 2 Notes, may have considerable tax consequences in the hands of Tier 2 Noteholders, the Issuer or both. As any such potential consequences depend on various factors, prospective investors in Tier 2 Notes are strongly advised to consult their own

professional advisers as to the tax consequence of investing in Tier 2 Notes, and particularly as to whether a disposal or write off of Tier 2 Notes will result in an income tax liability. See the section titled “*South African Taxation*” in the Programme Memorandum.

## 5 RISKS RELATING TO STRUCTURED NOTES

### General considerations

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

In order to realise a return upon an investment in a Structured Note, an investor must have correctly anticipated the timing and magnitude of an anticipated increase or the absence of a decrease of the value of the relevant Reference Item(s) relative to the Issue Price and must also be correct about when any change will occur. If the value of the Reference Item(s) does not increase, or decreases, as the case may be, before such Structured Note is redeemed, part of the investor’s investment in such Structured Note may be lost on such redemption. Other than in respect of Notes which are redeemable prior to the Maturity Date at the option of the Noteholder, the only means by which a Noteholder can realise value from its Notes prior to their Maturity Date is to sell such Notes at their then market price in the secondary market (if available) (see section 5.8 “*Possible Illiquidity of the Secondary Market*” below). Fluctuations in the value of the relevant index or basket of indices (including the prices of securities included in an Index or Basket of Indices) will affect the value of Single Index Notes and Basket of Indices Notes. Fluctuations in the price of the relevant equity security or value of the basket of equity securities will affect the value of Equity Linked Notes and Equity Basket Notes. In both these cases and in the case of Currency Linked Notes, fluctuations in the value of the currency or currencies in or to which the notes or the “Underlying Securities” (defined as, in relation to a particular Tranche of Notes as appropriate, an underlying share or the underlying bonds or debt securities to which such Notes relate specified as such in the Applicable Pricing Supplement) or Index are denominated or linked will also affect the value of such notes. Also, due to the character of the particular markets on which most equity securities are traded, the absence of last sale information and the limited availability of quotations for such equity securities may make it difficult for many investors to obtain timely, accurate data for the price or yield of such equity securities.

Fluctuations in the value of a Relevant Commodity or Commodity Index (as such terms have been defined in the Terms and Conditions of the applicable Programme Memorandum) may affect the value of Commodity Linked Notes. An investment in Commodity Linked Notes may bear similar market risks to a direct investment in the Relevant Commodity(ies) and investors should take advice accordingly.

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

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

## **5.1 Disrupted Days and Disruption Events**

Where the Structured Notes are Equity Basket Notes, Equity Linked Notes, Single Index Notes or Basket of Indices Notes, and a Disrupted Day is specified as applying in the Applicable Pricing Supplement, the Calculation Agent may determine that an event giving rise to a Disrupted Day (as such term has been defined under the Terms and Conditions of the applicable Programme) has occurred at any relevant time. Where the Structured Notes are Currency Linked Notes, the Calculation Agent may determine that a Disruption Event (as such term has been defined under the Terms and Conditions of the applicable Programme) has occurred at any relevant time. Where the Structured Notes are Commodity Linked Notes, the Calculation Agent may determine that a Commodity Market Disruption Event has occurred at any relevant time. Any such determination may have an effect on the timing of valuation and consequently the value of the Structured Notes and/or may delay settlement in respect of the Structured Notes. Prospective purchasers should review the Terms and Conditions of the Structured Notes and the Applicable Pricing Supplement to ascertain whether and how such provisions apply to the Structured Notes. See section 5.6 "*Time Lag After Redemption*" below and sections relating to *Rights of the Issuer in the Event of a Disrupted Day or Disruption Event* of the Terms and Conditions of the applicable Programme Memorandum.

## **5.2 Settlement Risk**

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

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

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

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

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

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

## **5.4 No Claim against any Reference Item**

A Structured Note will not represent a claim in respect of any Reference Item and, in the event that the amount paid by the Issuer on redemption of the Structured Notes is less than

the Nominal Amount of the Structured Notes, a Noteholder will not have recourse under a Structured Note to any Reference Item.

## 5.5 Limitations on Redemption

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

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

Subject to section 5.6 Time Lag After Redemption below, when the Issuer elects to deliver Underlying Securities, Structured Notes may only be redeemed in such amounts that will ensure that the number of Underlying Securities to be delivered is equal to an integral multiple of the minimum board lot for the trading of the Underlying Securities on the relevant Exchange as from time to time specified by such Exchange (a "**Board Lot**") (see sections relating to Minimum Board Lot of the Programme Memorandum). Noteholders who request that the Issuer redeem a holding of Structured Notes which would not result in the purchase of a number of Underlying Securities equal to an integral multiple of the relevant Board Lot, will receive the maximum number of Underlying Securities equivalent to the maximum permissible integral multiple of a Board Lot and may be entitled to a payment in lieu thereof at the option of the Issuer in respect of the remaining Underlying Securities unless any such payment is of a de minimis amount, in which case Noteholders shall not receive anything in respect of the remaining Structured Notes.

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

#### **5.6 Time Lag After Redemption**

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

#### **5.7 Hedging**

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

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

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

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

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

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

#### **5.10 Potential Conflicts of Interest**

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

#### **5.11 Deposit Notes**

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

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

Deposit Notes will accrue interest at the specified Interest Rate until the interest is reset periodically in accordance with the terms and conditions of the relevant Deposit Notes.

## **6 RISKS RELATING TO CREDIT-LINKED NOTES**

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

Terms defined in these risk factors relating to CLNs shall have the meaning given to them in the Credit- Linked Terms and Conditions in the FirstRand Bank Limited Note Programme.

### **6.1 Independent Review and Advice**

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

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

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

CLNs are complex financial instruments. A prospective investor should not invest in CLNs unless it has the expertise (either alone or with a financial adviser) to evaluate how the CLNs will perform under changing conditions, the resulting effects on the value of the CLNs and the impact this investment will have on the prospective investor’s overall investment portfolio.

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

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

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

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

At the time of such optional redemption, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the CLNs being redeemed. Prospective Noteholders should consider such reinvestment risk in light of other investments available at the time.

### **6.2.2 Risk of Loss of Interest**

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

### **6.2.3 Risk of Loss of Principal**

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

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

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

See also “Risks relating to Settlement Method” below.

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

### **6.3.1 Credit Derivatives Definitions**

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

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

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

### **6.3.2 Credit Derivatives Determinations Committees**

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

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

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

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

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

### **6.3.4 Synthetic Exposure**

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

### **6.3.5 Credit Events**

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

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

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

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

### **6.3.7 Redemption after Maturity Date**

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

### **6.3.8 Discretion of Determination Agent**

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

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

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

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

### **6.3.10 Physical Settlement**

#### **6.3.10.1 Redemption Failure/Alternative Settlement**

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

#### **6.3.10.2 Noteholder Obligations**

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

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

#### **6.3.10.3 Auction Settlement**

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

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

#### **6.3.10.4 Cash Settlement**

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

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

### **7 OTHER CLN RISK FACTORS**

Terms defined in these risk factors relating to Other CLN risk factors shall have the meaning given to them in the Credit - Linked Terms and Conditions in the FirstRand Bank Limited Note Programme.

#### **7.1 Recent Market Developments**

##### **Hedging**

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

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

## **7.2 No Guarantee of Performance**

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

## **7.3 Provision of Information**

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

# **8 RISKS RELATING TO OTHER NOTES**

The risks (if any) of investing in particular types of Notes which are not set out in, or covered by, this section of the Issuer Disclosure document headed “*Risk Factors*” will be set out in an annexure to the Applicable Pricing Supplement relating to the relevant Tranche of Notes prior to the Issue Date of the Tranche of such Notes to be issued under the Programme.

## DESCRIPTION OF FIRSTRAND BANK LIMITED

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### OVERVIEW

FirstRand Bank Limited (the “**Bank**” or the “**Issuer**”) is a wholly-owned subsidiary of FirstRand Limited (“**FirstRand**”), which is a bank controlling company for the purposes of the South African Banks Act 1990. FirstRand is listed on the Johannesburg Stock Exchange (the “**JSE**”) and the Namibian Stock Exchange (the “**NSX**”) and is one of the largest financial institutions in Africa by market capitalisation. In this Issuer Disclosure document, references to the “**Group**” are to FirstRand Limited and its subsidiaries (including the Bank and its operating businesses). The Bank provides a comprehensive range of retail, commercial, corporate and investment banking products and services in South Africa and offers niche products in certain international markets.

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

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

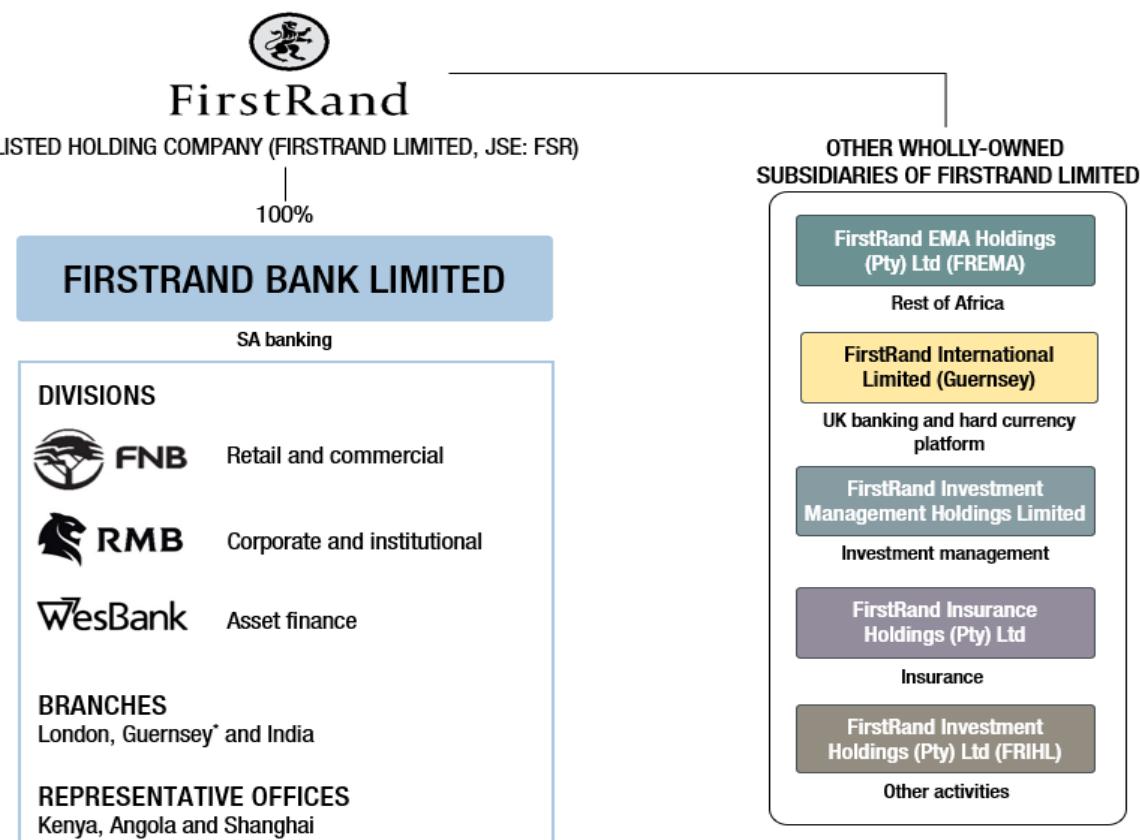
The Bank operates through three major divisions (referred to as “operating businesses” across the Group) which are separately branded, comprising First National Bank (“**FNB**”), the retail and commercial bank, Rand Merchant Bank (“**RMB**”), the corporate and investment bank and “**WesBank**”, the instalment finance business. The operating businesses also undertake activities outside of the Bank in other wholly-owned subsidiaries of the Group, namely, FirstRand EMA Holdings (Pty) Ltd (“**FREMA**”), FirstRand Investment Holdings (Pty) Ltd (“**FRIHL**”), FirstRand Investment Management Holdings Limited and FirstRand Insurance Holdings (Pty) Ltd. FirstRand International Limited (Guernsey) (“**FRI**”) is also a wholly-owned subsidiary of the Group and is the holding company for Aldermore Group plc (“**Aldermore**”). Aldermore is a UK specialist bank. Effective May 2019, the operations of MotoNovo (the UK-based vehicle finance business) were sold to Aldermore as part of the process to integrate the two businesses.

In addition to its operations in South Africa, the Bank operates through branches in London, Guernsey (trading as FNB Channel Islands) and India. The Bank has representative offices in Kenya, Angola and Shanghai. Following a review of FirstRand’s strategy in India, the decision has been taken to convert the

Issuer's current branch to a representative office. FirstRand is engaging with the regulators on this proposed change.

FirstRand remains committed to its presence in India and whilst it has proved difficult to build a meaningful in-country franchise, the Indian business has successfully focused on facilitating trade and investment activity in the Indo-Africa corridor. This has been a key enabler to FirstRand's investment banking business's strategy to grow its offerings on the broader African continent, but which only requires a representative office to execute.

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



\* Trading as FNB Channel Islands.

## STRATEGY

FirstRand Limited is a portfolio of integrated financial services businesses operating in South Africa, certain markets in sub-Saharan Africa and in the UK. Many of these businesses are leaders in their respective segments and markets, and offer a broad range of transactional, lending, investment and insurance products and services.

### Group strategic framework

FirstRand's strategy accommodates a broad set of growth opportunities across the entire financial services universe from a product, market, segment and geographic perspective. Its ambition is to deliver

a fully integrated financial services value proposition across its regional portfolio, built on a customer-centric focus and underpinned by leading digital platforms and capabilities.

#### *South Africa*

Group earnings remain significantly tilted towards South Africa and are mainly generated by FirstRand Bank's large lending and transactional franchises, which have resulted in deep and loyal customer bases. Increased competition is targeting these traditional banking profit pools, particularly the transactional activities, and the Bank remains focused on protecting this large revenue stream through:

- growing profitable market share;
- cross-sell and up-sell;
- disciplined allocation of financial resources; and
- leveraging the Group's building blocks (i.e. customer bases, distribution channels and systems).

At the same time, the Group is working hard to find other sources of less capital-intensive revenues, and is investing in building meaningful insurance and investment management businesses.

Ultimately the Group's strategy in its domestic market is to deliver platform-enabled integrated financial services to its customers. Successful execution has been underpinned by a long-standing culture of entrepreneurial thinking and innovation, combined with disciplined allocation and pricing of financial resources. This approach has resulted in a long track record of delivering superior economic profits, returns and dividends to shareholders.

The Group's strategy to broaden its financial offering also benefits the Bank as it further entrenches the Bank's relationships with its core transactional customers.

#### *Rest of Africa*

The Group's strategy outside of South Africa includes growing its presence and offerings in certain key markets in the rest of Africa, where it believes it can build competitive advantage and scale over time.

In the rest of Africa, the Bank's balance sheet is utilised in RMB's cross-border lending and trade finance activities. The Group's subsidiaries in the rest of Africa form part of FREMA and thus fall outside the Bank.

#### *UK*

In the UK, the Group aims to build further franchise value through scaling, digitisation and disruption.

Effective May 2019, the operations of MotoNovo were sold to the Aldermore Group as part of the process to integrate the two businesses.

All business written by MotoNovo post integration is funded through Aldermore's deposit franchise and funding platform, as well as leveraging capital market securitisations and warehouse transactions with international banks. Aldermore Group and its subsidiaries are part of FRI and thus fall outside the Bank. Loans originated by MotoNovo prior to integration with Aldermore (the back book) are still housed in FirstRand Bank London Branch (but managed by MotoNovo) and will continue to be funded through existing funding mechanisms, but will be run down over time. As a result, MotoNovo will ultimately cease to form part of the Bank.

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

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

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

### **FNB**

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

#### *Retail segment*

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

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

#### *Commercial segment*

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

- cheque and transmission products, including overdrafts and revolving loans;
- cash management solutions;

- merchant services (card acquiring);
- eWallet Pro (allows payment to a cellphone number or card to eliminate cash/cheques);
- cash investment products;
- commercial property finance;
- credit cards;
- debtor and leveraged finance;
- securities-based lending;
- selective invoice discounting;
- insurance broking;
- retail and business foreign exchange services;
- rewards (eBucks rewards for Business); and
- other value-add products (e.g. CIPC registration, DocTrail, instant accounting solutions, instant payroll, instant invoicing, instant cashflow, employee value banking solutions).

*FNB's strategy*

FNB's strategy is underpinned by:

- a main-banked client strategy anchored to growing and retaining client relationships using core transactional accounts as a key lever;
- a digital platform providing market-leading digital interfaces to deliver contextual, cost-effective, innovative and integrated financial services offerings to its customers on either an assisted (in-person) or unassisted (self-service) basis;
- using its deep customer relationships, large data and sophisticated data analytics to cross-sell a broad range of financial services products, including banking, insurance and investments;
- applying disciplined credit origination strategies that appropriately support customer requirements and affordability;
- providing innovative savings products to grow customer savings and in turn its retail deposit franchise;
- utilising eBucks generosity to reward customer behaviours, and drive platform adoption and appropriate cross-sell;
- leveraging its MVNO to augment customer value propositions, as well as to provide telecommunication services to its customers;
- strategically managing physical points-of-presence that are right-sized, have appropriate coverage and offer cost-efficient assisted engagements with customers on platform; and
- ultimately broadening its financial service offerings and creating an ecosystem of customer interactions and engagements on its platform.

## RMB

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

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

### *Banking business*

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

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

- *Corporate finance*: offers financial advice on transactions, including mergers and acquisitions, black economic empowerment transactions, public and private equity capital solutions as well as general corporate finance activities.
- *Leveraged finance*: advises, develops and structures innovative, multi-disciplinary and integrated financial solutions across the entire debt financing spectrum which include: debt and capital structure advisory, debt arranging and structuring, term debt funding (senior and mezzanine), hybrid capital funding solutions including quasi equity and equity-linked options, BEE funding, share cover and/or derivative funding solutions, corporate bonds issuances (convertible bond issuances), preference share funding and perpetual preference shares, and syndication through an extensive distribution network into the banking and investment markets.
- *Resources sector solutions*: acts as the point of contact for clients in the mining and metals, upstream and downstream oil and gas sectors, as well as trading companies active in these commodities. The team coordinates RMB's offerings of corporate advisory, capital raising, funding and trade solutions, crafting bespoke solutions for individual client needs and circumstances.
- *Infrastructure sector solutions*: provides holistic advisory and financing solutions (including project finance, senior debt, inflation-linked debt, subordinated debt, preference shares and equity finance) to clients across all key infrastructure sectors in sub-Saharan Africa, including renewable energy, public-private-partnerships and concessions, power, transport, water, telecommunications, industrial/manufacturing facilities, social and economic infrastructure and mid-stream oil and gas.
- *Real estate finance*: supports transaction origination and structures, and participates in long-term debt, underwriting and distribution solutions for the listed property sector and owners of large, unlisted property portfolios primarily in South Africa and sub-Saharan Africa.

- *Debt capital markets*: offers corporate clients, sovereigns and parastatals in South Africa and sub-Saharan Africa on- and off-balance sheet financing solutions in both the local and global debt capital markets to meet their capital raising requirements.
- *Debt trade solutions*: provides a wide array of financing and debt advisory services across the capital structure of corporate clients including access to acquisition finance, general corporate financing solutions, trade finance and short-term liquidity.
- *Sponsor services*: offers sponsor services to equity issuers listed on the Main Board of the JSE. The offer includes multi-disciplinary advice to enable clients to meet the JSE Listings Requirements. This is achieved through excellent relationships maintained with the JSE and representation on the JSE Issuer Regulatory Advisory Committee.
- *Principal investments*: offers the ability to structure, advise and fund bespoke transactions in the mezzanine or shareholder layers of the capital structure. This solution is deployed in all the major asset classes and in particular leverage finance, resource, real estate finance and infrastructure finance, typically by providing quasi-debt or preferred equity funding at either company or shareholder levels.
- *Corporate broking*: offers investor relations advice to C-suite executives, with a particular emphasis on ECM and M&A transactions, financial results, and strategic announcements.
- *Loan syndications*: offers structuring, arranging, underwriting and syndication of large, bespoke debt transactions across the African continent.

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

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

#### *Markets business*

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

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

#### *RMB's strategy*

RMB's strategy leverages an entrenched origination franchise, a strong market-making and growing distribution product offering, a competitive transactional banking platform and to ensure delivery of an integrated corporate and investment banking (CIB) value proposition to corporate and institutional clients. This diversified business portfolio, coupled with a disciplined approach to balancing risk, return and growth, is designed to deliver sustainable earnings, balance sheet resilience and market-leading returns.

## **WESBANK**

WesBank represents the Bank's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of South Africa.

WesBank's major business units are described below.

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

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

#### *WesBank's strategy*

WesBank strategy is focused on protecting and growing its unique and long-standing model of partnering with leading motor manufacturers, suppliers and dealer groups. This gives WesBank a market-leading point-of-sale presence.

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

FCC provides key group-wide functions:

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

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

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

The Regulatory and Conduct Risk Management (“**RCRM**”) function ensures that business practices, policies, frameworks and approaches across the organisation are consistent with applicable laws.

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

## **MANAGEMENT AND BOARD**

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

<b>Name</b>	<b>Position</b>
Alan Patrick Pullinger	Chief Executive Officer (chair) (executive director)
Hetash Surendrakumar (Harry) Kellan	Financial Director (executive director)
Mary Vilakazi	Chief Operating Officer (executive director)
Andries du Toit	Group Treasurer
Rajendra Makanjee	Chief Digital Officer
Gert Christoffel Petrus Kruger	Chief Risk Officer (effective 1 July 2020)

Name	Position
Sally-Anne (Sam) Moss	Head: Investor Relations
Bongiwe Nomandi Njobe	Head: Social Investing
Caryn Baird	Head: Group Organisational Development and Human Capital
Carnita Low	Head: Governance, Ethics and Legal (effective 1 April 2021)
Jacques Celliers	CEO: FNB
James Formby	CEO: RMB
Steven Cooper	CEO: Aldermore Group (effective 10 May 2021)

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

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

Non-executive directors, excluding the Board chairman, retire by rotation. There is no limit to the number of times that a director may be re-elected to the Board, provided they are below the retirement age. The appointment of directors to the Board and re-election of directors to the Board requires the approval of shareholders at the annual general meeting in terms of the applicable provisions of the South African Companies Act 71 of 2008 (as amended) (the “**South African Companies Act**”).

The Bank endorses and endeavours to adhere to the guidelines and principles of King IV. FirstRand Bank Limited has applied the King IV principles as disclosed in the FirstRand Limited annual integrated report <https://www.firstrand.co.za/investors/annual-reporting/>. In accordance with Section 94(2)(b) of the Companies Act, the audit committee of FirstRand Limited performs the functions under the section on behalf of FirstRand Bank Limited. The roles of the chairman and chief executive officer are clearly defined in the Board charter, demonstrating a clear balance of power and authority at Board level to ensure that no one director has unfettered powers of decision-making.

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

Name	Position and memberships
William Rodger (Roger) Jardine	Independent non-executive chairman
Alan Patrick Pullinger	Chief executive officer (executive director)
Hetash Surendrakumar (Harry) Kellan	Financial director (executive director)
Mary Vilakazi	Chief operating officer (executive director)
Johan Petrus Burger	Non-executive director
Grant Glenn Gelink	Independent non-executive director
Francois (Faffa) Knoetze	Non-executive director
Russell Mark Loubser	Independent non-executive director
Thandie Sylvia Mashego	Independent non-executive director
Zelda Roscherr	Independent non-executive director
Sibusiso Patrick Sibisi	Independent non-executive director (appointed 15 April 2021)
Louis Leon von Zeuner	Independent non-executive director
Thomas Winterboer	Independent non-executive director

The business address of the members of the Board is the Bank’s registered office. Additionally, the Bank has a company secretary, C Low, who is suitably qualified and was appointed by the Board on

6 January 2014. She plays an essential role in corporate governance and is responsible to the Board for, *inter alia*, acting as a central source of information and advice to the Board on its duties and responsibilities, adherence to good corporate governance principles, and compliance with procedures and applicable statutes and regulations. She is, *inter alia*, responsible for the duties stipulated in section 88 of the Companies Act 71 of 2008, as amended.

The Issuer appointed Bhulesh Singh as its Debt Officer on 1 November 2020.

### **Conflicts of Interest**

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

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

In respect of potential conflicts of interest that may arise in the future, the Bank has processes for the management of such conflicts such that it does not expect that any actual conflict of interest would arise.

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

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

FirstRand committees responsible for the Bank include the following:

#### **FirstRand audit committee**

The current members of the audit committee are as follows:

Name	Position
Grant Glenn Gelink	Independent non-executive director (chair)
Johan Petrus Burger	Non-executive director (resigned 1 April 2021)
Russell Mark Loubser	Independent non-executive director
Thomas Winterboer	Independent non-executive director

Louis Leon von Zeuner

Independent non-executive director

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The fundamental role of the audit committee is to assist the board in fulfilling its oversight responsibilities in areas such as financial reporting, internal control systems, and the internal and external audit functions. In addition, the committee satisfies itself with the expertise, resources and experience of the financial director and the finance function. The committee works closely with the Group's risk, capital management and compliance committee, the social, ethics and transformation committee and the information and technology risk and governance committee to identify common risk and control themes, and achieve synergy between combined assurance processes, thereby ensuring that, where appropriate, these functions can leverage off one another. The committee meets a minimum of four times per annum.

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

The current members of the RCCC are as follows:

Name	Position
Russell Mark Loubser	Independent non-executive director (chair)
Grant Glenn Gelink	Independent non-executive director
Francois (Faffa) Knoetze	Non-executive director
Johan Petrus Burger	Non-executive director
Louis Leon von Zeuner	Independent non-executive director
Thomas Winterboer	Independent non-executive director
Zelda Roscherr	Independent non-executive director
Sibusiso Patrick Sibisi	Independent non-executive director (appointed 7 June 2021)

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The RCCC provides independent oversight of risk, capital management and compliance activities undertaken in the Group. This includes ensuring that an effective policy and plan for risk management has been implemented to improve FirstRand's ability to achieve its desired outcomes and that risk disclosures are timely, sufficiently detailed and relevant to the Group's stakeholders. The Basel Pillar 3 report, published on the FirstRand website, sets out the specific risk and compliance management actions undertaken during the year.

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

## **FirstRand large exposures committee**

The current members of the large exposures committee are:

<b>Name</b>	<b>Position</b>
Russell Mark Loubser	Independent non-executive director (chair)
Thandie Sylvia Mashego	Independent non-executive director
Johan Petrus Burger	Non-executive director
Louis Leon von Zeuner	Independent non-executive director
Jurie Johannes Human Bester	Specialist consultant
Alan Patrick Pullinger	Chief Executive Officer (executive director)
Hetash Surendrakumar (Harry) Kellan	Financial Director (executive director)
Mary Vilakazi	Chief Operating Officer (executive director)
Gert Christoffel Petrus Kruger	Chief Risk Officer
Annerie Cornelissen	Head: Wholesale credit
Thabani Zungu	Head: Wholesale credit
Jacques Mouton	ERM Group Credit Risk Management

The prime objective of the committee is to assist the Board in discharging its responsibilities in terms of the management of credit-granting and credit risk (which forms an integral part of the overall process of corporate governance) across the Group. This role includes considering and opining on the making of investments or granting of loans or advances or other credit which exceeds 10% of the Bank's qualifying capital and reserves, in terms of Section 73 of the Banks Act. In addition, considering and opining on the making of investments or granting of loans or advances or other credit to related parties and the write-off of any related-party exposure exceeding 1% of FirstRand qualifying capital and reserves, in terms of Regulation 24(9) of the Banks Act. During the financial year ended 30 June 2020, 13 meetings were held. Meetings are convened monthly, however, additional meetings may be convened on an *ad hoc* basis as and when required in terms of section 73 of the Banks Act. The committee meets as often as it deems necessary for the purpose of discharging its duties and responsibilities in terms of its charter, but not fewer than six times per annum.

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

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

<b>Name</b>	<b>Position</b>
Thandie Sylvia Mashego	Independent non-executive director (chair, effective 3 December 2020)
Johan Petrus Burger	Non-executive director
Grant Glenn Gelinck	Independent non-executive director
William Rodger (Roger) Jardine	Independent non-executive director
Francois (Faffa) Knoetze	Non-executive director
Russell Mark Loubser	Independent non-executive director
Thomas Winterboer	Independent non-executive director
Louis Leon von Zeuner	Independent non-executive director
Zelda Roscherr	Independent non-executive director

The objective of the committee is to evaluate the adequacy, efficiency and appropriateness of the corporate governance practices of the Group and assist the board in discharging its duties in respect of governance and Board effectiveness, Board continuity and executive succession planning. The committee meets a minimum of four times per annum.

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

The current members of the information technology risk and governance committee are:

Name	Position
Leon Crouse	Specialist consultant (chair)
Grant Glenn Gelinck	Independent non-executive director
Alfonso Carl Meyer	Specialist consultant
Mark Chirnside	Specialist consultant
Alan Patrick Pullinger	Chief executive officer (executive director)
Sibusiso Patrick Sibisi	Independent executive director (appointed 7 June 2021)

The information technology risk and governance committee is responsible for information technology governance in accordance with King IV and ensures the effectiveness and efficiency of the Group's information systems as required by the Banks Act, 94 (1990). The committee meets a minimum of four times per annum.

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

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

Name	Position
Francois (Faffa) Knoetze	Non-executive director
Zelda Roscherr	Independent non-executive director (chair, effective 3 December 2020)
Thandie Mashego	Independent non-executive director (effective 3 December 2020)

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

Alan Patrick Pullinger	Chief executive officer (executive director)
Hetash Surendrakumar (Harry) Kellan	Financial director (executive director)
Mary Vilakazi	Chief operating officer (executive director)
Sibusiso Patrick Sibisi	Independent non-executive director (appointed 7 June 2021)
Johan Petrus Burger	Non-executive director (appointed 7 June 2021)

The role of the committee is to assist the board with ensuring responsible social and ethical business practices within the Group, and monitoring Group activities having regard to the Companies Act, King IV, the committee terms of reference and other legal requirements or prevailing codes of best practice in respect of social, transformation and economic development matters. The committee provides oversight of all the culture and conduct risk programmes in all businesses of the Group and the Group's social value proposition.

### **Remuneration committee**

The current members of the remuneration committee are:

Name	Position
Louis Leon von Zeuner	Independent non-executive chair (effective 2 September 2020)
Grant Glenn Gelink	Independent non-executive director (chair until 2 September 2020)
William Rodger (Roger) Jardine	Independent non-executive director
Johan Petrus Burger	Non-executive director
Russell Mark Loubser	Independent non-executive director

The committee oversees Group remuneration and ensures that practices align employees and shareholders. The committee promotes fairness of remuneration by ensuring the principle of equal pay for work of equal value is applied, and that remuneration is market related and sustainable. The committee assists the board in ensuring that the Group meets the requirements of section 64C of the Banks Act, the Financial Stability Board's Principles for Sound Compensation Practices and its Implementation Standards, Basel Pillar 3 remuneration guidelines and the recommended practices of King IV, where appropriate.

### **COMPETITION**

In South Africa, as at 30 April 2021, there were 18 registered banks, 4 mutual banks, 5 co-operative banks, 13 local branches of foreign banks and 29 foreign banks with approved local representative offices. According to information published by the PA, the South African banking sector had total assets of R6.4 trillion as at 30 April 2021. (Source: SARB website, Selected South African banking sector trends, April 2021).

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

## **LEGAL PROCEEDINGS**

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

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

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

In 2017, the Competition Commission (“**the Commission**”) referred a complaint to the Competition Tribunal (“**the Tribunal**”) in relation to certain financial institutions. In the referral, the Commission alleged unlawful collusion between those financial institutions in the trading of the US dollar/South African rand currency pair. In June 2020, the Commission added further financial institutions to a new referral, including RMB, a division of FirstRand Bank Limited. This concerns a matter which has been ongoing before the competition authorities since 2015. RMB has only now been named as a respondent in the referral. Prior to this new referral, no allegations have ever been made to the Tribunal regarding the conduct of RMB. Given the information available to RMB now, RMB is defending the matter. RMB remains confident that it has not been party to any conspiracy to manipulate the currency, as alleged.

## **INSURANCE**

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

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

## **IT/TECHNOLOGY**

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

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

Key areas of focus include:

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

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

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

## **RISK MANAGEMENT**

The Group believes that effective risk, performance and financial resource management are key to its success and underpins the delivery of sustainable returns and earnings growth to shareholders. These disciplines are, therefore, deeply embedded in the Group's tactical and strategic decision making.

Risk is managed on a Group basis and therefore, this section also covers the Group's risk philosophy and management practices (which also apply to the Bank). Although the Group and the Bank each has its own board of directors, there is a single set of governance committees for the Group and all five of its major subsidiaries (i.e. the Bank, FREMA, FRIHL, FRI and FirstRand Insurance Holdings (Pty) Ltd).

The Group believes a strong balance sheet and resilient earnings streams are key to growth, particularly during periods of uncertainty. FirstRand's businesses have consistently executed on a set of strategies which are aligned to certain Group financial strategies and frameworks designed to ensure earnings resilience and growth, balance sheet strength, an appropriate risk/return profile and an acceptable level of earnings volatility under adverse conditions. These deliverables are underpinned by frameworks set at the centre to ensure financial discipline.

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

Risk taking is an essential part of the Group's business and the Group explicitly recognises core risk competencies as necessary and important differentiators in the competitive environment in which it

operates. These core risk competencies include identifying, assessing, monitoring and managing risk, and are integrated in all management functions and business areas across the Group.

The risk management process provides the checks and balances necessary to ensure sustainability and performance, create opportunity, achieve desired objectives, and avoid adverse outcomes and reputational damage.

A business profits from taking risks, but will only generate an acceptable profit commensurate with the associated risk if these risks are properly managed and controlled. The Group's aim is not to eliminate risk, but to achieve an appropriate balance between risk and reward. This balance is achieved by controlling risk at the level of individual exposures, at portfolio level, and across all risk types and businesses through the application of the return and risk appetite framework. The Group's return and risk appetite framework enables organisational decision-making and is aligned with FirstRand's strategic objectives.

Risk limits established across all risk types are an integral part of managing risk and are instrumental in constraining risk taking within appetite. The risks, and roles and responsibilities of various stakeholders in business, support and various control functions are described in the Group's business performance and risk management framework ("BPRMF").

### **Risk governance framework**

The Group believes that effective risk management is supported by effective governance structures, robust policy frameworks, and a risk-focused culture. Strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that consistent standards exist across the Group. In line with the Group's corporate governance framework, the Board retains ultimate responsibility for providing strategic direction, approving risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on.

The group's BPRMF describes the Group's risk management structure and approach to risk management. Effective risk management requires multiple points of control or safeguards that should be applied consistently at various levels throughout the organisation. The BPRMF recognises three lines of control across the Group's operations (namely risk ownership, risk control and independent assurance).

### **Risk governance structure**

The risk management structure is set out in the Group's BPRMF. As a policy of the Board, the BPRMF delineates the roles and responsibilities of key stakeholders in business, support and control functions across the Group.

The primary Board committee overseeing risk matters across the Group is the RCCC. It has delegated responsibility for a number of specialist topics to various subcommittees.

Additional risk, audit and compliance committees exist in the operating businesses, segments and subsidiaries. The governance structures of these entities align closely with that of the Group. The Group's operating model is aligned to execute on its integrated financial services objectives. The segment audit, risk and compliance committees support the Board risk committees and RCCC subcommittees in the third line of control.

Other Board committees also exist, with clearly defined responsibilities. The Group board committees comprise members of segment/operating business advisory Boards and audit and risk committees to ensure a common understanding of the challenges businesses face and how these are addressed across the Group. The Strategic Executive Committee ensures alignment of business strategies, implements the return and risk appetite framework and is responsible for optimal deployment of the Group's resources.

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

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

- approves risk management policies, frameworks, strategies and processes including its subcommittees' charters and membership;
- monitors management and containment of risk exposures within the return and risk appetite framework and the BPRMF;
- reports on assessment of the adequacy and effectiveness of risk appetite, risk management, the Group's internal capital adequacy assessment process ("ICAAP") and compliance processes to the Board;
- monitors the implementation of the risk management strategy, risk-appetite limits and effectiveness of risk management;
- approves, ratifies and monitors corrective risk management initiatives by management;
- monitors that the Group takes appropriate action to manage its regulatory and supervisory risks, and complies with applicable laws, rules, codes and standards;
- approves regulatory capital models, risk and capital targets, limits and thresholds; and
- monitors capital adequacy and ensures that a sound capital management process exists.

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

#### *Audit committee*

The role of the audit committee is to assist the Board with its duties relating to the safeguarding of assets, operation of adequate systems and controls, assessment of going concern status and to ensure that relevant compliance and risk management processes are in place. Additionally, the audit committee oversees, and reviews work performed by the external auditors and internal audit function. It also oversees financial risks and internal financial controls, including the integrity, accuracy and completeness of the financial information and annual integrated report, which is provided to shareholders and other stakeholders.

#### *Large exposures committee*

The role of the large exposures committee is to review and approve applications and/or renewals for investments, advances or other credit instruments in excess of 10% of the Bank's qualifying capital and reserves. It also reviews and approves transactions with a related party and the write-off of any related-

party exposure exceeding 1% of the Bank's qualifying CET1 capital and reserve funds. The large exposures committee reviews and approves applications and renewals outside the mandate of the FirstRand wholesale credit approval committee, and also delegates the mandate for approval of Group and individual facilities to the FirstRand wholesale credit approval committee, and FirstRand commercial credit approval committee, as appropriate.

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

The information technology risk and governance committee monitors appropriateness and effectiveness of the implementation and oversight of IT risk management, information and cybersecurity management, and IT governance across the Group. It considers the FirstRand IT risk profile, including cybersecurity, and ensures it is managed within the Group's IT risk appetite, as well as ensures compliance with all relevant regulatory requirements. The committee initiates corrective actions and passes resolutions, as may be appropriate, to improve the overall status of IT and information security risk management and governance in FirstRand, including requiring changes to processes where weaknesses are identified. It reviews and/or approves the FirstRand IT governance framework and oversight of the implementation thereof, and where appropriate, relevant IT and information security-related frameworks, policies and standards. Significant IT (including cyber) risk and governance matters are escalated to the Board. It monitors (through audit reports, risk reviews, etc.) adequacy and effectiveness of IT risk and governance across FirstRand, to provide the Board with an overall view of the state of IT risk and governance. The information technology risk and governance committee receive reports on significant IT, information security and cyber-related incidents, and monitors that adequate corrective actions have been implemented.

#### *RCCC subcommittees*

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

- *Credit risk management committee*

The credit risk management committee is responsible for approving credit risk management and risk appetite policies as well as forward-looking credit risk indicators developed by retail, commercial and corporate portfolio management. It monitors the credit risk profile including performance relative to credit risk appetite thresholds, quality of the in-force business and business origination in terms of the Group's view of credit economic outlook. It also monitors scenario and sensitivity analysis, stress tests, credit economic capital utilisation, credit pricing and credit concentrations. It ensures uniform interpretation of credit regulatory requirements and credit reporting, and it monitors corrective actions, where appropriate.

- *Market and investment risk committee*

The market and investment risk committee approves market, investment and counterparty credit risk management frameworks, policies, standards and processes. It monitors the market, investment and counterparty credit risk profile and the effectiveness of related management processes, and monitors implementation of corrective action, where required. It approves market, investment and counterparty credit risk-related limits.

- *Model risk and validation committee*

The model risk and validation committee considers and approves all material aspects of model governance and validation processes, including but not limited to those processes related to credit risk rating and estimations, internal models for market risk and advanced measurement operational risk models.

- *Asset, liability and capital committee (“ALCCO”)*

The ALCCO approves and monitors effectiveness of management policies, assumptions, limits and processes for liquidity and funding risk, capital and non-traded market risk. It monitors the Group’s funding management and capital management including level, composition, supply and demand of capital, and capital adequacy ratios. It approves frameworks and policies relating to internal funds transfer pricing for the Group.

- *Compliance and conduct risk committee*

The compliance and conduct risk committee approves regulatory risk, including anti-money laundering (“AML”) and combating the financing of terrorism (“CFT”) frameworks, plans and risk management policies and standards. It monitors the effectiveness of regulatory risk management across the Group and initiates corrective action, where required. It also monitors compliance with the regulations and supervisory requirements relating to banks, and reviews matters relating to financial crime regulatory compliance, market conduct and prudential regulatory compliance, anti-bribery and corruption, and any other matter relating to regulatory compliance.

- *Tax risk committee*

The tax risk committee sets tax strategy and tax risk appetite. It approves tax risk management frameworks and policies, and monitors tax risk assessments and profiles. It escalates relevant tax risk items to RCCC.

- *Operational risk committee*

The operational risk committee monitors effectiveness of the implementation and provides oversight of operational risk management, and initiates corrective action, where required. It recommends the Group’s operational risk appetite for approval by the RCCC. It monitors Group, subcommittee and business risk profiles against operational risk appetite, and escalates relevant risk themes to the RCCC. It approves the operational risk management frameworks and subpolicies, including those for integrated crime, protected security, legal risk, business resilience risk and vendor risk.

- *Information governance committee*

The information governance committee monitors the development and implementation of an appropriate information governance framework (including policies, standards and guidelines) and recommends the framework for approval at the RCCC. It reports to RCCC on the level of information governance for the Group, and initiates such actions and issuing of instructions, as may be appropriate, in order to improve Group information governance. It also monitors

development and implementation of the Group data strategy and provides feedback to the RCCC and platform executive committees on implementation status.

## Risk appetite

Risk appetite is approved by the Board. The Group's return and risk appetite statement informs organisational decision-making and is aligned to FirstRand's strategic objectives. Business and strategic decisions are aligned to risk appetite measures to ensure these are met during a normal cyclical downturn. Constraints are also set for stressed conditions. At a business unit-level, strategy and execution are influenced by the availability and price of financial resources, earnings volatility limits and required hurdle rates and targets.

### *Return and risk appetite statement*

FirstRand's risk appetite is the aggregate level and type of risks the Group can accept within its overall risk capacity and is captured by a number of qualitative principles and quantitative measures.

The return and risk appetite framework aims to ensure that the Group maintains an appropriate balance between risk and reward. Return targets and risk appetite limits are set to ensure the Group achieves its overall strategic objectives, namely to:

- deliver long-term franchise value;
- deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility; and
- maintain balance sheet strength.

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

The group annually reviews its risk-return framework and assesses its performance relative to its stated targets, as well as the bottom-up portfolio risk appetite relative to aggregated constraints. Against the backdrop of the COVID-19 pandemic, the framework has proven to be robust, especially in respect of measures of resilience relating to funding/liquidity and capital. Returns and earnings volatility were outside of appetite, reflecting the severe nature of the COVID-19 crisis. Consequently, the framework's quantitative measures and portfolio tilt actions are being refined for the transitional period until the Group re-enters its long-term return and volatility targets.

The risk return framework also includes qualitative principles designed to support the risk culture of the organisation. The principles support appropriate decision-making which cannot always be adequately captured through policies, frameworks and limits. The qualitative risk principles have also been updated to more closely reflect the Group's culture, strategy and approach to emerging risks.

### *Application of the risk/return framework*

The return and risk appetite statement aim to drive the discipline of balancing risk, return and sustainable growth across all portfolios. Through this process, the Group ultimately seeks to achieve an optimal trade-off between its ability to take on risk, and the sustainability of the returns delivered to shareholders.

The Group's risk/return profile is monitored regularly, using risk appetite limits, which are measured on a point-in-time and forward-looking basis. Business performance targets for ROE and NIACC are set to ensure delivery of appropriate sustainable returns for risk taken and financial resource utilisation. Principles are set to ensure these are appropriately captured in business pricing. Risk appetite influences business plans and informs risk-taking activities and strategies.

The return and risk appetite framework provides for a structured approach to define risk appetite, targets and limits that apply to each key resource as well as the level of risk that can be assumed in this context. The Group cascades overall appetite into targets and limits at risk type, business and activity level, and these represent the constraints the Group imposes to ensure its commitments are attainable. Risk management roles and responsibilities are outlined in the BPRMF.

### *Financial resource management*

The management of the Group's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of FirstRand's stated growth and return targets, and is driven by the Group's overall risk appetite.

At the onset of lockdown, FirstRand implemented specific actions to strengthen and protect the balance sheet to enable the Group to effectively weather the prevailing environment and emerge in a position to fully capitalise on the recovery.

Given the scale of the economic crisis, which FirstRand expects to influence the operating environment for the next 18 to 24 months, the Group anchored business to certain FRM principles, adherence to which will ensure FirstRand returns to its historical trajectory of growth, quality earnings and delivery of superior returns to shareholders.

These FRM principles include:

- Carefully price for financial resources.
- Appropriately provide against lending portfolios.
- Apply strict cost management.
- Further strengthen and appropriately tilt the balance sheet to the macro outlook.
- Accrete capital and NAV – deployment of capital to reflect the increased cost of equity.
- Emerge from COVID-19 with limited vulnerabilities, with capital for growth.

Forecast growth in earnings and balance sheet RWA is based on the Group's macroeconomic outlook and evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested, and the

Group sets targets for different business cycles and scenarios to enable FirstRand to deliver on its commitments to stakeholders at a defined confidence level.

The management of the Group's financial resources is executed through Group Treasury and is independent of the operating businesses. This ensures the required level of discipline is applied in the allocation and pricing of financial resources. This also ensures that Group Treasury's mandate is aligned with the portfolio's growth, return and volatility targets to deliver shareholder value. The Group continues to monitor and proactively manage a fast-changing regulatory environment, competitive landscape and ongoing macroeconomic challenges.

The Group adopts a disciplined approach to the management of its foreign currency balance sheet. The framework for the management of external debt takes into account sources of sovereign risk and foreign currency funding capacity, as well as the macroeconomic vulnerabilities of South Africa. The Group employs self-imposed structural borrowing and liquidity risk limits which are more onerous than those required in terms of the Regulations. The Group's philosophy is that, in the longer term, foreign currency assets should be supported by foreign currency liabilities, primarily in the same jurisdiction. It aligns with one of the Group's strategic priorities to increase diversification by jurisdiction, which is evidenced by the integration of the MotoNово business with Aldermore Group in the UK, as well as the utilisation of the RMB International Mauritius platform for the Group's rest of Africa dollar exposures.

Despite increasing competition, the Group believes that its disciplined and dynamic approach to financial resource management provides it with the ability to further enhance the value proposition to customers and optimally utilise platforms across the Group to deliver on commitments to stakeholders.

FirstRand uses the Group's macroeconomic house view for budgeting, forecasting and business origination strategies. The house view focuses on the key macroeconomic variables that affect the Group's financial performance and risk position. The macroeconomic outlook for South Africa and a number of other jurisdictions where the Group operates, is reviewed on a monthly basis over a three-year forecast horizon. The house view for other jurisdictions with less frequent data updates is updated at least quarterly. Business plans for the next three years are captured in the budget and forecasting process. Scenario planning is then used to assess whether the desired profile can be delivered and whether the Group will remain within the constraints that have been set. These scenarios are based on changing macroeconomic variables, plausible event risks, and regulatory and competitive changes.

The strategy, risk and financial resource management processes inform the capital and funding plans of the Group. Analysis and understanding of value drivers, markets and the macroeconomic environment also inform portfolio optimisation decisions as well as the price and allocation of financial resources.

### **Stress testing and scenario planning**

Stress testing and scenario planning serve a number of regulatory and internal business purposes and are conducted for the Group and the Bank across different risk types, factors and indicators. The Group employs a comprehensive, consistent and integrated approach to stress testing and scenario analysis. The Group evaluates the impact of various macroeconomic scenarios on the business and considers the need for adjustment to origination and takes appropriate actions. More severe macroeconomic scenarios are run less frequently but are critical to determine or test capital buffers and other risk appetite measures,

enhance capital and liquidity planning, validate existing quantitative risk models and improve the understanding of required management actions/responses.

Stress tests are conducted throughout the Group for most legal entities, whether regulated or not. The various stress test processes are supported by a robust and holistic framework, underpinned by principles and sound governance, and aligned to regulatory requirements and best practice.

Stress testing and scenario analysis provide the Board and management with useful insight into the Group's financial position, level of earnings volatility, risk profile, and future capital position. Results are used to challenge and review certain of the Group's risk appetite measures, which, over time, influence the allocation of financial resources across businesses and impact performance measurement.

From a regulatory perspective, stress testing and scenario analysis feed into the Group's annual ICAAP and recovery plan. The ICAAP stress test is an enterprise-wide, macroeconomic stress test covering material risks that the Group is exposed to. It typically covers a three-year horizon, with separate ICAAP submissions completed for the Group's regulated banking entities which are subject to Basel II and III requirements from host regulators. The severity of the macroeconomic scenarios range from a mild downturn to severe stress scenarios. In addition to macroeconomic scenarios, the Group incorporates event risks and reverse stress test scenarios that highlight contagion between risk types. Techniques and methodologies range from multi-factor and regression analyses for macroeconomic stress tests to single-factor sensitivities and qualitative impact analysis for event risk and reverse stress tests.

The Group's recovery plan builds on its ICAAP. The scenarios defined for ICAAP are extended and incorporate the following scenarios:

- systemic;
- idiosyncratic;
- fast moving; and
- slow moving.

The results of the ICAAP and recovery plan process are submitted to the PA annually and are key inputs into:

- determination of the capital buffer and targets;
- dividend proposals;
- the Group's earnings volatility measures; and
- performance measurement requirements.

The Group regularly runs additional *ad hoc* stress tests for both internal and regulatory purposes. Internally, risk-specific stress tests may utilise various techniques depending on the purpose (e.g. limit setting or risk identification). From a regulatory perspective, the Group expects to be subjected to more frequent supervisory stress tests covering a range of objectives.

The COVID-19 pandemic has added a layer of complexity to the Group's stress and scenario analysis process. It challenges the severity and shape of economic downturns to be considered in addition to the current stressed environment.

These stress events and scenario analyses are not only focused on the downside impacts on earnings and capital, but generally allow the bank to also assess its operational resilience. The process is further

used to identify and deploy mitigating measures to support customers and the broader economy within the boundaries of prudential constraints.

Climate change and related risks have also become relevant when considering stress and scenario analysis. This follows the timely and ambitious transition to a lower carbon economy (transitional risk) as well as many geographies battling more extreme weather disruptions and events (physical risks). At this stage, FirstRand is investigating and exploring scenarios and a range of methodological considerations of climate change for the assessment of transitional risk and related physical risk scenarios.

Given the infancy stage of the climate-related scenario analysis (across both transitional and physical risks), the Group currently considers only event-based scenarios for certain portfolios and segments.

### **Recovery and resolution regime**

Financial Stability Board (“FSB”) member countries are required to have recovery and resolution plans in place for all systemically significant financial institutions as per *Key Attributes of Effective Resolution Regimes*. The PA adopted this requirement and has, as part of the first phase, required D-SIBs to develop their own recovery plans. Improving the stability of the banking system by strengthening banks’ ability to manage themselves through a potentially severe stress situation is of national importance. Guidance issued by the FSB and PA has been incorporated into the Group’s comprehensive recovery plan.

#### *Recovery planning*

The purpose of the recovery plan is to document how FirstRand’s board and management, including its operating businesses and key subsidiaries, namely, FRB (including the foreign branches), Aldermore, FirstRand Namibia and FNB Botswana, will recover from a severe stress event/scenario that threatens their commercial viability.

The recovery plan:

- analyses the potential for severe stress in the Group that could cause material disruption to the financial system;
- considers the type of stress event(s) that would be necessary to trigger its activation;
- considers how to limit the impact of the event(s) and reduce or prevent any negative contagion across the Group;
- lists a menu of potential recovery actions available to the board and management to counteract the event(s); and
- assesses how the entity might recover from the event(s) as a result of those actions.

The recovery plan forces the Group to perform an extensive self-assessment exercise to determine if there are any potential idiosyncratic vulnerabilities that it may be exposed to, and then reconcile these exposures to its own risk appetite and strategy. Strategies to optimise the balance sheet structure and preserve the Group’s critical functions to support the recovery from a severe stress event with the least negative impact are considered. This process enables banks to better understand the critical functions for customers and the financial system, as well as which assets that are most marketable to facilitate recovery. Where inefficiencies are identified, these can be addressed to ensure the Group is more streamlined, adaptable and resilient to stress.

FirstRand has submitted multiple annually revised versions of its recovery plan to the PA, the most recent in December 2020.

#### *Resolution framework*

The SARB released a discussion paper on South Africa's intended approach to bank resolution on 23 July 2019. The closing date for public comment was 31 August 2019. The discussion paper outlined the objectives of the resolution framework, and the planning and the conducting of a resolution with an emphasis on open-bank resolution. Open-bank resolution is applicable to systemically important institutions where the bank continues to function in its existing form under its own licence. The intended bank resolution provides more clarity on the regulator's approach to further enhance financial stability in the country.

The discussion paper is a first draft and is likely to be revised and expanded in future. Comments received on the discussion paper will assist the SARB in drafting the regulatory standards for resolution once the Financial Sector Laws Amendment Bill ("FSLAB") is promulgated. The FSLAB was presented to the Standing Committee on Finance on 16 March 2021 but the outcome of the presentation has not yet been shared publicly.

The FSLAB introduced a new tranche of loss-absorbing instruments, i.e. flac instruments, which are subordinated to other unsecured creditors and intended for bail-in in resolution. Flac requirements will be applicable to banks with open bank resolution plans. The SARB acknowledges the international approaches towards calibration of total loss-absorbing capacity but has not detailed how the quantum of required flac will be calculated for relevant institutions, nor the deadline for compliance. PwC, appointed by the World Bank and SARB, conducted a survey to analyse various aspects relevant to flac instrument requirements. The World Bank published its report, *South Africa: Feasibility and Cost-Benefit Analysis of Using Bail-In as a Recapitalisation Mechanism* in December 2020.

An amendment to the FSLAB included the establishment of the Corporation for Deposit Insurance ("CoDI") and is designed to protect depositors' funds and enhance financial stability. The SARB has commenced with a project to consider the complexities of operationalising a deposit insurance scheme in South Africa to date they have released three discussion documents as they prepare for the operationalisation of deposit insurance:

1. *Coverage and reporting rules for deposit insurance in South Africa*, was released in April 2020 and FirstRand comments were submitted to the SARB on 31 June 2020.
2. *The deposit insurance funding model and the implications for banks*, was released 1 September 2020 and comments were submitted on 16 October 2020
3. *Data definition and the reporting requirements for deposit insurance in South Africa*, was released 18 February 2021 and comments are due 16 April 2021. This paper describes the data requirements and operational proposals for CoDI.

## **RISK PROFILE**

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

## Credit risk

Credit risk is the risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads. Credit risk also includes credit default risk, pre-settlement risk, country risk, concentration risk and securitisation risk.

Credit risk management across the Group is split into three distinct portfolios, which are aligned to customer profiles. These portfolios are retail, commercial and corporate.

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

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

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

Based on the Group's credit risk appetite, as measured on a ROE, NIACC and volatility-of-earnings basis, 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 across the Group, therefore, spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement as well as collection and recovery of delinquent accounts.

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

## Capital adequacy

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

The Bank is subject to regulatory capital requirements as prescribed in the South African Banks Act and Regulations relating to Banks. The Bank's targets have been aligned to the PA minimum capital requirements and are subject to ongoing review and consideration of various stakeholder expectations. In response to the COVID-19 pandemic, the PA implemented temporary measures to provide additional capacity to counter economic risks to the financial system and promote ongoing lending to the economy. The Issuer's internal capital targets were not adjusted following the temporary COVID-19 capital relief

measures, as the Issuer aligns its capital targets to the minimum requirements incorporating a fully phased in Pillar 2A capital requirement.

The capital planning process ensures that its total capital adequacy and CET1 ratios remain within or above targets across economic and business cycles. Capital is managed on a forward-looking basis and the Bank remains appropriately capitalised under a range of normal and severe stress scenarios. The Bank aims to back all economic risk with loss-absorbing capital and remains well capitalised in the current environment. The Bank actively manages its capital stack to ensure an efficient capital structure, closely aligned to Bank internal targets.

Economic capital is incorporated in the Bank's internal target assessment, specifically focusing on the level of loss-absorbing capital required to cover the Bank's economic risk. It is defined as an internal measure of risk which estimates the amount of capital required to cover unexpected losses. The Bank continues to enhance the use of economic capital by facilitating risk-based decisions, including capital allocation. The assessment of economic risk aligns with FirstRand's economic capital framework to ensure the Bank remains solvent at a confidence interval of 99.93%, and that it can deliver on its commitment to stakeholders over a one-year horizon. Regular reviews of the economic capital position are carried out across businesses, enabling efficient portfolio optimisation with respect to financial resource management and portfolio behaviour.

The board-approved capital plan is reviewed as part of the Group's ICAAP. ICAAP is key to the Group's risk and capital management processes as it continues to evolve into an integral part of the business decision making process which is deeply embedded in the Group. Best practice, standards and methodologies are adopted on an ongoing basis to assess the overall risk profile of the Group, and to embed a responsible risk culture across all levels in the Group.

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

The Basel III leverage ratio is a supplementary measure to the risk-based capital ratios framework. The minimum leverage ratio requirement has not been adjusted for any COVID-19 relief measures.

## **Funding and liquidity risk**

### **FUNDING MANAGEMENT**

See the *"Risk Factors – Liquidity Risk – Structural characteristics impacting the funding profile of South African banks"* section above for a discussion of certain structural characteristics of the South African banking sector which are relevant to the Bank's funding sources and strategy. In this section, "institutional funding" refers to wholesale funding from financial institutions across a range of deposits, loans and financial instruments.

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

### *Diversification*

The Bank views funding diversification from a number of different perspectives:

- Customer segments – the Bank has a strong and stable deposit franchise, which spans the retail, commercial and corporate client segments. Reliance on institutional funding represents a risk concentration that is actively managed by optimising same relative to available funding sources and funding demand, holding appropriate liquidity buffers and continued focus on increasing the term profile.
- Country and currency of issue – the Bank has access to a variety of funding and capital markets offshore and locally, including South Africa, Europe, Asia, and the rest of Africa.
- Instrument types and maturity profile – the Bank funds itself with a variety of funding instruments, including various retail, commercial and corporate deposit products, negotiable certificates of deposit ("NCDs"), fixed rate, floating rate and inflation-linked notes, bilateral loan facilities, syndicated loans, development finance facilities, vanilla and structured capital market issuances including: securitisation, asset warehouses and short term asset backed commercial paper programmes.

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

### *Efficiency*

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

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

### *Flexibility*

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

### *Strong counterparty relationships*

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

### **Foreign currency balance sheet**

The Bank's foreign currency activities, specifically lending and trade finance, have steadily increased over the past few years. It is, therefore, important to have a sound framework for the assessment and

management of foreign currency external debt, given the inherent vulnerabilities and liquidity risks associated with cross-border financing.

This framework includes the Bank's exposure to branches, foreign currency assets and guarantees. The management of the Bank's foreign currency balance sheet considers multiple components, including the quality and sustainability of the assets being funded, appropriate capitalisation and pricing, appropriate debt level and repayment capacity, and the liquidity risk. The Bank manages its translation risk to limit the impact on its earnings, net asset value, capital position and ROE, thereby taking a comprehensive view on foreign currency asset and liability management.

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

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

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

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

## **LIQUIDITY RISK MANAGEMENT**

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

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

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

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

Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress testing framework with a focus on:

- quantifying the potential exposure to future liquidity stresses;
- analysing the possible impact of economic and event risks on cashflows, liquidity, profitability and solvency position; and
- proactively evaluating the potential secondary and tertiary effects of other risks on the Group.

Given the liquidity risk introduced by its business activities, the Bank optimises its funding composition within structural and regulatory constraints to enable business to operate in an efficient and sustainable manner. Liquidity buffers are actively managed via the Bank's pool of high-quality liquid assets ("HQLA") as prescribed in the PA regulations pertaining to the LCR, associated directives and guidance notes. HQLA are available as protection against unexpected liquidity stress events or market disruptions, and to facilitate the evolving liquidity requirements of the operating businesses. The composition and quantum of the available sources of liquidity are defined behaviourally, considering both the funding liquidity-at-risk and the market liquidity depth of these resources. In addition, overlays above prudential liquidity requirements are derived from stress testing and scenario analysis of cash inflows and outflows.

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

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

The Group's ability to meet all of its daily funding obligations and emergency liquidity needs is of paramount importance and, in order to ensure that this is always adequately managed, the Group maintains a liquidity contingency plan. The objective of the liquidity contingency plan is to achieve and maintain funding levels in a manner that allows the Group to emerge from a potential funding crisis with its reputation intact thus maintaining its financial position for continuing operations. The plan designed is to:

- support effective management of liquidity and funding risk under stressed conditions;
- establish clear roles and responsibilities in the event of a liquidity crisis; and
- establish clear invocation and escalation procedures.

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

### **Market risk**

The Group distinguishes between traded market risk and non-traded market risk. Traded market risk is the risk of adverse revaluation of any financial instrument as a consequence of changes in market prices or rates.

The Group's market risk in the trading book emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products, and is taken and managed by RMB. The relevant business units in RMB function as the centres of expertise for all market risk-related activities. Market risk is managed and contained within the Group's risk appetite.

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

- strategic business mix – ensure that RMB's current and future strategies, spanning various activities and geographies, achieve their growth and return targets within acceptable levels of risk;
- financial performance – optimise portfolio performance and manage the interplay between growth and ROE given the differentiated risk/ return characteristics of activities; and
- risk and capital impact – only accept an appropriate level of risk commensurate with performance objectives and the market opportunity.

The nature of hedging and risk mitigation strategies performed across the Group corresponds to the market risk management instruments available in each operating jurisdiction. These strategies range from the use of traditional market instruments, such as interest rate swaps, to more sophisticated hedging strategies to address a combination of risk factors arising at portfolio level.

The Group uses global and industry-accepted models and operating platforms to measure market risk. These operating platforms support regulatory reporting, external disclosures and internal management reporting for market risk. The risk infrastructure incorporates the relevant legal entities and business units, and provides the basis for reporting on risk positions, capital adequacy and limit utilisation to the relevant governance and management functions on a regular and *ad hoc* basis. Established units in risk management functions assume responsibility for measurement, analysis and reporting of risk while promoting sufficient quality and integrity of risk-related data.

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

For non-traded market risk, the Group distinguishes between IRRBB and structural foreign exchange risk. IRRBB relates to the sensitivity of a bank's financial position and earnings to unexpected, adverse movements in interest rates. Foreign exchange risk is the risk of an adverse impact on the Group's

financial position or earnings or other key ratios as a result of movements in foreign exchange rates impacting balance sheet exposures.

The following table describes how these risks are measured, managed and governed.

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

## BANKING SECTOR IN SOUTH AFRICA

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The South African banking system is well-developed and effectively regulated, comprising several large, financially strong banking groups and a number of smaller banks, mutual banks and co-operative banks. Many foreign banks and investment institutions have also established operations in South Africa. The government generally endorses the IMF and World Bank standards. South African banks are regulated, from a prudential perspective, by the PA, which is a juristic person operating within the administration of the SARB. As a member of the Basel Committee on Banking Supervision ("BCBS"), the SARB is committed to ensuring that the South African regulatory and legislative framework relating to the regulation and supervision of banks and banking groups remains compliant with international standards and best practice. Changes in international standards and requirements normally result in amendments to the South African prudential standards which usually result in amendments to, among other, the Regulations relating to Banks. For example, the Basel III phase-in arrangements largely resulted in prudential regulatory changes, and new and/or amended requirements and standards. In line with the above, various other documents, frameworks and requirements that impact materially on the regulation and supervision of banks and banking groups in South Africa, are issued by the international standard-setting bodies on an ongoing basis, which will, going forward, continue to result in revised and additional and/or new regulatory requirements. The PA, which represents South Africa on the BCBS, actively participates in international regulatory and supervisory standard-setting forums at which it is represented and provides input into the continued refinement of the regulatory and related supervisory frameworks.

The National Payment System Act, 1998 (as amended) was introduced to bring the South African financial settlement system in line with international practice and systematic risk management procedures. In this regard, the national payment system ("NPS") is regarded as one of the pillars of financial stability of the South African economic system. The SARB, through its national payment system department ("NPSD"), is the primary regulator and overseer of the NPS, also insofar as it relates to the safety and soundness of the NPS. This includes implementation of risk-reduction measures in the payment system to reduce systemic risk. The Payment Association of South Africa ("PASA") was established during 1996 by the South African banking industry in conjunction with the SARB and is, as a recognised payment system management body, under the supervision of the NPSD. PASA's main objective is to regulate, manage and organise the participation of its members in the NPS and facilitated, among other, the introduction of payment clearing house agreements and introduced agreements pertaining to settlement, clearing and netting agreements, rules to create certainty and reduce systemic and other risks in inter-bank settlement. These developments brought South Africa in line with international inter-bank settlement practices. Electronic banking facilities are extensive, with a nationwide network of automatic teller machines, internet and mobile phone banking being available. Since payments systems and related international standards and best practice requirements pertaining thereto are evolving, various initiatives and developments are currently being undertaken by the SARB and its NPSD pertaining to, among other, the re-alignment of mandates, strategies and reforms of the regulatory model for the South African national payment system.

## **Regulation**

Financial sector regulatory legislation in South Africa is increasing following the implementation of the Twin Peaks system of financial sector regulation in South Africa and, as indicated above, alignment to new and additional international best practice requirements through the accords of, among others, international bodies such as the Bank of International Settlements (“**BIS**”), the International Organisation of Securities Commissions and the International Association of Insurance Supervisors. Banks in South Africa are governed by a comprehensive legislative framework, most significantly the Financial Sector Regulation Act 2017, read with the Banks Act, 1990, which is comparable to similar legislation in the UK, Australia and Canada.

As a bank, the Issuer is subject to formal regulation in South Africa. Regulatory agencies have broad jurisdiction over many aspects of the Issuer's business, which include capital adequacy, premium rates, marketing and selling practices, advertising, licensing, policy forms, terms of business and permitted investments. Changes in government policy, legislation or regulatory interpretation applying to the financial services industry in the markets 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 particular, any change in regulation to increase the requirements for capital adequacy or liquidity, or a change in accounting standards, could have a material adverse impact on the issuer's business, results, financial condition or prospects.

## **Anti-money laundering regulations**

The Government has identified the combating of financial crime as policy priority. South Africa has a well-established anti-money laundering (“**AML**”) and counter terror financing (“**CTF**”) legislative and institutional framework (which includes but is not limited to the Financial Intelligence Centre Act (“**FIC**”), 2001, as amended). The last mutual evaluation report issued by the Financial Action Task Force, an international standard setting body for the fight against money laundering, terrorist financing and proliferation finance, confirmed that South Africa has demonstrated a strong commitment to implementing AML/CTF systems facilitated by close cooperation and coordination among a variety of government departments and agencies. The authorities sought to construct a system which uses, as its reference, the relevant United Nations Conventions and the international standards as set out by the Financial Action Task Force. In this regard, to the extent that the FATF had *inter alia* made recommendations on improvements to the legislative environment, these were affected by the authorities. The FATF is presently concluding on a mutual evaluation which commenced during the second half of 2019. In terms of the FIC Act, the SARB, through the PA, is mandated to supervise and enforce banks' compliance with the FIC Act. Furthermore, the FSCA also supervises non-bank entities and business areas that do not fall under the banking business in terms of the FIC Act. In line with this mandate, the PA and FSCA will continue to conduct inspections on banks with the aim to assess whether appropriate measures and controls are in place to ensure compliance with the provisions of the FIC Act, related regulations and regulatory requirements. The PA, as a financial sector regulator, is by law required to co-operate and collaborate with the Financial Intelligence Centre when performing its functions in terms of the FIC Act. The Issuer has implemented an AML/CFT programme which includes framework and policies, and takes

measures to effect continuous improvement in its processes to address its money laundering and terrorist financing risks.

### **South African Reserve Bank**

The SARB is, as South Africa's central bank and macro-prudential regulator, responsible for, among other things, contributing towards the achievement and maintenance of a stable financial system and for protecting and enhancing financial stability and restoring and maintaining financial stability in terms of systemic events. The SARB holds various international memberships including the G-20, the IMF, the BIS and the Committee of Central Bank Governors in the Southern African Development Community. The SARB serves on various BIS committees including the Basel Committee and the Committee on Payments and Settlement Systems.

### **Prudential Authority**

The SARB has, prior to the implementation of the new regulatory framework, performed its function as banking regulator through its bank supervision department, which issued banking licences to institutions and supervised their activities under the applicable legislation. The PA, which is a juristic person operating within the administration of the SARB, took effect on 1 April 2018. The PA is responsible for, among other, prudential regulation and supervision of banks, banking groups and financial conglomerates in South Africa with the purpose of promoting and enhancing the safety and soundness of financial institutions and assist in maintaining financial stability. The PA has extensive regulatory and supervisory powers which, among other, oblige banks to furnish certain prescribed returns to the PA in order to enable the PA to monitor compliance with the various prudential and other regulatory requirements imposed on banks in terms of the Banks Act, 1990, the Regulations Relating to Banks, and any other applicable regulatory instruments. The chief executive officer of the PA is a deputy governor of the SARB and a member of the SARB's Financial Stability Oversight Committee.

### **The Financial Sector Conduct Authority**

As a bank, the Issuer's market conduct is now being regulated by the FSCA, which also took effect on 1 April 2018. The FSCA supervises, among other, how financial institutions conduct their business and treat customers. It is also responsible for the efficiency and integrity of financial markets. The FSCA is, similar to the PA, the other pillar of the new financial sector regulatory architecture.

### **General**

The Issuer's relationships with its regulatory authorities are largely managed by a dedicated regulatory and conduct risk management function and the FirstRand Group's Public Policy and Regulatory Affairs Office. The Issuer views its relationship with its regulators as being of the utmost importance. The Issuer is a member of the Banking Association of South Africa, which is effectively the mandated representative of the banking sector in South Africa, as it facilitates the enablement of a conducive banking environment through robust engagement with government and relevant stakeholders. The Issuer is supportive of the twin peaks regulatory objectives and endorses, as an active participant in the new regulatory landscape, improvements in risk management, governance and market conduct practices. The same approach is also applied in respect of the Issuer's cooperation with other regulatory authorities and much effort and

resources are dedicated in a cost-efficient manner in order to reap maximum benefits emanating from the implementation of best practice and the resultant enablement of its global business activities.

## **SOUTH AFRICAN EXCHANGE CONTROL**

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*Words used in this section headed “South African Exchange Control” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

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

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

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes and the applicable Terms and Conditions may be subject to the exchange controls that will amongst other requirements necessitate that the transactions contemplated are concluded at arm's length between the parties concerned, and at determinable market related prices.

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

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area should be referred to the authorised dealer in foreign exchange controlling such emigrant's remaining South African assets to which the SARB restrictions may have been applied.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD, the securities account maintained for such emigrant by the relevant Participant will be designated as an “Emigrant Capital Account”.

Any payments of principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder's Capital Account, as maintained by the authorised dealer in foreign exchange. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

Any payments of interest due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder's “non-resident” rand account, as maintained by an authorised dealer in foreign exchange. The amount represents income which is freely transferable from the Common Monetary Area.

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

In the event that a Beneficial Interest in Notes is held by a non-resident of the Common Monetary Area through the CSD, the securities account maintained for such Noteholder by the relevant Participant will be designated as a “non-resident” account.

It will be incumbent on any such non-resident Noteholder to instruct the non-resident's nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad

only if the relevant Notes are acquired with foreign currency introduced into South Africa or rand from a non-resident rand account or the relevant securities account has been designated as a “non-resident” account, as the case may be.

**Exchange control – Issuer**

To the extent necessary, the Issuer will obtain the required exchange control approval for the relevant Programmes.

## ANNEXURE A: ADDITIONAL DIRECTOR DISCLOSURE

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

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

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

Roger studied physics and obtained a BSc from Haverford College in Pennsylvania (USA) in 1989 and Master of Science (MsC) in radiological physics from Wayne State University in 1991 in Michigan (USA).

He represents a South African businessperson that was at the helm of different leadership positions. He has more than 28 years of experience with robust business leadership, strategic planning and execution experience and served as a board director in diverse sectors including steel, retail, manufacturing, IT, infrastructure and mining services.

Roger held the position of Chairman at the Council for Scientific and Industrial Research (CSIR), Chief Executive Officer of Aveng Ltd., Director General-Arts & Culture, Science and Technology, Chairman of South African Nuclear Energy Corporation (NECSA), Chief Executive Officer for Kagiso Media Ltd., Chief Executive Officer at Primedia Pty Ltd. and Chief Operating Officer at Kagiso Trust Investments Pty Ltd. Prior to becoming the Chairman, he served on the FirstRand Board as a non-executive director for 8 years. Roger was appointed as the successor to the previous chairman of the FirstRand Limited and FirstRand Bank Limited since April 2018.

- a) Full names: **Alan Patrick Pullinger**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Chief executive officer (Executive director)**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director:
  - **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **FirstRand Finance Company (Pty) Ltd;**
  - **St Mary's School (non-profit);**
  - **The Banking Association of South Africa (non-profit);**
  - **Aldermore Group PLC; and**
  - **Aldermore Bank PLC.**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**

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

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

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

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

- a) Full names: **Hetash Surendrakumar (Harry) Kellan**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Financial director (Executive director)**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director:
  - **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **FirstRand EMA Holdings (Pty) Ltd;**
  - **FirstRand Finance Company (Pty) Ltd;**
  - **FirstRand Investment Holdings (Pty) Ltd;**
  - **Rejah Investments (Pty) Ltd;**
  - **Aldermore Group PLC;** and
  - **Aldermore Bank PLC.**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court

from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**

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

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

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

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

- a) Full names: **Mary Vilakazi**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Chief operating officer (Executive director)**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which she is a director:
- **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **FirstRand Investment Holdings (Pty) Ltd;**
  - **FirstRand Insurance Services Company Ltd;**
  - **FirstRand EMA Holdings (Pty) Ltd;**
  - **FirstRand Investment Management Holdings Ltd;**
  - **FirstRand Life Assurance Ltd;**
  - **FirstRand Insurance Holdings (Pty) Ltd;**
  - **FirstRand Short Term Insurance Ltd;**
  - **Hillrise Properties (Pty) Ltd;**
  - **Main Street 1403 (RF) (Pty) Ltd;** and
  - **St Mary's School (non-profit).**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**

- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- k) Details of any offence involving dishonesty committed by such person: **None**
- l) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- m) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- n) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- o) Details of being barred from entry into any profession or occupation: **None**
- p) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- q) Expertise and experience

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

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

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

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

- a) Full names: **Johan Petrus Burger**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Non-executive director**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director:
  - **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **Bernalk Investments (Pty) Ltd;**
  - **Clarence Drive (Pty) Ltd;**
  - **Drakenzicht Investments (Pty) Ltd;**
  - **FirstRand Life Assurance Ltd;**
  - **FirstRand Insurance Holdings (Pty) Ltd;**
  - **FirstRand Short Term Insurance Ltd;**
  - **FirstRand Insurance Services Company Ltd;**
  - **FirstRand Investment Management Holdings Ltd;**
  - **Harris and Mapson Share Block (Pty) Ltd;**
  - **Idea Tank (Pty) Ltd;**
  - **New Seasons Investment Fund (Pty) Ltd;**
  - **Nodus Equity (Pty) Ltd;**
  - **Olifantsdrif Nommer 1 Beleggings (Pty) Ltd;**
  - **Olifantsdrif Nommer 2 Beleggings (Pty) Ltd;** and
  - **Rand Merchant Investment Holdings Ltd.**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or

any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**

- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- k) Details of any offence involving dishonesty committed by such person: **None**
- l) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- m) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- n) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- o) Details of being barred from entry into any profession or occupation: **None**
- p) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- q) Expertise and experience

Johan is qualified Chartered Accountant and graduated from the University of Johannesburg with a BCom (Hons) in 1983.

He has more than 20 years' experience as a seasoned banker in financial services including strong business leadership and strategic planning.

Johan started his career in 1986 at Rand Merchant Bank in various executive roles. He was appointed as the CFO of the Group in 2002, and in addition to this role assumed the position of Group COO in 2009. He was appointed as CEO in October 2015 and retired in March 2018. Johan has been instrumental in FirstRand's track record of delivering superior shareholder value. He is self-employed and provides invaluable knowledge and wisdom as a non-executive director.

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

- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- k) Details of any offence involving dishonesty committed by such person: **None**
- l) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- m) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- n) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- o) Details of being barred from entry into any profession or occupation: **None**
- p) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- q) Expertise and experience

Grant is a qualified Chartered Accountant and in addition has a Hdip Education, Dip Public Administration (Peninsula Technical College).

He has more than 26 years' experience and was the former CEO of Deloitte and Touché LLP South Africa from 2006 to 2012.

Prior to joining Deloitte, Grant was a high school teacher in Durban for 6 years. Thereafter, he pursued a career at Deloitte & Touché South Africa where he held various senior executive positions at Deloitte ranging from partnership, consulting and advisory and CEO: human capital corporation. He joined the Allied Electronics Corporation Limited (ALTRON) board in 2012 and Grindrod Limited board in January 2013 and his other board membership also included Santam Limited.

- a) Full names: **Francois (Faffa) Knoetze**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Non-executive director**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director:
  - **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **FirstRand Insurance Holdings (Pty) Ltd;**
  - **FirstRand Insurance Services Company Ltd;**
  - **FirstRand Life Assurance Ltd;**
  - **FirstRand Short Term Insurance Ltd;**
  - **Myplayers Rugby (Pty) Ltd;**
  - **PayProp (Pty) Ltd;**
  - **Rand Merchant Investment Holdings Limited;**
  - **RMI Investment Managers Group (Pty) Ltd;**
  - **Stellenbosch Football Club (Pty) Ltd;**
  - **Supersportsas (Pty) Ltd;**
  - **Stellenbosch Academy of Sport (Pty) Ltd;**
  - **Sports Science Shareblock (RF) (Pty) Ltd;**
  - **Sport vir Christus Aksie Suid-Afrika (non-profit);**
  - **Sports Science Institute of South Africa (non-profit); and**
  - **Transforming Rugby (non-profit);**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or

any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**

- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- k) Details of any offence involving dishonesty committed by such person: **None**
- l) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- m) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- n) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- o) Details of being barred from entry into any profession or occupation: **None**
- p) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- q) Expertise and experience

Faffa graduated from the University of Stellenbosch in 1984 and became a fellow of the Actuarial Society of South Africa in 1992. He is a former South African rugby union player that played two tests for the Springboks.

He has extensive actuarial experience and financial services experience (insurance and banking) including the sports industry.

Faffa started his career in Sanlam as a marketing actuary. He spent the greater part of his career at Alexander Forbes for a number of pension and provident funds. He is currently employed with Remgro since December 2013 and serves as a non-executive director for other boards.

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

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

Russell has received many awards, including honorary life membership from SAICA, and acquired recognition by way of a special award from the Investment Analysts Society of South Africa.

He has more than 15 years' board experience, having served as a member of the King Committee and Securities Regulation Panel for SA. He was also a board member for the World Federation of Exchanges for approximately 13 years.

Russell started his career as an executive of financial markets at Rand Merchant Bank and is a seasoned banker with international experience. He spent the greater part of his career as the CEO of the JSE, and during his tenure conceptualised the demutualisation of the JSE. He is currently self-employed and serves as a non-executive director. Russell has widespread experience in governance, public policy and regulations.

- a) Full names: **Thandie Sylvia Mashego**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Independent, non-executive director**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which she is a director:
  - **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **Edmapart (Pty) Ltd;**
  - **Kgwana Properties (Pty) Ltd;**
  - **Kgwana Financial Services and Advisors CC;**
  - **RPC Astrapack (Pty) Ltd;**
  - **WDB FirstRand (RF) (Pty) Ltd**
  - **WDB Venture Capital (Pty) Ltd;**
  - **WDB Tsebo (RF) (Pty) Ltd;**
  - **WDB Treasury (RF) (Pty) Ltd;**
  - **WDB Property (Pty) Ltd;**
  - **WDB Astra (Pty) Ltd;**
  - **WDB PPP (Pty) Ltd;**
  - **WDB Investment Holdings (Pty) Ltd;**
  - **WDB Discovery Investment (RF) (Pty) Ltd; and**
  - **WDB Inyosi Investments (Pty) Ltd.**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive

function within such company at the time of, or within the 12 months preceding, any such event(s): **None**

- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- k) Details of any offence involving dishonesty committed by such person: **None**
- l) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- m) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- n) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- o) Details of being barred from entry into any profession or occupation: **None**
- p) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- q) Expertise and experience

Thandie qualified as a chartered accountant in 2003 and has a master's in business leadership from the University of South Africa.

She has over 18 years' experience in corporate finance, investment management and risk management. Thandie has robust business and leadership skills.

She started her career at KPMG and Transnet Group Limited. Thereafter, she spent a significant part of her career at the IDC, where she led a number of debt and equity transactions and other key projects, including the management of the IDC's private equity portfolio in diverse sectors. She later pursued a career as group CFO of Vantage Capital Group where she had oversight of finance, human resources and compliance functions. She is currently the CFO of WDB Investment Holdings and is responsible for the overall financial management activities of the group, including reporting, budgeting, balance sheet management and risk management.

- a) Full names: **Zelda Roscherr**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Independent, non-executive director**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which she is a director:
- **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **FirstRand Investment Management Holding Ltd;**
  - **Dragonfly Foods (Pty) Ltd;**
  - **Ethos Lead Coaching (Non-profit); and**
  - **Kerkstraat 22 Konfyte CC.**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- k) Details of any offence involving dishonesty committed by such person: **None**

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

Zelda is internationally certified as a John Maxwell leadership trainer and executive coach and is currently completing her MSc in global finance at the University of London.

She is a seasoned banker with more than 25 years' experience in financial services. Specific skills include in financial markets, balance sheet management, investment risk and leadership.

Zelda started her banking career at Deloitte Financial Institutions Group and later served in various executive positions in RMB Global Markets and FirstRand Group Treasury. She has worked both locally and internationally, coaching senior executives and mentoring females in leadership positions, and senior executives in transition. She has a passion for preparing the next generation of leaders and contributes positively towards social responsibility.

- a) Full names: **Sibusiso Patrick Sibisi**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Independent, non-executive director**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which she is a director:
  - **FirstRand Ltd;**
  - **FirstRand Bank Ltd; and**
  - **Telkom SA (State Owned Company).**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- k) Details of any offence involving dishonesty committed by such person: **None**
- l) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- m) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69

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

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

Dr Sibusiso Sibisi has a BSc (Physics) from London University's Imperial College (1978) and a PhD (Mathematics) from Cambridge University (1983). He has more than 35 years' experience in information technology, risk management, strategy and sustainability. Dr Sibisi was appointed executive director at Plessey in Cape Town in 1997 before joining the University of Cape Town as deputy vice-chancellor for research and innovation in 2000. In 2002 he was appointed president and CEO of the Council for Scientific and Industrial Research, a position he held until 2016. Dr. Sibisi is currently a consultant and serves as a non-executive director on several boards. He was awarded the Order of Mapungubwe (Silver) by President Thabo Mbeki in 2007 for his contribution to technology and research.

- a) Full names: **Louis Leon von Zeuner**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Independent, non-executive director**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director:
  - **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **Tongaat Hulett Ltd;**
  - **Telkom SA (State Owned Company);**
  - **Transnet (State Owned Company);**
  - **Mahela Boerdery (Pty) Ltd;**
  - **Mahela Group Holdings (Pty) Ltd; and**
  - **Wildeklawer Investments (Pty) Ltd.**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court

from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**

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

Louis has a bachelor's degree in Economics from the University of Stellenbosch and is a certified Chartered Director with IODSA.

He has more than 30 years extensive experience in the financial services sector including industrial, telecommunications, agriculture, sport and non-profit organization's with strong leadership skills including business development and growth.

Louis started his professional career in the banking industry and managed a diverse portfolio of other business sectors. During his curatorship, he played an instrumental role in the turnaround strategies of Telkom and African Bank. He serves as a non-executive director for other industries such as Telkom, Edcon, AFGRI, Cricket SA, Afrikaanse Handelsinstituut (AHI). He is a member of the Eminent Persons Group on Transformation in Sport, including the SA Rugby Players Association (SARPA) Development Trust. Louis serves in an advisory capacity at the LIV Foundation that provides care for orphaned and vulnerable children.

- a) Full names: **Thomas Winterboer**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **Independent, non-executive director**
- c) Business address: **4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director:
  - **FirstRand Ltd;**
  - **FirstRand Bank Ltd;**
  - **Fish Eagles Bungalow CC;**
  - **Mantaray Trading 101 (Pty) Ltd; and**
  - **Corner 69 (Pty) Ltd.**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- k) Details of any offence involving dishonesty committed by such person: **None**
- l) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**

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

Tom is a qualified Chartered Accountant and a well renowned financial leader responsible for driving financial strategy. He is a member (and past chairman) of the SAICA Banking Project Group.

He has multi-national experience and was a member of the PwC Global Financial Services leadership team with robust business and leadership skills.

Tom spent the greater part of his career at PricewaterhouseCoopers Inc where he industrialised and launched various banking and financial services thought leadership material. He provided extensive advisory and assurance services for multi-national industries. In August 2014, Tom was appointed as curator for the African Bank, which was successfully launched in April 2016. He currently serves as a non-executive director for various other boards

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

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

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

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