

FIRSTRAND LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1966/010753/06)

JSE ordinary share code: FSR ISIN: ZAE000066304

JSE B preference share code: FSRP ISIN: ZAE000060141

NSX ordinary share code: FST

(FirstRand or the group)

TRADING STATEMENT IN RESPECT OF THE YEAR ENDING JUNE 2020

In terms of paragraph 3.4(b) of the Listings Requirements of the JSE Limited, an issuer is required to publish a trading statement as soon as it becomes apparent that earnings per share for the next period to be reported on are expected, with a reasonable degree of certainty, to differ by at least 20% from those of the previous corresponding reporting period.

FirstRand Limited (FirstRand or the group) is closely monitoring the impact of the COVID-19 pandemic (the pandemic) on its performance for the year ending 30 June 2020 (current period). Although the group does not have a final view of the performance of the lending books during May and June, it has sufficient insight to advise shareholders, with a reasonable degree of certainty, that headline earnings per share (HEPS), earnings per share (EPS) and normalised earnings per share (normalised EPS) for the current period are expected to be more than 20% lower than those reported at 30 June 2019 (HEPS: 497.2 cents per share; EPS: 538.6 cents per share; normalised EPS: 497.3 cents per share).

The main driver of this slowdown in earnings growth is the materially higher credit impairment charge for the period, driven partly by deterioration in the lending portfolio performance, but more significantly by the forward-looking assumptions used in the modelling of expected credit losses.

IFRS 9 requires the group to consider forward-looking information in the calculation of expected credit losses, therefore the group has estimated an increase in customer stress caused by the pandemic and resultant economic pressures anticipated over the next twelve to eighteen months. This stress has been incorporated into the calculation of the group's expected credit losses and has resulted in a material increase in provisioning, even though the year to June 2020 only includes three months of the pandemic.

Other notable drivers of the decline in earnings include the negative endowment impact on the back of interest rate cuts and margin pressure. Non-interest revenue growth has also showed a marked decline due to lower absolute volumes during the lockdown period.

With regard to capital, funding and liquidity, FirstRand supports the actions taken by the South African Reserve Bank. The group remains well capitalised and its capital and liquidity ratios are expected to remain strong and well above required minimums.

Shareholders are advised that the forecast financial information on which this trading statement is based has not been reviewed and reported on by the group's external auditors. FirstRand's results for the year ending 30 June 2020 will be released on SENS on Thursday, 10 September 2020.

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3 June 2020

Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)