

## FIRSTRAND LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1966/010753/06)

JSE ordinary share code: FSR; ISIN code: ZAE000066304

JSE B preference share code: FSRP; ISIN code: ZAE000060141

NSX ordinary share code: FST

LEI: 529900XYOP8CUZU7R671

(FirstRand or the group)

### FURTHER TRADING STATEMENT IN RESPECT OF THE YEAR ENDED JUNE 2020

In accordance with paragraph 3.4(b) of the Listings Requirements of the JSE Limited, and as an update to the initial trading statement published on 4 June 2020, shareholders are advised that FirstRand has a reasonable degree of certainty in respect of the group's financial results for the year ended 30 June 2020 (the current period).

The group's attributable earnings per share, headline earnings per share, and normalised earnings per share for the current period are all expected to be between 35% and 45% lower than reported for the prior financial year ended 30 June 2019 (the comparative period). This translates into the following cents per share ranges:

	<b>Reported numbers for the comparative period</b>	<b>Expected ranges for the current period</b>
Attributable earnings per share	538.6	296.2 – 350.1
Headline earnings per share	497.2	273.5 – 323.2
Normalised earnings per share	497.3	273.5 – 323.2

As previously stated, the group considers normalised earnings to most accurately reflect its operational performance. Attributable earnings in the comparative period included R2.3 billion of earnings relating to the sale of the Discovery Card business, the absence of which accounts for a 7.6% reduction in the current year.

As indicated in the trading statement of 4 June 2020, the main driver of this decline in earnings is the materially higher than expected credit losses and credit impairment charge, driven by the forward-looking economic assumptions required under IFRS9.

Although the group produced solid growth in earnings for the first half, and the second half includes only three months of the impact of COVID-19, given the IFRS 9 requirement to consider forward-looking information in the calculation of expected credit losses, the group will report a significant increase in credit provisioning levels for the year ended 30 June 2020.

Since the beginning of lockdown in March 2020, underlying customer income and affordability in FirstRand's retail, commercial and large corporate segments have deteriorated sharply, particularly in those sectors most affected by the lockdown restrictions. This is evident in lower levels of underlying transactional and credit turnover and in the amount of debt relief requested across all client segments. Given the continuation of the pandemic and the associated lockdown restrictions, these trends are expected to continue for some time.

Informed by these trends, FirstRand has revised its macroeconomic outlook for 2020/21, with material downward revisions to key economic variables impacting the group's activities, including a sharp contraction in GDP of -8%, a significant increase in unemployment and weakness in property markets.

The revisions have been incorporated into the group's credit provisions under IFRS 9, with all segments and portfolios experiencing notable incremental impacts from forward-looking adjustments. The total impact of these adjustments will result in credit loss ratios exceeding those experienced during the global financial crisis, in part reflecting the faster pace of impairment recognition under IFRS 9.

Whilst credit impairments represent the most significant driver of the decline in earnings, further pressures include the negative endowment impact as a result of interest rate cuts and margin pressure, subdued non-interest revenue growth due to lower absolute volumes during the lockdown period, and depressed new business origination. In addition, the group has conservatively provided for a sharp increase in retrenchment claims as well as elevated death claims in its insurance business, taking account of the latest epidemiological and economic outlooks.

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 current period will be released on SENS on Thursday, 10 September 2020.

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12 August 2020

Sponsor

RAND MERCHANT BANK (a division of FirstRand Bank Limited)