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
LEI:529900XYOP8CUZU7R671
(FirstRand or the group)

TRADING STATEMENT IN RESPECT OF THE SIX MONTHS ENDING 31 DECEMBER 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 reasonably certain that its earnings and/or headline earnings per share for the next period to be reported on are expected to differ by at least 20% from those of the previous corresponding reporting period.

As set out in the prospects section of its results announcement for the year ended June 2020, the group expected its earnings for the six months to December 2020 (a post-COVID period) compared to the six months to December 2019 (a pre-COVID period) to be impacted given the base effect.

Shareholders are now advised that IFRS headline earnings per share (HEPS), earnings per share (EPS) and normalised earnings per share for the six months to 31 December 2020 (current period) are expected to decline by between 20% and 25% from the reported 2019 comparatives of 249.4 cents, 249.3 cents and 249.7 cents, respectively.

Whilst this performance remains in line with guidance, the earnings trend for the four months from 1 July 2020 to 31 October 2020 is reflecting a better than anticipated rebound.

In terms of revenue, period-on-period (October 2019 to October 2020) net interest income (NII) increased 2% whilst non-interest revenue (NIR) was down marginally. NII remained resilient despite muted growth in advances, pressure on margins, and the impact of endowment and excess liquidity levels, however, the deposit franchise continued to show good growth through the period (+18%). Retail and commercial deposits grew 13% and 20%, respectively, with large corporate deposits increasing 17%. The UK deposit franchise saw strong growth of 25%.

NIR declined 2%, with fee and commission revenue reducing 1%, reflecting decreased levels of activity across the retail and commercial segments as well as the lower price increases effective 1 July 2020.

Revenue growth for the four months to October 2020 has been more resilient than initial expectations. NII has been supported by ongoing growth in the deposit franchise (+4% since June 2020) and some advances growth. Retail advances are flat compared to June 2020. This reflects risk cuts in certain unsecured portfolios, although origination in residential mortgages and VAF is almost back to pre-lockdown levels. Commercial and large corporate advances declined marginally due to lacklustre lending activity and lower utilisation of facilities. Advances in the UK operations were flat, with MotoNovo origination trending above pre-COVID levels.

The NIR trajectory has rebounded strongly, supported by payroll recovery which, on an aggregate basis, is back to pre-COVID levels. October 2020 volumes are up compared to June 2020, in particular:

- total financial transactions up 22%;
- banking app transactions up 16%;
- point-of-sale swipes (merchant acquiring) up 38%; and
- swipes by FNB card holders up 29%.

The period-on-period credit loss ratio showed a marked increase, with the impairment charge increasing 44%. For the four months to October 2020, the credit loss ratio improved compared to the 1.91% reported at 30 June 2020. The four months' build-up in NPLs is marginally better than expectations.

Collections are back at pre-COVID levels and continue to trend better than expected, with a small cohort of customers entering extended relief. Despite the better than anticipated rebound, given the prevailing uncertainty, the group has not adjusted its provisioning assumptions and methodology.

Operating expenses continue to trend at inflation, resulting in a deterioration in the cost-to-income ratio compared to 30 June 2020.

The group has remained capital generative and the group's CET1 ratio (including unappropriated profits) has increased from the 11.5% reported at 30 June 2020.

Expected earnings ranges:

	6 months to December 2019	6 months to December 2020 (expected maximum decrease of 25%)	6 months to December 2020 (expected minimum decrease of 20%)
HEPS	249.4	187.0	199.5
EPS	249.3	186.9	199.4
Normalised EPS	249.7	187.2	199.7

With regard to the outlook, whilst the first four months of the financial year are better than expected, the group remains cautious on the sustainability of this rebound. Significant uncertainties remain in the system which may play out in the first six months of 2021; the COVID-19 pandemic is not over and South Africa could experience a second wave. In addition, the long-term impacts of the lockdown are not yet fully known. The South African medium-term budget confirmed the ongoing fiscal and macroeconomic challenges which the group believes will continue to weigh on economic activity and constrain growth.

Shareholders are advised that the estimated financial information on which this trading statement is based has not been reviewed or reported on by the group's external auditors. FirstRand's results for the current period will be released on SENS on Thursday, 4 March 2021.

Sandton
26 November 2020

Sponsor
Rand Merchant Bank (a division of FirstRand Bank Limited)