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)

VOLUNTARY UPDATE TO GUIDANCE AND TRADING STATEMENT

Shareholders and noteholders are hereby advised that FirstRand is updating the guidance provided for the year to 30 June 2021.

In the prospects section of FirstRand's announcement relating to its results for the six months ended 31 December 2020, released on the Stock Exchange News Service on 4 March 2021, the group provided the following guidance.

"It's important to note that the absolute level of earnings for the six months to December 2020 will likely not be repeated in the second half."

This view was, at the time, mainly predicated on continued elevated cost of credit in South Africa due to the lag effects of the December and January lockdown restrictions and the third wave in the UK resulting in higher arrears and non-performing loans (NPLs).

In South Africa, the group has seen the economy rebound much faster than initially expected and this, combined with ongoing strong collections, has resulted in significantly lower impairments than predicted. Arrears have reduced and whilst NPL formation has continued, it is trending lower than expected. In the UK, the credit experience has also been better, supported by the extension of the government furlough scheme.

Despite this improving picture, due to ongoing uncertainty the group remains conservatively positioned with regards to its forward-looking provisions.

Given the level of improvement in the cost of credit, the group is now experiencing a stronger second half performance than expected.

The rest of the income statement is broadly in line with previous guidance.

Net interest income (NII) is tracking at a similar level to the first half and is expected to be marginally up year-on-year. This is despite the significant endowment impact and reflects the benefit of certain asset and liability management strategies.

Non-interest revenue (NIR) is trending lower than in the first half mainly due to:

- the strong contribution from fee and commission income in December 2020 compared to the lower volumes experienced in January and February 2021 following the second wave lockdown. Fee and commission income did improve in April and May 2021;

- in the second half of the financial year ended June 2020, trading income was strong given the prevailing volatility and this did not repeat to the same extent in the second half of the financial year ending June 2021; and
- insurance revenue continued to be impacted by elevated claim levels.

Overall cost growth will normalise higher than the 1% increase reported for the six months ended December 2020. The group has however benefited from a strong focus on cost management and expects the increase for the year to be limited to low single digits.

Regarding the balance sheet, the shape of the group's deposit franchise remains in line with expectations. Current trends indicate that customers are utilising discretionary savings as the economy has opened up. Consumer spending is now back at pre-COVID levels.

Advances growth has remained muted, reflecting the group's cautious risk appetite and its focus on meeting the needs of its main banked customers in the retail and commercial segments. Corporate activity remains subdued.

The group has maintained its strong capital and liquidity position which allowed the board to re-introduce a dividend pay-out at the lower end of its cover range in March 2021.

TRADING STATEMENT

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 is expected, with a reasonable degree of certainty, to differ by at least 20% from that of the previous corresponding period.

FirstRand's headline earnings per share (HEPS) of 308.9 cents, earnings per share (EPS) of 303.5 cents and normalised EPS of 307.8 cents for the year to 30 June 2020 will be exceeded by more than 35% in the year ending 30 June 2021. FirstRand's HEPS, EPS, and normalised EPS will therefore be at least 417.0, 409.7 and 415.5 cents respectively.

A further trading statement will be issued to provide more specific guidance once there is reasonable certainty regarding the extent of the increase in earnings and the relevant HEPS, EPS and normalised EPS ranges.

Shareholders and noteholders are advised that the forecast financial information contained in this announcement has not been reviewed or reported on by the group's auditors.

Sandton
7 June 2021

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