

FirstRand Limited
(Incorporated in the Republic of South Africa)
(Registration number 1966/010753/06)
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LEI:529900XYOP8CUZU7R671
(FirstRand or the group)

VOLUNTARY TRADING UPDATE FOR THE SIX MONTHS ENDING 31 DECEMBER 2023

FirstRand today confirms that guidance on growth in normalised earnings and return on equity (ROE) for the year to 30 June 2024, provided in September 2023 when the group announced year-end results to June 2023, remains unchanged. The group expects earnings growth of real GDP plus CPI plus >0% to 3%. ROE will remain at the upper end of the targeted range of 18% to 22%.

For the twelve months to June 2024, the key income statement lines are trending in line with expectations except for the credit loss ratio (CLR) which is now expected to be lower than the group initially guided. The CLR is not expected to reach the midpoint of the group's through-the-cycle range, demonstrating that the origination strategy adopted continues to result in a stronger relative credit performance despite the challenging cycle. The CLR has been supported by improving forward-looking macro assumptions and softer advances growth.

FirstRand's customer franchises are in good health, remain operationally resilient and performances are tracking as expected. This is a pleasing outcome, given the current operating environment.

As anticipated, the period-on-period growth in FNB's non-interest revenue (NIR) has slowed slightly as ongoing macro pressures on households manifest in lower levels of activity in the retail segments, coupled with the fee givebacks implemented by FNB. However, the underlying volumetric data reveals continued growth in volumes and customer numbers.

Trends in retail secured and unsecured advances have also softened since June 2023, mainly due to the continued focus on quality risk as well as a reduction in overall customer demand. FNB's commercial segment has maintained good levels of growth in customers, advances and deposits.

RMB's advances growth remains within expectations, albeit at a slower absolute rate given the base of the previous period, with the cross-border book continuing to perform strongly.

The positive deposit and advances activity across all franchises and segments is supportive to NII growth for the year. The group expects overall margin to be flat given the mix of origination and the endowment investment strategy.

The Aldermore business in the UK is also performing in line with expectations. Advances growth has been impacted by appetite pullback given the cycle, however, credit is performing better than previously guided.

The group expects the performance in the first six months to 31 December 2023 to present a slightly different picture to that of the year as whole, due to certain one-off base items in the comparative period to 31 December 2022.

- In the comparative period, the group reported a large private equity realisation that will not repeat in size in the first half of the current financial year. Although the absolute benefit of the realisation last year was partly offset by the Ghanaian sovereign debt restructure impairment, it still represented a R300 million net earnings benefit in the comparative six months.
- Aldermore's earnings are negatively impacted by the fair value movements of its interest rate hedge. In the prior period, the business recorded fair value hedge income. With the UK yield curve normalising and changes in the books' amortisation profiles, this income will reverse in the current period.
- Costs for the first six months of this year will be higher than guided for the full year. The group expects this will normalise into the high single digit cost growth number previously guided for the full year.

Shareholders are advised that the financial information contained in this voluntary trading update has not been reviewed or reported on by the group's external auditors. The group will announce results for the six months ending 31 December 2023 on Thursday, 29 February 2024.

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20 November 2023

Sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)