FIRSTRAND LIMITED
(Incorporated in the Republic of South Africa)
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VOLUNTARY TRADING UPDATE AND TRADING STATEMENT FOR THE TWELVE MONTHS ENDING 30 JUNE 2024

FirstRand Limited (FirstRand or the group) today updates its guidance on the group's operational and financial performance for the twelve months to 30 June 2024 (financial year or the current period).

FirstRand's portfolio produced a stronger underlying performance than anticipated in the second half of the financial year. This resulted in higher earnings growth emanating from operations, compared to guidance provided in February 2024 when the group announced its interim results. Earnings growth is, however, offset by the decision to raise an accounting provision for the previously disclosed UK motor commissions review process.

Operational performance better than expected.

The macroeconomic environment in most of the jurisdictions where the group operates remained largely as anticipated, characterised by persistently high interest rates and inflation, resulting in ongoing affordability pressures, particularly for households. However, the UK macroeconomic environment proved to be more benign than expected.

Against this backdrop, some of the key income statement lines trended better than estimated during the second six months of the financial year.

Net interest income benefited from improved investment rates afforded by market volatility and ongoing asset and liability management strategies executed by Group Treasury. Advances and deposits growth remained resilient and in line with guidance.

Growth in the group's non-interest revenue was markedly stronger than in the first half of the financial year, demonstrating the benefits of its diversified capital-light income streams.

RMB produced stronger than expected growth in knowledge-based fee income and a private equity realisation of a similar value to the private equity realisation in the first half of the financial year.

Despite fee reductions in the retail and commercial segment continuing in the second half of the financial year, FNB delivered slightly higher levels of fee and commission income compared to the first half of the financial year, the result of increased customer activity.

The group’s overall credit performance is trending better than guidance, with the credit loss ratio now expected to be closer to the bottom end of the group’s through-the-cycle range.

Although impairments are higher than anticipated in certain retail portfolios, this has been offset by a better-than-expected credit performance from the UK operations. This was mainly as a result of reducing cost-of-living pressures, which allowed for partial provision releases. In addition, the resolution of the previously disclosed notice of sums in arrears remediation process allowed for a further provision release.

Overall group operating expenses have been well managed to mid-single-digit growth. This is a more positive outcome than initially expected, mainly driven by FNB’s ongoing focus on cost management.

Accounting provision raised for UK motor commissions review process.

As previously communicated to shareholders, the UK’s Financial Conduct Authority (FCA) announced that it is undertaking a review of the historical use of discretionary commission arrangements and sales by the mainstream lenders in the UK motor finance market. The FCA plans to set out next steps by the end of September 2024.

Shareholders should note the following:

- most of the vehicle loans originated within the scope of the FCA review reside in FirstRand Bank’s London branch in the form of the MotoNovo back book, which was not transferred to Aldermore when it acquired the MotoNovo business from FirstRand in May 2019;

- a smaller cohort of such loans resides in the MotoNovo front book as MotoNovo phased out discretionary commission arrangements by January 2021;
- not all loans originated through dealers in the review period used discretionary commission arrangements; and
- where individual cases have been tested in county courts, unfairness and/or customer detriment was not demonstrated in the majority of cases.

The group continues to believe that MotoNovo's historical practices were compliant with the law and regulations in place at the time.

However, uncertainty persists whilst the FCA process runs its course and legal risk remains as individual cases continue to be tested and taken on appeal. In addition, the FCA has subsequently published the following statement:

"We have observed firms taking different approaches to account for the potential impact of previous use of DCA on their financial resources. So, we are writing to firms to remind them they must maintain adequate financial resources at all times."

Given the prevailing uncertainty and the above statement, the group has taken the decision to raise an accounting provision based on probability-weighted scenario principles constructed from its own data analysis, and which includes potential legal and redress costs. The amount provided is a best estimate of what can be raised as a conservatively struck accounting provision. The methodology used to inform the provision will be reviewed as part of the group's year-end audit and governance process.

It is worth noting that other firms operating in the motor finance sector in the UK, also participating in the FCA process, have raised accounting provisions.

As a result of the provision, updated ranges for earnings growth are outlined below:

- earnings per share (EPS) for the current period is expected to increase between 1% and 8% compared to the reported EPS for the prior comparable period (648.1 cents per share), resulting in a range of between 654.6 cents per share and 699.9 cents per share;
- headline EPS for the current period is expected to increase between 1% and 5% compared to the reported headline EPS for the prior comparable period (654.7 cents per share), resulting in a

range of between 661.2 cents per share and 687.4 cents per share; and

- normalised EPS for the current period is expected to increase between 1% and 5% compared to the reported normalised EPS for the prior comparable period (653.1 cents per share), resulting in a range of between 659.6 cents per share and 685.8 cents per share.

As previously stated, the group believes normalised earnings more accurately reflect operational performance.

The return on equity will remain within the target range of 18% to 22%, and the group's capital and liquidity levels remain strong and above internal targets.

FirstRand's customer franchises are in good health and remain operationally resilient. Strategies are tracking as expected. This stronger performance for the second half of the financial year is a pleasing outcome, given the challenging operating environment. It has allowed the group to deliver higher earnings growth and returns to shareholders than expected and enabled it to absorb a conservatively struck accounting provision.

Shareholders are advised that the financial information on which this voluntary trading update and trading statement is based has not been reviewed or reported on by the group's external auditors. The group will announce financial results for the full year to 30 June 2024 on Thursday, 12 September 2024.

Sandton
27 June 2024

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