FirstRand Limited
(Incorporated in the Republic of South Africa)
(Registration number 1966/010753/06)
JSE ordinary share code: FSR
Ordinary share ISIN: ZAE000066304
NSX ordinary share code: FST
LEI:529900XYOP8CUZU7R671
(FirstRand or the group)

Voluntary trading update for the six months ending 31 December 2024

FirstRand today updates shareholders on trading for the first six months of its 2025 financial year covering the period from 30 June 2024 to 31 December 2024.

The macroeconomic environments in South Africa, the broader Africa jurisdictions where the group operates and in the UK, remained largely as anticipated, although the Rand has strengthened to levels higher than expected, which will have some impact on foreign exchange earnings generated from the UK and broader Africa operations.

FirstRand's operational and financial performance is trending in line with previous guidance. As outlined in the prospects statement published as part of the group's annual results for the full year to 30 June 2024, absolute advances growth from the South African franchises is still expected to show greater momentum in the current year relative to the previous year, although weighted to the second half of the year. However new business origination will continue to tilt to commercial and corporate, which is written at comparatively lower margins, whilst retail advances growth will be relatively muted. Net Interest Margins (NIMs) therefore will remain under pressure.

As a result of the above, the group guided to weaker net interest income (NII) growth in the current year. This will also include the impact of the expected rate cutting cycle, which since previous guidance now includes further cuts, resulting in a repo rate of 7% at 30 June 2025. This impact will be partially offset by a reduction in the endowment "opportunity cost" emanating from the ALM strategy, and on-going healthy growth in the deposit franchise.

Advances growth in the UK operations is trending ahead of guidance with healthier than expected production in the property and specialist finance books in the second quarter. Currently growth in deposits is outpacing advances and therefore NIMs remain under pressure, however this funding capacity means the business is well positioned to capture new business opportunities that emerge in the second half of the year.

Despite weaker than expected trading income, which has impacted non interest revenue (NIR) growth in the first half, as previously guided overall group NIR is showing a stronger growth trend. Fee and commission income growth is in line with expectations benefiting from the on-going generation of knowledge-based fees, customer gains and generally higher levels of activity. Insurance income continues to trend up strongly. This growth in NIR is pleasing given the base created by private equity realisations in the previous period. Several opportunities for private equity realisations remain on track; however, these are likely to only materialise in the second half of the year.

The group's credit performance is better than expected, particularly in the SA retail books where the credit loss ratio (CLR) is showing an improving trend. The commercial CLR has ticked up in line with expectations but remains below the TTC range. Corporate credit continues to be more benign than expected. The UK and broader Africa credit performances are also in line with expectations.

The group still expects the overall CLR to remain well below the mid point of its TTC range despite the non-repeat of the NOSIA and UK cost-of-living provision releases in the second half of the prior year.

Operating expenses growth is trending slightly better than guided, which combined with the expected good topline growth, should result in an improved cost-to-income ratio.

The group undertook to update shareholders on any developments relating to the recent judgement from UK Court of Appeal on motor commission cases and can confirm that on 22 November 2024 FirstRand lodged an application for appeal to the UK Supreme Court.

The group is pleased to see that industry players, regulatory authorities and other interested parties have publicly indicated support for the case to be heard by the Supreme Court, given the far-reaching consequences of the current judgement.

Given the prevailing legal and regulatory uncertainty and based on the information available, the group believes the accounting provision of £127.4 million raised at 30 June 2024 remains appropriate.

Shareholders are advised that the financial information on which this voluntary trading update is based has not been reviewed or reported on by the group's external auditors.

Sandton
26 November 2024

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