FirstRand

FIRSTRAND CONTINUES TO DELIVER GROWTH AND SUPERIOR RETURNS

Group's return on equity remains at the upper end of its target range

Johannesburg, 14 September 2023 – FirstRand Limited, the integrated financial services group, today announced results for the year ended 30 June 2023.

Normalised earnings increased 12% to R36.7 billion, driven by a solid underlying operational performance, characterised by continued momentum in balance sheet growth, driven by solid levels of lending and another strong contribution from the deposit franchise.

Growth in earnings, supported by capital optimisation, resulted in a normalised return on equity (ROE) of 21.2%, which remains at the upper end of the target range of 18% to 22%. In addition, the group produced R12 billion of economic profit, FirstRand's key measure of shareholder value creation. Despite the record dividend payout for the year ended June 2022, the group saw net asset value (NAV) growth of 10%, with half of this growth emanating from the capital deployed in the UK operations. Despite a weak macroeconomic environment, with inflation and rate pressures, the credit performance was in line with expectations.

The group declared an annual dividend of 384 cents, up 12% year-on-year and representing a payout level of 59%.

Commenting on the results, FirstRand CEO, Alan Pullinger, said:

> *"These strong results are a direct outcome of key decisions taken at the beginning of the current macroeconomic cycle. The credit performance stands out, with the credit loss ratio below the group's through-the-cycle range. This is testament to the post-pandemic origination approach, and particularly pleasing given the higher-than-expected interest rate and inflationary cycles experienced across all jurisdictions.*
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> *The quality of the group's franchises, FNB, RMB, WesBank and Aldermore, is captured in their resilient operational performances, underpinned by healthy topline growth from solid new loan origination and impressive deposit gathering. Executing on the strategy to deliver more to customers has remained a cornerstone of the group's success.*
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> *Discipline in the deployment of financial resources supported the group's normalised ROE of 21.2%, which remained at the upper end of its stated range."*

FirstRand's performance, in particular the composition and quality of its earnings and high return profile, continues to directly correlate to the consistent and disciplined execution on strategies designed to maximise shareholder value. In addition, the strength of the customer-facing businesses in the FirstRand portfolio has allowed the group to capitalise on profitable growth opportunities across all markets, sectors and segments despite the challenging macroeconomic environment.

FirstRand remained discerning in pursuing advances growth, given competitive actions in the market and the higher interest rates, and the group believes it continues to capture a higher share of quality risk business whilst satisfying the needs of customers.

Growth in certain retail advances slowed in the second half of the year given customer affordability pressures, but on a year-on-year basis still delivered healthy increases with retail advances up 7% at FNB and 9% at WesBank.

In FNB's commercial segment, advances growth of 8% reflects a consistent strategy to originate tactically in those sectors showing above-cycle growth, and which are expected to perform well even in an inflationary and high interest rate environment.

WesBank's corporate book delivered 20% growth in advances and RMB's strong advances growth continued (+21%), with origination also leaning towards lower-volatility sectors and better-rated counterparties.

Advances growth in the UK operations was resilient (+2% in pound terms), despite the challenging inflationary and interest rate environment.

The deposit franchise and transactional balances increased strongly, both of which have provided an underpin to the superior return profile. The retail, commercial and large corporate deposit franchises all registered excellent growth in deposits and this performance, combined with the advances growth, resulted in overall group net interest income (NII) increasing 16%.

Total group non-interest revenue (NIR) increased 11%, supported by 8% growth in fee and commission income, 16% growth in trading and other fair value income, and a particularly strong 26% increase in insurance income. RMB's private equity business generated resilient annuity income and a material realisation.

Earnings growth and ROE from the operating businesses are unpacked below:

- FNB delivered normalised profit before tax (PBT) growth of 12%, and its ROE improved to 41.7%.
- WesBank's normalised PBT was up 16% and its ROE improved to 22.0%
- RMB delivered12% growth in normalised PBT, with an ROE of 21.2%.
- Aldermore and MotoNovo in the UK delivered 6% growth in normalised PBT and an ROE of 11.6% (in pound terms).

The group's portfolio of businesses in broader Africa grew normalised PBT 32%, an impressive performance underpinned by growth in customers, advances and deposits.

Commenting on prospects, Pullinger said:

"Whilst the macroeconomic cycle for the next twelve months looks more constructive, uncertainty remains high.

In South Africa and across most of the broader Africa jurisdictions where the group operates, rates have probably peaked, but will only start to trend down mid-2024. In the UK rates will continue to rise.

This environment means corporate advances growth will moderate from current levels but are expected to remain resilient. Retail portfolios probably soften on the back of lower demand, although commercial lending is expected to maintain current growth trends. The momentum from the deposit franchise should continue, supporting overall NII growth.

The group's credit loss ratio in the coming year is expected to marginally exceed the mid-point of the through-the-cycle range, which is a pleasing performance given the strain consumers and households are feeling at the moment and is testament to the group's judicious origination strategies.

FirstRand believes the quality of its operating businesses means it will continue to capture an increasing share of profitable growth opportunities in all the segments and markets where it operates, The group will deliver growth and superior returns to shareholders, with the ROE expected to remain within the target range of 18% to 22%."

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