FirstRand Bank

2021

for the year ended 30 June

financial and strategic update

Agenda

Group overview and strategic update Overview of the bank (debt issuer) and financial performance	**Alan Pullinger** CEO: FirstRand
Financial resource management Funding and liquidity Capital South African financial sector and market infrastructure	**Andries du Toit** FirstRand Group Treasurer
Looking ahead	**Alan Pullinger** CEO: FirstRand

FirstRand

2021

for the year ended 30 June

group overview and strategic update

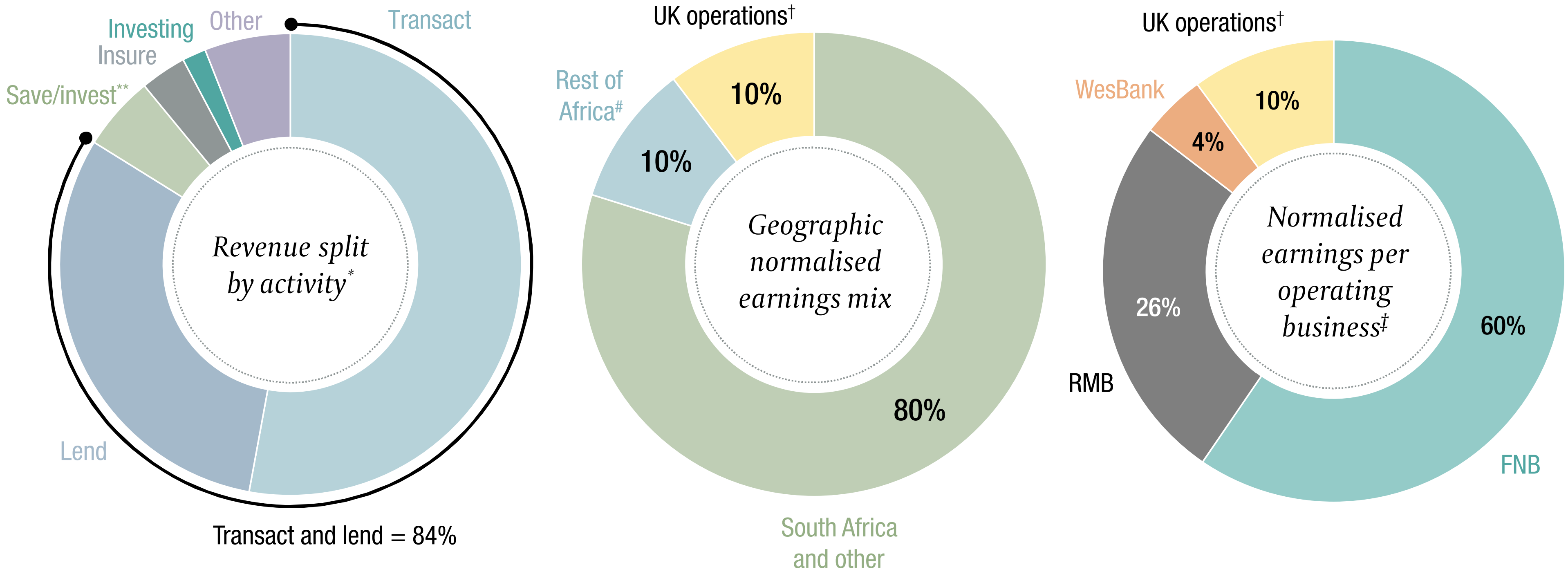
FirstRand's portfolio

FirstRand

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

FNB	RMB	WesBank	Aldermore	ASHBURTON INVESTMENTS	FCC
Retail and commercial banking, insurance and investments	Corporate and investment banking	Vehicle asset finance and fleet management	UK specialist bank	Asset management	Group-wide functions

Portfolio mix at 30 June 2021 – activity, geography and business



* Based on gross revenue excluding consolidation adjustments. Excludes UK operations.

** Includes deposit taking and investment management.

\# Strategy view.

† Aldermore Group and MotoNovo standalone (i.e. front and back book).

‡ Excluding FCC (incl. Group Treasury), FirstRand company, consolidation adjustments and dividends on other equity instruments.

Group strategic framework presents distinctive investment proposition

FirstRand commits to building a future of SHARED PROSPERITY through enriching the lives of its customers, employees and the societies it serves. This is the foundation to a sustainable future and will preserve the group's enduring promise to create long-term value and superior returns for its shareholders.

DIVERSIFIED PORTFOLIO WITH UNIQUE STRATEGIES:

SOUTH AFRICA	REST OF AFRICA	UK
Platform-enabled integrated financial services providing ecosystems that create long-term value for clients and shareholders	Build competitive advantage and scale to deliver economic profit and dividends	Modernise, digitise and scale to a more valuable UK business that delivers economic profit and dividends

Enabled by digital platforms

Disciplined management of financial resources (capital, funding, liquidity and risk capacity) to deliver on financial commitments

Committed, accountable and empowered people key to delivering continued outperformance

Shared prosperity – inclusive value creation

Underlying business strategies deliver a blend of financial and social outcomes

TRUSTED REPOSITORY OF THE NATION'S SAVINGS

- Deposits: **R1.5 trillion**

HOME OWNERSHIP

- Mortgage book: **R290 billion**

PRODUCTIVE CAPITAL FORMATION AND JOB CREATION

- **R41.1 billion** for SA SMEs

INFRASTRUCTURE DEVELOPMENT

- Financed **c. R14 billion**

FINANCIAL INCLUSION ON PLATFORM

- **7.16 million** eWallets*
- **1 768** Cash Plus agents

HELPING CUSTOMERS MANAGE THEIR FINANCES

- **2.1 million** nav» Money users

GREEN ECONOMY – TRANSITION FINANCE

- Mandated for **R1.8 billion** in sustainability-linked bonds and loans
- **$225 million** in DFI funding for climate financing

* *Total active eWallet base, including 1.55 million eWallets belonging to FNB customers.*

Adherence to the pandemic response FRM framework protected the balance sheet and underpinned ROE recovery

- FirstRand implemented specific actions in March 2020 to emerge from Covid-19 with limited vulnerabilities and with capital to fully take advantage of the recovery

- Anchored business to financial resource management principles:
  - Carefully price for financial resources
  - Appropriately provide against lending portfolios
  - Cost management focus
  - Balance sheet appropriately tilted to macro outlook and strengthened further
  - Accrete capital and NAV – deployment of capital to reflect revised cost of equity

- Group resumed paying dividends at the bottom end of its cover range (56% payout)

Emerged with strong balance sheet and capital for growth

Key group performance metrics demonstrate strong rebound

Normalised earnings	R26.6bn	(2020: R17.3bn)	↑54%
Pre-provision operating profit	R50.6bn	(2020: R48.3bn)	↑5%
Dividend per share (interim + final)	263 cents	(2020: 146 cents)	↑80%
Return on assets	1.39%	(2020: 0.96%)	↑43 bps
Return on equity	18.4%	(2020: 12.9%)	↑550 bps
Net asset value	R151.6bn	(2020: R137.6bn)	↑10%
Credit loss ratio	1.06%	(2020: 1.91%)	↓85 bps
Cost-to-income ratio	52.4%	(2020: 52.9%)	↓50 bps
CET1 ratio	13.5%	(2020: 11.5%)	↑200 bps

FirstRand Bank

2021

for the year ended 30 June

overview of the bank (debt issuer) and financial performance

FirstRand Bank is a wholly-owned subsidiary of FirstRand Limited

FirstRand

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100%

DEBT ISSUER → **FIRSTRAND BANK LIMITED (FRB)**

SA banking

DIVISIONS

FNB	Retail and commercial
RMB	Corporate and institutional
WesBank	Vehicle asset finance

BRANCHES

London, Guernsey* and India

REPRESENTATIVE OFFICES

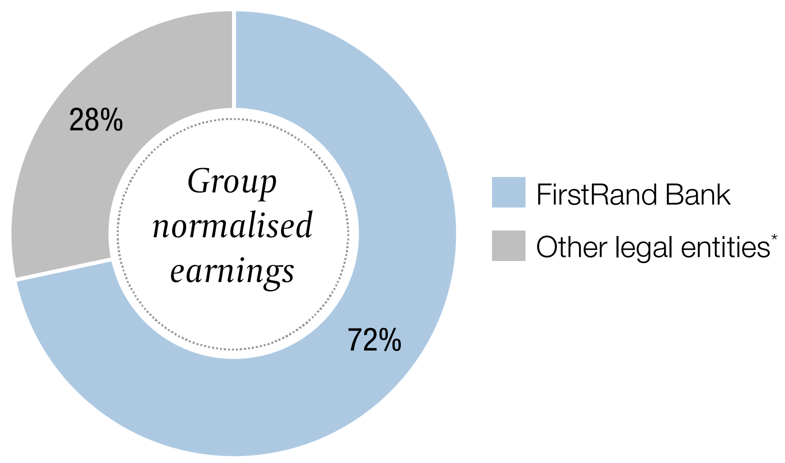
Kenya, Angola and Shanghai

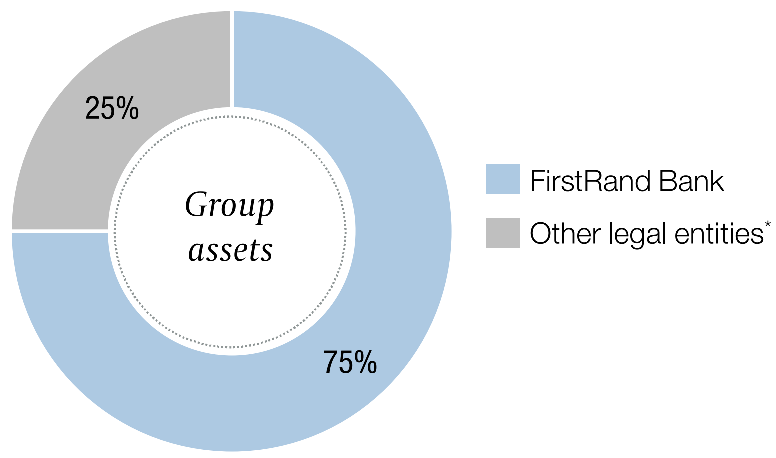
OTHER WHOLLY-OWNED SUBSIDIARIES OF FIRSTRAND LIMITED

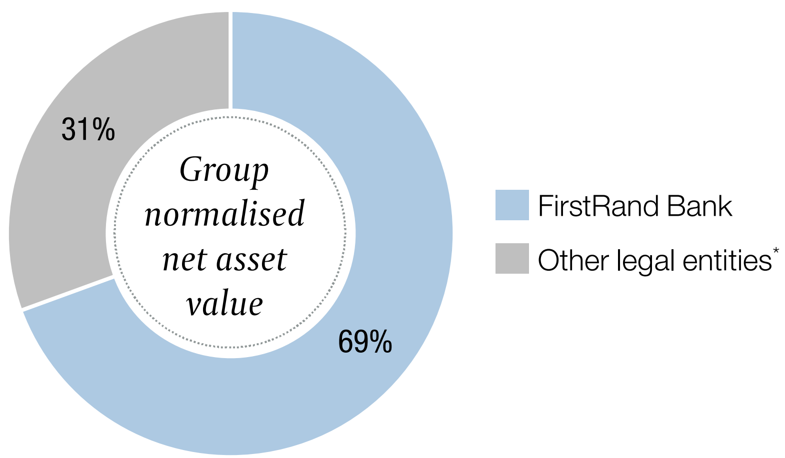
FirstRand EMA Holdings (Pty) Ltd (FREMA)	Rest of Africa
FirstRand International Limited (Guernsey) (FRI)	UK banking and hard currency platform
FirstRand Investment Management Holdings Ltd	Investment management
FirstRand Insurance Holdings (Pty) Ltd	Insurance
FirstRand Investment Holdings (Pty) Ltd (FRIHL)	Other activities

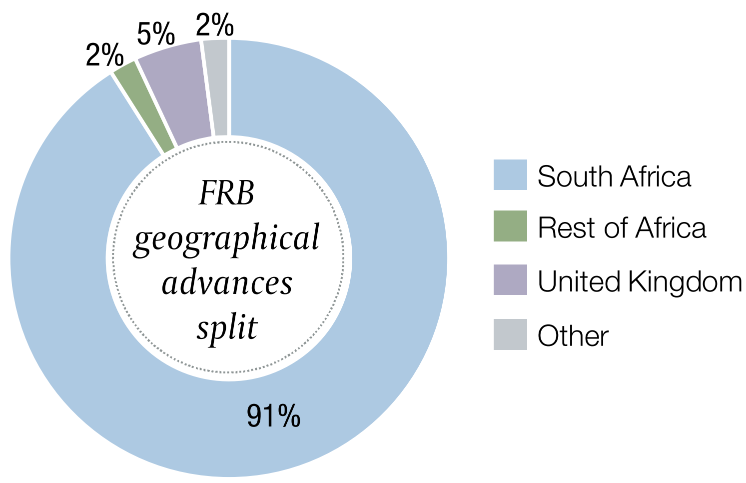
* *Trading as FNB Channel Islands.*

FRB a significant contributor to group's financial position









Include FREMA, FRIHL, FirstRand Investment Management Holdings Ltd, FirstRand Insurance Holdings (Pty) Ltd and FirstRand International Limited (Guernsey), the holding company of Aldermore.

Sources: Analysis of financial results for the year ended 30 June 2021 for FirstRand Limited and FirstRand Bank Limited.

SA banking business remains underpin to group's growth

SOUTH AFRICA	REST OF AFRICA	UK
Platform-enabled integrated financial services providing ecosystems that create long-term value for clients and shareholders	Build competitive advantage and scale to deliver economic profit and dividends	Modernise, digitise and scale to a more valuable UK business that delivers economic profit and dividends

- Grow at macro +
  - More customers
  - More to customers
  - All done more efficiently
- Continue to strengthen competitive positioning
  - Refreshed value props for re-segmented customer bases (entry, retail and private banking)
  - Underpinned by market-leading behavioural rewards programme (eBucks)
- Ongoing evolution of platform
- Optimisation mindset
- Disciplined allocation of financial resources

The bank supports the group's rest of Africa strategy

SOUTH AFRICA	REST OF AFRICA	UK
Platform-enabled integrated financial services providing ecosystems that create long-term value for clients and shareholders	Build competitive advantage and scale to deliver economic profit and dividends	Modernise, digitise and scale to a more valuable UK business that delivers economic profit and dividends

- The bank's balance sheet is utilised in RMB's cross-border lending and trade finance activities into the rest of Africa
- Have also established hard currency platform in Mauritius for group's rest of Africa dollar exposures

UK – MotoNovo integration into Aldermore completed

SOUTH AFRICA	REST OF AFRICA	UK
Platform-enabled integrated financial services providing ecosystems that create long-term value for clients and shareholders	Build competitive advantage and scale to deliver economic profit and dividends	Modernise, digitise and scale to a more valuable UK business that delivers economic profit and dividends

- FirstRand acquired Aldermore in 2018 (Aldermore is not part of FirstRand Bank)
- MotoNovo fully integrated into Aldermore in May 2019
  - All new business now funded through Aldermore's deposit and funding platform, as well as leveraging capital market securitisations and warehouse transactions with international banks
- MotoNovo's back book remains part of FirstRand Bank London branch
  - Loans originated prior to May 2019 will continue to be funded through existing funding mechanisms in FirstRand Bank London branch, but will be run down over time
  - MotoNovo will ultimately cease to form part of the bank
- FirstRand Bank London Branch – CIB strategy

Key performance metrics (normalised)

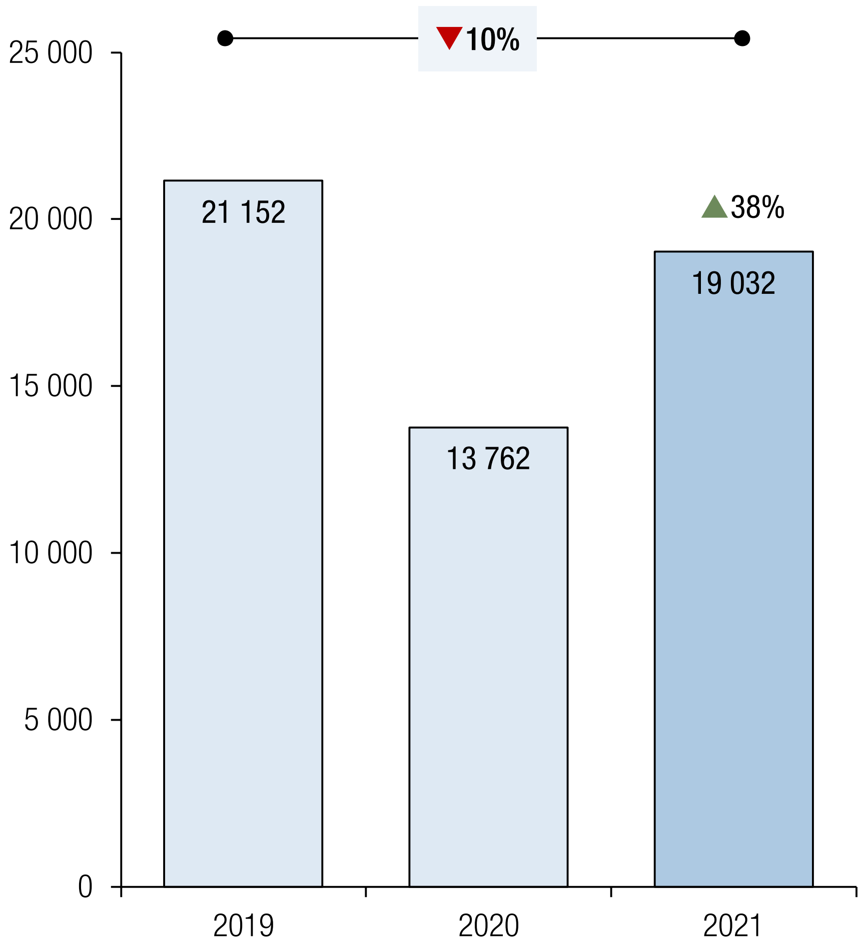
	2021	2020	% change
Earnings (R million)	**19 032**	13 762	38 ▲
Pre-provision operating profit (R million)	**37 366**	35 778	4 ▲
Net interest margin (%)	**4.72**	4.65	▲
Credit loss ratio (%)	**1.23**	2.00	▼
Cost-to-income ratio (%)	**54.0**	54.8	▼
Return on equity (%)	**19.1**	14.6	▲
Return on assets (%)	**1.35**	1.02	▲
Tier 1 ratio* (%)	**15.2**	12.8	▲
CET1 ratio* (%)	**14.5**	12.3	▲
LCR (%)	**117**	124	▼
NSFR (%)	**122**	116	▲
Average gross loan-to-deposit ratio (%)	**81.0**	85.1	▼
Gross advances (R million)	**896 424**	905 712	(1) ▼

* *Including foreign branches. Ratios include unappropriated profits and the transitional impact of IFRS 9.*

Earnings close to pre-pandemic levels, ahead of expectations

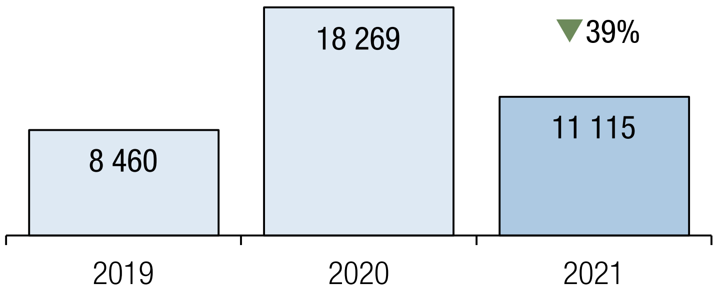
Normalised earnings

R million



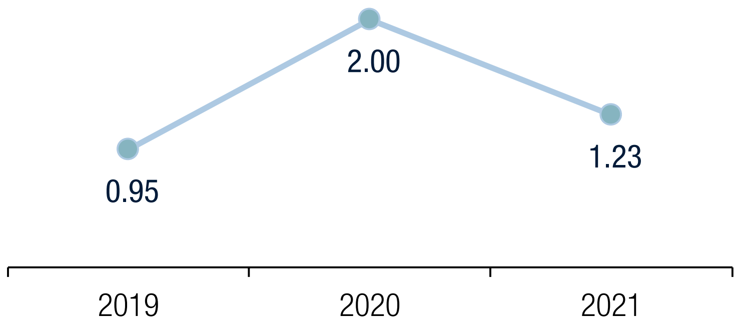
Credit impairment charge

R million

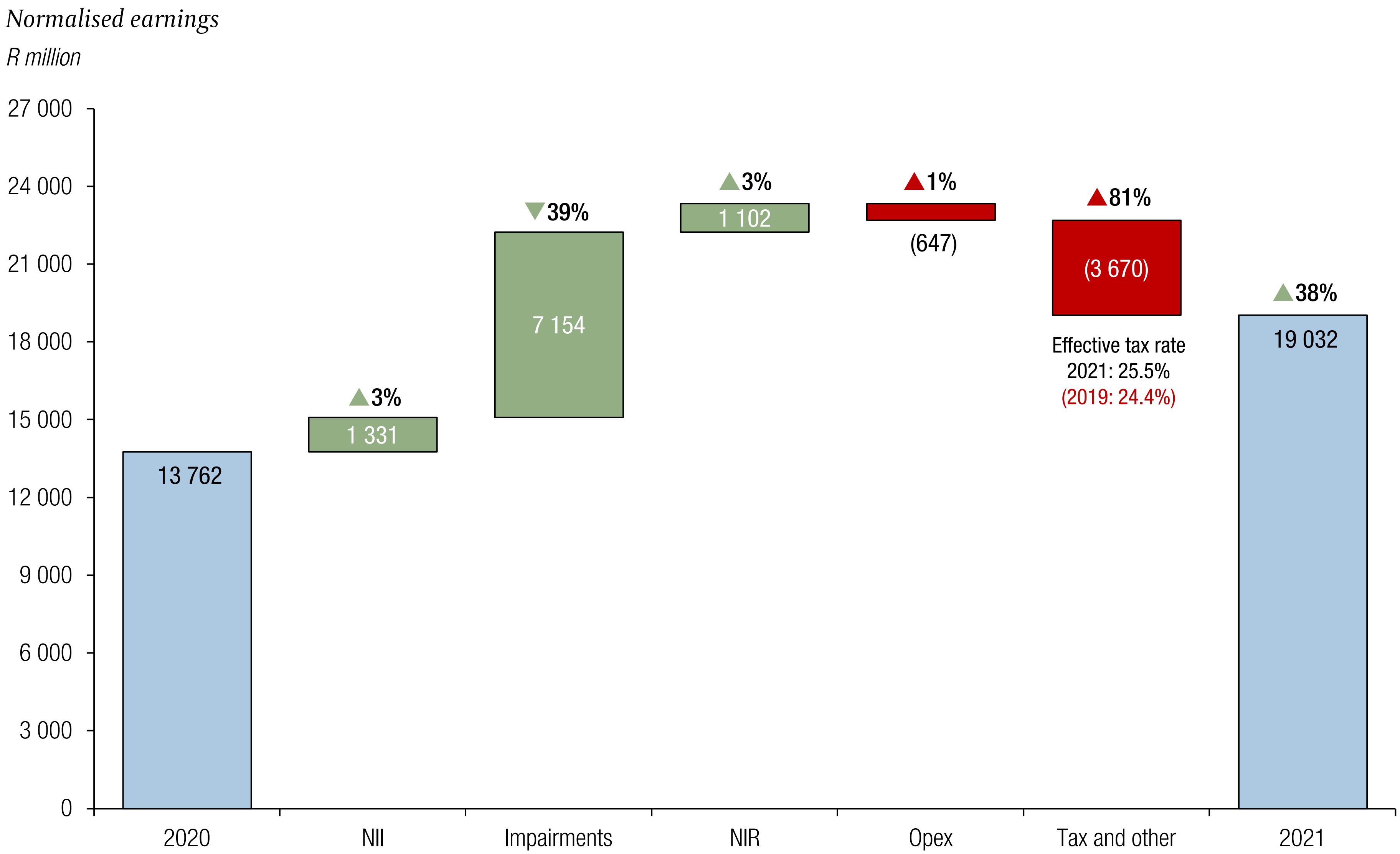


Credit loss ratio

%



Lower impairments are largest driver of earnings growth

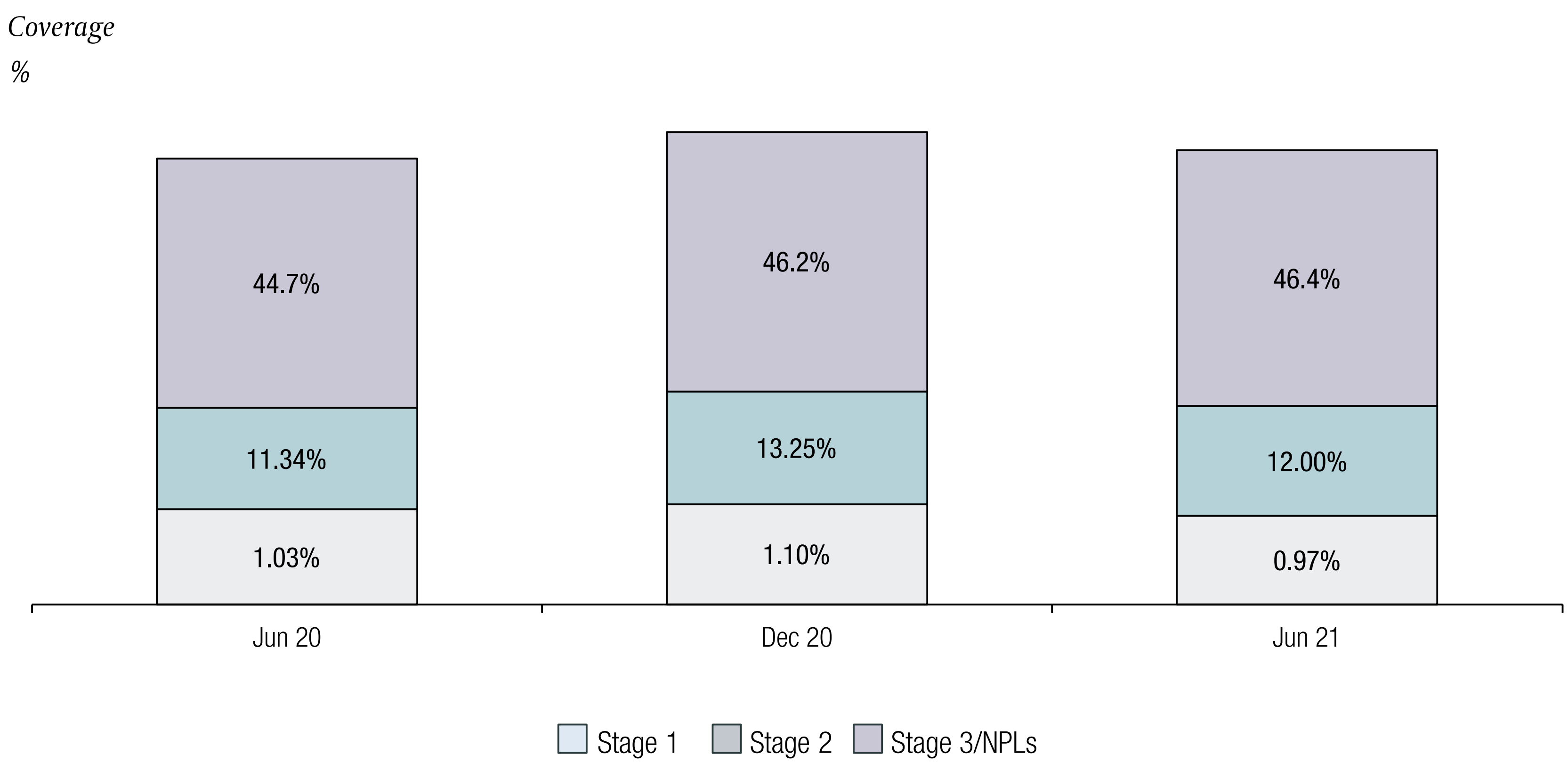


Provisioning strengthened balance sheet further

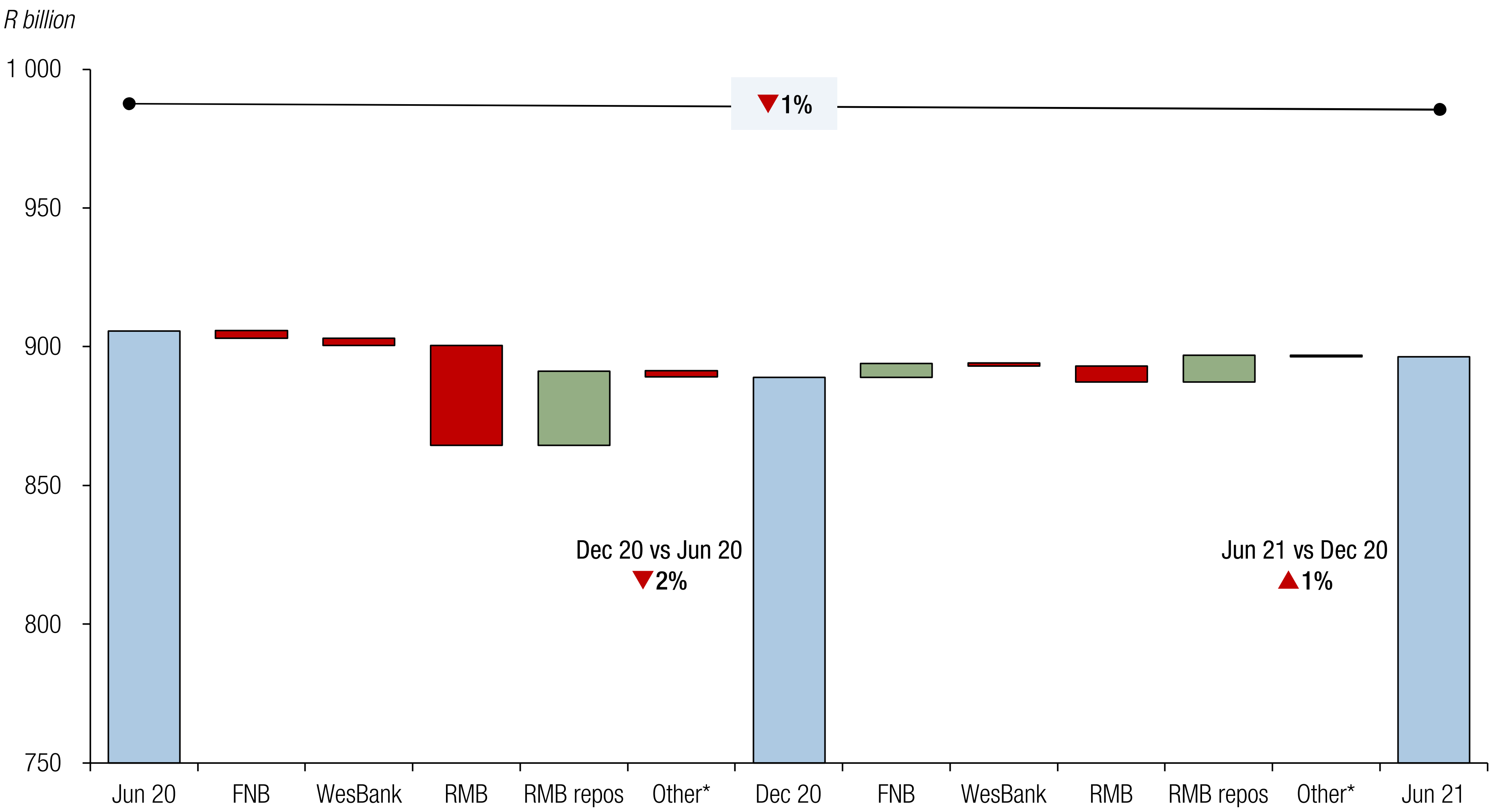
Provisions and coverage

Total provisions

Jun 20	Dec 20	Jun 21
R37 772m	R40 031m	R38 469m

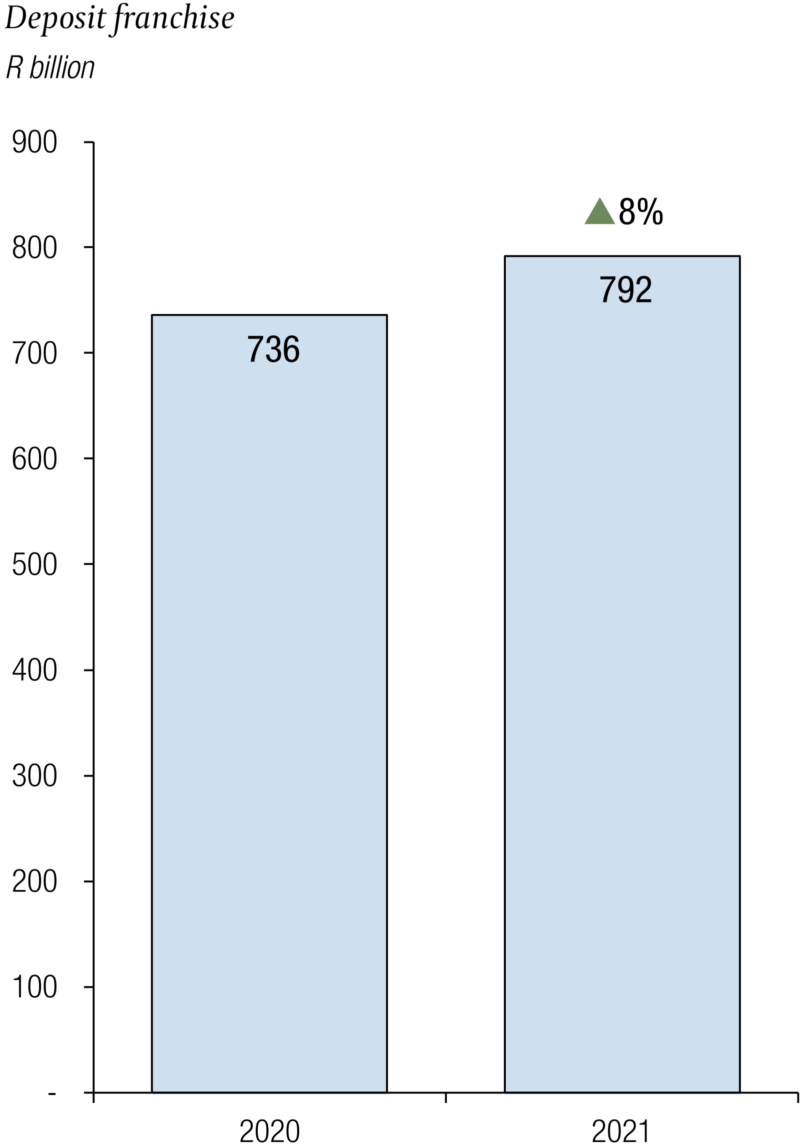


Declining advances trend started to reverse in FNB in second half



* *Includes UK operations, GTSY and other, and currency impact.*

Deposit franchise growth resulted in improved funding mix



- Strong deposit growth across all operating businesses
  - Driven by precautionary savings, compelling savings propositions and customer acquisition
- Slight contraction in advances
- Bank's institutional funding reduced to 27.2% of total funding (2020: 31.7%)
- Increased liquidity buffers (invested in short-dated government treasury bills)

FirstRand Bank

2021

for the year ended 30 June

financial resource management

Disciplined approach to financial resource management

Balance sheet strength	Capital management	• Strong capital position
		  • Appropriate buffers in excess of minimum
		  • Distance-to-trigger/default

	Assets	• Quality
	Liabilities	• Integrated funding and liquidity
Earnings resilience, volatility and growth		• Quality • Diversification • Risk appetite

FirstRand's philosophy on funding and capital

FUNDING	CAPITAL	RISK APPETITE MEASURES
• Diversify across business, markets, currencies, maturities and instrument types • Flexibility across markets, products and investors • Focus on alignment of funding strategies to asset growth and composition, incorporating risk-adjusted pricing • Continued evolution of funding instruments and mix to reduce regulatory volatility and optimise asset/liability matching	• Capital planning performed on forward-looking basis, not point-in-time • Targets aligned to end-state minimum requirements • Frequent issuer, managing roll-over profile • View Additional Tier 1 and Tier 2 instruments as sources of funding, i.e. not used to support economic risk	• Regulator – comfortably exceed minimum prudential requirements • Shareholder – stress testing results within capacity growth, return and earnings volatility • Debtholder – standalone credit rating pierce the sovereign and highest rated

FirstRand Bank

2021

for the year ended 30 June

funding and liquidity

FRB exceeds LCR and NSFR requirements

LIQUIDITY COVERAGE RATIO (LCR)

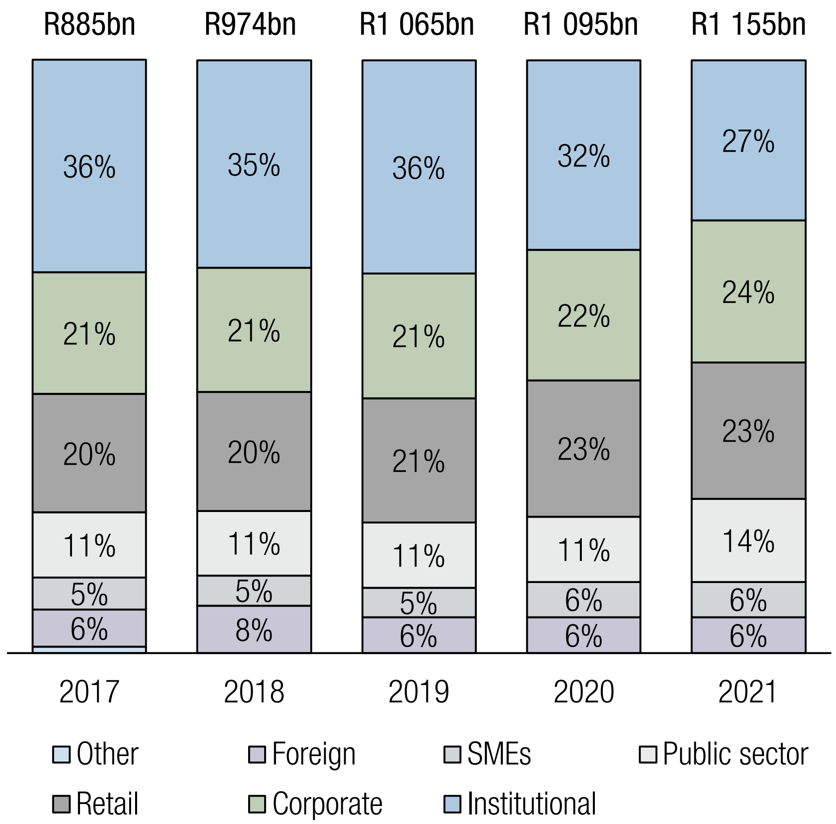
- June 2021: 117%
- Effective 1 April 2020, temporary COVID-19 relief measures introduced, reducing the LCR minimum to 80% from 100%
- Proposed directive released to withdraw temporary relief measures and phase in LCR requirement
    - January 2022: 90% and April 2022: 100%
- Despite the liquidity relief, FRB continues to hold appropriate buffers to withstand liquidity stresses
- Committed liquidity facility (CLF) will be withdrawn by December 2021; PA has introduced the restricted CLF (RCLF), forming part of level 2B HQLA and allowing for the same collateral as the CLF
- RCLF was available from 1 December 2020
- Continuous engagement between industry and PA to develop and improve market liquidity

NET STABLE FUNDING RATIO (NSFR)

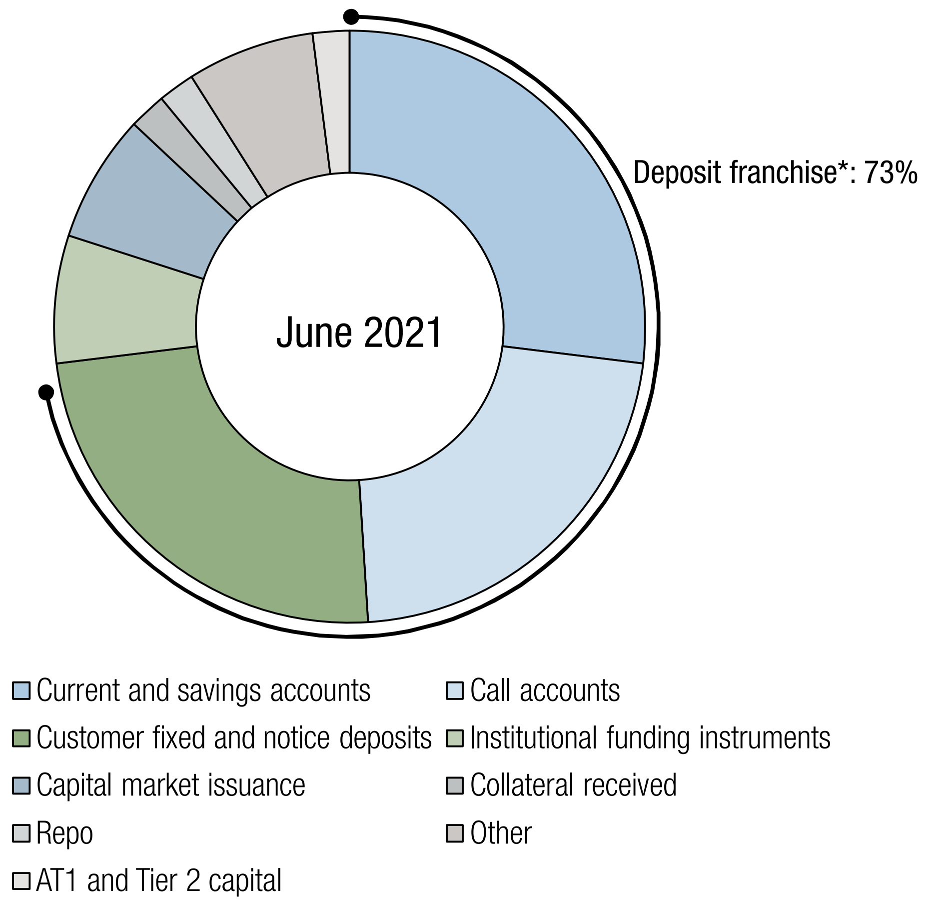
- June 2021: 122%
- In addressing the LCR, the bank adopted strategies to reduce structural liquidity risk, as well as meeting NSFR compliance
- Taking into consideration the regulatory and economic barriers to ZAR liquidity flowing out of the domestic economy, the SARB applies national discretion to financial institution deposits <6 months by adopting a 35% available stable funding factor, rather than 0%
- PA assigns a 5% required stable funding factor to CLF collateral whereas RCLF will attract the standard required stable funding factors for level 2B assets

Continued focus on optimising the funding base…

Sources of funding



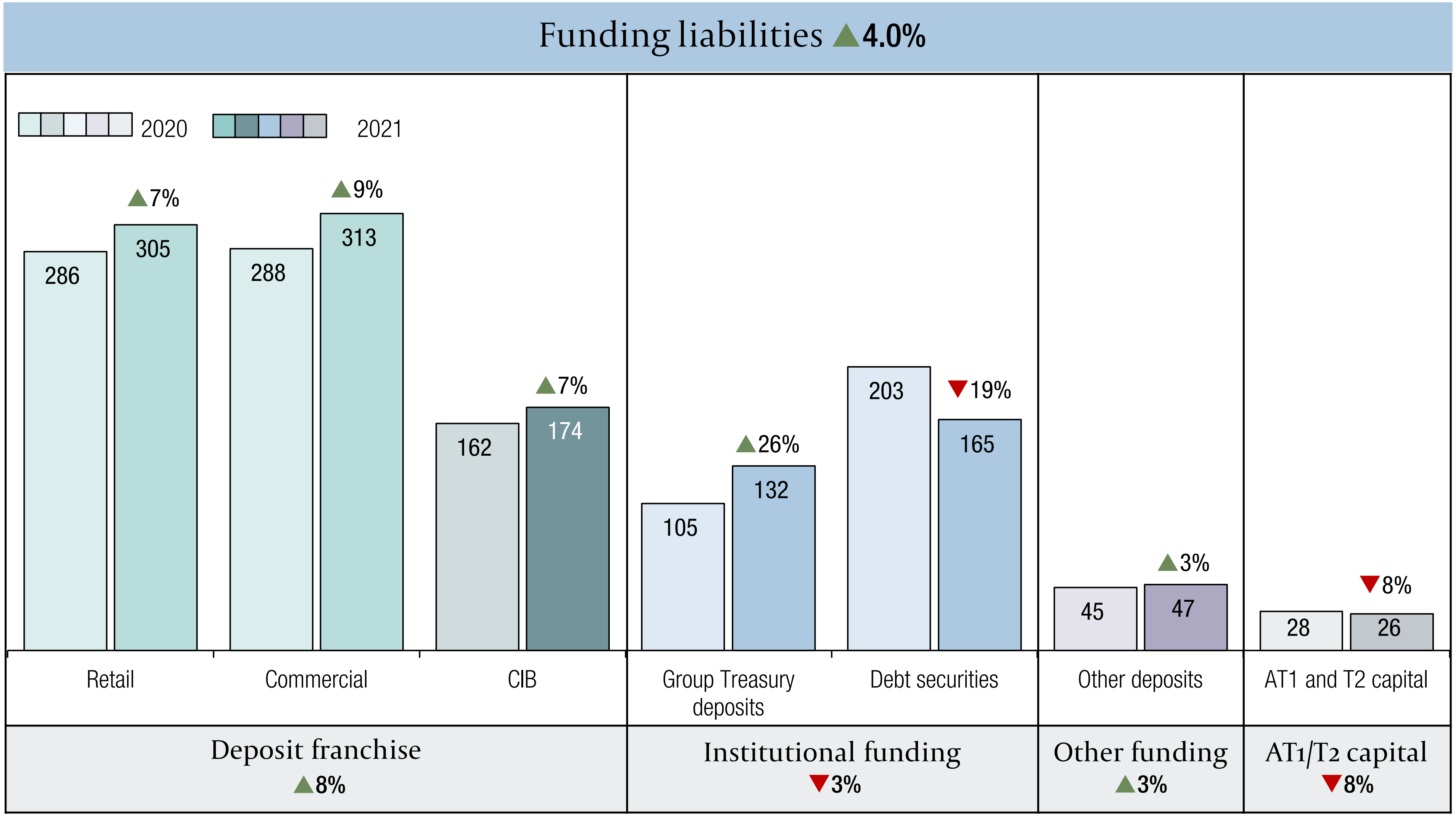
Funding instruments



Weighted average remaining term of domestic institutional funding ± 41 months

** Includes Group Treasury deposits.*
Source: FRB BA900 and financial reports at 30 June 2021.

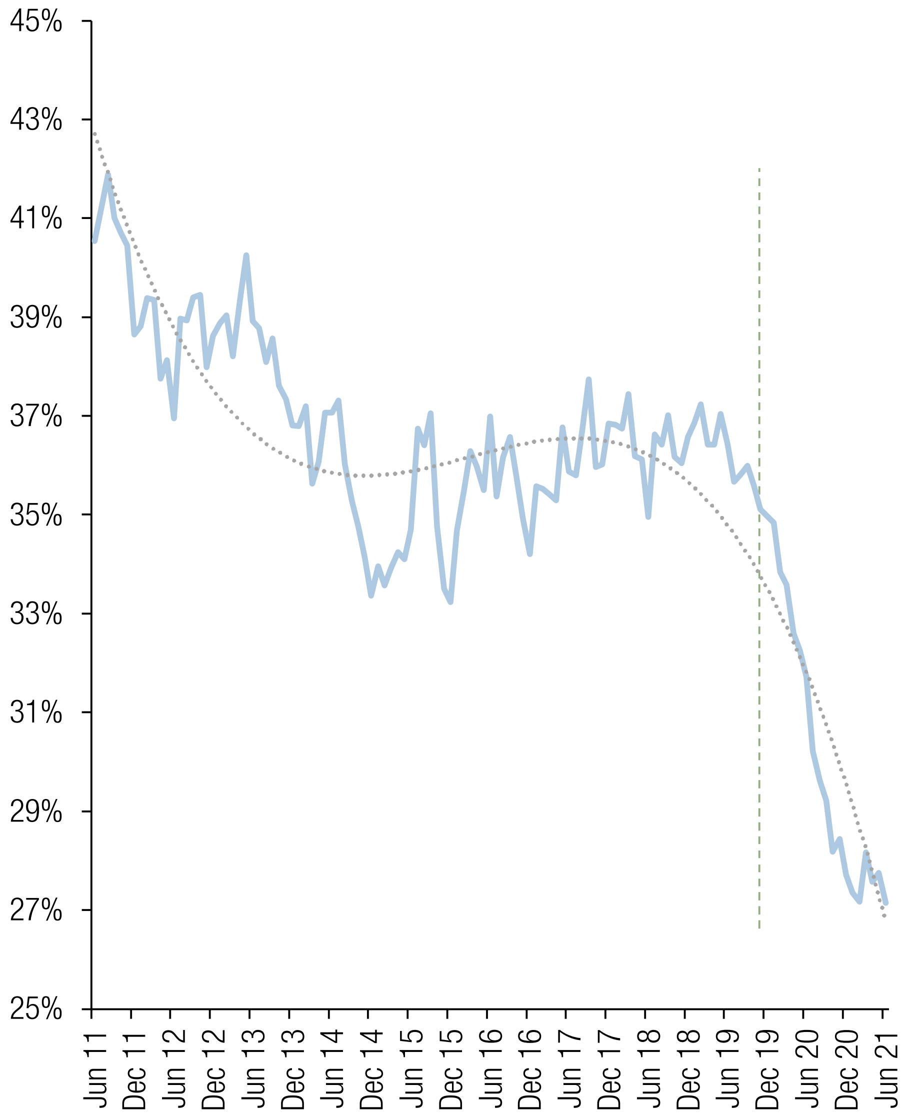
Strength of deposit franchise supported lower institutional issuances…



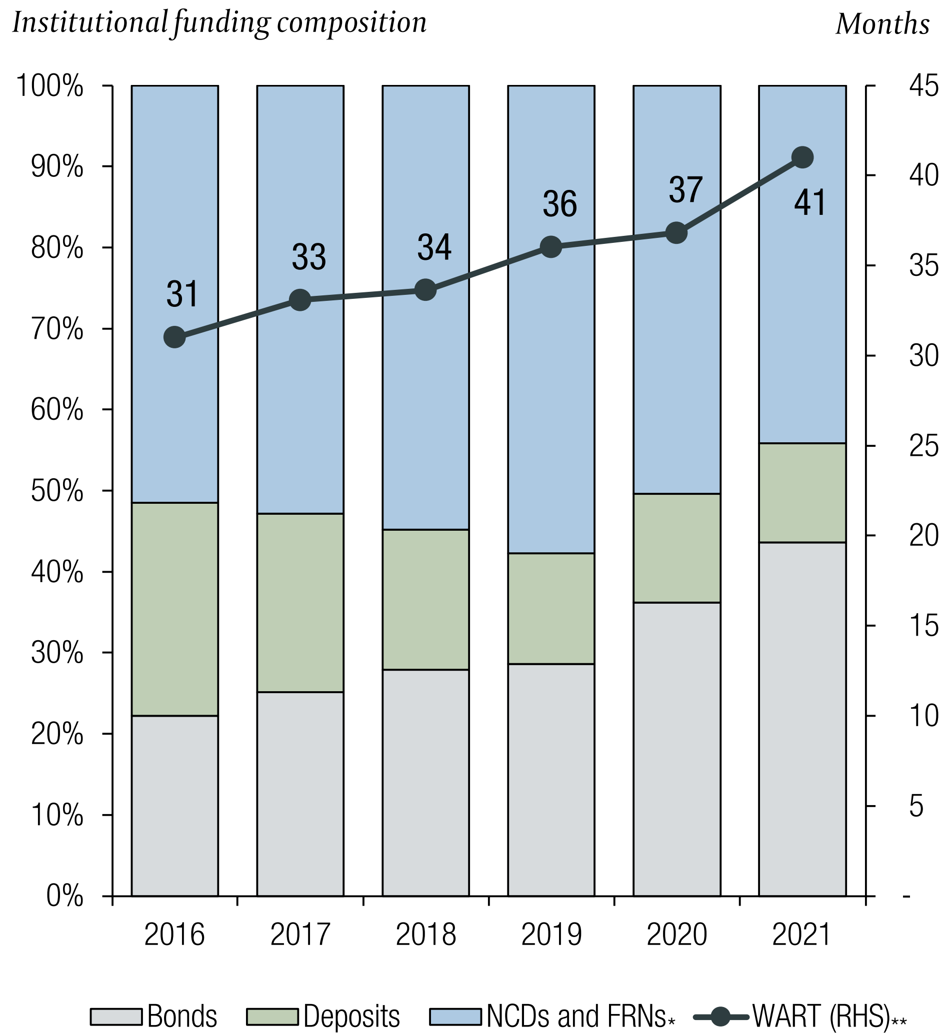
Note: Percentage growth is based on actual rather than rounded numbers shown in the bar graphs.

…resulting in lengthening of term

Institutional funding as % of total funding



Diversified institutional funding mix and term profile



* Negotiable certificates of deposit (NCDs) and floating rate notes (FRNs).

** Weighted average remaining term (WART) is for institutional funding in South Africa.

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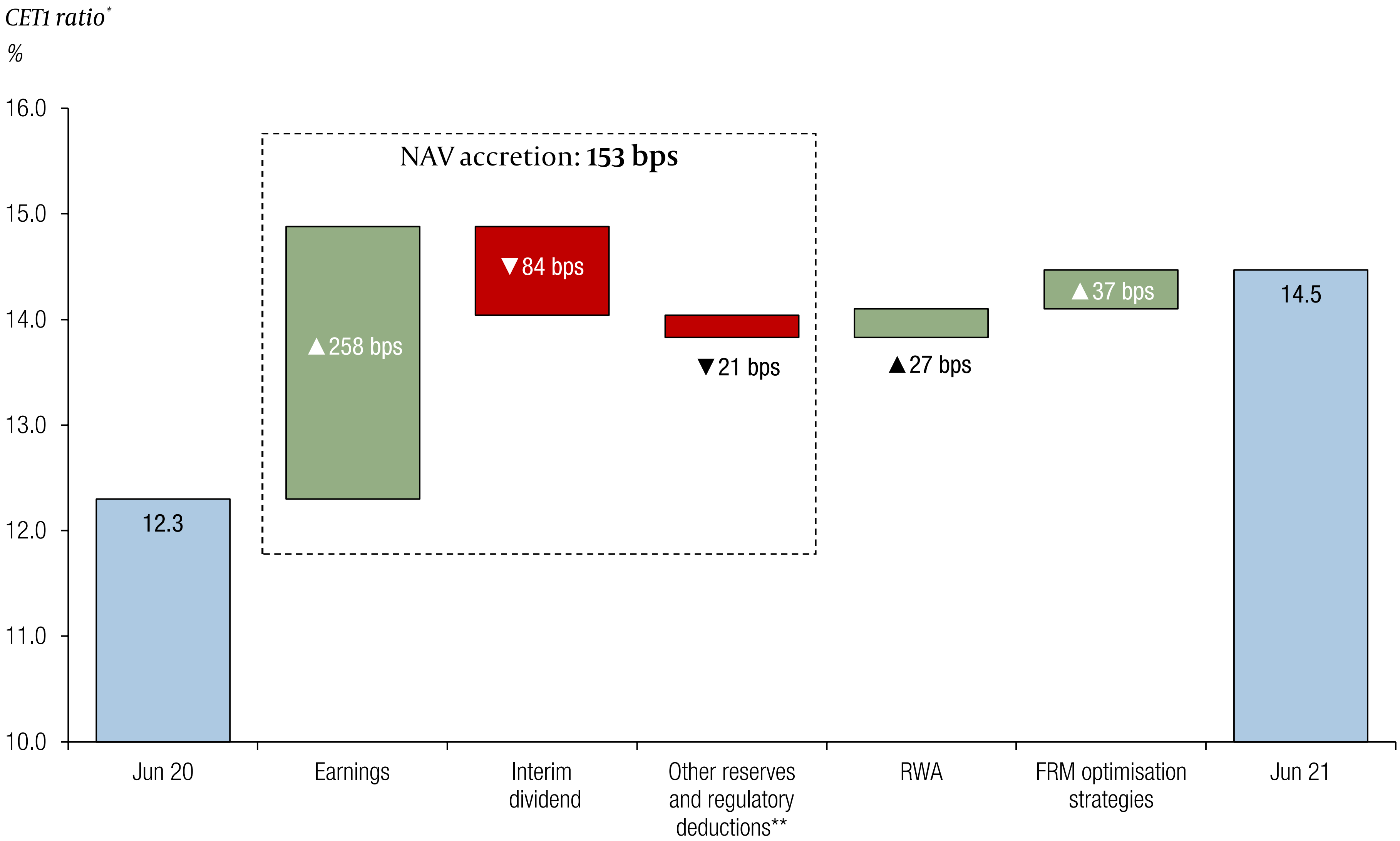
2021

for the year ended 30 June

capital

Strong increase in CET1 ratio – sufficient capacity to support the group's growth



* *Including unappropriated profits and transitional impact of IFRS 9.*

** *Including foreign currency translation reserves (-15 bps), IFRS 9 transition adjustment (-9 bps) and other reserves and regulatory deductions.*

FirstRand Bank

2021

for the year ended 30 June

financial sector and market infrastructure

Regulatory update

- South African resolution framework contained in the Financial Sector Laws Amendment Bill is still pending parliamentary promulgation
  - Full scope, timeframe and impact of resolution planning is unclear at this point
  - To date, the South African Reserve Bank (SARB) has released discussion papers outlining key elements of an effective resolution regime, namely:
    - Establishment of a privately funded deposit insurance scheme (DIS)
    - Introduction of a new class of instruments, i.e. first loss after capital (Flac) instruments, which will be subject to bail-in after regulatory capital instruments but before any other unsecured liabilities.
- Financial conglomerate framework
  - *September 2020: Financial conglomerate designation criteria* released
  - October 2020: Draft standards, excluding the capital standards, were released for a third round of consultation
  - July 2021: Draft capital standards released for public consultation
  - October 2021: Seminar with the PA to discuss capital standards
- Guidance Note 4/2021, *Proposed implementation dates in respect of specified regulatory reforms*, released in July 2021

Proposed implementation dates – final Basel III reforms

2022	2023 onwards
1 January 2022	1 January 2023
• Large exposures framework • Total loss absorbing capacity (TLAC) holdings	• Revised standardised approach for credit risk framework • Revised internal ratings-based approach framework • Revised operational risk framework • Leverage ratio – revised exposure definition
1 June 2022	1 January 2024
• Interest rate risk in the banking book (including disclosure requirements)	• Minimum capital requirements for market risk • Revised credit valuation adjustment framework
1 July 2022	1 January 2023 to 2028
• Revisions to the securitisation framework	• Output floor

FRB credit ratings

	SOUTH AFRICA SOVEREIGN RATINGS	FIRSTRAND BANK LIMITED CREDIT RATINGS		
	FOREIGN CURRENCY	LOCAL AND FOREIGN CURRENCY		
	Long term/ outlook	Long term/ outlook	Long-term national scale	Standalone credit rating*
S&P Global	BB-/Stable	BB-/Stable	zaAA	bbb-
Moody's	Ba2/Negative	Ba2/Negative	Aa1.za	ba2

** S&P Global's standalone credit profile and Moody's baseline credit assessment.*

Credit ratings at 20 October 2021.

Sovereign rating is a ceiling to standalone credit rating and credit profile

Sources: S&P Global Ratings and Moody's Investors Service.

FirstRand

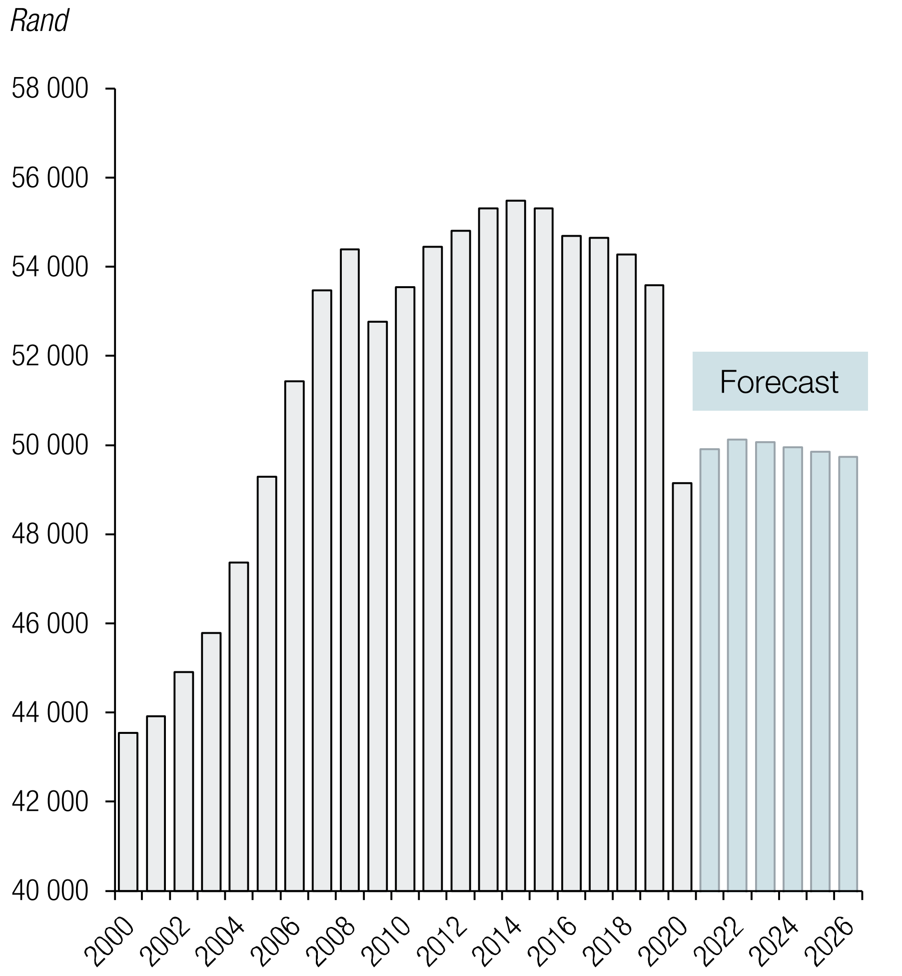
2021

for the year ended 30 June

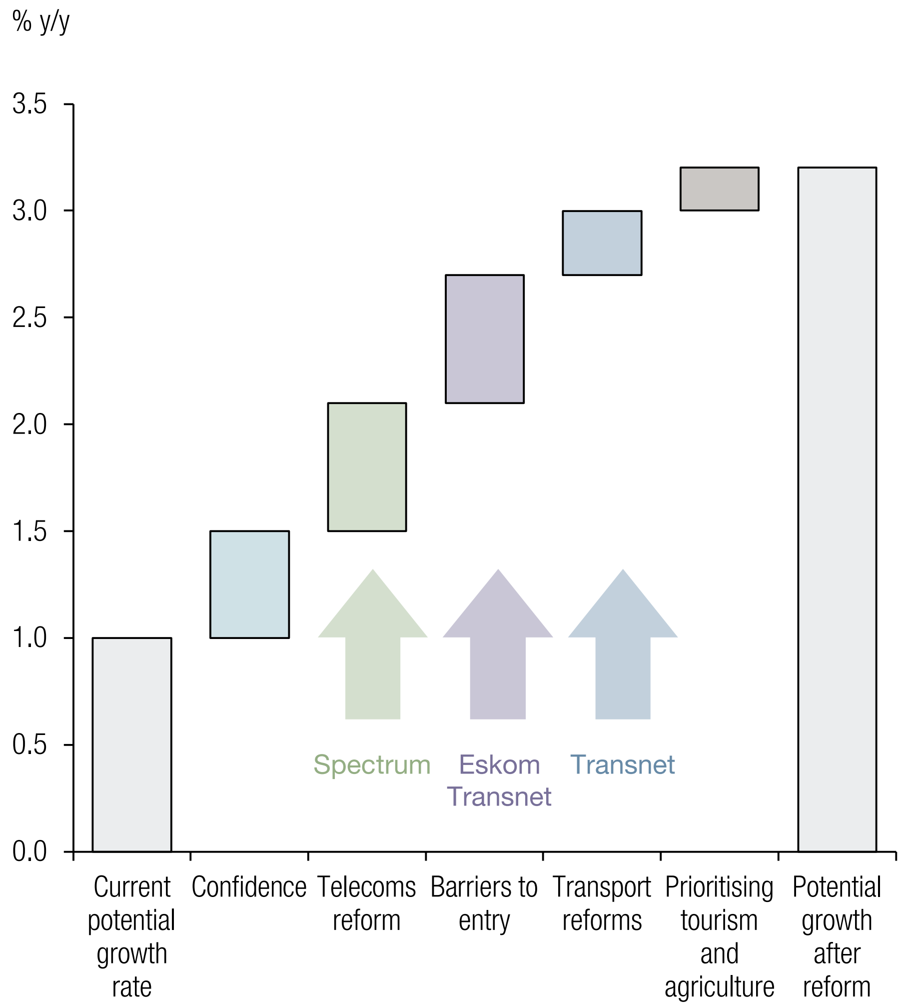
looking
ahead

What is required to unlock potential growth in SA

Real GDP per capita (2010 prices)



Contribution of structural change to potential growth*



Sources: FirstRand, National Treasury.

* *Current potential growth rate based on FirstRand's estimates. Reforms such as lifting skills constraints could lift potential growth even further.*

Looking forward, the group is well positioned to deliver growth and superior returns

- Modest credit cycle expected to form in SA – advances will build on Q4 pick-up
- Rest of Africa portfolio benefiting from commodity cycle
- As UK government support is withdrawn, NPLs are expected to remain elevated, constraining earnings growth in the year ahead
- Speed, extent and breadth of earnings rebound is exceeding expectations – pace expected to moderate
- Imminent restoration of group peak earnings
- ROE expected to remain in the target range

FirstRand Bank

2021

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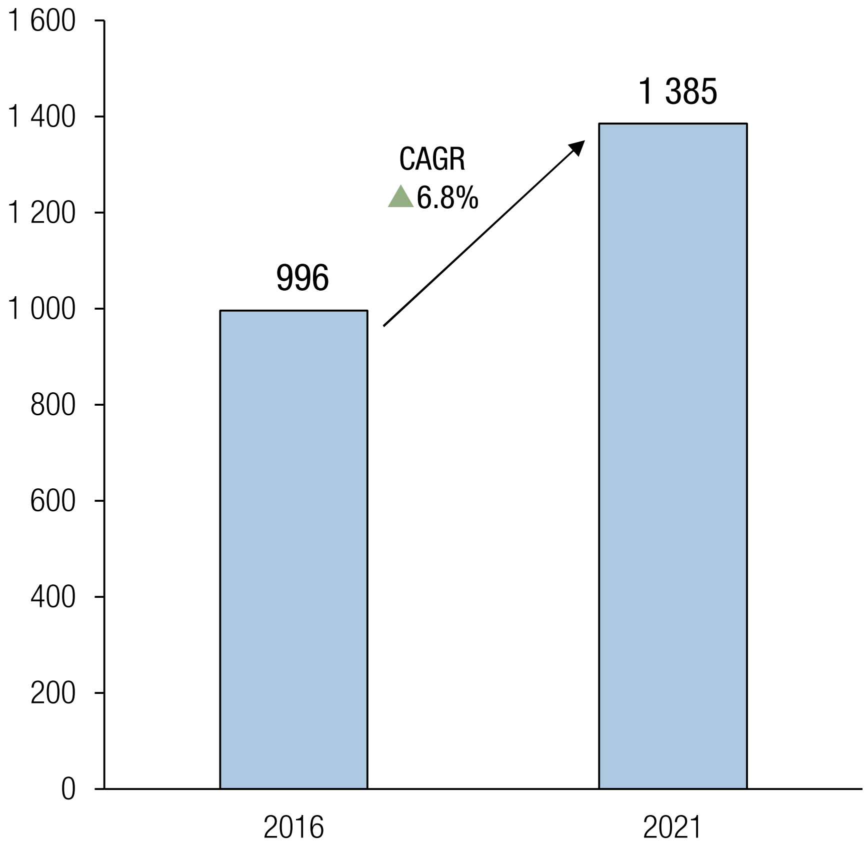
appendix

Continued improvements to balance sheet liquidity

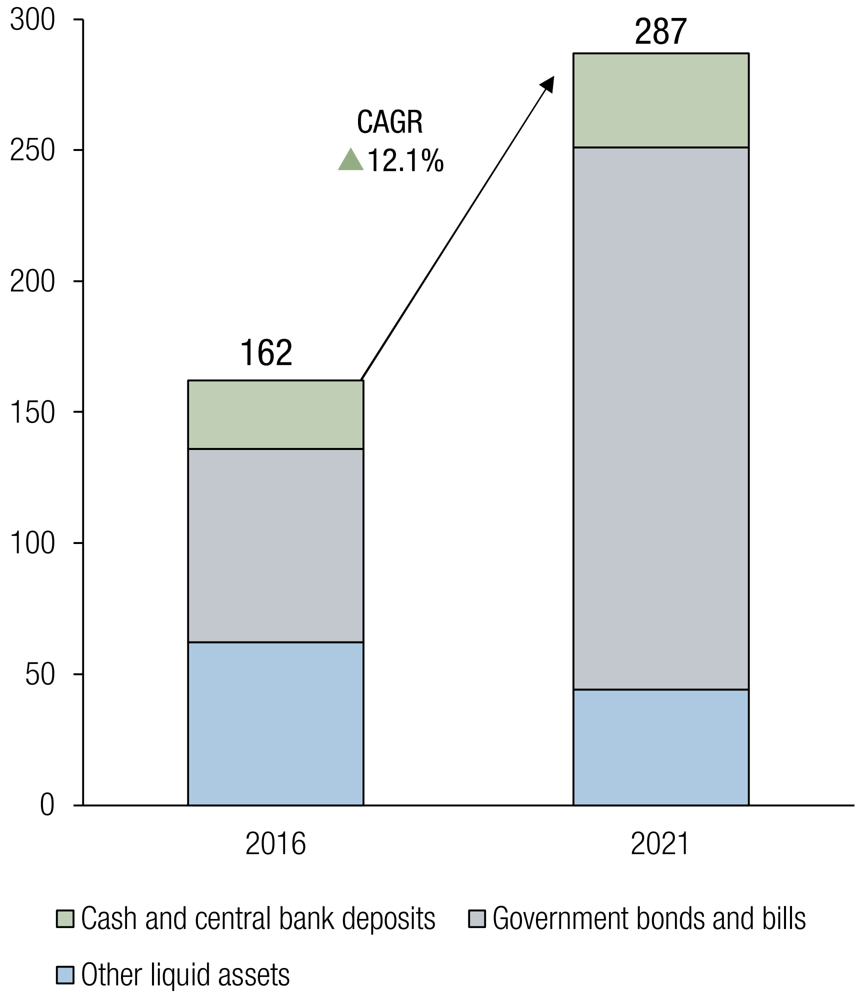
Balance sheet growth

R billion



Liquid asset growth and mix

R billion



Source: FRB BA900 and BA100 at June 2021.

Covid-19 regulatory update

LCR	

The PA temporarily reduced the LCR requirement from 100% to 80%, effective 1 April 2020	• Proposed directive released (1 September 2021) to withdraw the temporary relief measures and phase in the LCR requirement as follows:
	  • 1 January 2022: minimum LCR of 90%
	  • 1 April 2022: minimum LCR of 100%

Capital	
PA temporarily reduced the Pillar 2A capital requirement from 1% to 0%, effective 6 April 2020	• Pillar 2A requirement of 1% to be reinstated in 2022 • Target aligned to end-state minimum requirements
Credit	
Temporary relief on the minimum capital requirements of restructured credit exposures related to Covid-19	• Proposed directive released (7 September 2021) to withdraw temporary relief measure, effective 1 April 2022 • Temporary relief will also no longer apply to any restructured credit exposures (new or reapplications) granted from 1 January 2022 onwards • Impact of the withdrawal of this directive on CET1 capital will not be material

Resolution blueprint – proposed hierarchy in insolvency

CURRENT	AMENDED	
Secured (up to the value of security)	Secured (up to the value of security)	• Allows for setoff up to the value of security held • Residual claims rank *pari passu* with all other unsecured creditors • Assets under repo GMRA, ISDA, etc.
Preferred	Preferred	• Creditors specified by legislation, including outstanding tax claims and central banks claims
	Covered deposits	• Deposits qualifying for deposit insurance - maximum of R100 000 per depositor, per bank
Unsecured	Unsecured creditors	• All residual claims (uncovered deposits > covered amount) and non qualifying debt instruments
	Flac instruments	• Pre-identified, transparent tranche of funding instruments available for bail-in at point of resolution (POR) – sufficient to restore minimum capital requirements • Rank senior to regulatory capital
	Regulatory debt instruments	• Ranked in the order as per regulatory framework • Assumed to be available to absorb going concern losses and depleted at POR

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