



FirstRand Bank

financial and strategic update

FOR THE YEAR ENDED 30 JUNE 2022

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

group overview and strategic update

FOR THE YEAR ENDED 30 JUNE 2022

FirstRand's portfolio

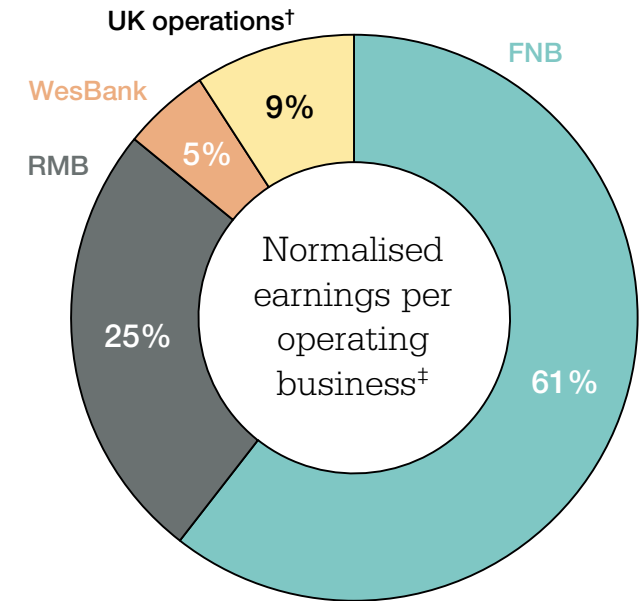
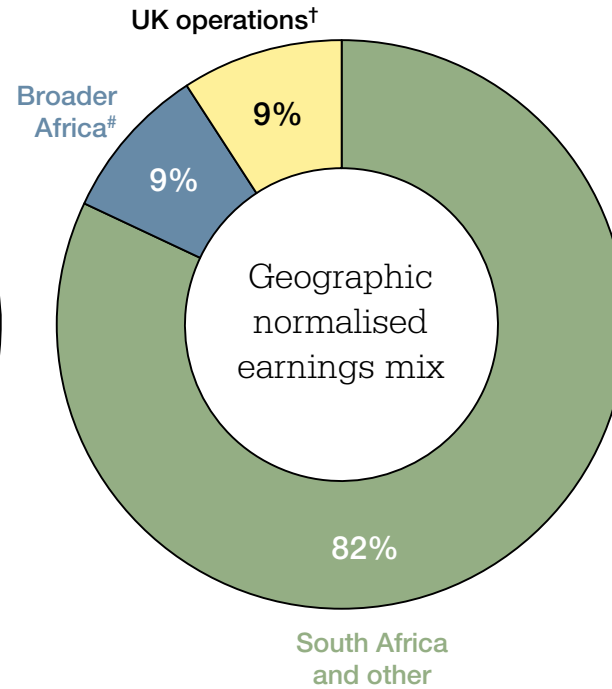
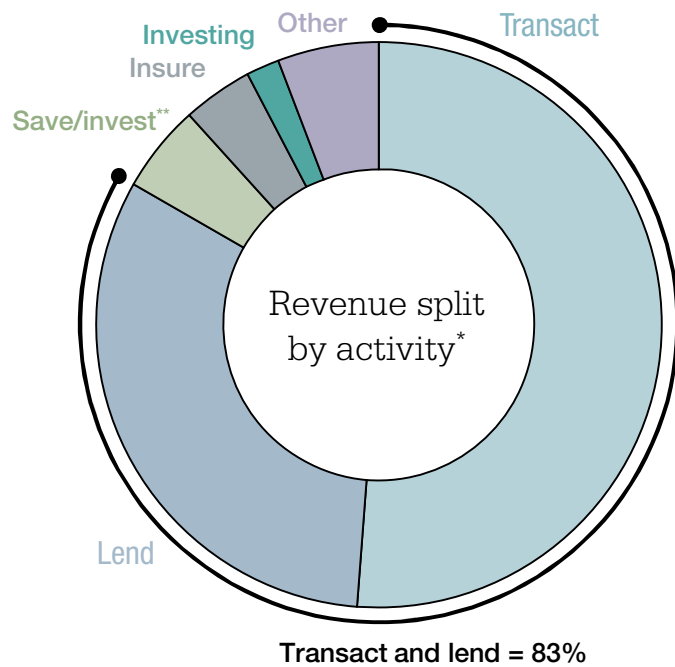


FirstRand

Listed holding company
(FirstRand Limited, JSE: FSR)

	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 2022 – activity, geography and business



* Based on gross revenue excluding consolidation adjustments, excluding Aldermore Group.

** Includes deposit taking and investment management.

Strategy view.

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

‡ Excluding Centre, 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

Platform-enabled integrated financial services providing ecosystems that create long-term value for clients and shareholders

BROADER AFRICA

Build competitive advantage and scale to deliver economic profit and dividends

UK

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



Disciplined execution of specific strategies shaped growth and ROE outcomes

KEY OBJECTIVES

- Carefully price for financial resources
- Appropriately provide against lending portfolios
- Strengthen and appropriately tilt the balance sheet to the macro environment
- Accrete net asset value (NAV) and capital

Tightly managed and implemented through group's FRM processes

Earnings fully recovered

- R32.7 billion normalised earnings
- 17% above peak 2019 level

Strong **economic profit (NIACC*)** generation:

Up >100% to R10.1 billion

Attractive returns – ROE at **20.6%**

in the middle of target range

Continued **NAV and capital accretion**

- NAV up 9% to R164.9 billion
- CET1 ratio at 13.9%

Balance sheet strength maintained

- Total credit provisions of R47.7bn
- Performing book coverage at 1.78%

* Net income after cost of capital.

Performance demonstrates full recovery

Normalised earnings

R32.7bn

(2021: R26.6bn) **↑23%**

Pre-provision operating profit

R53.8bn

(2021: R50.6bn) **↑6%**

Total distributions (annual + special dividend)

R26.2bn

(2021: R14.8bn) **↑78%**

Return on assets

1.69%

(2021: 1.41%) **↑28 bps**

Return on equity

20.6%

(2021: 18.4%) **↑220 bps**

Net asset value

R164.9bn

(2021: R151.6bn) **↑9%**

Credit loss ratio*

0.56%

(2021: 1.10%) **↓54 bps**

Cost-to-income ratio

52.5%

(2021: 52.4%) **↑10 bps**

CET1 ratio

13.9%

(2021: 13.5%) **↑40 bps**

* As a percentage of core lending advances.





FirstRand Bank

overview of the bank (debt issuer) and financial performance

FOR THE YEAR ENDED 30 JUNE 2022

FirstRand Bank is a wholly owned subsidiary of FirstRand Limited



FirstRand

LISTED HOLDING COMPANY (FISTRAND LIMITED, JSE: FSR)

100%

OTHER WHOLLY OWNED SUBSIDIARIES OF FISTRAND LIMITED

DEBT ISSUER →

FISTRAND 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

FirstRand EMA Holdings (Pty) Ltd (FREMA)

Broader 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

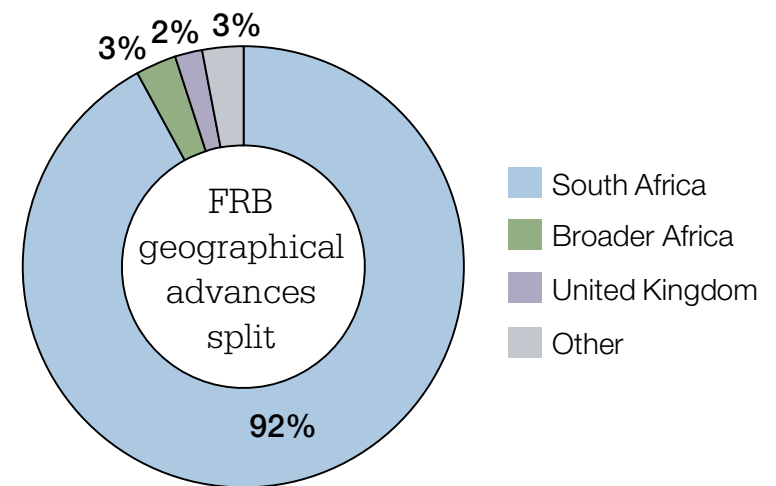
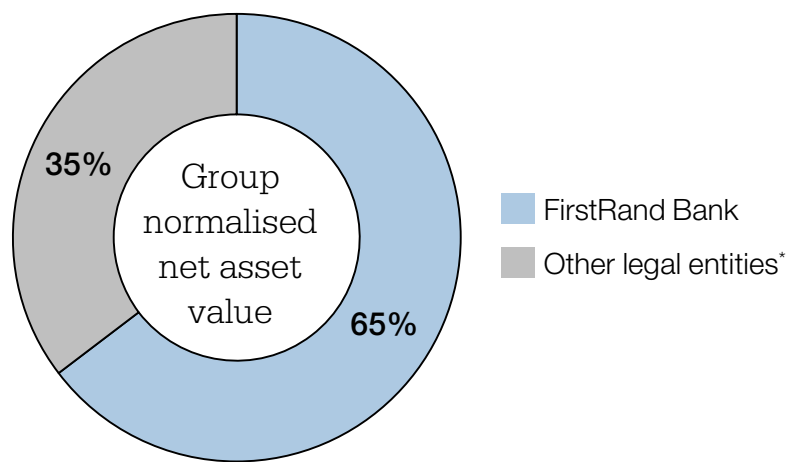
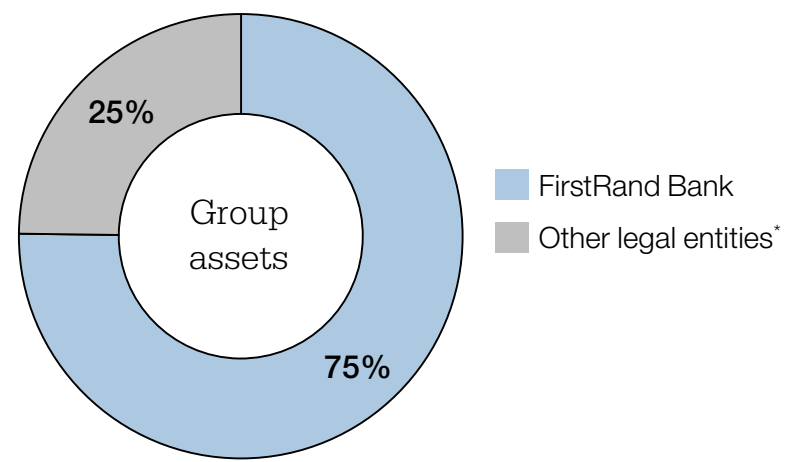
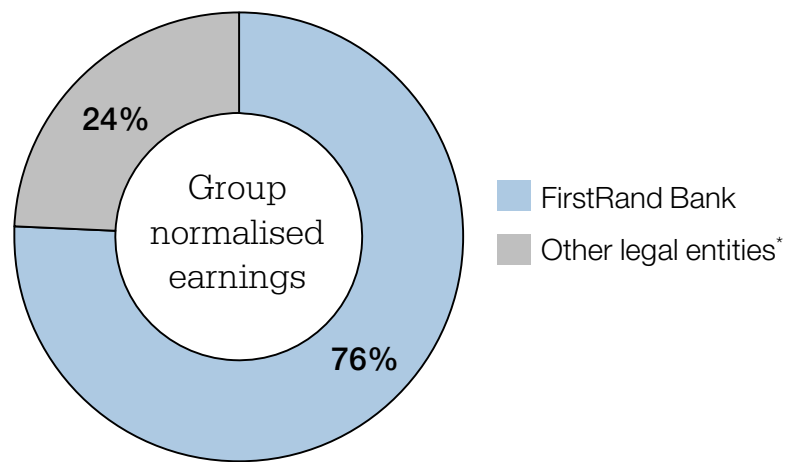
FirstRand Investment Holdings (Pty) Ltd (FRIHL)

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 FRI, the holding company of Aldermore.



SA banking business remains underpin to group's growth

SOUTH AFRICA

Platform-enabled integrated financial services providing ecosystems that create long-term value for clients and shareholders

BROADER AFRICA

Build competitive advantage and scale to deliver economic profit and dividends

UK

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 broader Africa strategy



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

UK – MotoNovo integration into Aldermore completed

SOUTH AFRICA	BROADER 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

	2022	2021	% change
Earnings (R million)	24 742	19 032	30 ▲
Pre-provision operating profit (R million)	39 366	37 366	5 ▲
Net interest margin (%)	4.74	4.72	▲
Credit loss ratio (%)*	0.68	1.30	▼
Cost-to-income ratio (%)	54.3	54.0	▲
Return on equity (%)	23.4	19.1	▲
Return on assets (%)	1.69	1.35	▲
Tier 1 ratio** (%)	14.9	15.2	▼
CET1 ratio** (%)	14.2	14.5	▼
LCR (%)	124	117	▲
NSFR (%)	120	122	▼
Average gross loan-to-deposit ratio (%)	79.6	81.0	▼
Gross advances (R million)	979 436	896 424	9 ▲

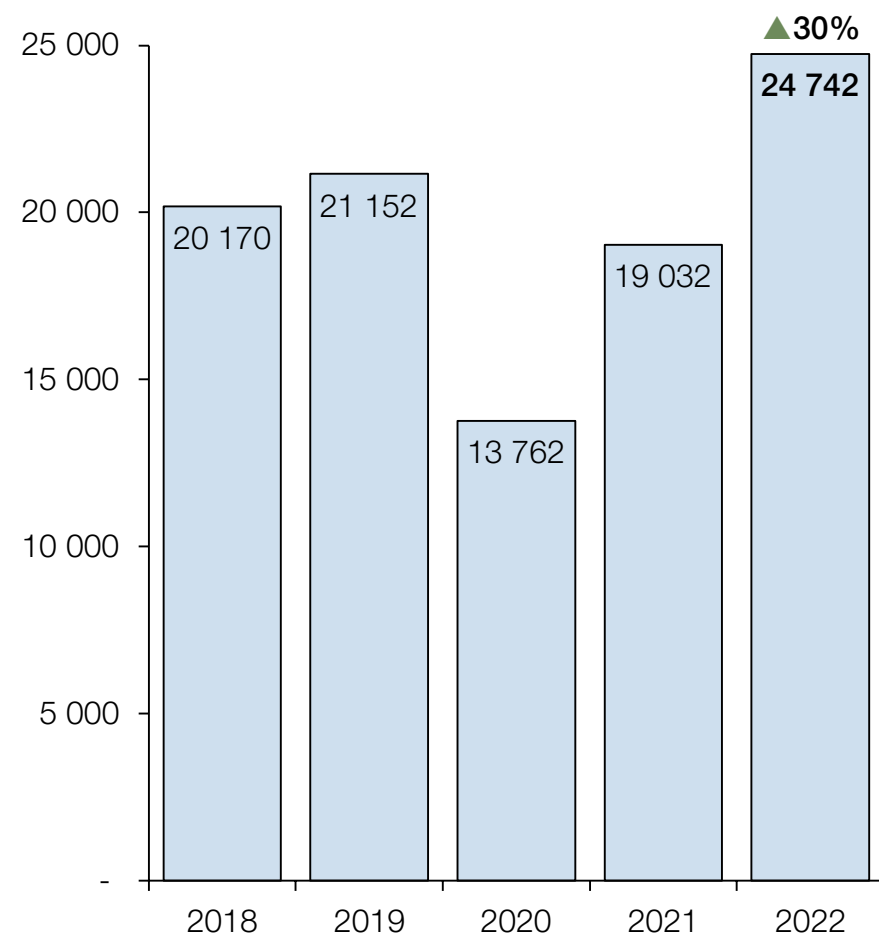
* As a percentage of core lending advances. 2021 restated.

** Including foreign branches and unappropriated profits.

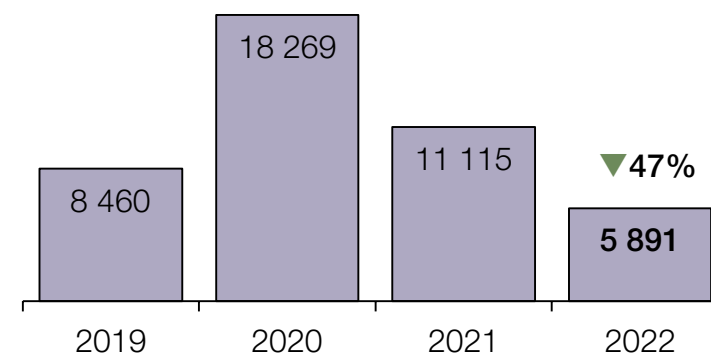


Significant reduction in cost of credit continued to drive absolute earnings growth

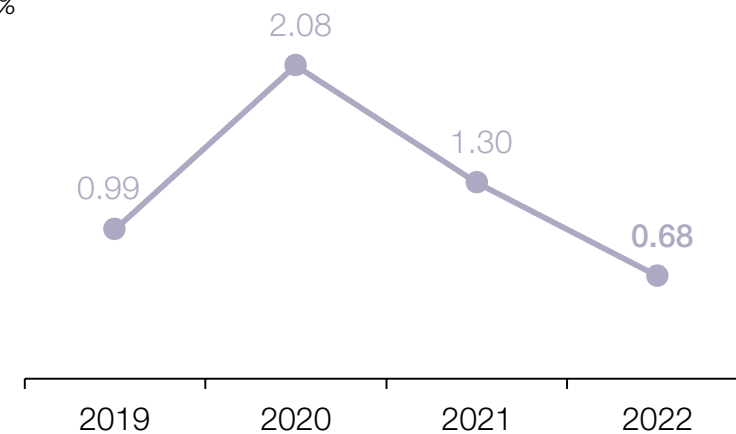
Normalised earnings
R million



Credit impairment charge
R million



Credit loss ratio*
%



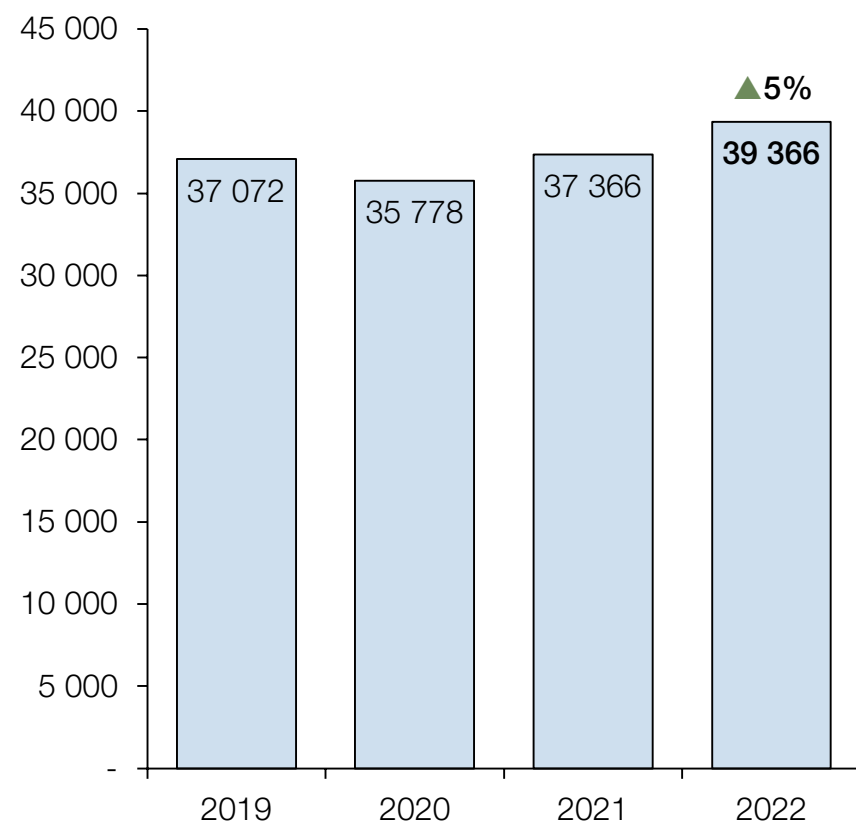
* As a percentage of average core lending advances.



Growth in PPOP reflects deliberate origination tilt and rebound in NIR

Pre-provision operating profit

R million



- NII reflects:
 - Muted average advances growth given origination strategies
 - Decline in advances margins driven by mix change
 - Strong deposit growth
 - Continued benefit of ALM strategies
- Good rebound in NIR
- Well managed costs
- NOSIA* operational event in MotoNovo

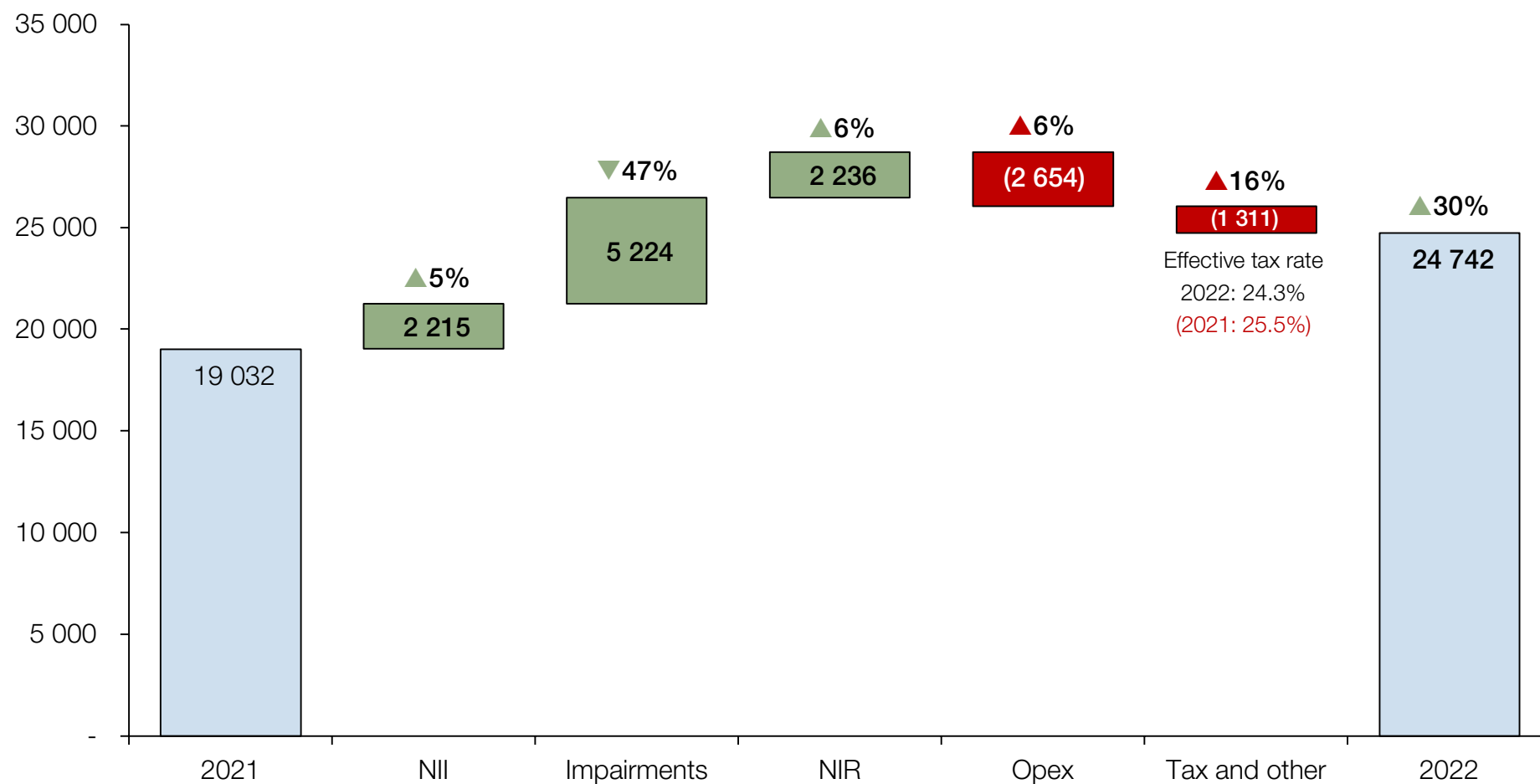
* Notice of sums in arrears.



Topline growth and credit unwind contribute to earnings growth

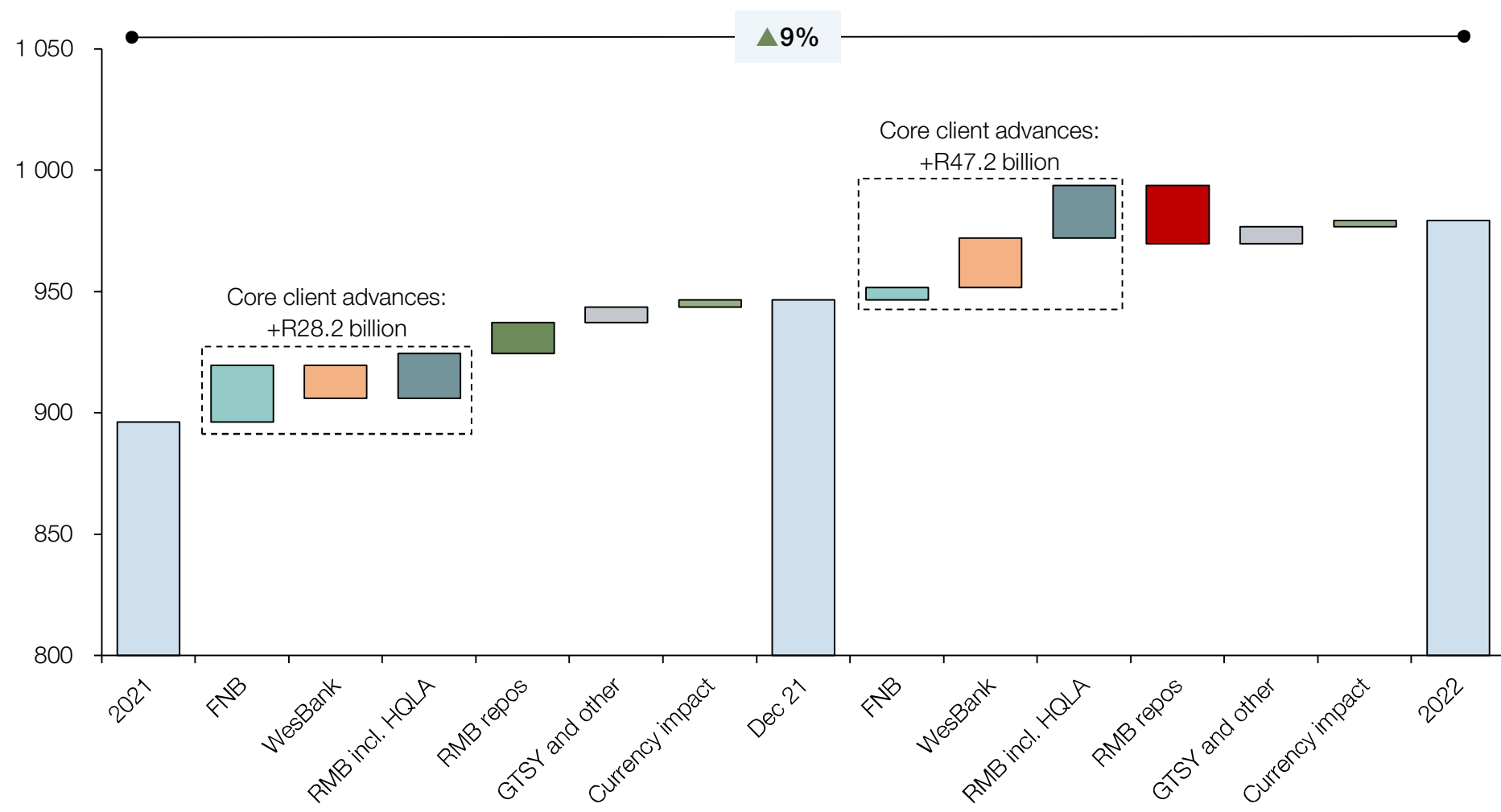
Normalised earnings

R million



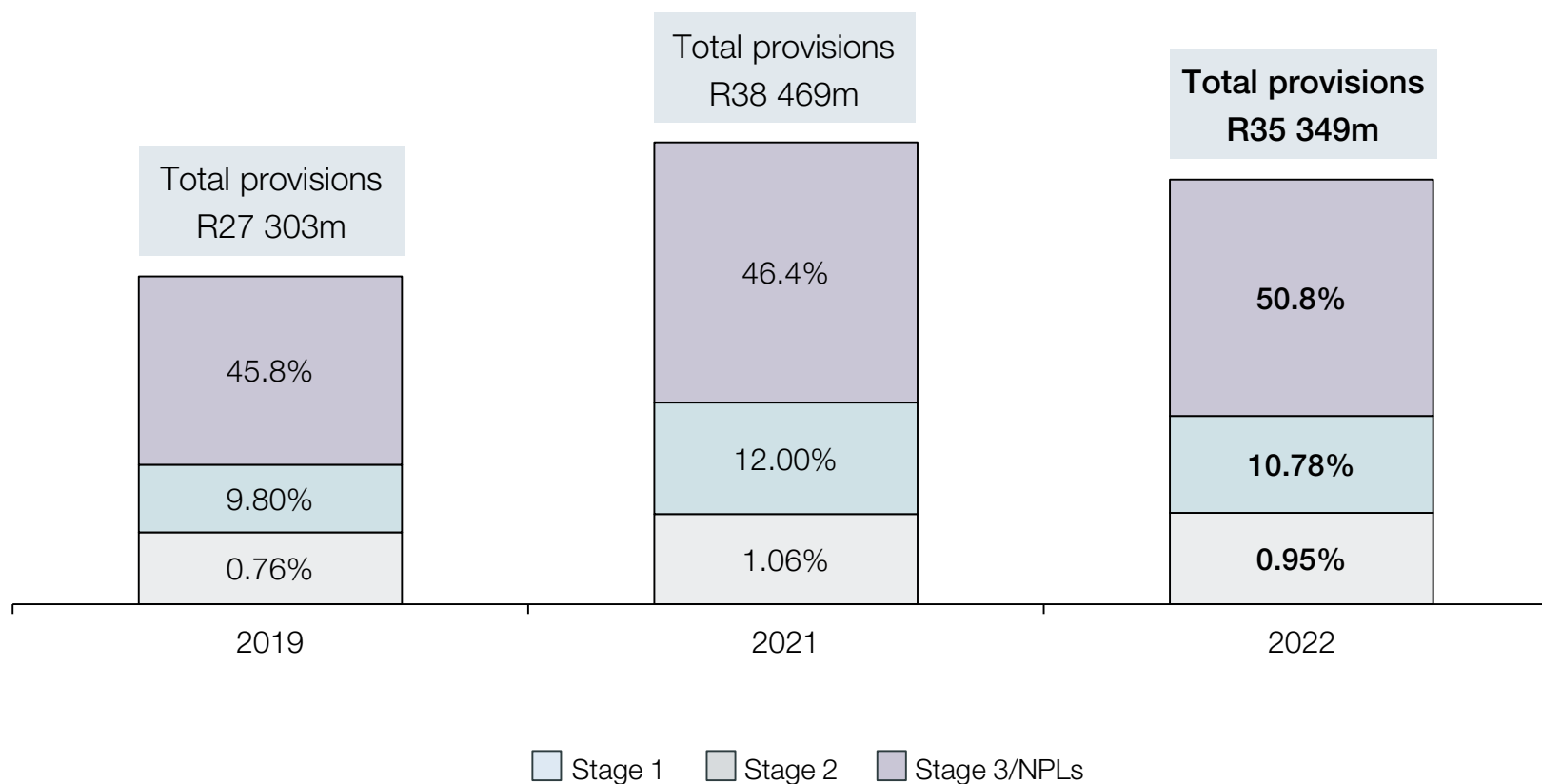
Grew advances cautiously but tactically into an uneven recovery

R billion



Sensible balance sheet provisions and coverage maintained

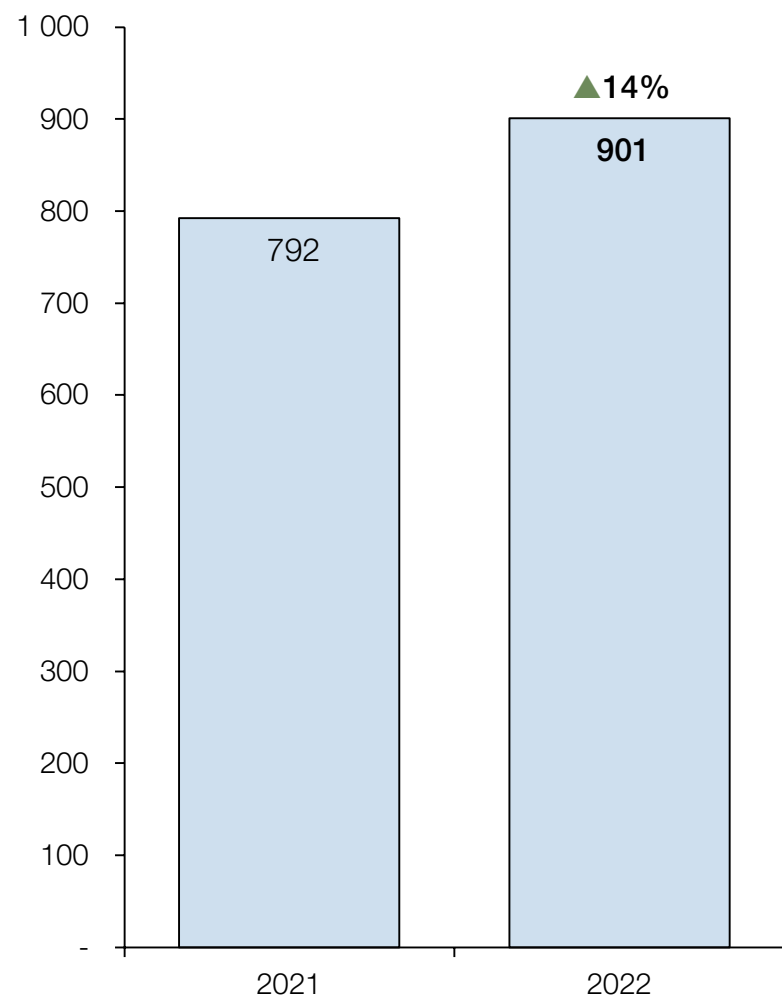
Total provisions (*R million*) and coverage (*% of core lending advances*)



Strength of deposit franchise underpins improved cost of funds

Deposit franchise

R billion



- Deposit franchise growth driven by
 - Customer acquisition
 - Good growth in cash investment and transactional products
 - FNB remained the top household deposit franchise in SA by market share (June 2022 BA900)
- Bank's institutional funding reduced to 24.8% of total funding (2021: 27.3%)
- Liquidity buffers maintained (primarily invested in short-dated government treasury bills)

Group Treasury ALM strategies – protect and enhance earnings

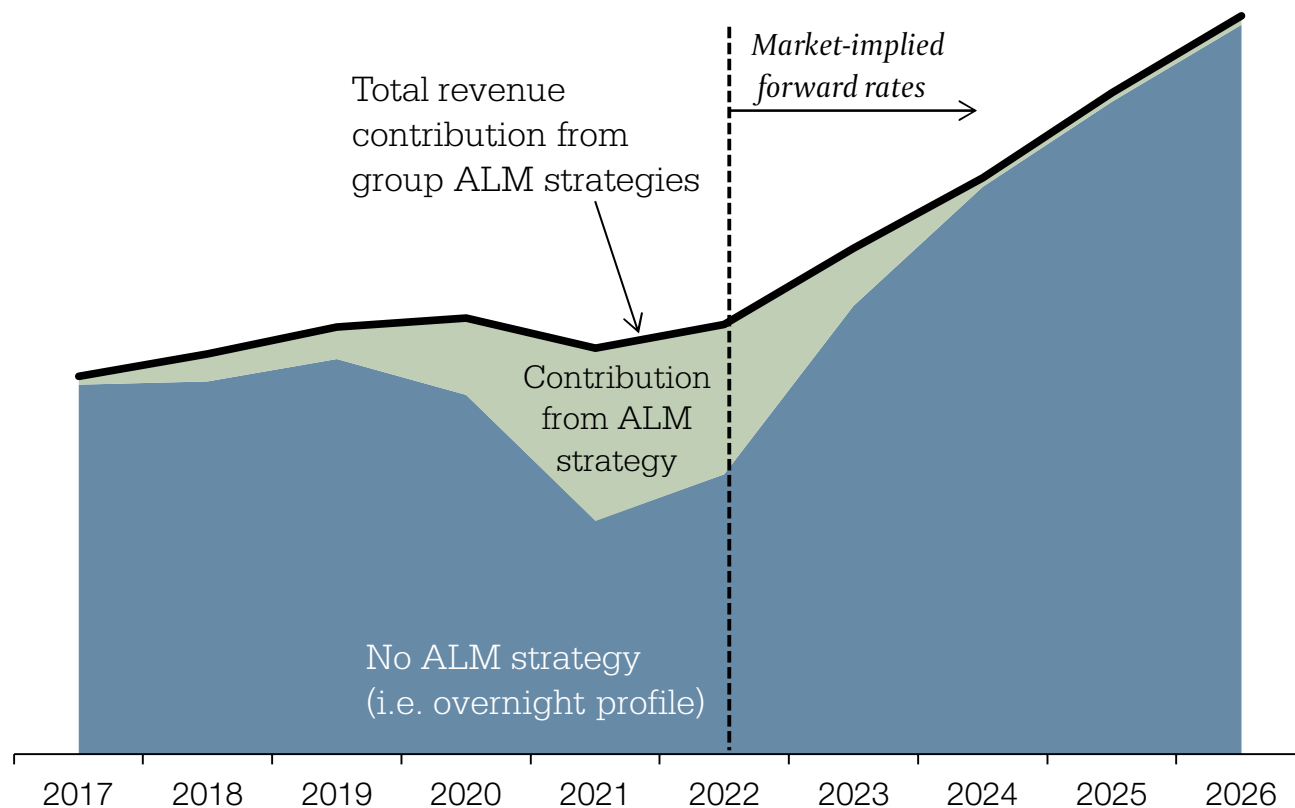
- Natural risk position maintained
- ALM objectives
 - Be **countercyclical** to operating businesses
 - **Add resilience** to group's balance sheet and risk profile – **ALM matching** philosophy
 - Provide the **best group outcome** through the cycle on a **risk-adjusted basis**

Executed within a robust framework

FRM mandate, risk appetite and positioning

ALM strategies significantly added to shareholder value over multiple reporting periods

Stylised view of the outcomes of group's ALM strategy



- ALM strategy **OUTCOMES**
 - Enhanced earnings with **lower volatility**
 - Growth **stability**
 - Group earns the **structural term premium**
 - **Consistent application** of investment philosophy



FirstRand Bank

financial resource management

FOR THE YEAR ENDED 30 JUNE 2022

Dynamic financial resource management protected returns

BALANCE SHEET TILT

Origination strategies

- Sensible advances growth into sustained recovery
- Appropriate risk-adjusted margins
- Muted average advances growth
- Stronger momentum in second half

Funding and liquidity strategies

- Continued focus on growing deposit franchise
- Reduce reliance on treasury funding

ASSET-LIABILITY MANAGEMENT (ALM) STRATEGIES

- Protect and enhance earnings without adding to overall risk profile

MAINTAIN BALANCE SHEET STRENGTH

- Provisions
- Capital adequacy
- Liquidity buffers
- Risk capacity



FirstRand's philosophy on funding and capital

FUNDING	CAPITAL	RISK APPETITE MEASURES
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Regulator – comfortably exceed minimum prudential requirements • Shareholder – stress testing results within capacity growth, return and earnings volatility • Debt holder – standalone credit rating pierce the sovereign and highest rated



FirstRand Bank

funding and liquidity

FOR THE YEAR ENDED 30 JUNE 2022

FRB exceeds LCR and NSFR requirements

LIQUIDITY COVERAGE RATIO (LCR)

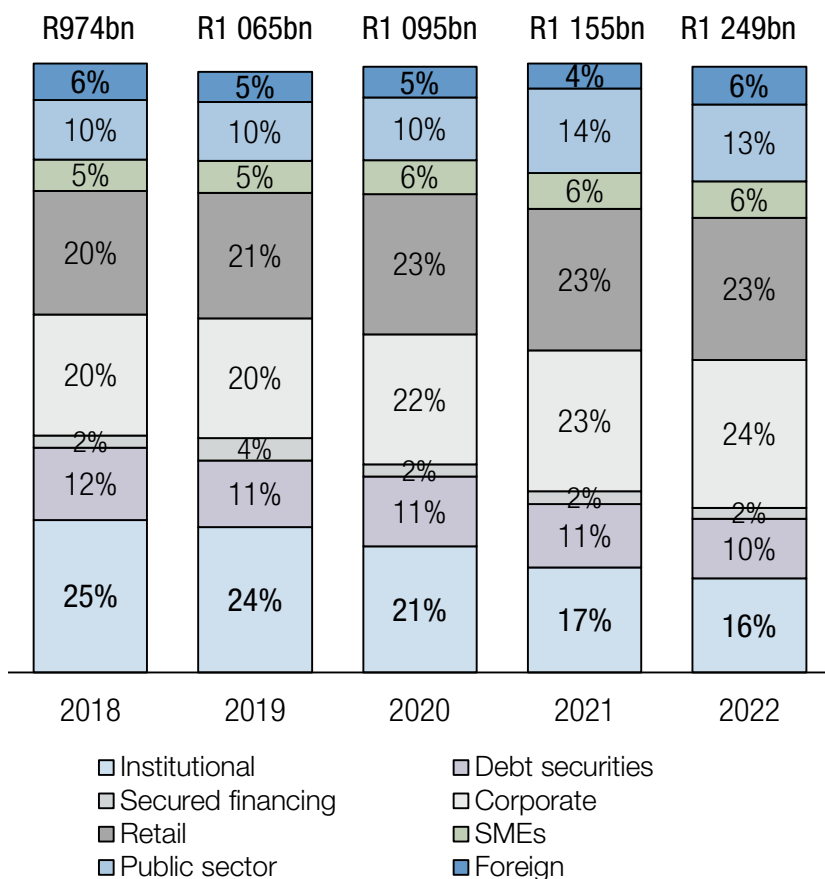
- June 2022: 124%
- Temporary relief measures withdrawn and LCR requirement phased back
 - January 2022: 90% and April 2022: 100%
- Committed liquidity facility (CLF) was withdrawn in December 2021; PA has introduced the restricted CLF (RCLF), forming part of level 2B HQLA and allowing for the same collateral 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)

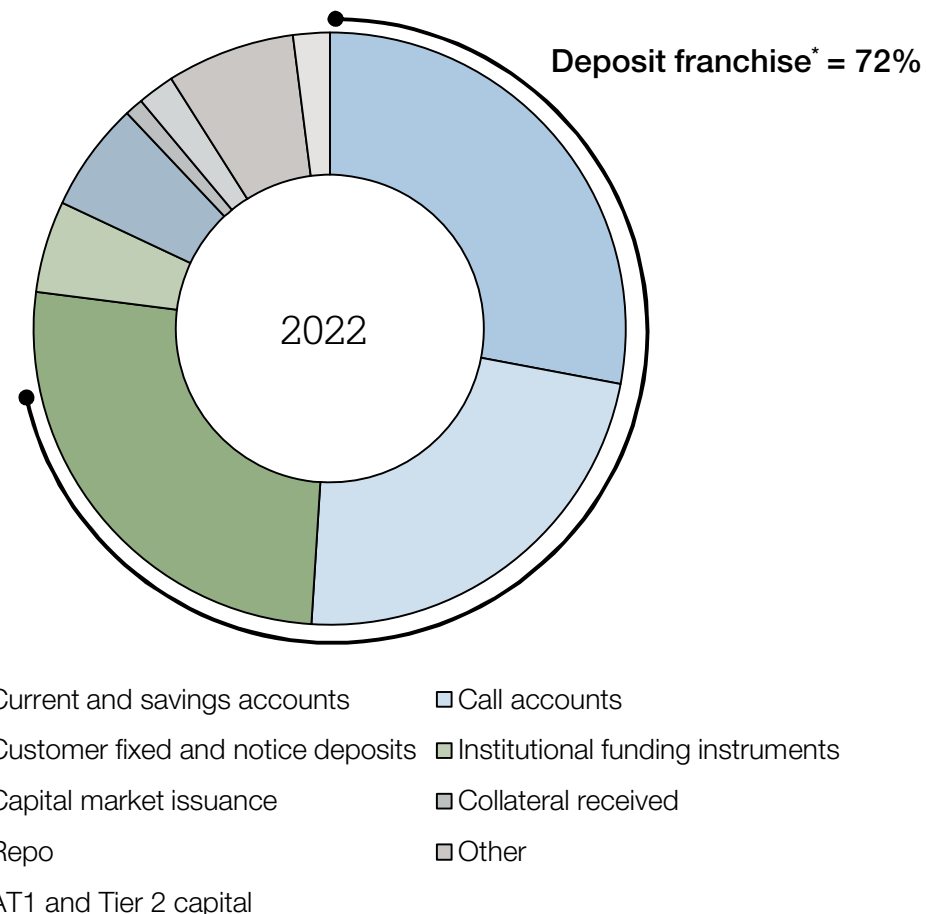
- June 2022: 120%
- In addressing the LCR, the bank adopted strategies to reduce structural liquidity risk, as well as meeting NSFR compliance
- Taking into consideration the regulatory and economic barriers to ZAR liquidity flowing out of the domestic economy, the SARB applies national discretion to 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

Continuing focus on optimising the funding base

Sources of funding



Funding instruments



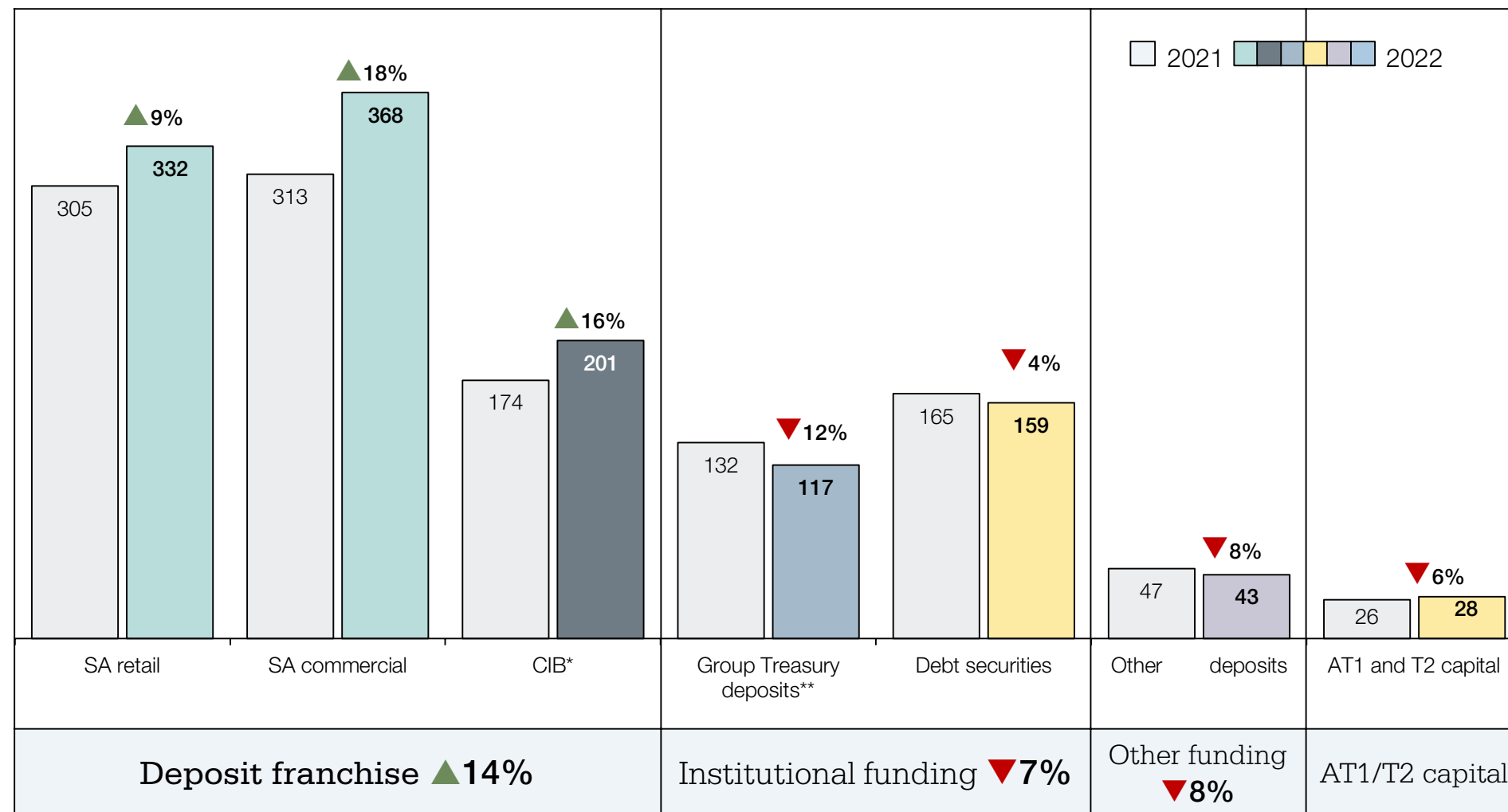
Weighted average remaining term of domestic institutional funding ± 39 months

* Includes Group Treasury deposits.
Source: FRB BA900 and financial reports at 30 June 2022.



Strength of deposit franchise supported lower cost of funds

R billion



* Includes South Africa and London branch.

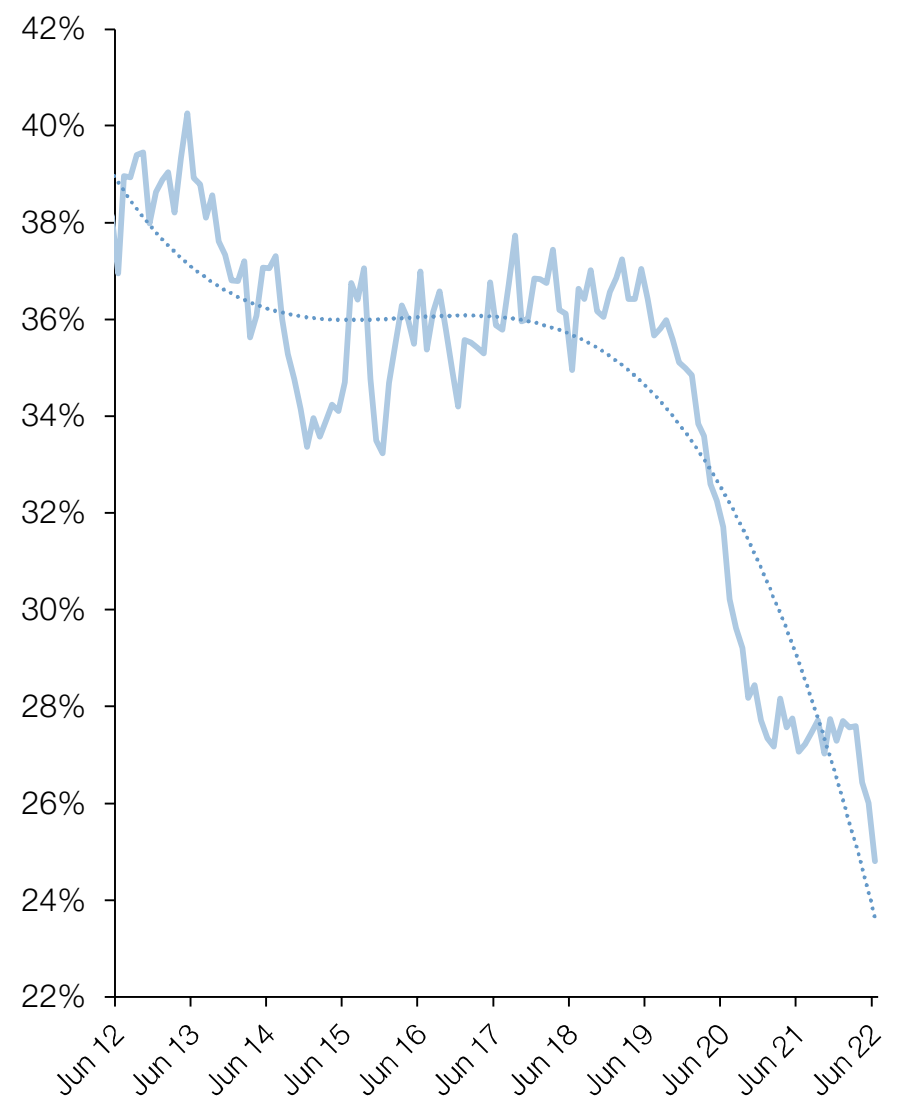
** Group Treasury deposits include the funding facility related to the South African Covid-19 government-guaranteed loan scheme.

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

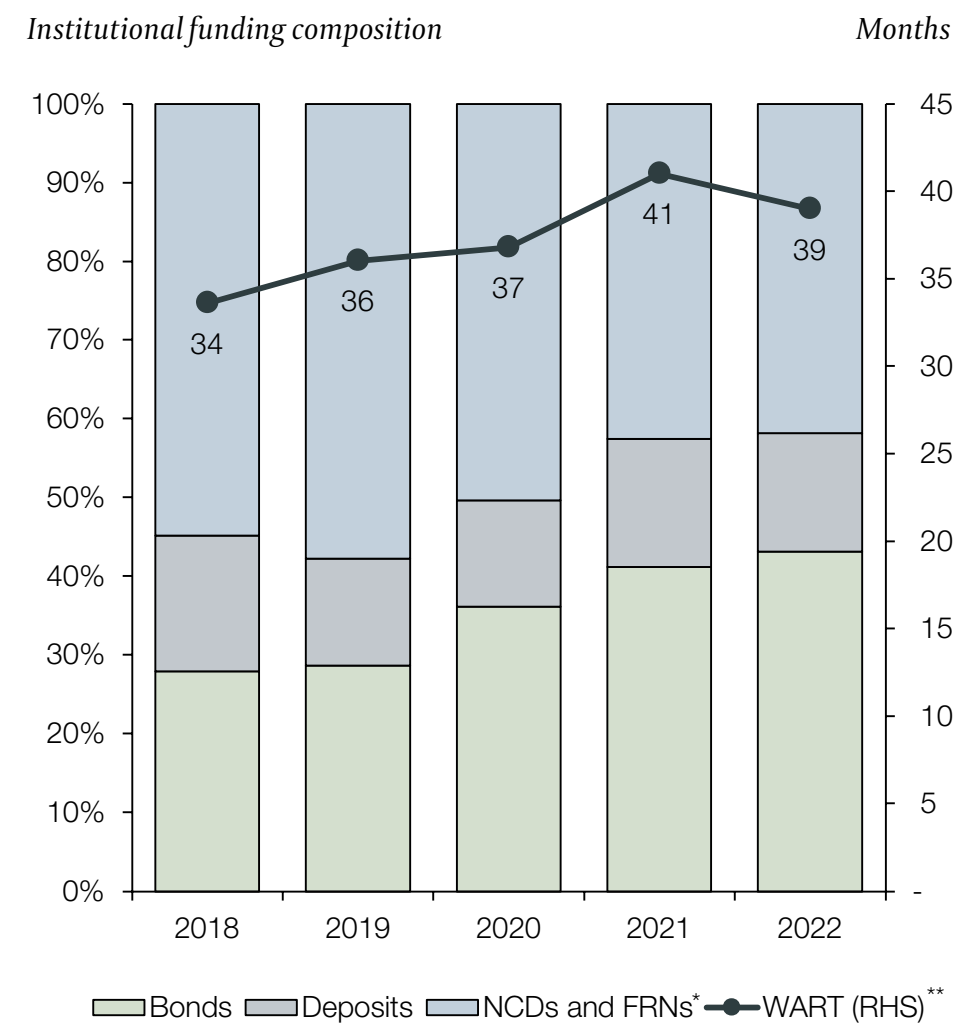


Less reliance on institutional funding, term maintained

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.



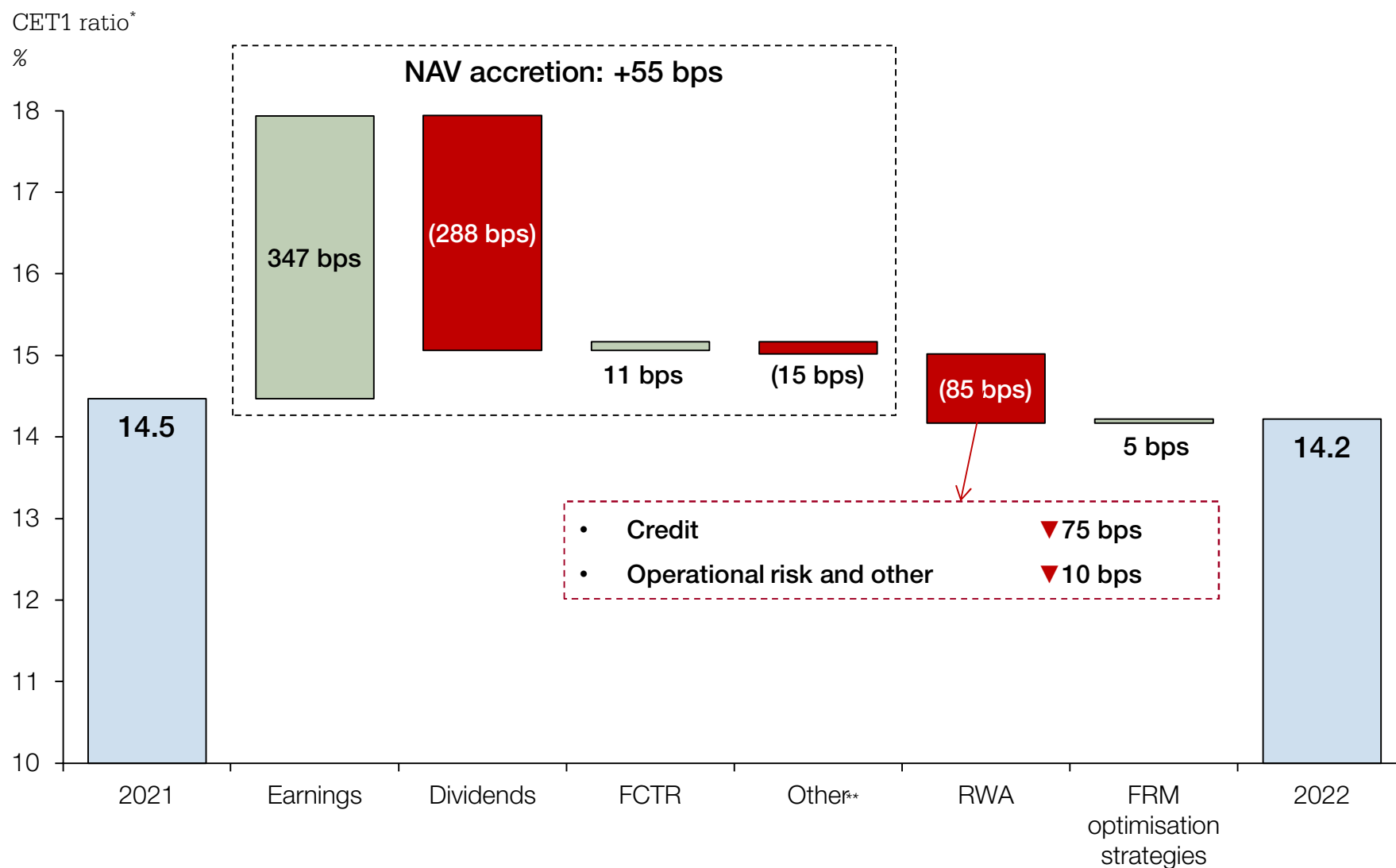


FirstRand Bank

capital

FOR THE YEAR ENDED 30 JUNE 2022

Strong CET1 ratio maintained at 30 June 2022



* Includes unappropriated profits.

** Includes the final IFRS 9 transition (-9 bps), and other reserves and regulatory deductions.





FirstRand Bank

financial sector and market infrastructure

FOR THE YEAR ENDED 30 JUNE 2022

Regulatory update

- Financial Sector Laws Amendment Act 23 of 2022 (FSLA) was promulgated on 28 January 2022
 - South African Reserve Bank (SARB) will become the designated resolution authority with the necessary powers to operationalise an effective resolution regime
 - Provisions of the FSLA (including the granting of powers to the SARB to issue resolution standards) will only become operational as outlined in a commencement schedule
 - Will provide for the:
 - Establishment of the Corporation for Deposit Insurance (CoDI), which will be a separate entity within the SARB mandated to manage a deposit insurance scheme in South Africa, designed to protect depositors' funds and enhance financial stability
 - Introduction of a new tranche of loss-absorbing instruments, i.e. first loss after capital (flac) instruments, which are subordinated to other unsecured creditors and intended for bail-in during resolution
- Financial conglomerate framework
 - All standards, except capital have been finalised
 - FirstRand has not been designated as a financial conglomerate - the group has volunteered to participate in the field testing of the draft prudential capital standards, as well as the submission of the regulatory returns for the final standards
- Guidance Note 4/2022, *Proposed implementation dates in respect of specified regulatory reforms*, released in May 2022

Proposed implementation dates – final Basel III reforms

2022 and 2023	2024 onwards
1 October 2022	1 January 2024
<ul style="list-style-type: none"> Revisions to the securitisation framework 	<ul style="list-style-type: none"> Interest rate risk in the banking book: disclosure requirements Revised standardised approach for credit risk framework Revised internal ratings-based approach for credit risk Revised operational risk framework Leverage ratio – revised exposure definition Minimum capital requirements for market risk Revised credit valuation adjustment framework
1 January 2023	
<ul style="list-style-type: none"> Interest rate risk in the banking book 	<p data-bbox="1126 1241 2054 1321">1 January 2024 to 2028</p> <ul style="list-style-type: none"> Output floor

F'RB 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-/Positive	BB-/Positive	zaAA	bbb-
Moody's	Ba2/Stable	Ba2/Stable	Aa1.za	ba2

* S&P Global's standalone credit profile and Moody's baseline credit assessment.
Credit ratings at 3 October 2022.

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

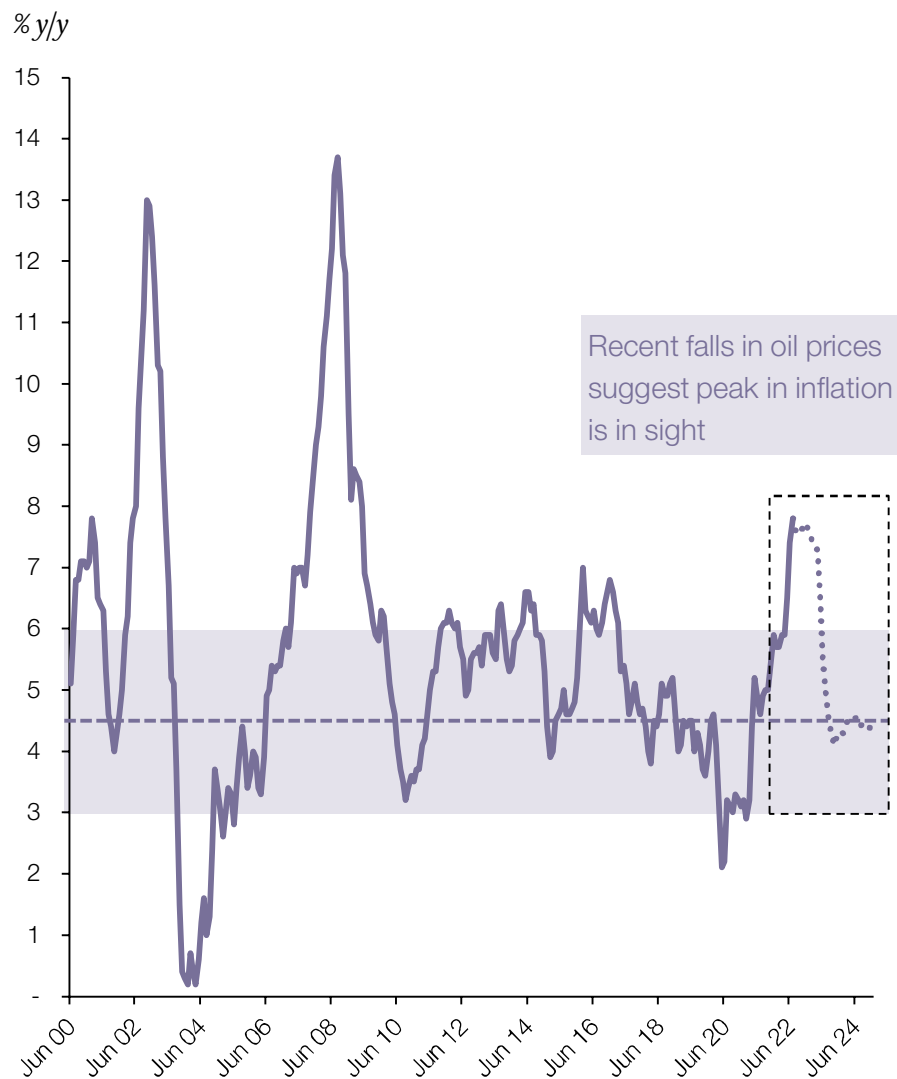


FirstRand Bank

looking ahead

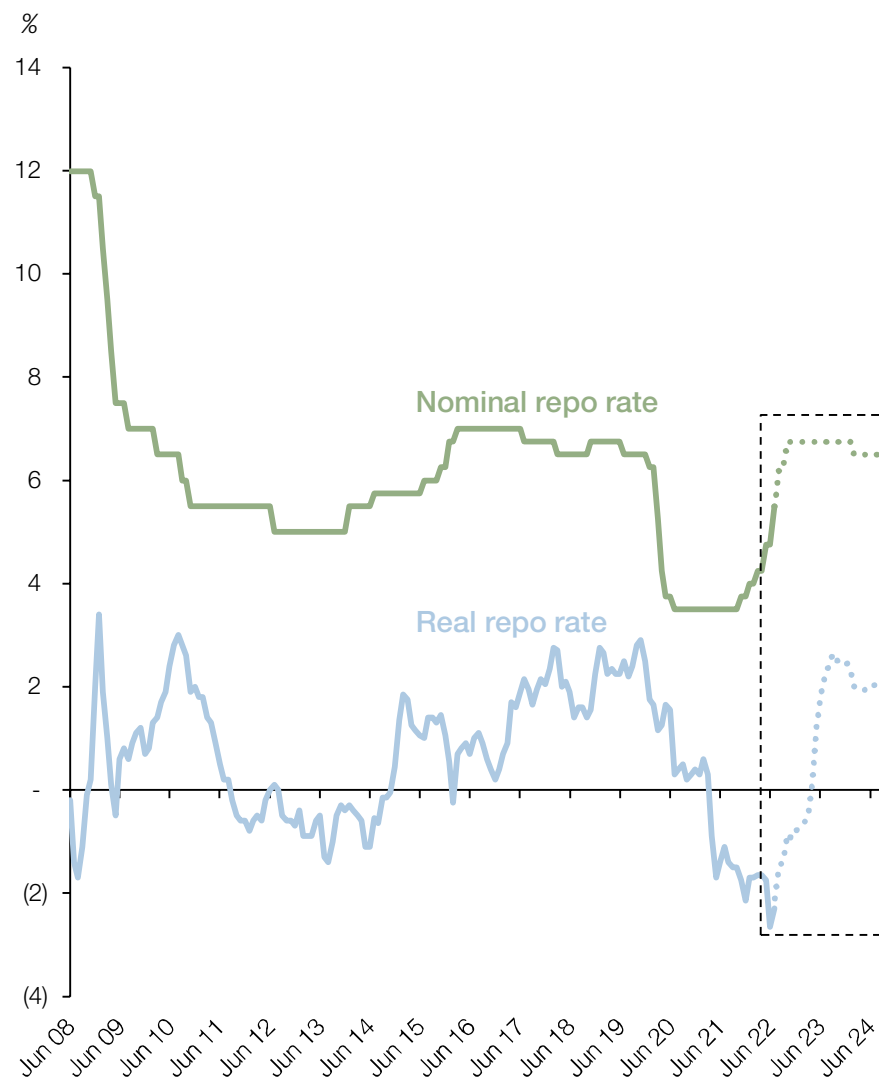
SA inflation should turn and rates likely to peak by 2H FY23

Headline inflation rate (CPI)



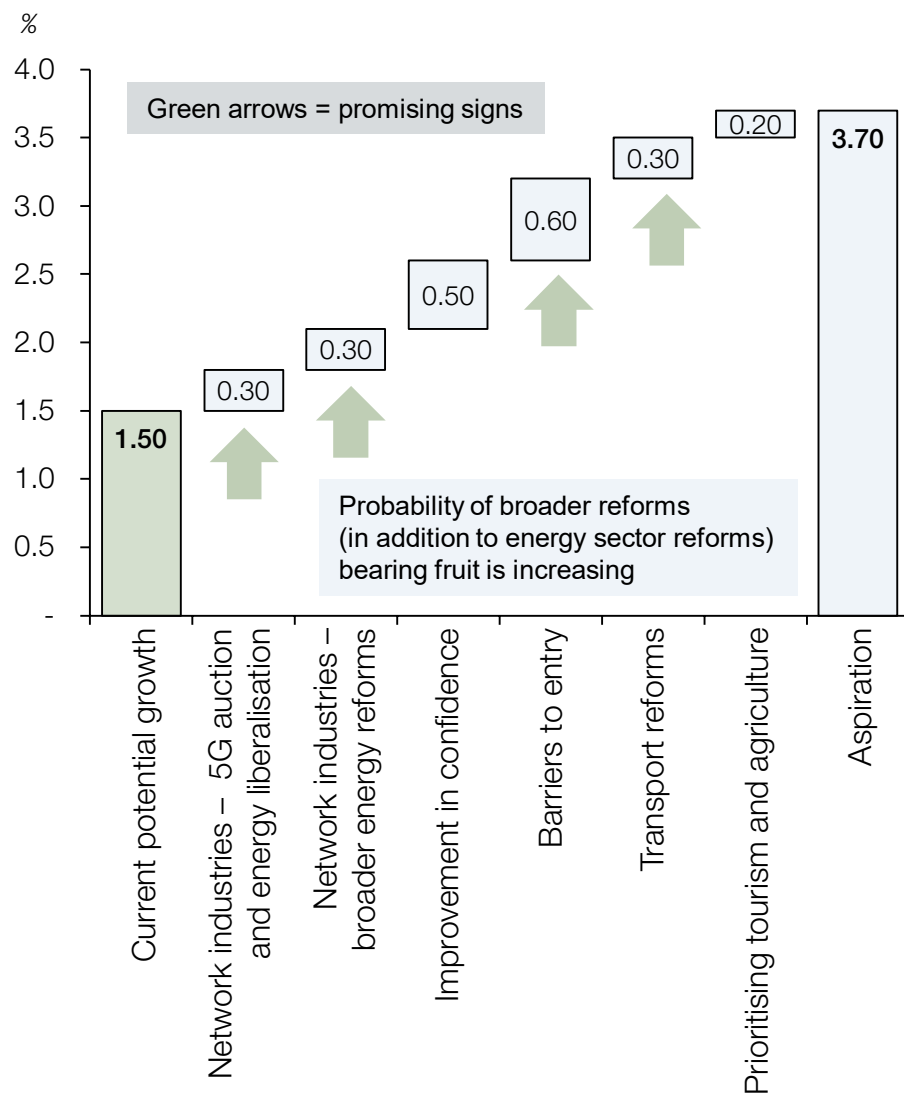
Sources: StatsSA, FirstRand.

Repo rate



Execution on reforms could lift potential growth further

Contribution of structural reforms to potential growth



Evidence of reform momentum

- Spectrum auction concluded
- Renewable energy programme opened for wind and solar power
- Electricity Regulation Amendment Bill published to enable a competitive electricity market
- White paper on National Rail Policy approved by the Cabinet, providing policy direction on third-party access to passenger rail
- Request for proposal issued to initiate third-party access to the freight rail network
- Green Drop report published to ensure better monitoring of water and wastewater treatment quality
- Revised critical skills list published
- NERSA registered over 500MW of private renewable power generation projects

FirstRand Bank's portfolio has attractive growth prospects

- SA advances growth will accelerate as macros improve
 - Momentum in second half expected to continue
 - Cautiously increasing credit appetite
- Stronger trajectory in SA NIR
 - Customer growth
 - Increased volumes on platform
- Continued impetus in deposit growth



FirstRand Bank

appendix

Bank has strengthened its balance sheet

	ACTUAL	TREND
Assets in marketable format	>R434 billion	Marginally lower as structured liquid assets have amortised
Liquid assets as % of total assets	28.9%*	Marginally lower
LCR and NSFR	LCR: 124% NSFR: 120%	The bank's liquidity position remains healthy, with prudential ratios well above regulatory minimums.
Credit quality of assets	BB-/B+	Stable
Institutional funding term**	39 months	Marginally lower due to increased floating-rate note and NCD issuance (primarily 12-month maturities) relative to senior unsecured bonds
Deposit franchise**	72% core deposit funding	Funding strategy favours client deposits creating an improved liquidity risk profile coupled with deeper client engagement
RWA risk density	50.2%	Improved
CET1 ratio	14.2%	Well above internal target range
Standalone bank credit rating	Highest in SA	Maintained

* Reflects internal economic view.

** For South African operations only.

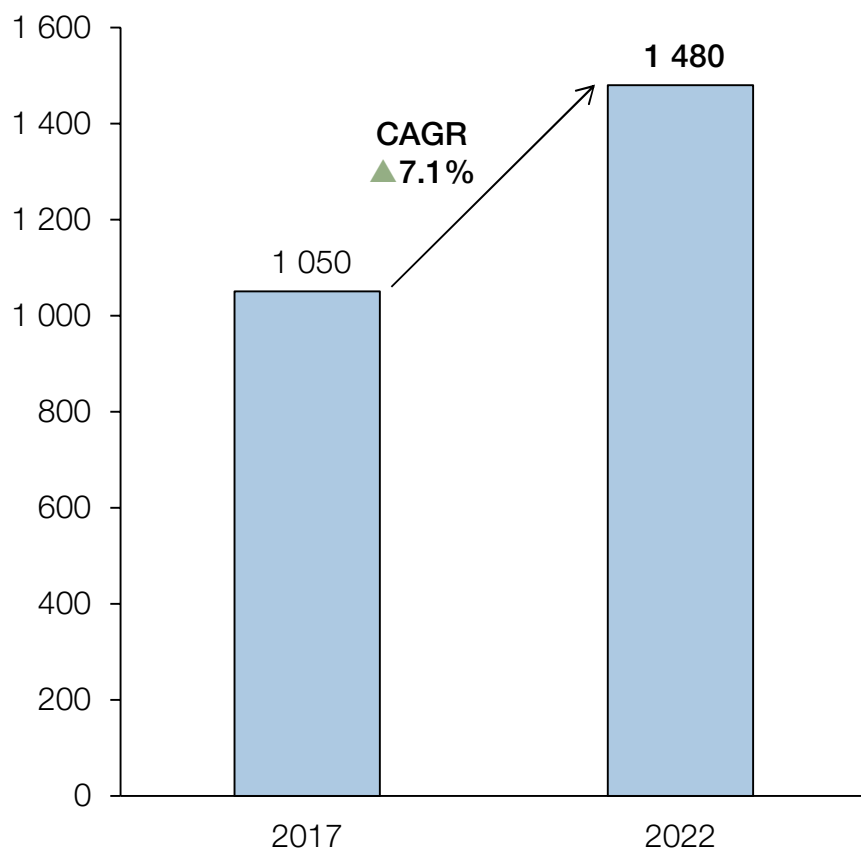


Resolution blueprint – proposed hierarchy in insolvency

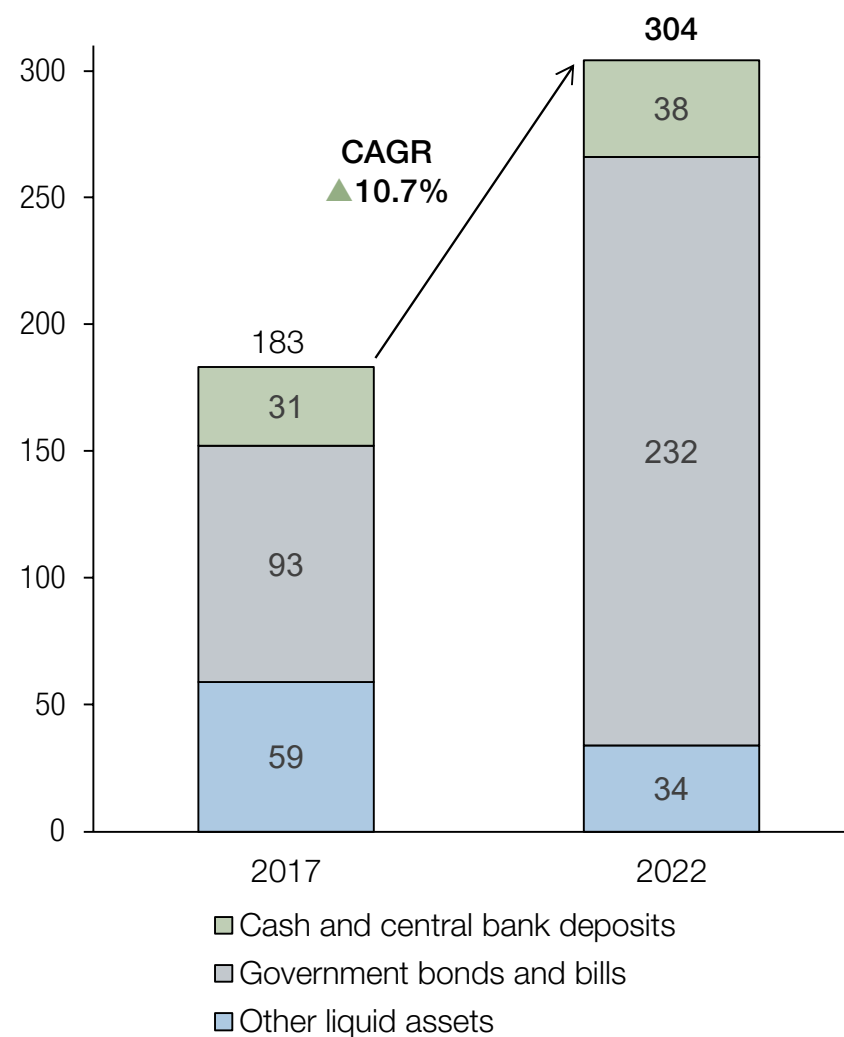
CURRENT	AMENDED	
Secured (up to the value of security)	Secured (up to the value of security)	<ul style="list-style-type: none"> Allows for setoff up to the value of security held Residual claims rank <i>pari passu</i> with all other unsecured creditors Assets under repo GMRA, ISDA, etc.
Preferred	Preferred	<ul style="list-style-type: none"> Creditors specified by legislation, including outstanding tax claims and central banks claims
	Covered deposits	<ul style="list-style-type: none"> Deposits qualifying for deposit insurance - maximum of R100 000 per depositor, per bank
Unsecured	Unsecured creditors	<ul style="list-style-type: none"> All residual claims (uncovered deposits > covered amount) and non qualifying debt instruments
	Flac instruments	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Ranked in the order as per regulatory framework Assumed to be available to absorb going concern losses and depleted at POR

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 2022.



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