



FirstRand Bank

financial

and strategic update

for the year ended 30 June 2023



Group overview and strategic update
Overview of the bank (debt issuer) and financial performance

Mary Vilakazi
COO: FirstRand

Financial resource management
Funding and liquidity
Capital management
South African financial sector and market infrastructure

Andries du Toit
FirstRand Group Treasurer



FirstRand

group overview

and strategic update



for the year ended 30 June 2023

FirstRand's portfolio

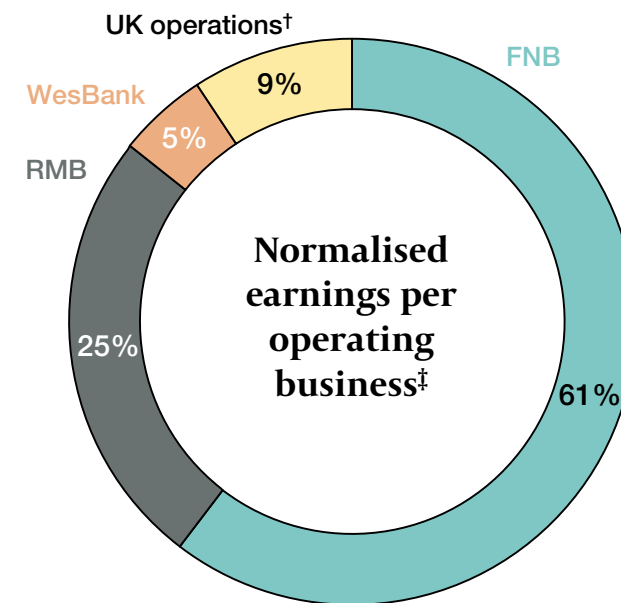
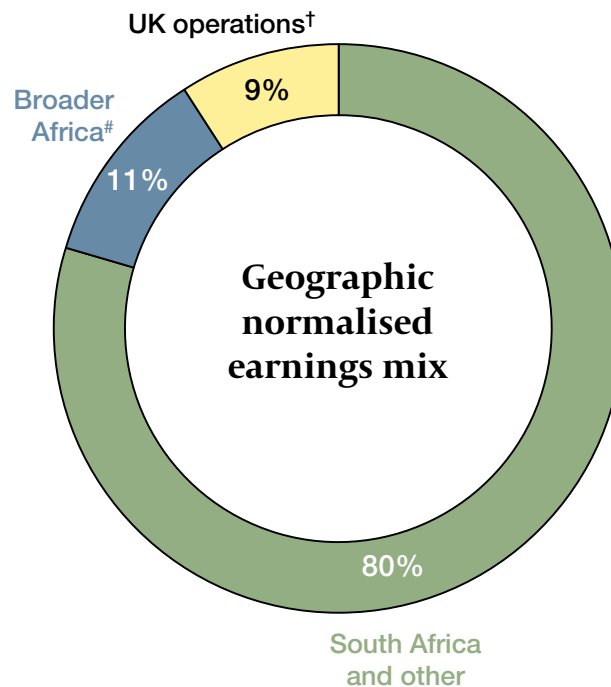
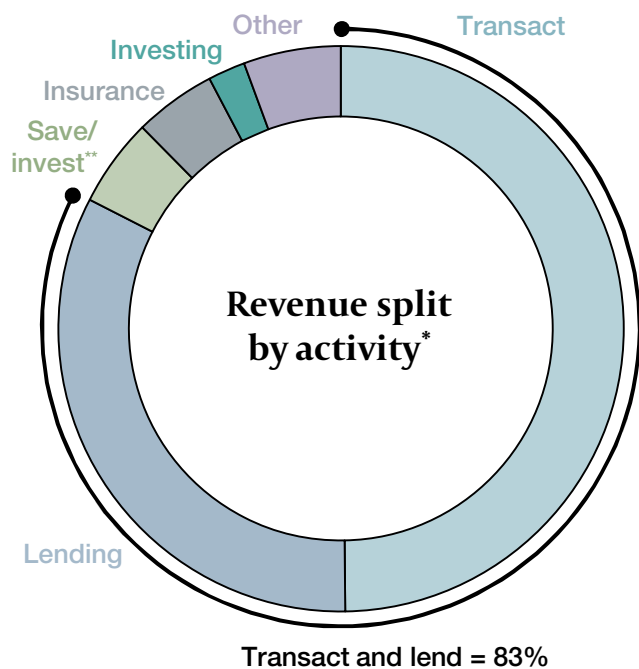


FirstRand

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 lender and savings bank
	Asset management
	Group-wide functions

Portfolio mix at 30 June 2023 – activity, geography and business



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

** Includes deposit taking and investment management.

Strategy view.

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

‡ Excluding the Centre, FirstRand Limited 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



FirstRand Bank

bank overview

and financial performance

for the year ended 30 June 2023

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 and Guernsey*

REPRESENTATIVE OFFICES

New York, Kenya, Angola and Shanghai

Other wholly owned subsidiaries of FirstRand Limited

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

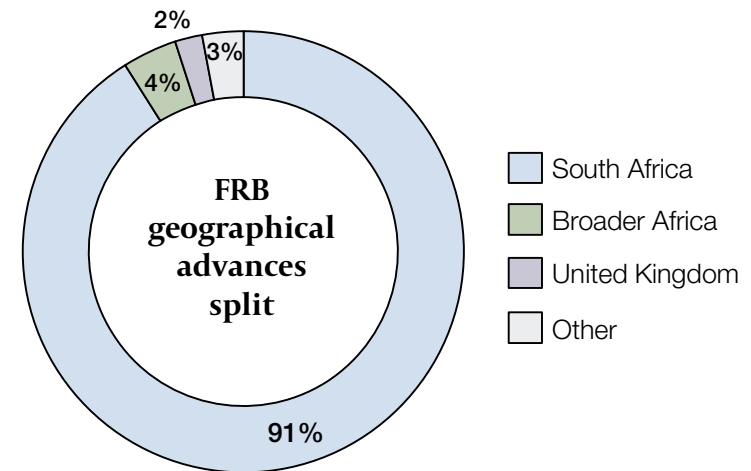
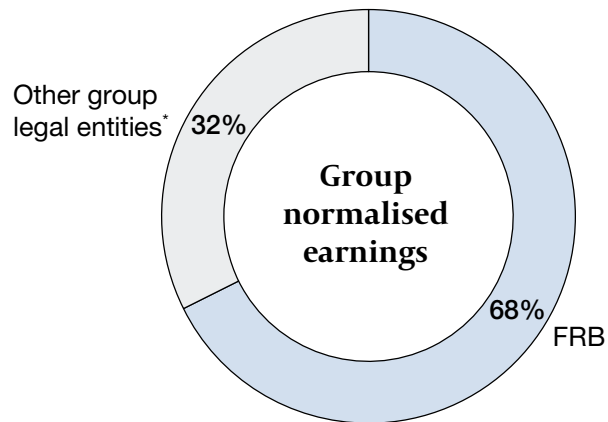
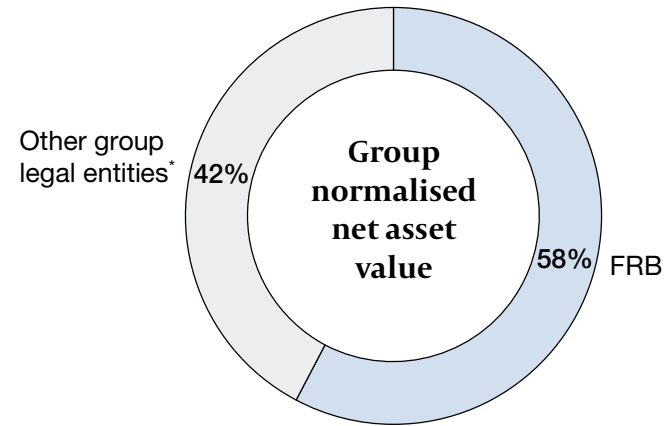
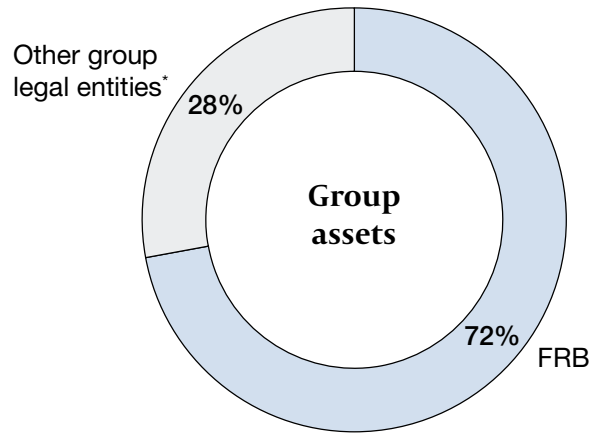
Insurance

FirstRand Investment Holdings (Pty) Ltd (FRIHL)

Other activities

* Trading as FNB Channel Islands.

FRB is a significant contributor to the group's financial position



- South Africa
- Broader Africa
- United Kingdom
- Other

* 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
- Ongoing evolution of platform
- Disciplined allocation of financial resources

The bank supports the group's broader Africa strategy



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

- 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 back book) – following integration into Aldermore, only c. £41 million net advances remain on FRB’s balance sheet



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

- FirstRand acquired Aldermore Group in 2018 (Aldermore Group is **not part of FirstRand Bank**)
- MotoNovo fully integrated into Aldermore in May 2019
 - New business 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 (loans originated prior to May 2019) remains part of FirstRand Bank London branch and running down – MotoNovo will ultimately cease to form part of the bank
- FirstRand Bank London Branch – CIB strategy

FRB's financial performance for the year ended 30 June 2023 – resilient earnings and superior returns



Normalised earnings

R24.8bn

(2022: R24.7bn) –

Deposit franchise

R990bn

(2022: R901bn) ↑10%

Normalised net asset value

R104.4bn

(2022: R106.6bn) ↓2%

Return on assets

1.57%

(2022: 1.69%) ↓12 bps

Return on equity

23.5%

(2022: 23.4%) ↑10 bps

Cost-to-income ratio

55.5%

(2022: 54.3%) ↑120 bps

*Credit loss ratio**

0.87%

(2022: 0.68%) ↑19 bps

Liquidity coverage ratio (LCR)

129%

(2022: 124%) ↓500 bps

CET1 ratio

12.6%

(2022: 14.2%) ↓160 bps

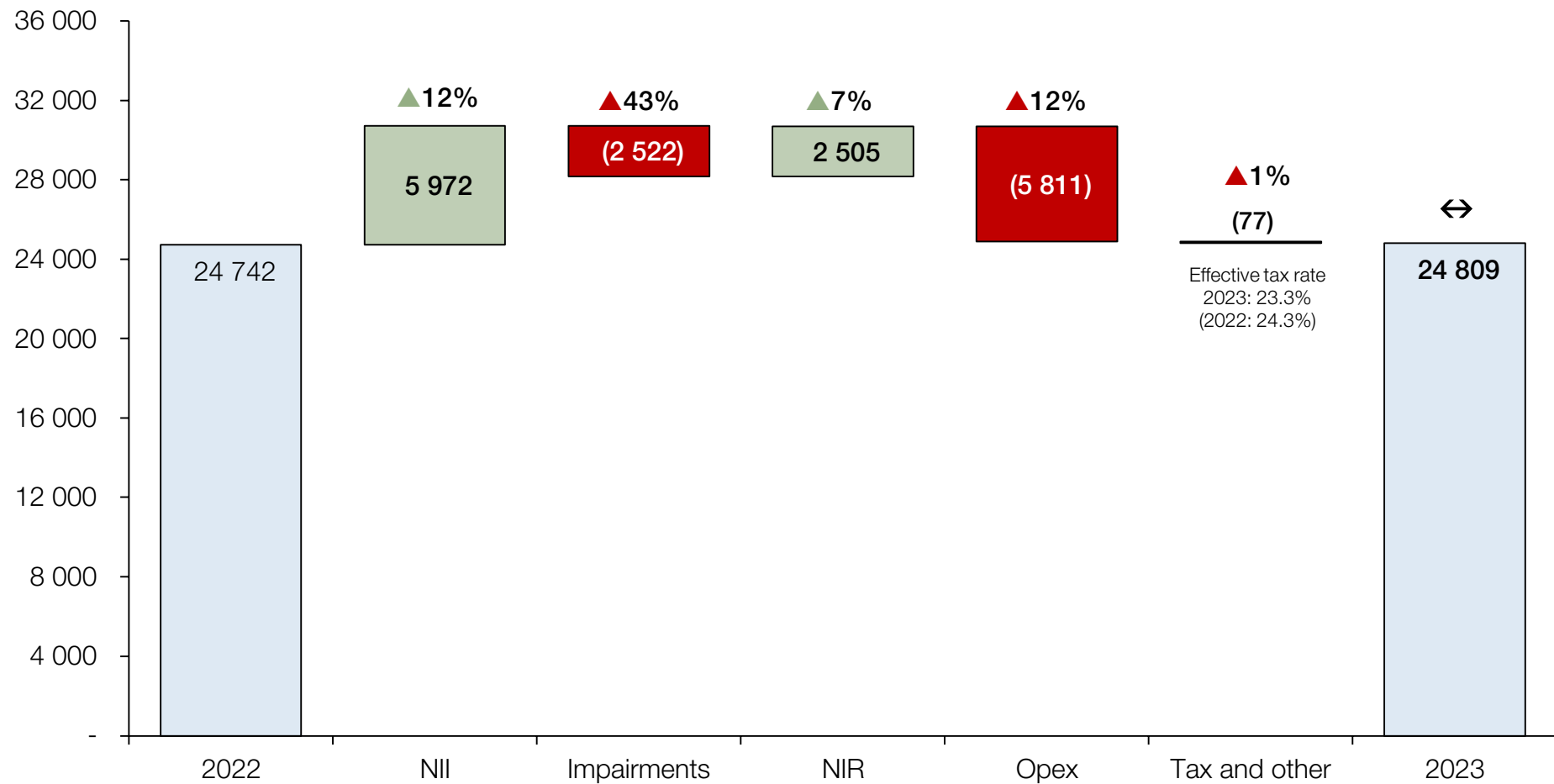
* As a percentage of core lending advances.

Strong topline growth offset by above-inflation cost growth and credit normalisation



Normalised earnings

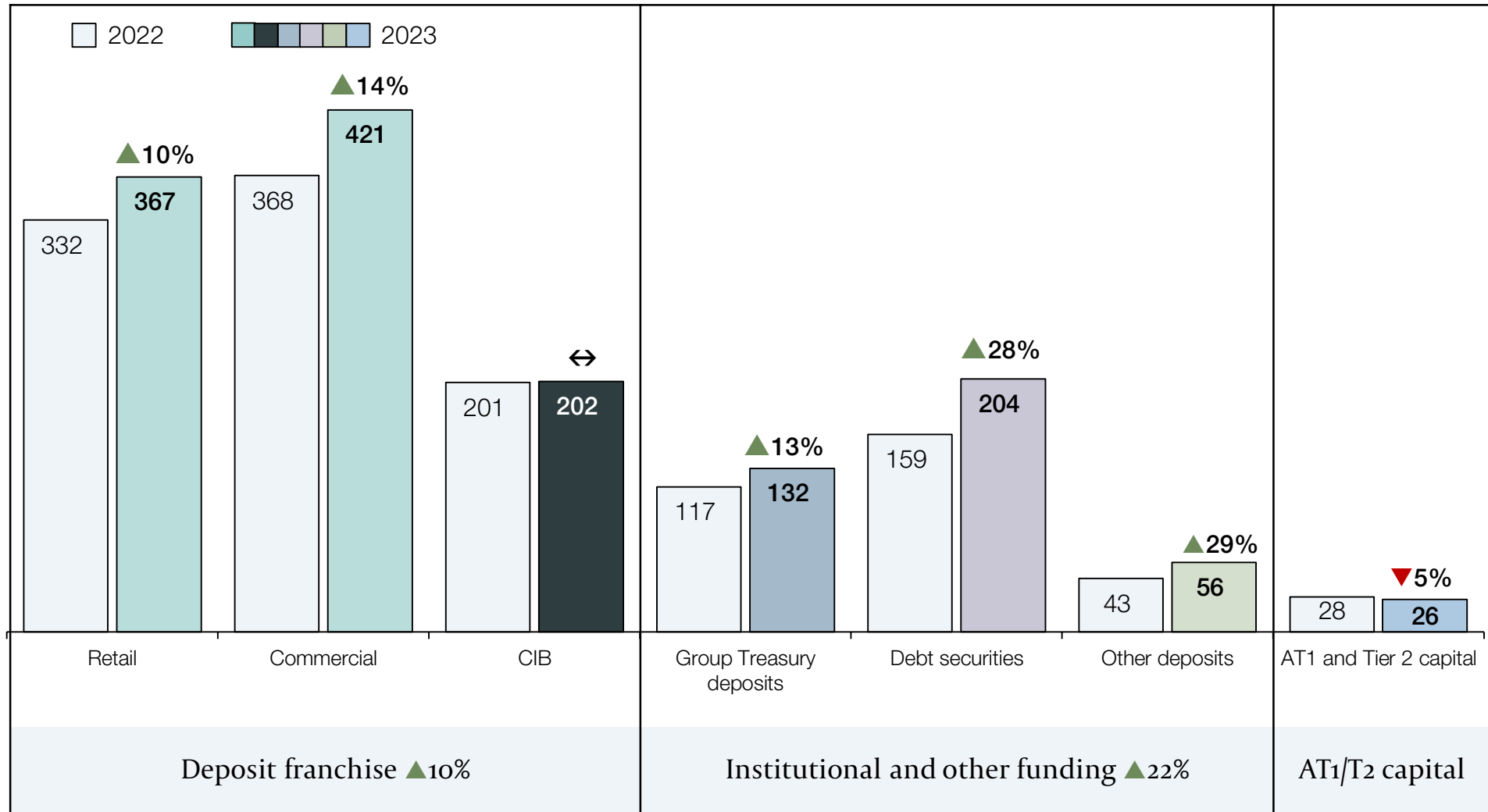
R million



Deposit franchise outperformance continues



Funding liabilities 13%



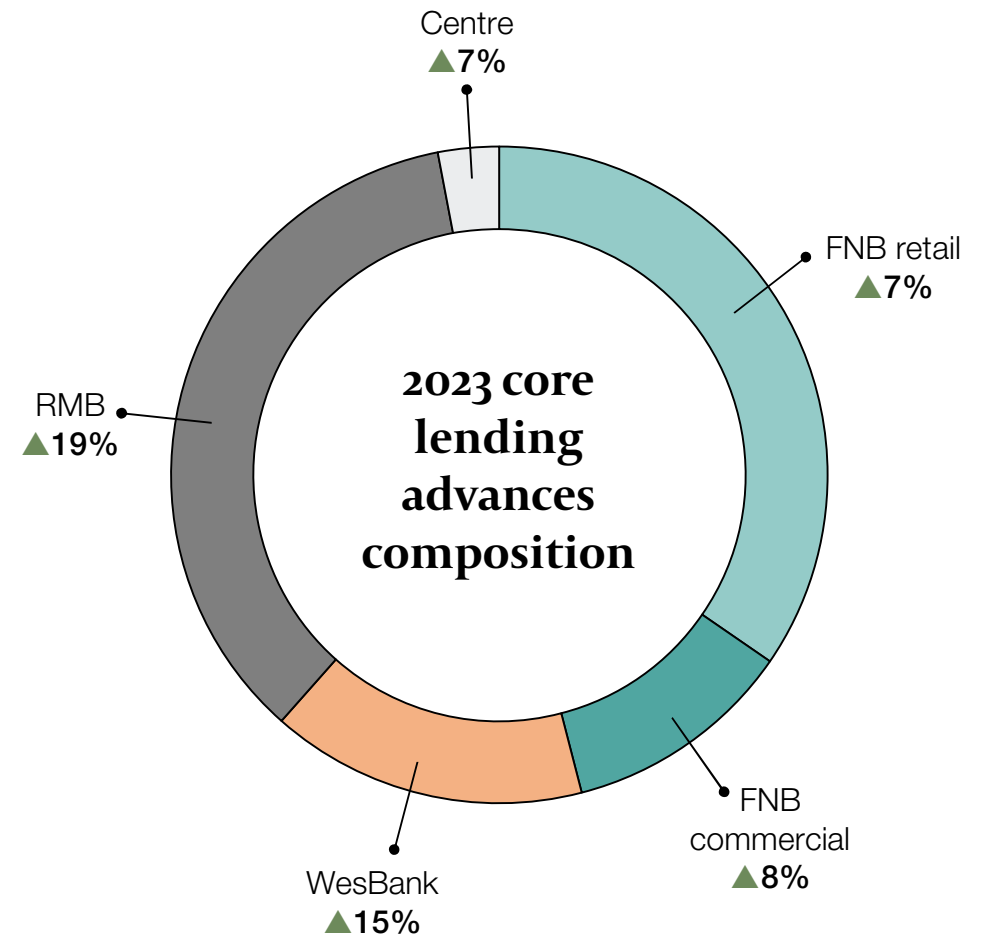
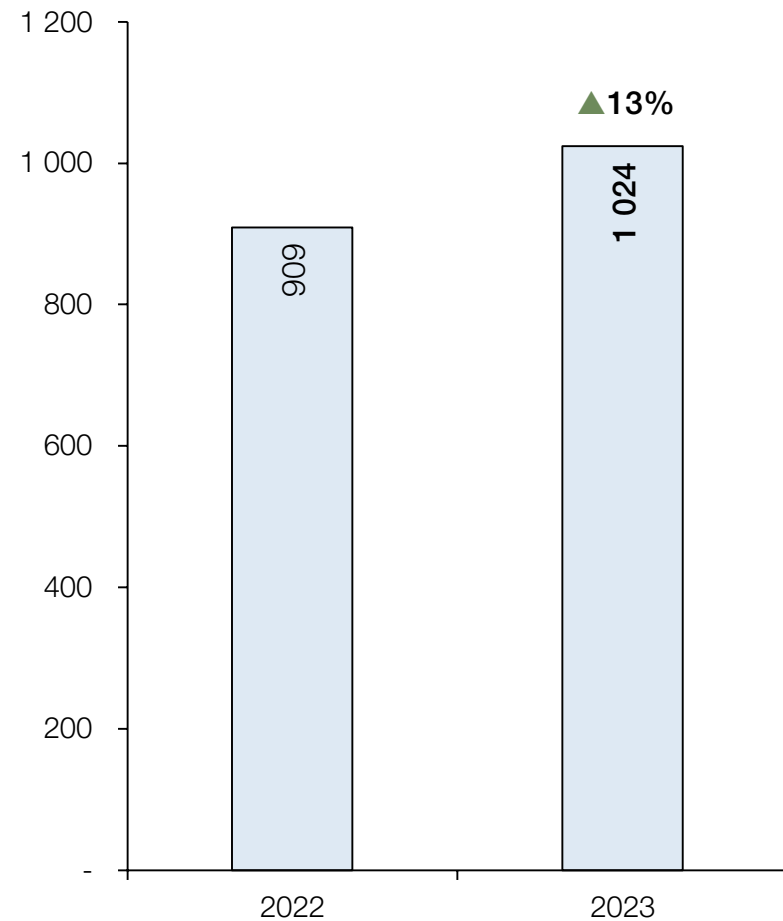
Note: Percentage growth is based on actual rather than rounded numbers shown in the bar graphs.

Growth in advances across all portfolios



Core lending advances

R billion





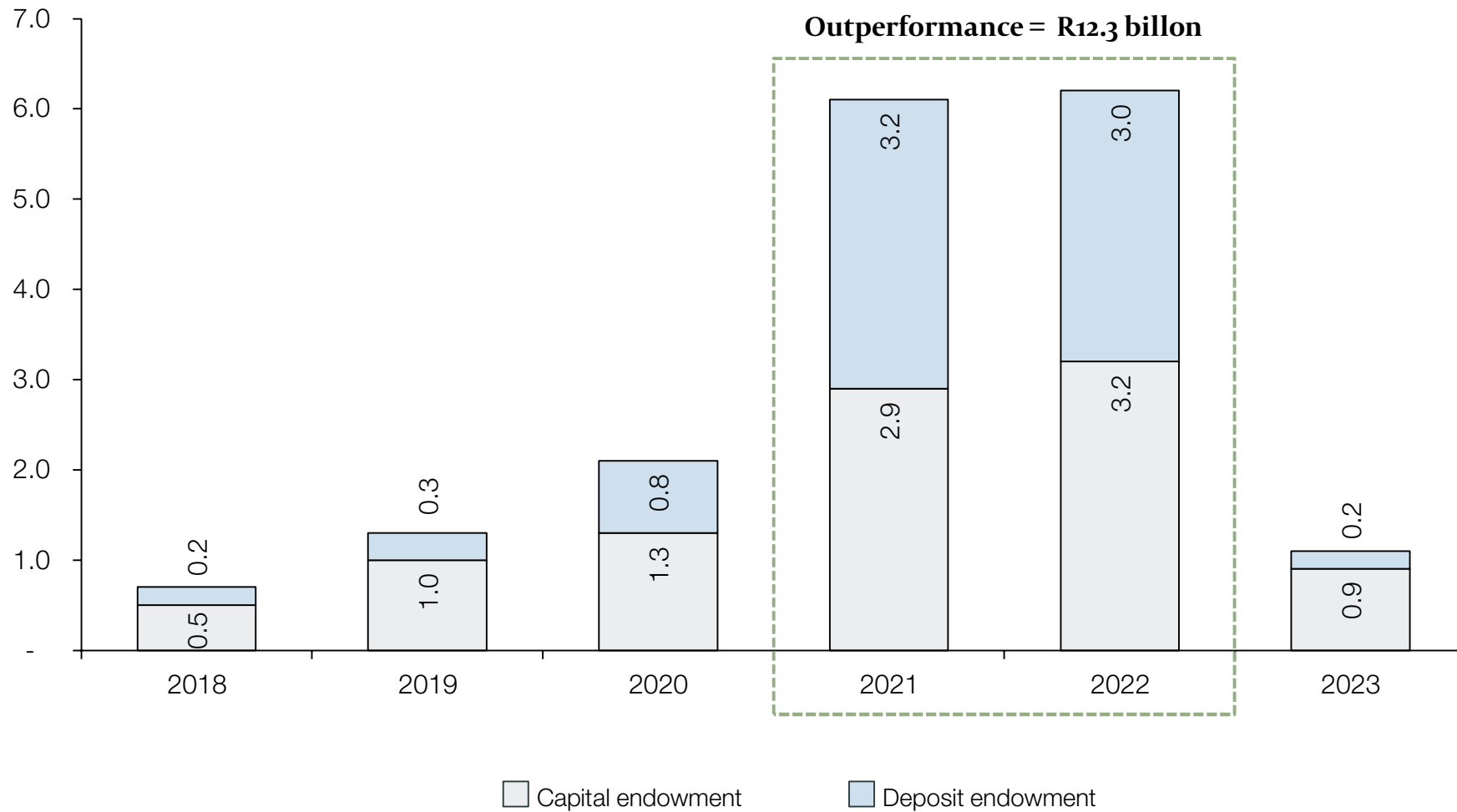
- Overarching objectives of group ALM strategies:
 - Actively manage the profile to protect and enhance earnings through the cycle
 - Earn the structural term premium for shareholders by investing along the yield curve
- Group balances its approach to investing the endowment
- Absolute year-on-year return on group's endowment for FY23 will therefore not reflect the full extent of the rise in interest rates
- However, converse was true in previous periods when rates were lower, as the endowment was protected and optimised by the ALM strategy

Through-the-cycle ALM NII outperformance



Additional endowment NII from ALM strategies relative to overnight (repo) profile

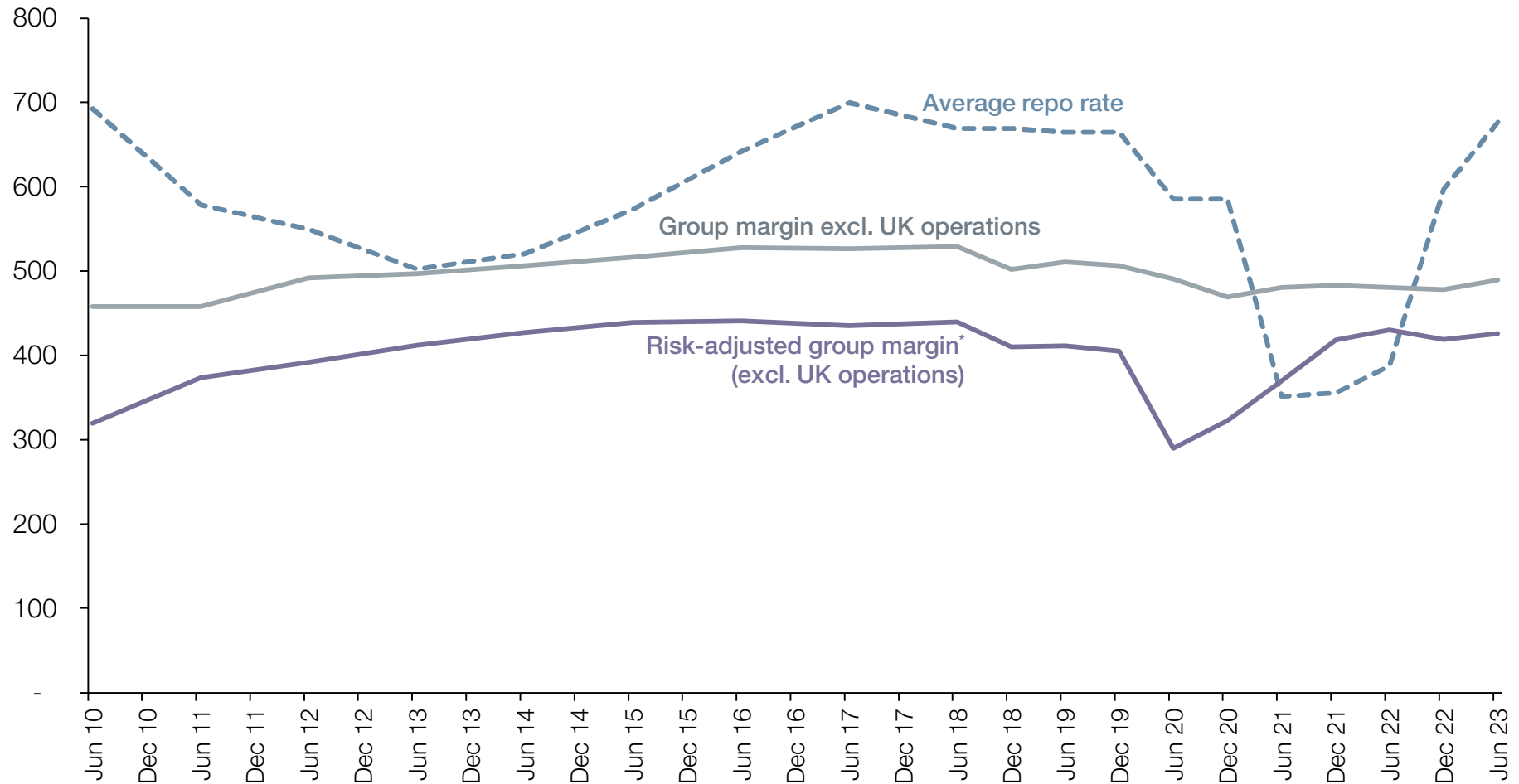
R billion



Combination of origination tilt and ALM outcomes adds margin stability and superior risk-adjusted profile



Basis points

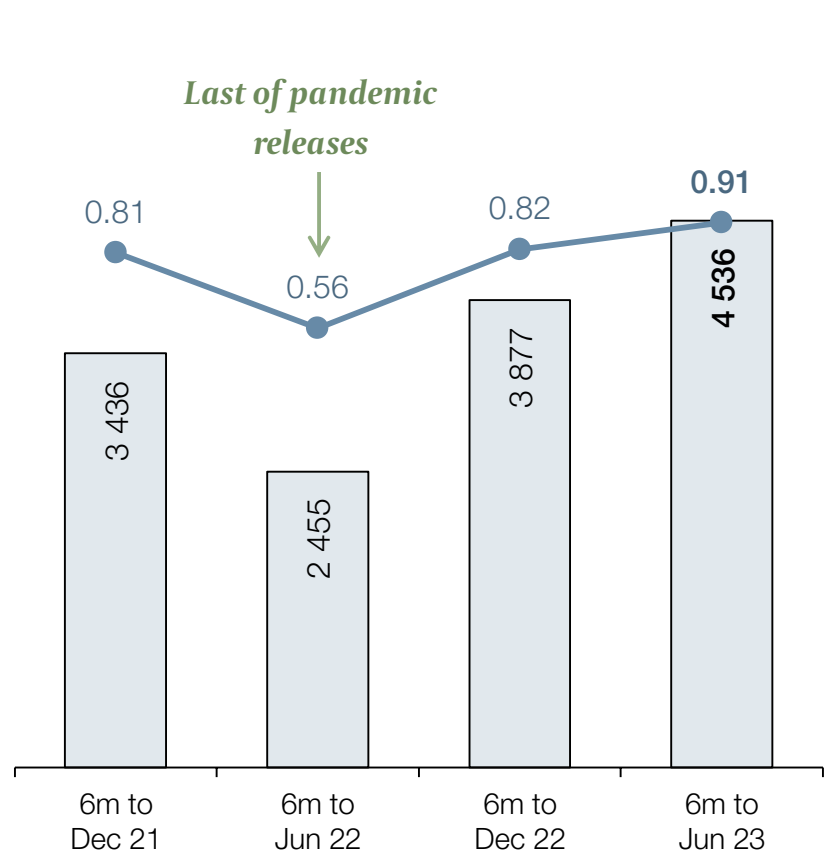


* After impairments.

Credit performance at a glance – fully expected, due to origination approach, coverage reflects macro outlook



Impairment charge (R million) and credit loss ratio (%)

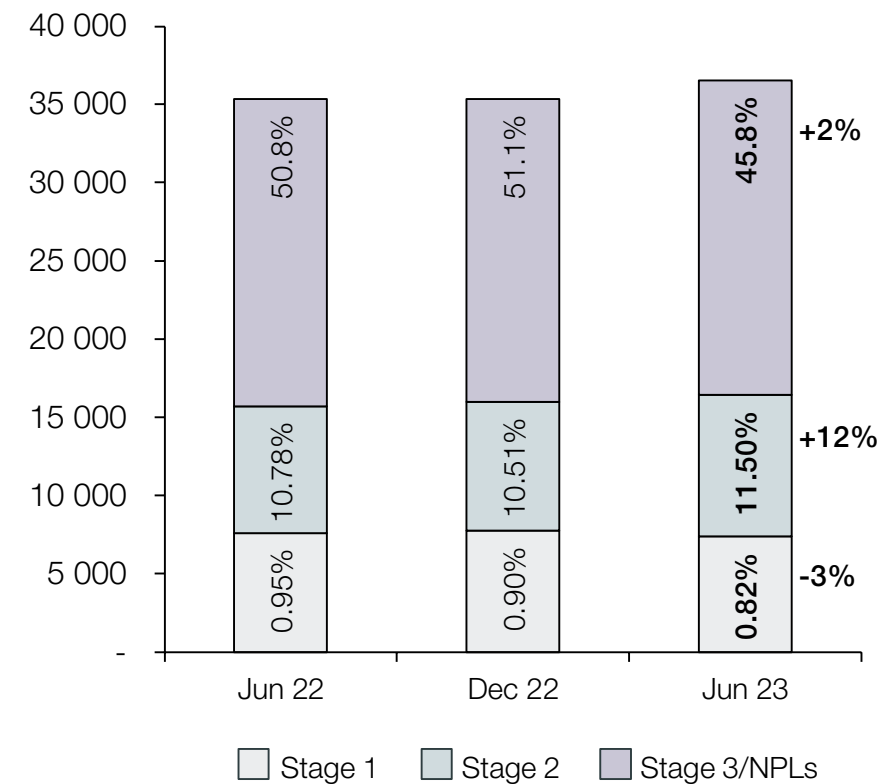


Impairment charge Rolling six-month credit loss ratio*

* Annualised.

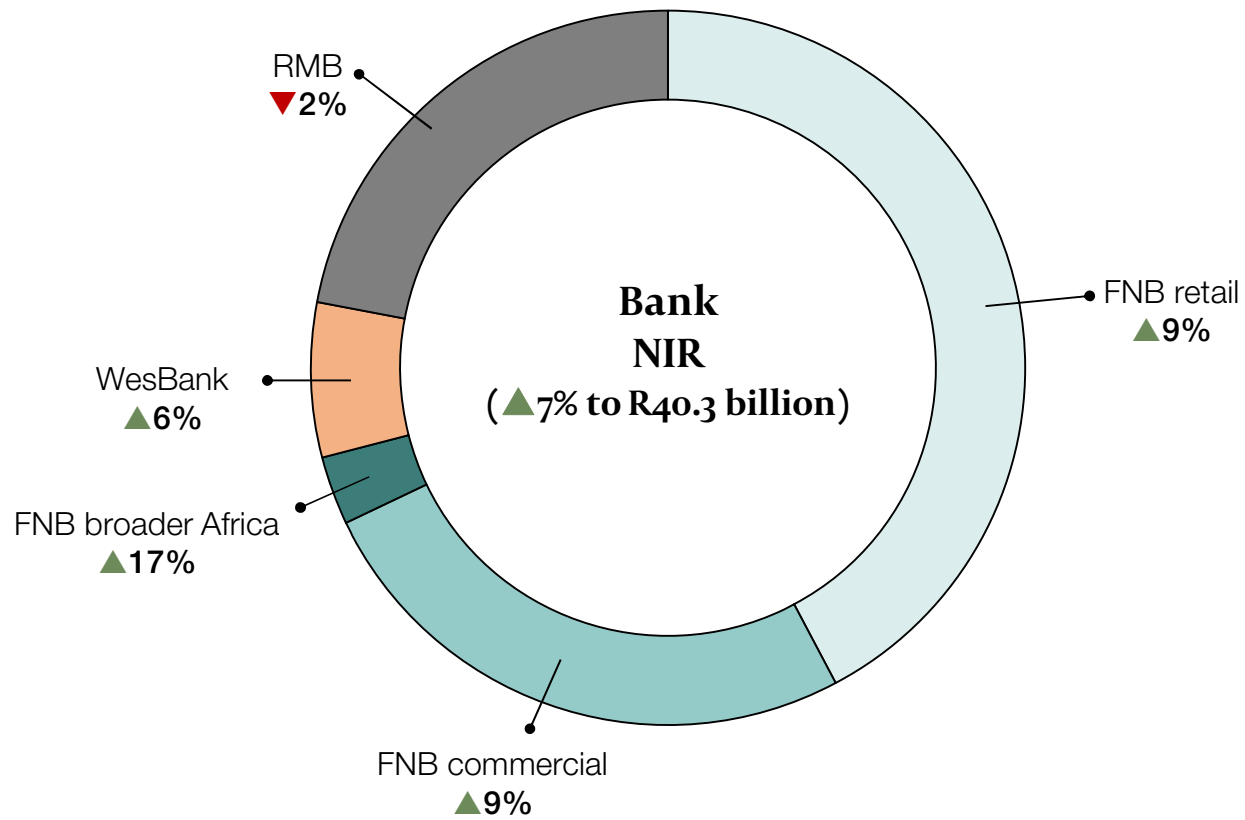
Note: Growth rates are year-on-year (i.e. since June 2022).

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



Total provisions (R million)		
35 349	35 352	36 535 +3%

NIR performance reflects strength of customer franchises



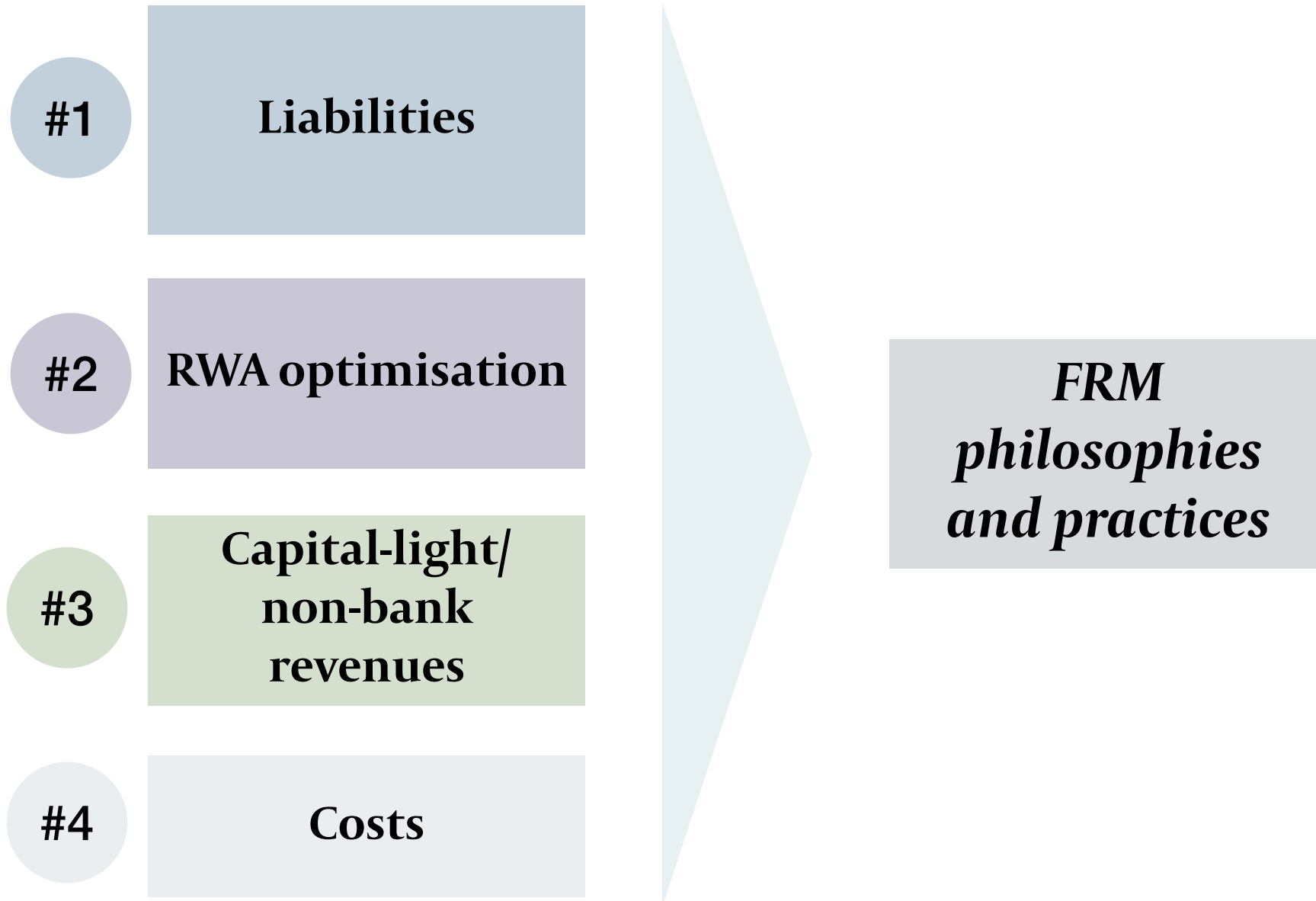
* Excluding Centre (incl. Group Treasury).



FirstRand Bank

financial

resource management



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

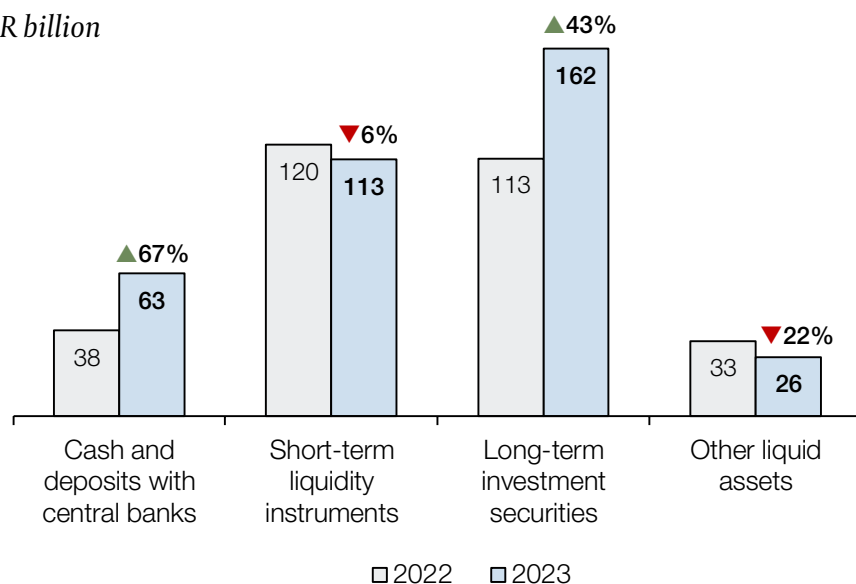
FRB exceeds LCR and NSFR requirements



%	2023	2022
LCR		
Regulatory minimum	100	100
Actual	129	124
Average available HQLA (R billion)	364	304
NSFR		
Regulatory minimum	100	100
Actual	120	120

* The bank's LCR and NSFR reflect South African operations only.

R billion

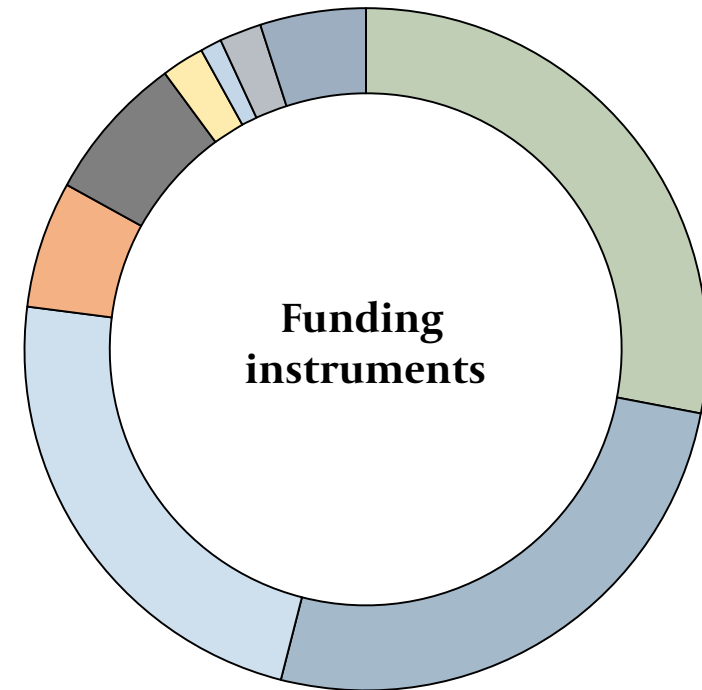
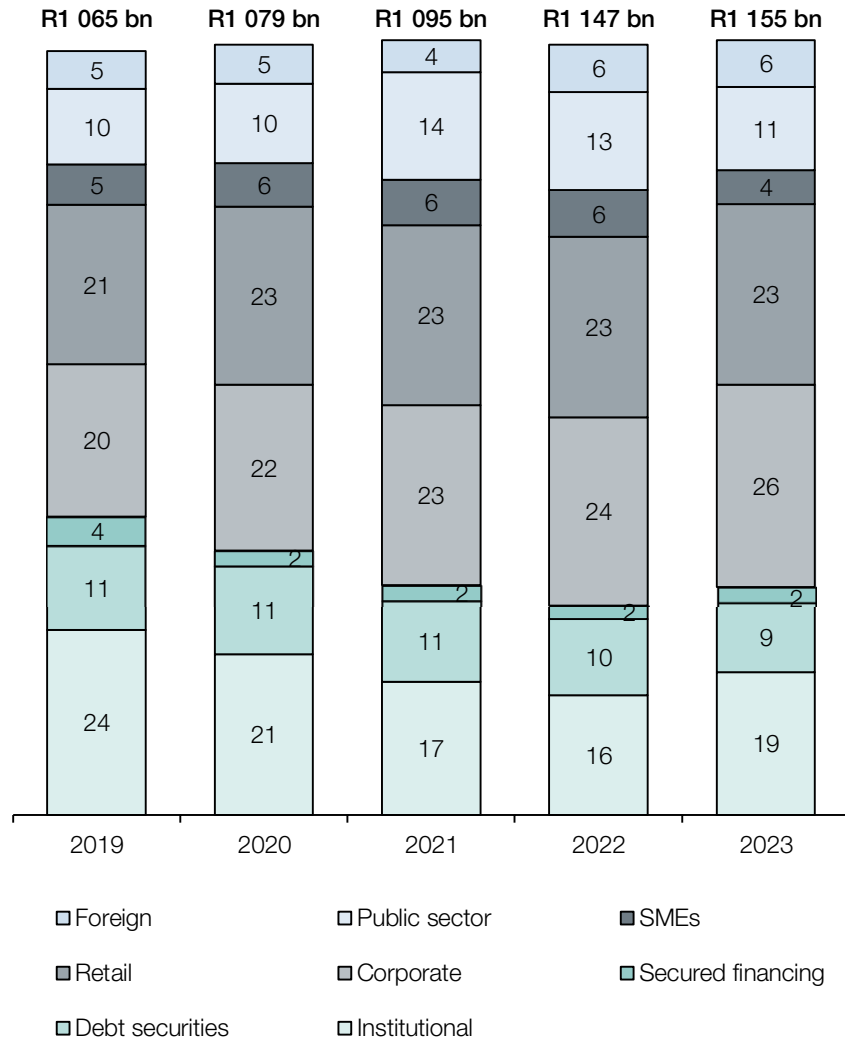


- FRB manages excess liquidity using a combination of cash, central bank deposits, treasury bills and government bonds (acquired outright and through reverse repos)
- FRB utilises an IMF-based framework for the assessment and monitoring of sovereign risk by jurisdiction
 - Informs the composition and duration of liquid assets held, varying between central bank reserves, treasury bills and bonds
- Updated monetary policy implementation framework (MPIF) was implemented in April 2023
 - The new surplus-based framework enables better liquidity transmission and payment capacity, which in turn supports market functioning and financial stability
- Increase in central bank deposits follows the finalisation of the MPIF and introduction of deposit quotas earning the policy rate

Continuing focus on optimising the funding base



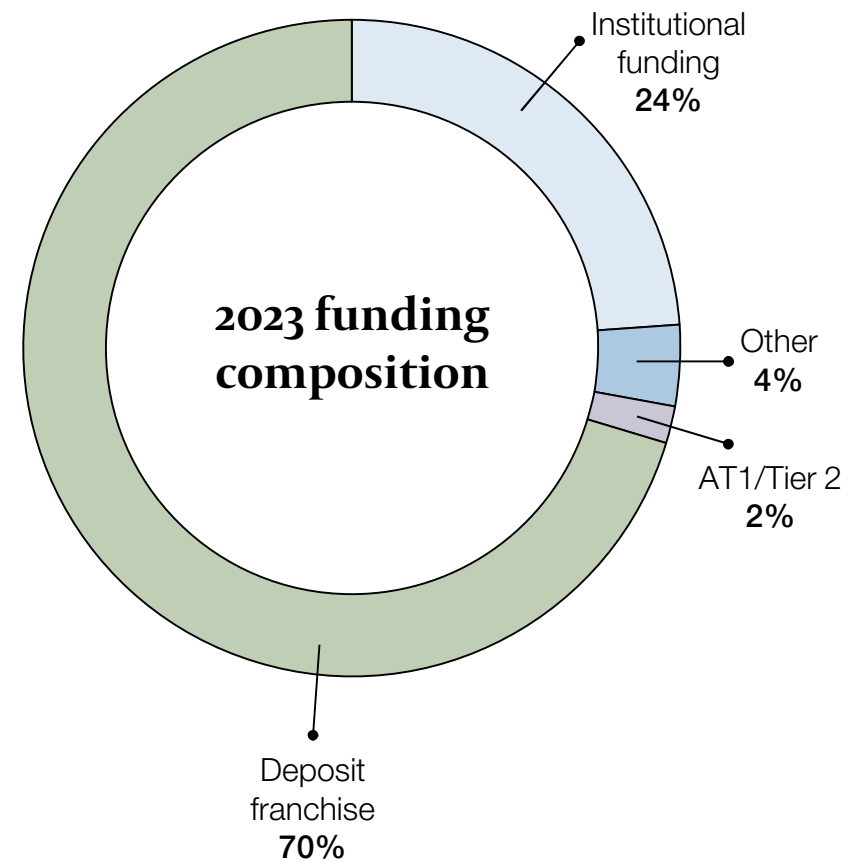
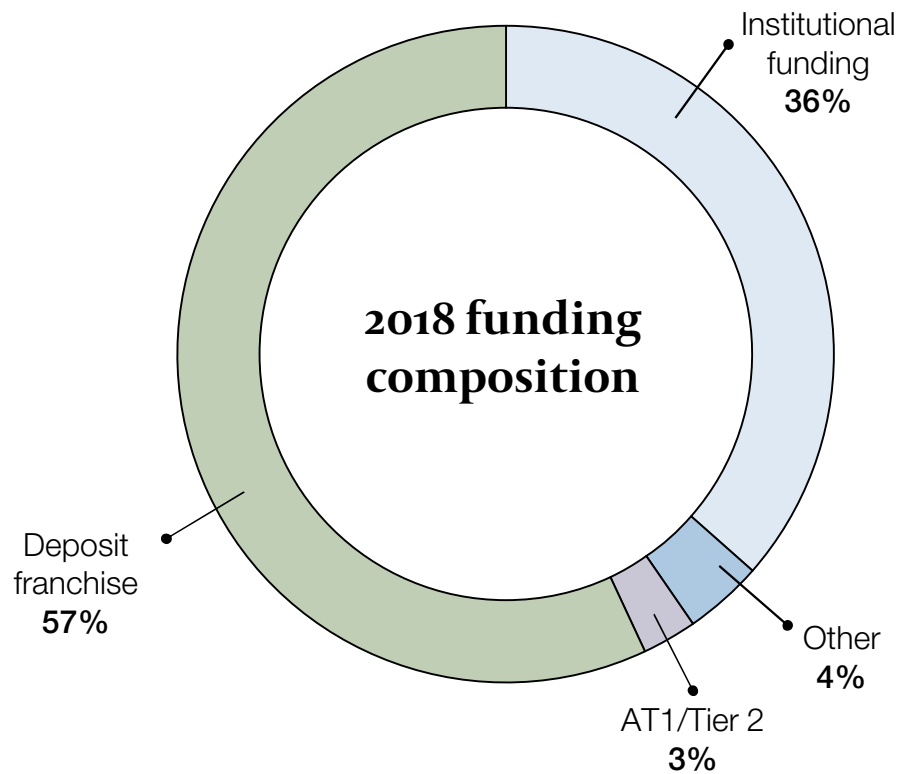
Sources of funding



- Current and savings accounts
- Call accounts
- Capital market issuance
- Repo
- Other
- Customer fixed- and notice deposits
- Institutional funding
- AT1 and Tier 2 capital
- Collateral received

Source: FRB BA900 and financial reports at 30 June 2023.

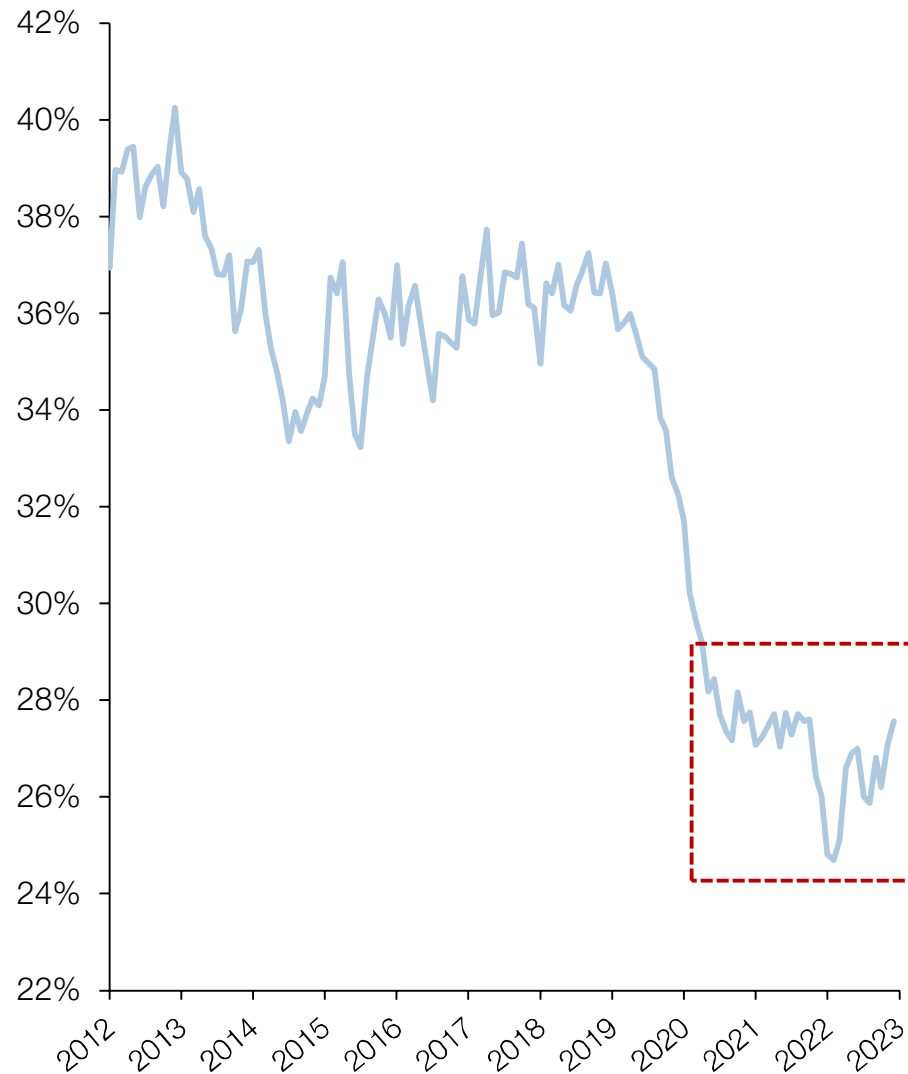
Sustained outperformance from the deposit franchise has resulted in improved funding mix



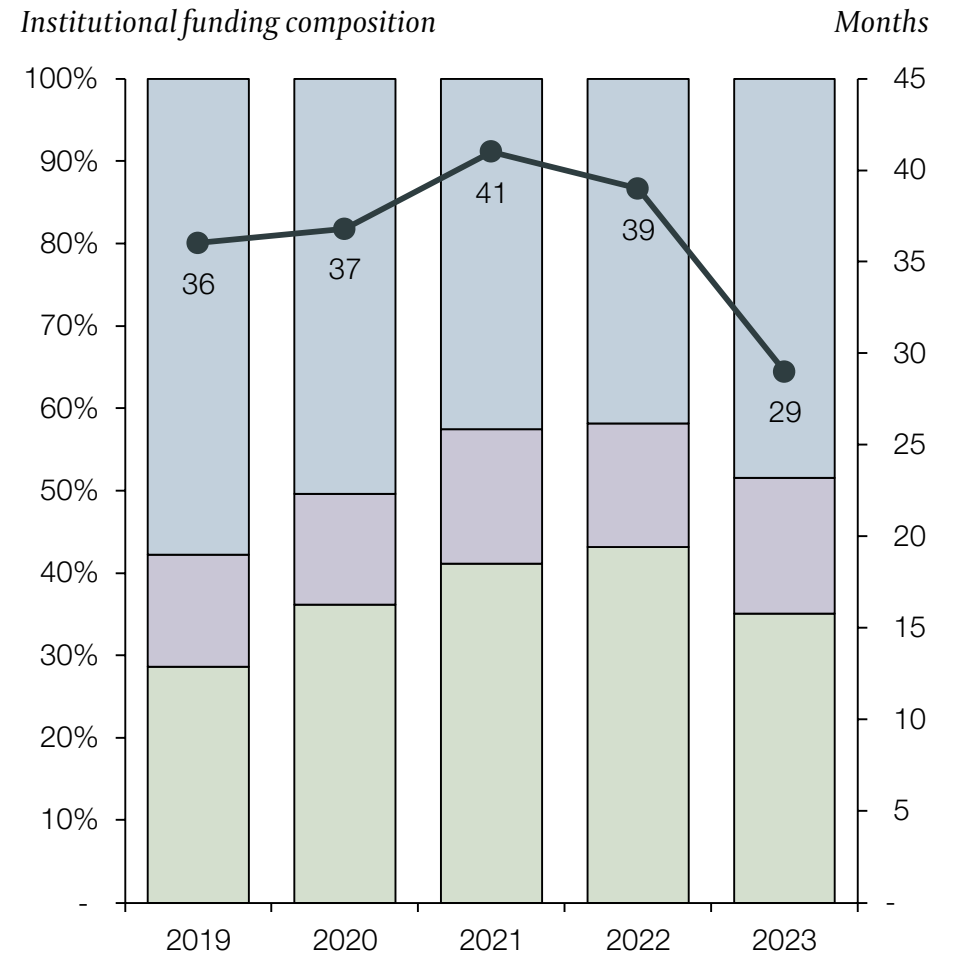
Recent increase in institutional funding, however, overall relative composition still low



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 SA.



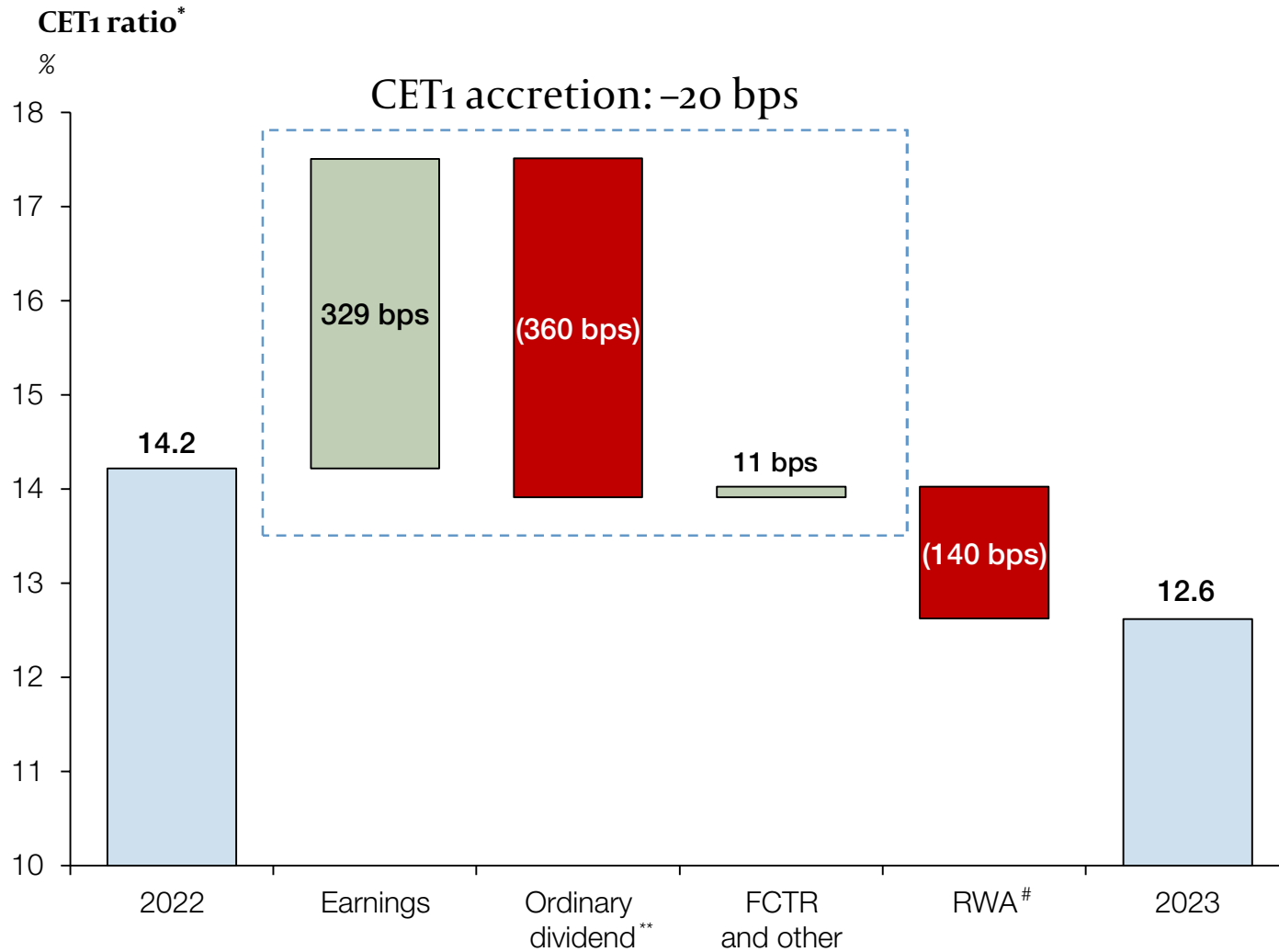
FirstRand Bank

capital

management

—

CET1 position remains above internal target – focus on optimisation of overall capital stack



- Focus remains on CET1
- Rebalance of the capital stack; issuance of AT1 and Tier 2 to fill targets
- Recent issuances in local market well-supported from investor and pricing perspective

* Includes unappropriated profits.

** FRB contributed to the funding of the group's special dividend.

RWA net of optimisation and FX movements.



FirstRand Bank

financial

sector and market infrastructure



- Financial Sector Laws Amendment Act 23 of 2022 (FSLAA) was signed into law in January 2022
 - Designation of the South African Reserve Bank (SARB) as the Resolution Authority, effective 1 June 2023
 - Necessary powers to operationalise an effective resolution regime and issue resolution standards
 - Establishment of the Corporation for Deposit Insurance (CoDI) as a separate legal entity in March 2023; operational in April 2023
 - 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

Proposed implementation dates – final Basel III reforms



- Guidance Note 3/2023, *Proposed implementation dates in respect of specified regulatory reforms*, released in July 2023; proposed reforms delayed to July 2025 onwards
- Bank of England and PA implementation dates aligned

1 January 2024

- Interest rate risk in the banking book: disclosure requirements

1 July 2025

- 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

Output floor:

1 July 2025	60%
1 January 2026	65%
1 January 2027	70%
1 January 2028	72.5%

1 January 2026

- Prudential treatment of banks' exposures to crypto assets

- PA published Directive 11/2022 on 14 December 2022 addressing items of national discretion relating to the LCR
 - Inclusion of foreign currency denominated level 1 HQLA (subject to an 8% haircut) for purposes of domestic currency LCR, limited to the top 10 most liquid currencies
- PA published Directive 1/2023 on 23 January 2023, addressing items of national discretion relating to NSFR
 - At its inception, the PA amended the NSFR framework to assign a 35% available stable funding (ASF) factor to funding received from financial corporates, excluding banks, that will mature within 6 months
 - To be fully compliant with the NSFR framework as stipulated in global regulations, the 35% ASF will be phased out – first step-down to 30% implemented in June 2023

ASF for funding from financial corporates* maturing within six months

1 June 2023 to 31 Dec 2023	30%
1 Jan 2024 to 31 Dec 2024	20%
1 Jan 2025 to 31 Dec 2027	10%
1 Jan 2028 onwards	0%

* Excluding banks.



	SOUTH AFRICA SOVEREIGN RATINGS	FIRSTSTRAND 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/Stable	Ba2/Stable	Aa1.za	ba2

* S&P Global's standalone credit profile and Moody's baseline credit assessment.
Credit ratings at 11 October 2023.

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



FirstRand Bank

annexures

—

Bank has strengthened its balance sheet



	ACTUAL	TREND
Assets in marketable format	R444 billion	Marketable liquid assets grew marginally
Liquid assets as % of total assets	26.8*	Marginally lower following balance sheet growth
LCR and NSFR	LCR: 129% 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**	29 months	Lower due to increased money market funding relative to long-dated senior issuance
Deposit franchise**	74% core deposit funding	Funding strategy favours client deposits, creating an improved liquidity risk profile coupled with deeper client engagement
RWA risk density	50.8%	Stable
CET1 ratio#	12.6%	Above internal target range
Standalone bank credit rating	Highest in SA	Maintained

* Reflects internal economic view.

** For South African operations only.

Including foreign branches and unappropriated profits.

Resolution blueprint – proposed hierarchy in insolvency



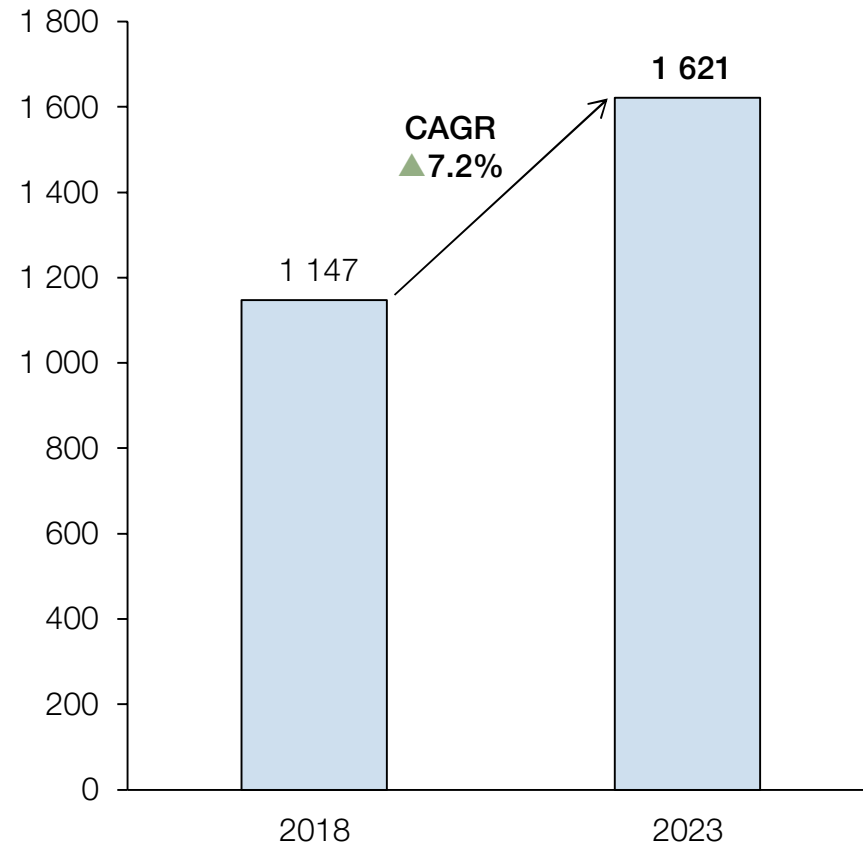
CURRENT	AMENDED	
Secured (up to the value of security)	Secured (up to the value of security)	<ul style="list-style-type: none"> Allows for setoff up to the value of security held Residual claims rank <i>pari passu</i> with all other unsecured creditors Assets under repo GMRA, ISDA, etc.
Preferred	Preferred	<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



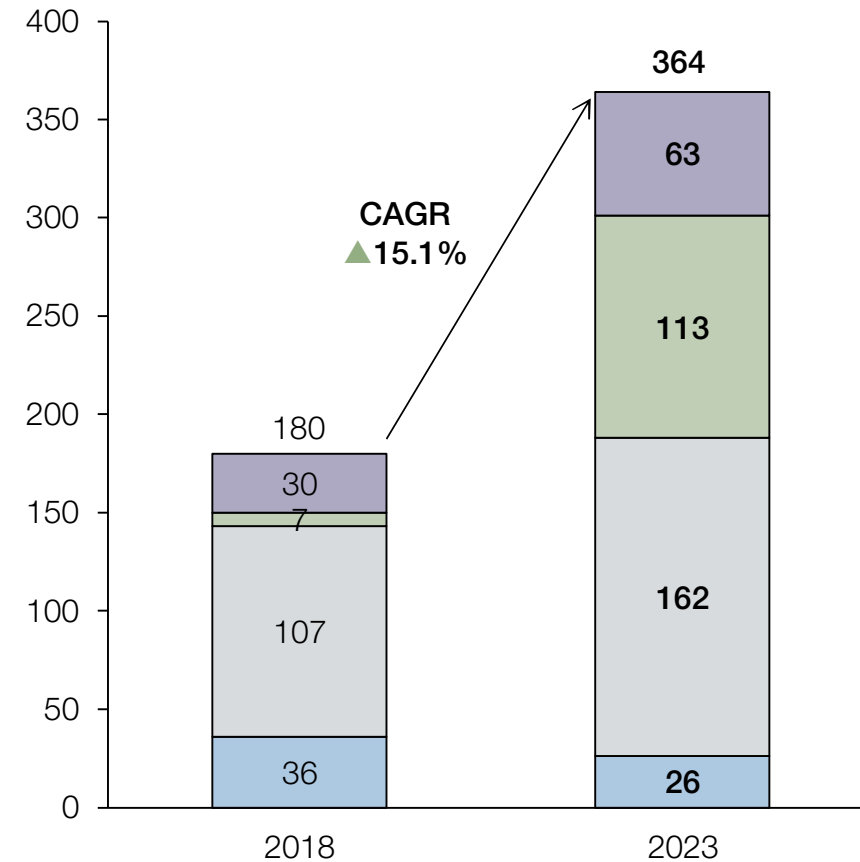
Balance sheet growth

R billion



Liquid asset growth and mix

R billion



- Cash and central bank deposits
- Short-term liquidity instruments
- Long-term investment securities
- Other liquid assets

Source: FRB BA900 and BA100 at June 2023.

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