FirstRand

FIRSTRAND'S EARNINGS AND ROE RECOVER

Performance reflects the quality of the group's operating businesses

Johannesburg, 3 March 2022 – FirstRand Limited, the financial services group comprising FNB, RMB, WesBank and Aldermore, today announced results for the six months ended 31 December 2021.

Normalised earnings increased 43%, with most of this growth ascribed to the prior year base effect, which included increased impairments raised during the Covid-19 pandemic.

Operational performance is captured in the 6% growth in pre-provision operating profits, which excludes impairments, and the strong rebound in economic profit (profit after the cost of shareholder capital) to R4.6 billion. The normalised ROE, at 20.1% has tracked further into the group's target range of 18% to 22%.

FirstRand accreted capital over the period, growing net asset value 12%, which enabled the group to pay an interim dividend representing a 56% payout.

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

> *"This is a respectable performance from FirstRand. Economic profit has rebounded strongly, and pre-provision operating profit growth was robust. The group's balance sheet strength is demonstrated in the healthy capital and liquidity levels, and conservative provisions have been maintained.*
>
> *"The group's operating businesses, FNB, RMB, WesBank and Aldermore, are well positioned to further capitalise on the economic recovery."*

The group's performance in part reflects its discerning credit origination approach, particularly in the retail portfolios, to focus on better-quality, lower-risk credit customers. This impacted origination volumes and resulted in subdued net interest income (NII) growth. However, the group believes this approach will ensure that its operating businesses will capture a higher market share of better-quality, lower-risk business, whilst satisfying the credit demand from their customers as incomes recover from the effects of the pandemic. Encouragingly, commercial advances grew 9% and corporate advances increased 6%. The group's deposit franchises grew strongly, lowering the cost of funds for the group.

The group saw 5% growth in operational non-interest revenue (NIR), supported by 3% growth in fee and commission income, and 14% growth in trading income. The 7% reduction in insurance income was mainly due to the ongoing impact of the pandemic, resulting in an increase in mortality and retrenchment claims. This was partly offset by growth in insurance premiums of 11%, driven by healthy sales of life and short-term products.

The performances of the underlying businesses were driven by operational resilience and ongoing execution on specific growth strategies.

FNB pre-tax profits increased 31% to R13.8 billion, and its ROE improved to 39.7%. Whilst there was muted growth in advances, deposit growth remained strong with retail and commercial segments benefiting from active customer base growth of 3% and 5%, respectively. FNB remains the largest gatherer of household deposits in South Africa.

FNB is also the country's leading digital bank with 69% of retail customers and 79% of commercial customers engaging on digital channels, driving overall digital volumes up 13%. Total transactional volumes grew 12% lifting NIR despite some material fee "give backs" as new customer value propositions were introduced.

RMB's profit before tax increased 15% to R5.2 billion, driven by improved contributions from investment banking and corporate transactional banking, mainly on the back of lower impairments. The markets business performed well, up 6%, with solid contributions from the currency and commodity desks. There was also a solid recovery in annuity income from private equity, as the underlying investee companies started to benefit from the economic recovery. RMB's ROE improved to 20.1%.

WesBank's profits before tax increased 16% to R1.1 billion, driven by lower impairments, lifting the ROE to 20.2%. WesBank is tackling a tough market characterised by highly competitive pricing, whilst the business is focused on lending to better-quality customers.

The group's portfolio of businesses in the rest of Africa have recovered strongly with pre-provision profits growing 18% and the portfolio ROE improving to 16.4%. Customer acquisition continued and deposit growth was healthy.

The performance of the UK operations, which include both Aldermore and MotoNovo, was pleasing, with pre-tax profits rising 46% to £99 million. The business achieved solid growth in deposits and new customers, with advances growth mainly driven by MotoNovo and business finance.

Looking forward, retail and wholesale demand for credit is expected to continue to lift. There are promising signs of increased investment spending by South African corporates which is crucial to the long-term growth agenda for the country.

Commenting on prospects, Pullinger said:

> *"FirstRand is well positioned to play strongly into the improving economic backdrop, with ample financial resources, compelling customer propositions, and strategies that are on track.*
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> *"Growth in earnings for the full year to June 2022 will exceed the group's long-term target of a real growth in earnings as the last tailwinds of the pandemic recovery are felt.*
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> *"The group's ROE is expected to remain comfortably within the target range of 18% to 22% and ongoing capital generation is likely to exceed demand in the current year."*
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> *"Notwithstanding the indefensible invasion taking place in Ukraine, which will add uncertainty to the global post-pandemic recovery, the group will effectively navigate the associated macroeconomic challenges that may arise."*

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