



FirstRand

FIRSTRAND'S RESULTS IMPACTED BY COVID-19 PANDEMIC

Operational performance of portfolio reflects resilience of underlying businesses

Johannesburg, 10 September 2020 – FirstRand Limited, the financial services group comprising FNB, RMB, WesBank and Aldermore, today announced its financial results for the year ending 30 June 2020.

FirstRand's performance reflects the extremely difficult operating environment, particularly the last quarter of the year following the COVID-19 lockdown in March 2020.

- Normalised earnings decreased 38% to R17.3 billion and ROE declined to 12.9%, mainly due to a much higher impairment charge, driven by the forward-looking economic assumptions required under IFRS 9.
- Pre-provision operating profit, which reflects the operational performance before impairments, was only slightly down – demonstrating the resilience of the underlying business performance.
- Net asset value increased 6% to 2 453.1 cents per share as the business continued to generate earnings and capital.
- Capital levels remain healthy with a CET1 ratio of 11.5%.
- No final dividend was declared given current regulatory guidance.

The group's impairment charge more than doubled on the previous year's as the IFRS 9 accounting standard requires the group to make provisions for bad debts based on forward-looking estimates of expected credit losses arising from the economic consequences of COVID-19. Further provisions were raised for increased arrears and non-performing loans as customer income and affordability deteriorated.

The impact of the credit performance was further compounded by margin pressure, subdued non-interest revenue growth due to lower absolute volumes during the lockdown period, and depressed new business origination.

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

“The COVID-19 pandemic is a once in a generation event and has had a profound impact on the world. In South Africa, it resulted in the deepest GDP contraction since the Second World War and the lockdown has devastated the economy. The magnitude of this crisis is evident in FirstRand's ROE which has dropped below the cost of equity for the first time since the global financial crisis. The group's normalised earnings are back at 2014 levels.”

The performances of FirstRand's underlying businesses were driven by operational resilience and the validation of certain ongoing strategies.

As South Africa's leading digital bank, FNB was able to support all customer segments during lockdown, fulfilling origination and account service, with particularly strong growth in deposits.

RMB delivered solid annuity income growth, underpinned by its ongoing focus on disciplined balance sheet deployment, with good growth in core advances and deposits and its rest of Africa franchise offset, to some degree, the pressures experienced in its domestic businesses.

WesBank continued to extract efficiencies in the face of a declining vehicle market, and the UK business, Aldermore, grew customers on the back of advances and deposit growth.

Looking forward, Pullinger said that the economic impact of COVID-19 would continue to place acute pressure on the group's performance for the rest of the 2020 calendar year.

"Trends post lockdown are improving as the economic recovery slowly emerges. However, activity levels will remain muted on a relative basis, balance sheet growth will be subdued, and the credit performance will not materially improve," he said.

"The actions the group has taken to strengthen and protect its balance sheet, combined with the structure of its portfolio and its chosen strategies, will ensure ROE and earnings recovery once the current stress scenario normalises."

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