



FirstRand

FIRSTRAND'S EARNINGS AND ROE RECOVER FASTER THAN EXPECTED

Performance reflects the quality of the group's operating businesses

Johannesburg, 16 September 2021 – FirstRand Limited, the financial services group comprising FNB, RMB, WesBank and Aldermore, today announced results for the year ended 30 June 2021.

Normalised earnings recovered faster than expected, increasing 54% to R26.6 billion, with ROE and economic profit coming back strongly. FirstRand accreted capital over the period, growing net asset value 10%, which enabled the group to pay a full-year dividend representing a 56% payout.

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

"The level of improvement in the group's performance demonstrates the quality of FirstRand's portfolio of businesses and their ability to capitalise on the economic rebound that is taking place.

"Although much of this growth can be ascribed to the prior year base effect, due to increased impairments raised for the impact of the Covid-19 pandemic, the group's current year pre-provision operating profit, which excludes impairments, increased 5%, a pleasing outcome given the tough operating environment.

"The group produced R4.9 billion of economic profit and the normalised ROE of 18.4% is back within the target range of 18% to 22%, which reflects our determination to quickly revert back to producing superior returns to shareholders."

FirstRand's performance also reflects deliberate strategies to strengthen the balance sheet and emerge from the Covid-19 pandemic in a fortified position. It remained prudent on origination and focused on assisting customers manage their existing debt load. Advances growth in certain asset classes picked up encouraging momentum in the second half.

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

FNB pre-tax profits increased 32% to R23.5 billion, and its ROE improved to 33.3%. As South Africa's leading digital bank, FNB continues to fulfil origination, account service and liability gathering digitally. Deposit growth remained strong with retail and commercial segments benefiting from active customer base growth of 5%.

RMB delivered a resilient operational performance, increasing pre-tax profits 24% to R10 billion and delivering an ROE of 18.7%, mainly driven by its domestic markets business and rest of Africa activities.

WesBank's pre-tax profits grew 43% to R1.7 billion, mainly as a result of lower year-on-year impairments.

The performance of the UK operations, which include both Aldermore and MotoNovo, was pleasing, growing pre-tax profits 74% to £181 million. The business achieved solid growth in deposits and new customers. Advances growth was mainly driven by MotoNovo.

Looking forward, FirstRand expects an ongoing improvement in macroeconomic conditions across all the jurisdictions where it operates.

The group previously indicated that it expected to reach peak earnings during the 2023 financial year. However, the speed, extent and breadth of the rebound has exceeded expectations and the resultant momentum has carried into the new financial year.

Commenting on prospects, Pullinger said:

“We anticipate that peak earnings will be achieved earlier than previously thought, particularly given that the group produced its highest ever level of six-month earnings in the second half of the 2021 financial year.

“Our ROE is expected to remain in the target range of 18% to 22% and on-going capital generation is likely to exceed demand in the current year.

“We also expect to revert back to our long-term target of delivering real growth in earnings (real GDP plus CPI).”

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