FirstRand

Pre-close investor update

27 June 2024

Better-than-expected second half performance and accounting provision results in change in guidance

- Group's long-term earnings guidance: NGDP + 0%-3%
- Interim results commentary was to expect earnings growth "at the bottom end of the range"
- Updated normalised earnings growth guidance: 1% - 5% due to;
  - Stronger than expected operational performance in the second half than guided; but
  - Earnings growth will be partially offset by accounting provision for UK motor commissions review process
- ROE will remain in the target range of 18% to 22%

UK motor commission review process provision

- Historical practices were compliant with the law and regulations in place at the time
- Majority of the provision impacts FirstRand Bank’s London Branch and a smaller cohort in the MotoNovo front book in Aldermore
- Uncertainty persists while the FCA process runs its course
  - FCA published a statement reminding firms to maintain adequate financial resources
  - Conservative, best estimate accounting provision raised (internal data)
  - Methodology to be reviewed as part of the year end audit and governance process
- Legal and regulatory risk remain – further update in the September detailed results release

Credit outperformed expectations, significant positive contribution from UK

- SA retail - impairments in specific portfolios are higher than expected
- SA commercial impairments are trending higher, but lower than guidance
- SA corporate impairments are counter-specific and within guidance

- Aldermore credit performance offsets strain in SA retail
  - Partial release of cost of living provisions given more benign macros
  - NOSIA remediation is >90% complete and allowed for provision release

- Overall group credit loss ratio now expected to be closer to the bottom end of the group's through-the-cycle range

Other line items that outperformed expectations in the second half

Non-interest revenue

- Stronger growth in knowledge-based fees from RMB
- Similar sized PE realisation as H1
- Net fee & commission income from FNB slightly better than first half

Operating expenses

- Operating expenses well managed, particularly at FNB, better outcome than guidance

In conclusion

- FirstRand's customer franchises are in good health, remain operationally resilient and strategies are tracking as expected
- This stronger second half performance is a pleasing outcome, given the challenging operating environment
- It has allowed the group to deliver higher earnings growth and returns to shareholders than expected and enabled it to absorb a conservatively struck accounting provision

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