FirstRand

PRE-CLOSE INVESTOR UPDATE

Key takeouts

21 June 2023

Macroeconomic outlook has **deteriorated** since March

- **SA** macroeconomic **backdrop has weakened** in second half relative to expectations in March
  - Higher levels of **loadshedding**
  - Sticky **inflation** and the **steeper rise in interest rates** than forecast
  - **GDP growth** forecast for calendar 2023 reduced: now expect **contraction of 0.1%**
  - **Strong likelihood** of further **rate hikes**

Despite this worsening backdrop, guidance for earnings growth, ROE and credit loss ratio intact

Prospects statement in **March**

- *Operational run rate should deliver underlying earnings growth in the second half similar to first half:*
    - *Assuming non-repeat of the Ghana sovereign debt default impact and private equity realisation benefit*
    - *However, impairment charge may be further impacted by deteriorating forward-looking macro assumptions*
- *Normalised ROE expected to remain at the upper end of the group's range of 18% to 22%*

Superior ROE and **quality of earnings maintained**

- **Performance** reflects disciplined **execution of strategy**
  - ALM strategies – c. 50% of endowment calibrated to rate cycle
  - Origination tilt – playing out in relatively lower cost of credit
  - Optimising for risk-adjusted margins and economic profit (NIACC)

- **Resilient** and **growing portfolio**
  - Good growth in customers and volumes underpin transactional franchise
  - Above-system deposit growth
  - Targeted advances growth anchored to preserve return profile

- **Cost growth** well above inflation – reflects point-in-time pressures *www.firstrand.co.za*

FirstRand