FIRSTRAND'S RESULTS REFLECT ECONOMIC REBOUND FROM COVID PANDEMIC

Speed and level of recovery in earnings and ROE has exceeded initial expectations

Johannesburg, 4 March 2021 – FirstRand Limited, the financial services group comprising FNB, RMB, WesBank and Aldermore, today announced its results for the six months to 31 December 2020.

Year-on-year performance reflects a pre-pandemic comparative period (the six months to 31 December 2019) and, given the profound difference in operating environments the group's normalised earnings decreased 21%. The normalised ROE reduced from 21.2% to 15.6%. Most of this decline was due to the elevated credit impairment charge, materially lower endowment given cuts in policy rates, and lower levels of transactional activity and credit origination.

However, when comparing the six months to 31 December 2020 to the preceding six months to June 2020 (a period which included the first three months of the lockdown restrictions introduced in March 2020) there are indications of a positive rebound in performance.

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

> *"Since June 2020, earnings have recovered faster than expected, driven by a better than anticipated rebound in the economy, which has supported transactional volumes, growth in deposit balances and an improved credit experience. Over the past six months, FirstRand accreted capital and strengthened its balance sheet, enabling the group to declare an interim dividend.*
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> *"The level and speed of improvement in the group's performance is testament to the quality of FirstRand's portfolio and the strength of its customer franchises."*

The group's results reflect deliberate strategies to strengthen the balance sheet and emerge from the COVID-19 pandemic in a fortified position.

The group was prudent on origination and focused on assisting customers manage their existing debt load rather than pursue new balance sheet growth. As the visibility in the recovery improves and confidence lifts, the group is in a strong position, both from a portfolio and capital perspective, to pursue balance sheet growth. In addition, the group remains conservatively provided, with provisions built up further since June 2020.

The performances of FirstRand's underlying businesses were driven by operational resilience and the validation of certain ongoing strategies, evident in the pre-provision operating profit which showed only a marginal decrease of 1%. This was achieved despite the significant endowment impact from 300 bps of policy rate cuts since December 2019.

FNB's performance reflects the strength of its digital platforms, given that it was able to fulfil origination, account service and liability gathering digitally. Deposits continued to grow strongly, and the premium and commercial segments benefited from active customer growth.

RMB delivered a robust operational performance, mainly driven by excellent performances from its domestic markets business and rest of Africa activities. This was underpinned by sustained annuity income growth, strong core deposit growth, a principal investment realisation and improved operating leverage.

WesBank's pre-provision operating profit was affected by lower production levels (new business declined 21%), which resulted in a 6% reduction in advances, however, the business continued to extract efficiencies resulting in costs decreasing 2%.

The performance of the UK operations, which include both Aldermore and MotoNovo, was pleasing. The business achieved excellent growth in deposits, with lending book growth mainly driven by MotoNovo.

Whilst the first six months of the financial year showed a rebound in economic activity compared to the preceding six months to June 2020, FirstRand believes the domestic operating environment remains challenging, particularly given the risk of a third wave heading into winter and the projected timing of vaccinating the targeted level of the population.

Commenting on prospects, Pullinger said

> *"Looking ahead to our year end in June 2021, we expect a continued recovery as the SA economy gradually opens further. However, several sectors are expected to remain challenged for much of 2021 and the full effects of the adjusted level 3 lockdowns are yet to be felt.*
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> *"The possibility of a third wave heading into winter, with mini-lockdowns, and the extended time frame associated with reaching the target level of vaccinations, requires us to assume a cautious outlook.*
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> *"As an update to previous year-end guidance, we do now expect full year endings to June 2021 to exceed those of the previous year. However, due to the points just covered, we are guiding that the level of earnings for the first half are not likely to be repeated in the second half to June 2021."*

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