FirstRand

FIRSTRAND'S FIRST HALF PERFORMANCE BETTER THAN EXPECTED AS GROUP CONTINUES TO DELIVER GROWTH AND SUPERIOR RETURNS

Johannesburg, 6 March 2025 – FirstRand Limited today announced results for the six months to 31 December 2024.

FirstRand delivered a solid operational performance which is better than expected. This outcome was mainly driven by healthy top line growth and disciplined cost management, particularly at FNB, further supported by retail credit outperforming relative to initial expectations both in South Africa and the UK.

Commenting on the results FirstRand CEO Mary Vilakazi said:

"FirstRand continues to deliver growth and superior returns for shareholders. This is demonstrated in the 10% growth in normalized earnings, the 12% increase in economic profits and an ROE of 20.8%. The group is pleased to declare an interim dividend of 219 cents per share, increasing in line with earnings.

"These are very pleasing shareholder outcomes given the challenging operating environment, and testament to the quality of the group's customer-facing franchises FNB, RMB, WesBank and Aldermore.

"These outcomes also demonstrate the advantages of the group's ongoing discipline in the allocation of its financial resources, which continues to support the superior return profile."

FirstRand's performance, in particular the composition and quality of its earnings and high return profile, continues to directly correlate to the consistent and disciplined execution on strategies designed to maximise shareholder value. In addition, the strength of the customer-facing businesses in FirstRand's portfolio enables the group to continue to capitalise on profitable growth opportunities across all markets, sectors, and segments despite the challenging macroeconomic environment.

FirstRand remained discerning in pursuing advances growth, given competitive actions in the market and the higher interest rates, and believes it is still capturing a higher share of quality risk business whilst satisfying the needs of customers.

Advances growth in most retail advances portfolios has remained muted given customer affordability pressures but, on a period-on-period basis, still delivered healthy increases, with retail advances up 4% at FNB and 6% at WesBank.

Advances growth from FNB's commercial segment (+12%) and RMB (+9%) reflect a consistent origination strategy to focus on sectors showing above-cycle growth and which are expected to perform well even in an inflationary and high interest rate environment. FNB continued to support its SME customers increasing unsecured advances to this segment by 14% and continues to be the largest lender to SMEs in South Africa.

Growth in advances in the UK operations picked up in this period (+4% in pound terms) despite the challenging inflationary and interest rate environment. The business focused on property and business finance where risk adjusted margins held up well.

Across the portfolio, deposits and transactional balances increased strongly, both of which have provided an underpin to the return profile. FNB remains the largest custodian of retail and commercial deposits in the country and when including the on-going momentum in broader Africa and corporate deposit growth, FirstRand is now the custodian of R1.3 trillion of deposits.

Total group NIR (+8%) was underpinned by 8% growth from FNB driven by customer growth (+3%), and healthy growth in activity levels and transactional volumes across all channels.

FNB's insurance activities grew strongly which continued to contribute to NIR diversification and growth, with pre-tax profits up 17%.

RMB's NIR increased 4% which was a solid result given the high base created by significant private equity realisations in the prior period which did not repeat. The 55% growth in knowledge-based fees was a significant contributor.

The group's credit performance again played out better than expected. The credit loss ratio at 84 bps is still below the midpoint of the through the cycle (TTC) range of 80 bps – 110 bps.

This performance reflects the benefit of the group's consistent approach to origination, with new business in retail weighted towards the low- and medium-risk categories and an allocation of more financial resources to the commercial and corporate portfolios which are benefiting from increased economic activity.

Total group operating expenses were tightly managed, and the group posted a cost to income ratio of 48.9%, mainly driven by excellent cost discipline at FNB.

Commenting on prospects Ms Vilakazi said that the group expects a strong second half.

"We expect balance sheet growth to remain healthy, driven by similar advances and deposits growth in the second half compared to the first six months. However, NII growth is expected to be slightly weaker as the endowment impact from the current rate cutting cycle continues to fully materialize.

"The group's overall credit performance should trend better than the first half, resulting in a CLR at the lower end of the group's stated TTC range and driven by a continued improvement in retail, with corporate and commercial showing a similar picture to the first half. The UK operations CLR is expected to normalise closer to the bottom of its TTC range as the one-off benefits in previous periods unwind.

"With the provision (relating to the UK FCA's review of motor commissions) raised at 30 June 2024 in the base, improving credit outcomes and good cost management means the group now expects to deliver full-year earnings growth above its long-term stated target range, as second-half absolute earnings will be marginally higher than the first half. The ROE will remain well within the group's target range of 18% to 22%."

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