

FirstRand Bank Ltd.  
4 June 2020

### **Trading statement issued by FirstRand Bank Limited's parent for the year to 30 June 2020**

FirstRand Bank Limited (**FirstRand Bank** or **the bank**) is a wholly-owned subsidiary of FirstRand Limited (**FirstRand** and, together with its subsidiaries, **the group**), which is listed on the Johannesburg Stock Exchange and the Namibian Stock Exchange. The bank represents approximately 75% of the group's balance sheet and earnings base. FirstRand Bank noteholders are therefore referred to the announcement released by FirstRand Limited on the JSE Limited Stock Exchange News Service on 4 June 2020, in which it indicated that although it does not have a final view of the performance of the lending books during May and June 2020, it has sufficient insight to advise its shareholders, with a reasonable degree of certainty, that headline earnings per share (HEPS), earnings per share (EPS) and normalised earnings per share (normalised EPS) for the current period are expected to be more than 20% lower than those reported at 30 June 2019 (HEPS: 497.2 cents per share; EPS: 538.6 cents per share; normalised EPS: 497.3 cents per share).

The main driver of this slowdown in group earnings growth is the materially higher credit impairment charge for the period, driven partly by deterioration in the lending portfolio performance, but more significantly by the forward-looking assumptions used in the modelling of expected credit losses.

IFRS 9 requires the group to consider forward-looking information in the calculation of expected credit losses, therefore the group has estimated an increase in customer stress caused by the pandemic and resultant economic pressures anticipated over the next twelve to eighteen months. This stress has been incorporated into the calculation of the group's expected credit losses and has resulted in a material increase in provisioning, even though the year to June 2020 only includes three months of the pandemic.

Other notable drivers of the decline in group earnings include the negative endowment impact on the back of interest rate cuts and margin pressure. Non-interest revenue growth has also showed a marked decline due to lower absolute volumes during the lockdown period.

With regard to capital, funding and liquidity, FirstRand supports the actions taken by the South African Reserve Bank. The group and bank remain well capitalised and capital and liquidity ratios are expected to remain strong and well above required minimums.

The forecast financial information on which the group's trading statement is based has not been reviewed and reported on by the group's external auditors. FirstRand and FirstRand Bank's results for the year ending 30 June 2020 will be released on Thursday, 10 September 2020.

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