



APERTURE

INSIGHTFUL AND RELEVANT RESEARCH UPDATES

FirstRand FY 2026 Results

Share Price
Date

R 96.98
11 September 2026

RESULTS SUMMARY

FirstRand delivered a stronger full-year 2026 result relative to market expectations, especially considering the challenging environment, particularly in the UK. Including the UK provision, group headline earnings declined 5%, while ROE of 18.3%, was ahead of market expectations of 17.8%. Excluding the Aldermore Group [classified as a discontinued operation], earnings from continuing operations increased 13% to R44.5bn, with ROE reaching a strong 24.9%.

The group based its final dividend on continuing operations, resulting in a final dividend of R2.80 per share, up 13%. This took the FY26 dividend to R5.39 per share, an increase of 16% and well ahead of the 4% growth expected by consensus.

RMB was the strongest performer, with normalised earnings increasing 15%, while FNB remained the group's most profitable business, with ROE improving to 40.5%. WesBank's normalised earnings declined 4%, mainly due to higher credit impairments.

FirstRand expects to exit the Aldermore Group (UK) in FY27 and focus on its operations across SA and broader Africa. The group expects normalised earnings to grow by high single digit to low double digits, with this growth rate expected to be sustained over the medium term. Excluding Aldermore, ROE is expected to remain strong at 21% – 26%.

OUR LONG-TERM INVESTMENT VIEW

- Despite the tough operating environment, we believe FirstRand is able to grow earnings over the medium term by low double-digits, supported by good cost management and by leveraging its existing customer base.
- We expect the group's retail and commercial segment, FNB, to continue to maintain market share, particularly in the premium segment where the group has proven itself to be innovative and adept at cross-selling. Having led the SA-banking industry in terms of digital adoption, FNB has done well to create customer 'stickiness' by integrating holistic banking solutions supported by the eBucks loyalty programme and behavioural analytics. We expect their digital platform to drive volumes and provide opportunities for cross-sell and up-sell, growing the profitability of the existing customer base.
- The group is well capitalised, with total capital adequacy and CET1 ratios of 17.1% and 13.9% respectively.

UNPACKING THE FY 2026 RESULTS

High level numbers

- **Deposits and advances** of continuing operations increased 10% and 7% to R1.4 trillion, respectively.
- **Non-interest revenue (NIR)** rose 12% to R65.6bn driven by strong contributions from trading, investments, and insurance.
- **Income from operations** increased 11% while **operating expenses** grew by 9% to R71.5bn. The **cost to income ratio** of continuing operations improved 50bps to 48%.
- **Credit impairment charges** for continued operations increased 2% to R13.9bn. The group's **credit loss ratio** remained at the lower end of the target range at 86bps.
- **Normalised earnings per share** for continuing operations increased 13% to R7.97. **Headline earnings per share**, including the UK motor provision and discontinued UK operations, declined 5% to R7.13.
- FirstRand targets a total capital adequacy ratio of 15.5%, which it comfortably exceeded at 17.1%. **Return on equity (ROE)** of continuing operations improved 60bps to 24.9%.
- **NIR** increased 10% driven by stronger associate earnings, particularly Toyota and Volkswagen Financial Services.
- **Operating expenses** increased 5%, benefitting from closer integration with FNB, WesBank's cost to income ratio improved 120bps to 46.3%.
- The **credit impairment** charge rose 28%, well ahead of expectations, driven by deterioration in macro-economic assumptions following conflict escalation in the Middle East as well as reduced residual prices in the second hand vehicle market driven by increased penetration of Chinese-branded vehicles in the local SA market. As a result, the **credit loss ratio** deteriorated from 114bps to 130bps.
- **Normalised earnings** declined 4% to R2.3bn while **ROE** declined from 21.8% to 18.8%.

RMB (28% of normalised earnings)

- RMB's deposits and advances rose 16% and 2% respectively supporting NII growth of 14%.
- **NIR** increased 11% driven by a recovery in Global Markets (GM) clients flows and structuring activity.

FNB (59% of normalised earnings)

- **Normalised earnings** increased 12% to R26.4bn.
- **Deposits and advances** increased 9% and 5% respectively to R1 trillion and R629bn. Deposits were buoyant, supported by growth in customer volume, while advances rose across retail and commercial lending portfolios.
- Despite heightened competitive activity, the group's net interest margin improved 29bps to 529bps.
- **NIR** growth of 9% was driven by increased transactional activity and growth in value added services (VAS), insurance and investment management.
- Notably, within **VAS**, FNB Connect revenue increased 14% to R3bn. In response to competitive pressure in merchant services, FNB decreased its billable device pricing, as a result, merchant services commission and rental-related NIR declined 7%.
- **Insurance** new business APE and gross written premiums (GWP) rose 22% and 12% respectively supported by the group's investment in distribution. Given investments in scale, growth in insurance NIR was more modest at 6%.
- Despite investment in VAS in order to increase the group's contribution from NIR sources, operating expenses were well managed, growing 7%. The **cost to income** ratio improved slightly from 50.3% to 50.2%, though remained above the 50% threshold.
- FNB's **credit impairment** charges declined 5% to R9.9bn driven by an improved macro-economic outlook in the first three quarters of the financial year, a decrease in clients entering debt review and lower impairments across broader Africa, though Botswana remained a concern.
- FNB's **ROE** strengthened materially from 37.4% to 40.5%.

WesBank (5% of normalised earnings)

- Wesbank advances rose 14% driven by 18% growth in retail vehicle asset finance, 13% growth in asset based financing and sustained momentum in OEM and dealer partnerships.
- **NII** was up 6% off a high base.

- **Credit impairments** increased 33%, off a low base, driven by credit origination while the **credit loss ratio** deteriorated from 21bps to 27bps.
- **Operating expenses** rose 8% and included investment in platform modernisation, digital transformation as well as implementation costs related to the HSBC transaction. Despite these investments, the **cost to income** ratio improved 180bps to 46.4%.
- Overall, RMB's **normalised earnings** increased 15% to R12.3bn driven by a 78% increase in GM and 10% increase in Investment Banking.

UK

- Aldermore (mainly an asset financier and savings product provider) including MotoNovo has been classified as a discontinued operation. The group expects non-binding offers to be submitted by the end of September 2026 and final binding offers by December 2026.
- Operationally, the Aldermore group had a challenging FY26. Earnings declined 11% driven by margin compression on the back of increased competitive intensity as well as increased credit impairments.

Looking ahead

Management expects lending growth to accelerate in FY27, with both retail and corporate advances expected to outperform FY26. Net interest income is forecast to grow at a high-single-digit rate, while the credit loss ratio should remain below the midpoint of the 100–130bps through-the-cycle target range. Non-interest revenue growth is expected to moderate to mid- to high-single digits following the non-recurrence of FY26 once-off gains, while further cost efficiencies should improve the cost-to-income ratio. Overall, normalised earnings from continuing operations are expected to grow by high single digits to low double digits, with ROE at the upper end of the 21–26% target range.

The exit from the UK business allows management to refocus on its South African and broader African operations. With a healthy credit profile, there is scope for stronger advances growth. Lending and additional sources of value-added services revenue is expected to sustain strong earnings growth momentum over the medium term.

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