

Company Update Report

FirstRand Limited

Financials

Analyst thesis

Our recommendation is based on:

- Diversified franchise with leading market positions: FirstRand operates through FNB, RMB, and WesBank, providing balanced revenue streams across retail, commercial and corporate segments, primarily in South Africa (SA) with selective international exposure. The diversified portfolio of franchises generates recurring cash flows, captures selective higher-margin opportunities, and provides exposure to secured lending, collectively supporting resilient earnings through economic cycles.
- Digital leadership driving growth and efficiency: FNB's digital capabilities, including nav» Money and core banking modernisation with Fiserv, drive customer acquisition, engagement and operating leverage. Over 80% of retail transactions are digital, reinforcing a durable competitive advantage.
- Strong capital generation and disciplined returns: FirstRand maintains robust capital ratios and ROE above 20%, supporting attractive dividend payouts, while funding growth initiatives.
- Macro headwinds limit near-term upside: SA's low GDP growth, intensifying competition, elevated unemployment, and pressure on disposable income constrain credit demand and asset quality.

As at: 13 Feb 2026

Ticker	FSR-ZA
Share price	R95
Intrinsic value	R97
Upside/(Downside)	2%
Recommendation	Hold

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Key highlights

In this report, we review the pre-close investors update for 1H26 released in December 2025:

Financial results at a glance:

- Net interest income (NII): Growth is driven by improving advances across SA, broader Africa and the United Kingdom (UK). Large corporate production remains strong, with the originate-and-distribute strategy delivering a much-improved margin. First-half advances growth is muted as the distribution strategy was not in place in the comparative period but is expected to normalise in H2. Commercial advances continue to grow through targeted strategies, including focused small and medium-sized enterprises SME lending.
- Retail and regional advances: Retail lending is gradually recovering across secured and unsecured portfolios, with growth expected to exceed the prior year as improving macros support household affordability. Broader Africa advances remain stable, while UK new business production is slightly ahead of expectations, anchored to property finance.
- Deposits and margins: The group's Assets and Liabilities strategy continues to protect the endowment despite rate cuts, supporting NII growth and group margin. Deposit franchises are growing at similar levels to the prior year.
- Non-interest revenue (NIR): NIR growth is trending higher, driven by insurance momentum, a rebound in global markets, and private equity realisations. Fee and commission income is expected to build momentum in 2H26.
- Credit performance: The credit loss ratio remains at the bottom end of the through-the-cycle range. Retail credit is improving, commercial remains within through the cycle despite front-book strain, and large corporate continues at the bottom of its range. UK credit is normalising following prior provision releases.
- Costs and guidance: Expense growth is expected at 2%–3% above inflation. Full-year guidance remains intact: high mid-teen earnings growth and ROE improving toward the upper end of 18%–22%. The UK motor provision is unchanged pending the Financial Conduct Authority's (FCA) final scheme in March 2026.

Sector outlook

South Africa's banking sector remains fundamentally sound, with moderating inflation and a gradual interest rate easing cycle providing some relief to household debt-servicing costs. Banks with diversified franchises spanning retail, commercial, corporate, and asset finance are well-positioned to capture growth across segments, while maintaining earnings stability. Digital transformation continues to be a key differentiator, with leading banks investing in cloud-based platforms, real-time payments infrastructure, and artificial intelligence (AI)-driven solutions to drive customer acquisition, deepen engagement, and improve operating leverage. However, South Africa's subdued GDP growth, elevated unemployment, and persistent pressure on household disposable income continue to constrain credit demand and weigh on asset quality, limiting near-term earnings upside despite monetary policy support.

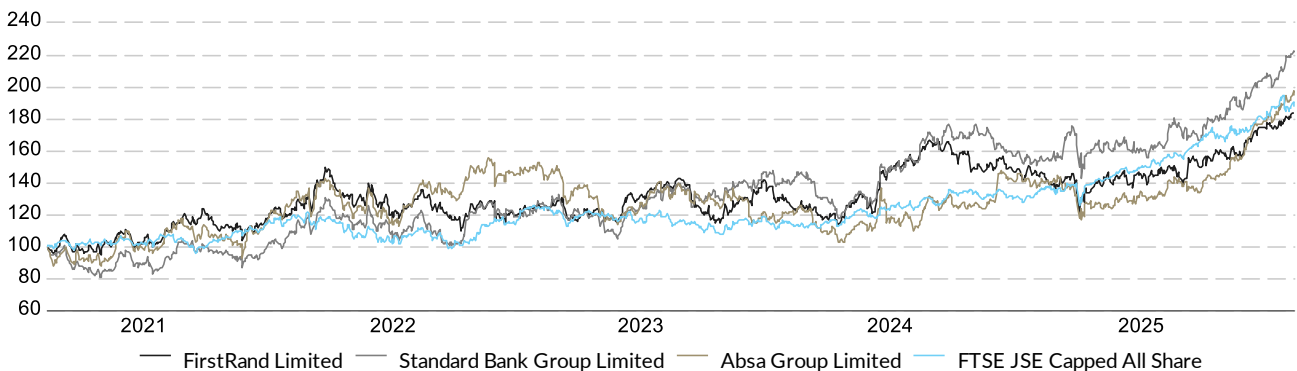


Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★★☆	Expected three-year revenue CAGR is 9.4% and expected three-year EPS CAGR is 12.2%. Revenue growth reflects credit and customer expansion with inflation-linked pricing, while faster EPS growth is driven by operating leverage, cost discipline, and capital optimisation.
Valuation	★★★★☆	The share price is trading at a 2% discount to the IV. Current NTM P:E of 11.3x is trading close to the five-year average P:E of 10.8x.
Dividend	★★★★☆	LTM dividend yield 5.0%. NTM dividend yield 5.5%.
Issuance	★★★★☆	Shares issued have remained unchanged over the past five years.
Catalyst		Continued monetary policy easing improves household affordability, supporting a recovery in retail credit demand and reducing credit impairment charges. FSR also manages net interest margin effectively, making it less sensitive to rate changes and allowing it to benefit relative to peers as rates decrease. Digital platform monetisation: Deepening customer engagement through FNB's digital ecosystem, including nav» Money, eBucks, and connect, drives cross-sell opportunities, fee income growth, and operating leverage. Commercial and corporate lending momentum: Targeted SME strategies, large corporate originate-and-distribute activity, and infrastructure-linked lending benefit from gradual economic recovery and structural reform progress.
Quality of earnings	★★★★☆	Five-year average ROE 20.5%. Five-year average net profit margin 17.7%. Nine of the past 10 years had positive earnings growth. FirstRand has consistently delivered long-term ROE above 20%, excluding the two years affected by COVID, and maintains profitability metrics above those of its South African peers.
Moat	★★★★☆	Switching costs: Retail and commercial customers face high friction in changing banks due to salary accounts, debit orders, credit products, and integrated offerings, with multi-product integration reinforcing long-term retention. Cost advantage: FirstRand's large, stable deposit base provides low-cost funding, supporting competitive rates and resilient margins. Scale across FNB, RMB, and WesBank drives operational efficiency and superior cost absorption. Intangible assets: FNB's trusted brand, built over decades, and banking licenses in South Africa, broader Africa and the UK create significant barriers to entry for new competitors. Digital ecosystem / network effects: FNB's integrated digital platform – including nav» Money, eBucks, and Connect – forms a self-reinforcing ecosystem where greater participation enhances engagement, data insights, and cross-sell opportunities, boosting platform value.
Management and governance	★★★★☆	Mary Vilakazi has served as Group CEO of FirstRand Limited since April 2024, following a planned leadership transition from former CEO Alan Pullinger. She has been with FirstRand since 2018 and has held senior roles, including Group COO. She brings extensive experience in financial services, strategy and operations.
Balance sheet	★★★★☆	Loans-to-deposits is at 82.2% and has been declining since 2016. CET1 of 13.6%.
Risks		Operational and cybersecurity risks, including fraud or IT failures, could disrupt services and damage the bank's reputation. Competition from local banks, fintechs and digital lenders may pressure margins and market share. Macroeconomic and political risks, including interest rate changes, currency volatility, regulatory shifts, or political instability, can affect lending, deposits and credit quality. Regulatory and legal changes, including capital requirements, lending rules, and compliance obligations, may increase costs or constrain operations.

Source: FactSet

Graph 1: Five-year price (Indexed to 100)



Source: FactSet

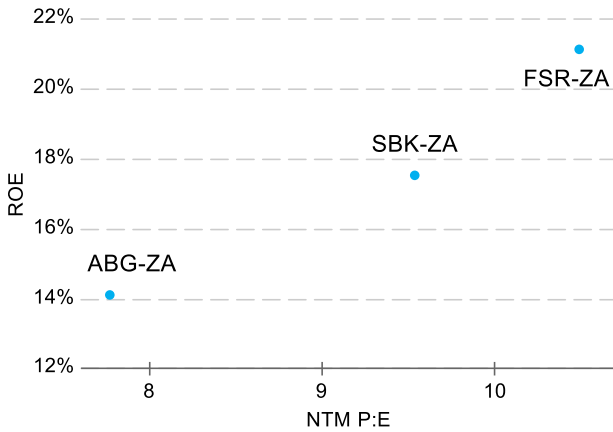


Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
FSR-ZA	4.7%	2.7%	12.9%	22.4%	27.0%	48.5%	46.6%	83.3%	114.0%
SBK-ZA	8.0%	5.0%	15.6%	29.6%	44.5%	57.6%	76.4%	122.1%	181.9%
ABG-ZA	9.4%	2.8%	25.3%	38.8%	39.2%	62.3%	34.5%	95.2%	78.7%
JSE All Share	4.3%	1.5%	6.6%	18.9%	37.6%	65.6%	50.7%	85.0%	136.6%

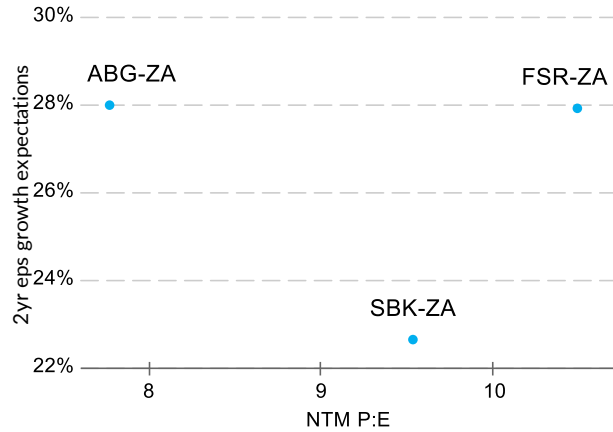
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs EPS 2Y CAGR forecast



Source: FactSet

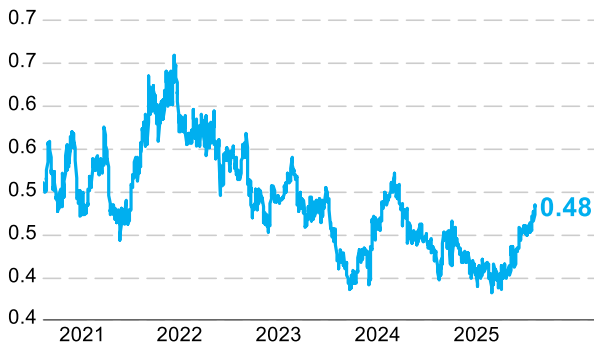
Valuation

The valuation of FSR is based on forecast earnings per share and a forward P:E multiple reflecting the group’s diversified banking and insurance operations. Earnings forecasts incorporate loan growth, net interest margin trends and credit loss normalisation aligned with management guidance. The valuation multiple is anchored to FirstRand’s historical trading range and adjusted for the medium-term growth and return profile. Bear, base and bull scenarios are considered, with probability weightings reflecting potential macroeconomic outcomes and capital return assumptions

Table 3: Valuation summary

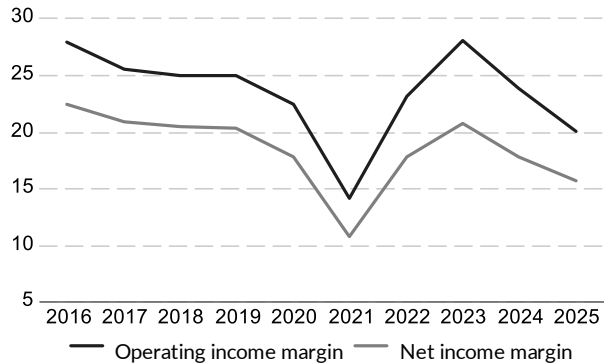
Valuation Probabilities			
	Bear	Base	Bull
P:E Multiple	8.5x	12.0x	14.5x
Probability	20%	60%	20%
Implied share price	R65	R97	R132
Weighted intrinsic value	R97		
Upside/(Downside)	2%		

Graph 4: NTM P:E relative to benchmark



Source: FactSet

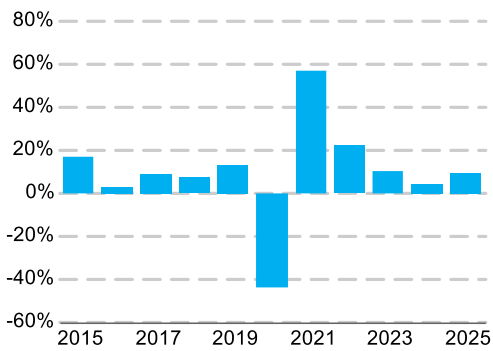
Graph 5: Profit margins (%)



Source: FactSet

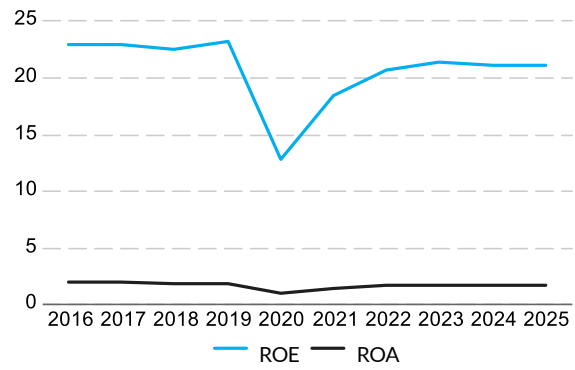


Graph 6: 10Y EPS year-on-year change



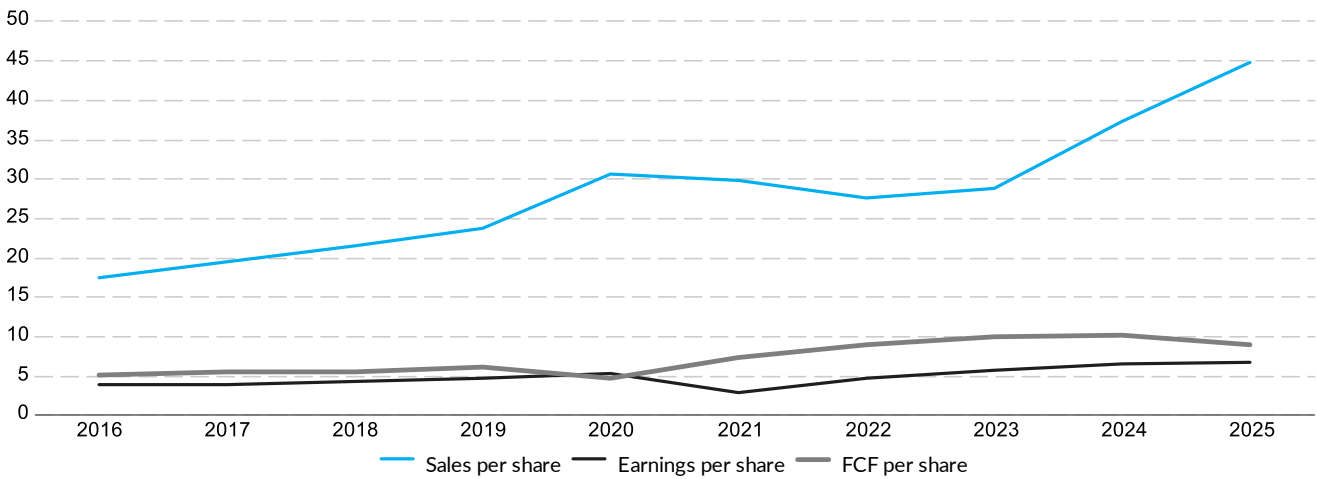
Source: FactSet

Graph 7: ROE and ROA (%)



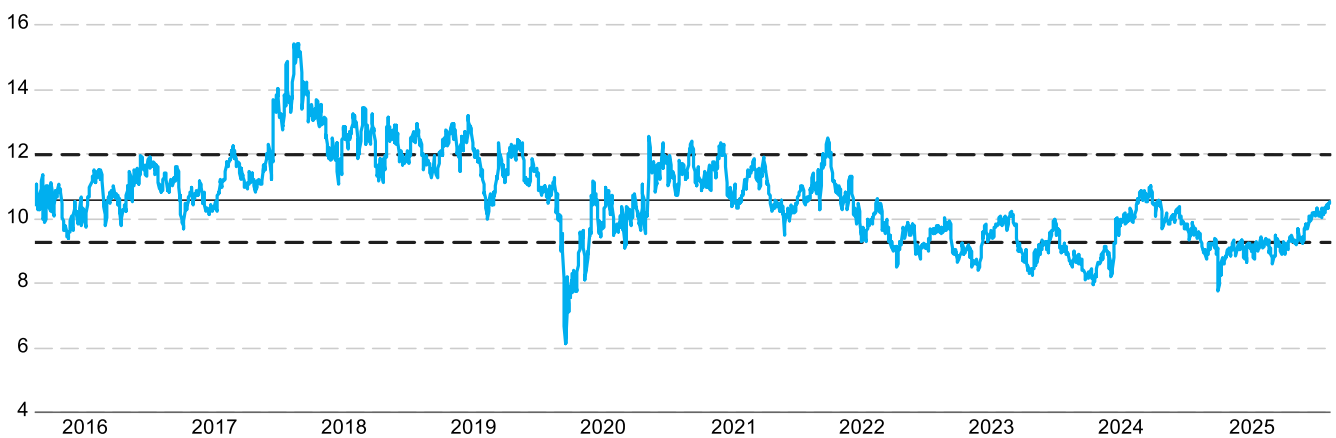
Source: FactSet

Graph 8: Sales, earnings and FCF per share (Rand)



Source: FactSet

Graph 9: NTM P:E



Source: FactSet



Table 4: Financials and ratios

Income statement (RMn)	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25	1Y Growth	3Y CAGR	5Y CAGR
Net Interest income	63 290	66 375	76 436	83 454	88 434	6%	10%	7%
Provision for credit losses	13 660	7 080	10 949	12 555	14 044	12%	26%	-10%
Non-interest income	45 195	48 248	53 844	56 082	58 432	4%	7%	7%
Operating expenses	57 556	60 769	67 429	74 731	76 011	2%	8%	7%
Net operating income	37 269	46 774	51 902	52 250	56 811	9%	7%	18%
Net income	28 310	34 639	38 677	41 180	45 131	10%	9%	19%
EPS (Rand)	4.8	5.8	6.5	6.8	7.5	10%	9%	20%
Balance sheet (RMn)	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25	1Y Growth	3Y CAGR	5Y CAGR
Total assets	1 870 013	1 999 469	2 297 951	2 369 278	2 588 655	9%	9%	6%
Total shareholders' equity	160 761	173 483	185 500	200 072	221 678	11%	9%	9%
Total liabilities	1 709 252	1 825 986	2 112 451	2 169 206	2 366 977	9%	9%	6%
Ratios	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25	5Y Avg		
Cost-to-income ratio	52.3%	52.3%	51.6%	52.6%	50.7%	51.9%		
CET1	13.5%	13.9%	13.2%	13.1%	13.6%	13.5%		
Credit loss ratio	1.1%	0.6%	0.8%	0.8%	0.9%	0.8%		

Source: FactSet

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
1H26	Financial Year 2026 Interim Period
ABG-ZA	Absa Group Limited
CAGR	Compounded annual growth rate
CET1	Common Equity Tier 1
DCF	Discounted Cash Flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FCA	Financial Conduct Authority
FCF	Free cash flow
FSR-ZA	FirstRand Limited
FY	Financial year
LTM	Last twelve months (also known as trailing)
M	Month
MTD	Month to date
NTM	Next twelve months (also known as forward)
P:E	Price to earnings
R	South African Rand
ROA	Return on assets
ROE	Return on equity
SBK-ZA	Standard Bank Group Limited
Y/y	Year(s)
YTD	Year to date



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