FirstRand Limited
(Incorporated in the Republic of South Africa)
Registration number: 1966/010753/06
JSE ordinary share code: FSR
JSE ordinary share ISIN: ZAE000066304
JSE B preference share code: FSRP
JSE B preference share ISIN: ZAE000060141
NSX ordinary share code: FST
(FirstRand or the group or the company)

PROVISIONAL AUDITED RESULTS AND CASH DIVIDEND DECLARATION FOR THE YEAR ENDED 30 JUNE 2019

FirstRand's portfolio of integrated financial services businesses comprises FNB, RMB, WesBank, Aldermore and Ashburton Investments. The group operates in South Africa, certain markets in sub-Saharan Africa and the UK, and offers a universal set of transactional, lending, investment and insurance products and services.

"FirstRand produced quality real growth in earnings despite a challenging operating environment and the high earnings base in 2018 from private equity realisations. The group also delivered a superior ROE of 22.8%.

The underlying growth momentum in FNB, RMB and Aldermore remains strong, and WesBank continues to weather tough conditions.

The group's strategy to deliver customer-centric integrated financial services will ensure future franchise value and sustainable superior returns to shareholders."

Alan Pullinger
CEO

FINANCIAL HIGHLIGHTS

	Group (including Aldermore)			
	Year ended 30 June			As at 1 July
R million	2019 IFRS 9	2018 IAS 39	% change	2018 IFRS 9
Basic and diluted normalised earnings per share (cents)	497.3	470.8	6	
Normalised earnings	27 894	26 411	6	
Headline earnings	27 887	26 509	5	
Normalised net asset value per share (cents)	2 311.3	2 157.9	7	2 060.1
Ordinary dividend per share (cents)	291.0	275.0	6	
Normalised ROE (%)	22.8	23.0		
Basic and diluted headline earnings per share (cents)	497.2	472.7	5	
Basic and diluted earnings per share (cents) - IFRS	538.6	473.3	14	
Net asset value per share (cents) - IFRS	2 311.8	2 157.9	7	2 060.1
Advances (net of credit impairment)	1 205 752	1 121 227	8	1 113 398
Deposits	1 393 104	1 268 244	10	1 267 448
Credit loss ratio (%)	0.88	0.84		

The effective date of the Aldermore acquisition was 1 April 2018. Any reference to financial information "excluding Aldermore" represents the subtraction of the Aldermore specific information from the group's income statement and statement of financial position. No other adjustments relating to the Aldermore acquisition, e.g. costs associated with the amortisation of intangible assets identified on acquisition, have been made.

	Group (excluding Aldermore)			
	As at 30 June			As at 1 July
R million	2019 IFRS 9	2018 IAS 39	% change	2018 IFRS 9
Advances (net of credit impairment)	1 015 230	957 810	6	950 159
Deposits	1 194 409	1 094 270	9	1 095 066

OVERVIEW OF RESULTS

Despite the constrained macroeconomic backdrop and the high earnings base created in the previous year by significant private equity realisations, FirstRand's portfolio of businesses produced resilient and high-quality topline growth. The group continued to maintain its balance sheet strength and protect its return profile. Normalised earnings for the year ended 30 June 2019 increased 6% with a normalised ROE of 22.8%.

As outlined in the announcement of interim results, certain strategic actions taken to expedite the execution of group strategy in the last six to 12 months have resulted in some changes to the composition of earnings at an operating business level. Although these do not impact like-for-like comparisons at a group level, they are material when assessing the breakdown of sources of normalised earnings from the portfolio and include the following:

- DirectAxis (DA), previously reported as part of WesBank's earnings, was moved into a personal loans cluster within FNB, alongside the FNB loans business. This has already resulted in faster execution of collaboration between FNB and DA.
- MotoNovo, the UK-based vehicle finance business, was reported under WesBank's results in June 2018. For the year under review, MotoNovo's back book is included in the results of FCC/Group Treasury (GTSY). The operational performance of MotoNovo (excluding the back book) is included in Aldermore's results for May and June 2019 following the integration.
- Following the finalisation of the transaction with Discovery, the Discovery card business has been moved out of FNB into GTSY. A further component of the performance of GTSY was approximately R1 037 million of incremental forgone interest on the capital deployed to purchase Aldermore; and
- There has been a change in the net endowment allocation methodology between GTSY and the operating businesses for the rest of Africa portfolio.

Comparatives for 2018 have been restated to reflect these changes.

In addition, FCC's performance was negatively affected by:

- the prior year's central credit overlay releases of R280 million (no release in the current year); and
- the inclusion of a full 12 months of amortisation of intangible assets associated with the acquisition of Aldermore of R439 million (prior year three months of R102 million).

The table below reflects these structural changes in the breakdown of sources of normalised earnings.

Sources of normalised earnings

	Year ended 30 June				
R million	2019 IFRS 9	% composition	2018 IAS 39	% composition	% change
FNB	17 637	63	15 865	60	11
- FNB SA*	17 178		15 592		
- FNB rest of Africa*	459		273		
RMB*	7 086	25	7 353	28	(4)
WesBank*	1 808	7	1 854	7	(2)
Aldermore**	1 658	6	276	1	>100
FCC	244	1	1 414	5	(83)
- MotoNovo	634		734		
- FCC (includes Group Treasury) and other*,#,+	(390)		680		
Other equity instruments	(539)	(2)	(351)	(1)	54
Normalised earnings	27 894	100	26 411	100	6

* 30 June 2018 figures have been restated to reflect the changes in the composition of earnings at an operating business level.
** After the dividend on the contingent convertible securities of R128 million (2018: R115 million).
# Includes FirstRand Limited (company).
\+ Includes capital endowment, the impact of accounting mismatches and interest rate, foreign currency and liquidity management.

FNB's results reflect another strong operating performance from its domestic franchise, driven by healthy non-interest revenue (NIR) growth on the back of ongoing customer gains and increased transactional volumes, and high-quality net interest income (NII) growth, particularly from deposit generation. The performance of FNB's rest of Africa portfolio improved significantly. RMB's results were impacted year-on-year by the non-repeat of significant private equity realisations in the second half of the year to June 2018, however, the rest of its portfolio delivered a resilient performance driven by growth in earnings and solid operational leverage. WesBank delivered a subdued performance.

The group's performance to June 2019 includes a full 12 months' contribution of post-tax earnings of R1 658 million from Aldermore. There was, however, only a three-month contribution from Aldermore in the comparative period, therefore the commentary below excludes the consolidated Aldermore operational results, except where explicitly stated otherwise.

Total group NII increased 9% (+18% including Aldermore), underpinned by strong growth in deposits of 10% and solid advances growth of 9%.

RMB delivered strong NII growth of 20%, driven by resilient core advances growth (+7%), supported by higher margins in the cross-border lending book, higher utilisation of trade and working capital facilities and good growth in deposits (+8%) in the corporate bank. FNB's NII growth was underpinned by robust advances growth of 9%, and strong deposit growth of 12%, particularly from the premium and commercial segments. WesBank's subdued NII reflects a tough operating environment, with advances down 2%.

Group NIR increased 6%, a resilient performance given the lack of private equity realisations compared to the prior year (realisations down 80% year-on-year). The main drivers were strong fee and commission income growth of 9%, supported by higher volumes across FNB's digital and electronic channels and ongoing customer growth in the premium and commercial segments.

Insurance revenue increased 5%, benefiting from volume growth of 8% and 10%, respectively, in funeral and credit life policies at FNB, resulting in the in-force annual premium equivalent (APE) increasing 26% year-on-year. In addition, total fair value income, mainly driven by RMB's markets business, showed strong growth of 14% off a subdued base.

Fee, commission and insurance income represents 82% of group operational NIR.

Total cost growth of 8% (14% including Aldermore) continues to trend above inflation due to:

- ongoing investment in insurance and asset management activities and platforms to extract further efficiencies;
- staff cost increases above inflation; and
- the build-out of the group's footprint in the rest of Africa.

The amortisation of intangible assets following the Aldermore acquisition contributed approximately 0.6% to overall operating cost growth. The group's cost-to-income ratio increased from 51.2% to 51.8%.

FirstRand adopted IFRS 9 on 1 July 2018 and (as permitted under the accounting standard) did not restate prior year financial information. As a result, the credit performance commentary below covers the period from 1 July 2018 to 30 June 2019 for comparability purposes (as 30 June 2018 results were prepared on an IAS 39 basis).

As previously disclosed, IFRS 9 contributes a material increase in NPLs mainly due to:

- the lengthening of the write-off period from six to 12 months, particularly in unsecured; and
- a more stringent definition for customer rehabilitation (technical cures).

These IFRS 9-related changes, particularly the lengthening of the write-off period, accounted for more than half of the growth in NPLs. The underlying credit performance is captured under the operational NPLs definition.

Taking into account the above context, total NPLs have increased 23% or R7 835 million since 1 July 2018, with operational NPLs increasing 14%, as shown in the table below.

	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs	3 316	14	9
Aldermore	598	35	2
Restructured debt review (D7)	(191)	(5)	(1)
Definition of rehabilitation (technical cures)	519	14	2
Lengthening of write-off period	3 593	-	11
Total NPLs	7 835	23	23

The increase in operational NPLs (excluding Aldermore) reflects strong book growth in certain unsecured portfolios, as well as macro pressures in some sectors affecting WesBank corporate, and drought-related impacts in FNB commercial's agric portfolio. This increase is within expectations and trend rate, given growth in underlying advances.

The group's credit loss ratio of 99 bps (88 bps including Aldermore) increased 18% (excluding Aldermore) and remains below the group's through-the-cycle (TTC) range of 100 - 110 bps. Most of the group's lending books are trending in line with expectations.

IFRS 9 impacts the impairment charge in that provision levels are upfronted for new origination and similarly higher levels are maintained for arrears. The lengthening of the write-off period provides one-off relief in the year under review.

The underlying drivers of this increase, per product, are outlined below:

- FNB card impairments increased >R330 million (+56%) on the back of 23% growth in advances. Operational NPLs in card increased materially (+94%) mainly due to specific origination issues. As part of its focus on acquiring new customers and cross-selling credit cards into its base, FNB saw strong book growth from new-to-bank and new-to-product origination strategies. As vintages showed strain, FNB implemented significant risk cutbacks, however, these cuts were delayed in certain cohorts. The group expects ongoing elevated NPLs in these cohorts in the 2020 financial year. However, the credit loss ratio of 3.68% remains well below TTC levels.
- The FNB personal loans charge increased >R500 million (+63%) and was also driven by strong book growth of 36%. Operational NPLs tracked book growth. The credit loss ratio of 6.39% remains well below TTC levels.
- DA's impairment charge increased >R200 million (+18%) largely due to prior year advances growth. Operational NPLs tracked book growth, which was slightly lower year-on-year.
- The impairment charge for FNB retail other increased >R100 million (+10%), reflecting advances growth of 13% and a 24% increase in operational NPLs.
- The residential mortgages credit loss ratio increased marginally to 11 bps, still due to low inflows of NPLs on the back of conservative origination. NPLs increased in line with expectations.
- An improvement in WesBank's vehicle asset finance (VAF) charge, benefiting from reducing appetite in higher-risk origination, resulting in NPL growth of 4%.
- A moderate improvement of 4% (in pound terms) in the standalone MotoNovo business's impairment charge, reflecting the benefit of risk cuts over the last 24 months.
- FNB commercial NPLs increased 36%, driven by growth in the higher collateralised agricultural portfolios against which proactive provisions were raised in prior years. The impairment charge increased to 75 bps, which has trended to the bottom of the TTC range.
- The RMB corporate and investment banking (CIB) portfolio reported a 7% increase in NPLs since 1 July 2018, reflecting the migration of certain counters in distressed industries. The overall portfolio reflected the higher levels of corporate stress in SA, resulting in an uptick in the credit charge in the current financial year to 12 bps.
- The 13% improvement in the credit performance in the rest of Africa portfolio benefited from proactive provisioning in the prior financial year and the adoption of IFRS 9. However, ongoing tough macros in some of the jurisdictions in which the group operates (primarily Namibia and Zambia) still resulted in a 1% increase in NPLs since 1 July 2018.

- Aldermore's NPLs increased 34% (35% including MotoNovo), in part reflecting the expected increase in the retail portfolio, given strong book growth in buy-to-let and owner-occupied residential mortgages over the last two financial years, as well as the migration of specific high-value stage migrations in the asset finance portfolio into NPL status. Aldermore's impairment charge, excluding the MotoNovo new book, was 21 bps (24 bps including MotoNovo), in line with expectations.

Overall balance sheet portfolio provisions increased 6%. Retail portfolio impairments were driven by ongoing book growth and, in the RMB investment banking portfolio, reflect the increased watchlist and the general deterioration in the South African macroeconomic environment. The group's performing book coverage ratio reduced marginally given the mix change but, at 131 bps, remains comfortably above the current financial year impairment charge.

Segment analysis of normalised earnings

	Year ended 30 June				
R million	2019 IFRS 9	% composition	2018 IAS 39	% composition	% change
Retail	13 300	48	12 469	47	7
- FNB*	11 194		10 175		
- WesBank	1 472		1 560		
- MotoNovo back book	634		734		
Commercial	6 779	24	5 984	23	13
- FNB	6 443		5 690		
- WesBank	336		294		
Corporate and investment banking	7 086	25	7 353	28	(4)
- RMB*	7 086		7 353		
Aldermore (including MotoNovo new book)**	1 658	6	276	1	>100
Other	(929)	(3)	329	1	(>100)
- FCC (including Group Treasury) and consolidation adjustments	(390)		680		
- Other equity instruments	(539)		(351)		
Normalised earnings	27 894	100	26 411	100	6

* Includes rest of Africa.

** After the dividend on the contingent convertible securities of R128 million (2018: R115 million).

DIVIDEND STRATEGY

Given the group's high return profile and strong capital generation, the board has maintained the dividend cover at 1.7x which remains below its stated long-term cover range of 1.8x to 2.2x. The board will revisit the cover range:

- should capital demand increase to support sustainable balance sheet growth; and/or
- macro risks worsen against the group's current core view.

PROSPECTS

Given the structural nature of South Africa's challenges, the group believes that domestic economic activity will remain under pressure for the foreseeable future.

Weak domestic demand and low income growth will continue to weigh on real GDP growth and core inflation, and the real economy remains constrained by high government indebtedness, inefficiency of large SOEs, and low private sector investment.

The country needs urgent economic reform, which should, at a minimum, include energy supply, price stability and policy certainty in key areas such as fiscal consolidation, SOE reform, land reform and mining rights. Without action on these critical issues, the risk of further sovereign rating downgrades remains elevated.

FirstRand remains optimistic that, despite this difficult backdrop, it is executing on appropriate strategies to deliver ongoing growth in earnings and sustainable superior returns to shareholders. FNB's momentum is expected to continue, on the back of customer and volume growth. Cross-sell and up-sell strategies will deliver higher insurance revenues and good deposit and advances growth. RMB's client franchises are expected to remain resilient and the business has the benefit of an earnings rebase to grow off in the coming financial year. WesBank's performance is expected to remain subdued given underlying macro constraints, such as low vehicle sales.

With regard to the rest of Africa, there are signs that economic activity is improving in some of the other sub-Saharan African countries in which FirstRand operates, and the group expects its portfolio to continue to show an incrementally improved performance.

Despite the macro uncertainty in the UK and ongoing investment in systems and digital processes, Aldermore's positive growth trajectory is expected to continue, partly due to the incorporation of MotoNovo and ongoing execution of client strategies.

The group continues to target real growth in earnings (defined as real GDP plus CPI) and expects its ROE to remain at the top end of its range of 18% to 22%.

BOARD CHANGES

The FirstRand Empowerment Foundation (the foundation) was established in 2005 as part of the group's broad-based black economic empowerment (B-BBEE) transaction, with the objective to create meaningful B-BBEE ownership of FirstRand. The B-BBEE participants included, amongst others, the Kagiso Charitable Trust, the WDB Trust and Mineworkers Investment Company (MIC). At that time, directors were appointed to the board in accordance with the contractual terms of the transaction and classified as non-executive, but not independent, directors.

On 31 December 2018, the B-BBEE ownership trust vested and the transactional agreements matured. At this point FirstRand was no longer contractually bound to retain these directors. However, given their skills, technical expertise, and relevant corporate and industry knowledge, the board decided to retain them in their personal capacities.

Accordingly, these directors are now classified as independent non-executive directors based on the criteria as set out in King IV and the JSE Listings Requirements and Directive 4/2018 issued in terms of section 6 (6) of the Banks Act 94 of 1990.

Changes to the directorate are outlined below.

		Effective date
Appointments		
M Vilakazi	COO and executive director	1 July 2018
LL von Zeuner	Independent non-executive director	1 February 2019
Change in designation		
JP Burger	Non-executive director	1 September 2018
JJ Durand	Alternate non-executive director	3 September 2018
MS Bomela	Independent non-executive director	1 January 2019
PJ Makosholo	Independent non-executive director	1 January 2019
TS Mashego	Independent non-executive director	1 January 2019

CASH DIVIDEND DECLARATIONS

Ordinary shares

The directors declared a gross cash dividend totalling 291.0 cents per ordinary share out of income reserves for the year ended 30 June 2019.

Dividends
Ordinary shares

	Year ended 30 June	
Cents per share	2019	2018
Gross interim (declared 11 March 2019)	139.0	130.0
Gross final (declared 4 September 2019)	152.0	145.0
	291.0	275.0

The salient dates for the final ordinary dividend are as follows:

Last day to trade cum-dividend	Monday 23 September 2019
Shares commence trading ex-dividend	Wednesday 25 September 2019
Record date	Friday 27 September 2019
Payment date	Monday 30 September 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 25 September 2019, and Friday, 27 September 2019, both days inclusive.

For shareholders who are subject to dividend withholding tax (DWT), tax will be calculated at 20% (or such lower rate as is applicable if a double taxation agreement applies for foreign shareholders).

For South African shareholders who are subject to DWT, the net final dividend after deducting 20% tax will be 121.60000 cents per share.

The issued share capital on the declaration date was 5 609 488 001 ordinary shares and 45 000 000 variable rate NCNR B preference shares.

FirstRand's income tax reference number is 9150/201/71/4.

B preference shares

Dividends on the B preference shares are calculated at a rate of 75.56% of the prime lending rate of FNB, a division of FirstRand Bank Limited.

Dividends declared and paid

Cents per share	Preference dividends
Period:	
29 August 2017 - 26 February 2018	386.2
27 February 2018 - 27 August 2018	378.3
28 August 2018 - 25 February 2019	381.7
26 February 2019 - 26 August 2019	384.2

WR JARDINE	AP PULLINGER	C LOW
Chairman	CEO	Company secretary

4 September 2019

OTHER INFORMATION

This announcement covers the provisional audited summary financial results of FirstRand Limited based on International Financial Reporting Standards for the year ended 30 June 2019. The primary results and accompanying commentary are presented on a normalised basis as the group believes this most accurately reflects its economic performance. The normalised results have been derived from the IFRS financial results. A detailed description of the difference between normalised and IFRS results is provided on pages 147 and 148 of the Analysis of financial results booklet. It constitutes the group's full announcement and is available at www.firstrand.co.za/investors/financial-results/. Commentary is based on normalised results, unless otherwise indicated.

IFRS 9 and IFRS 15 were adopted effective 1 July 2018 and the statement of financial position as at 1 July 2018 was restated. Other comparatives were not restated, as allowed by IFRS 9 and IFRS 15. The income statement and statement of comprehensive income for the year ended 30 June 2018 and earnings-related ratios were not restated. The column headings indicate the basis of presentation.

FirstRand disclosed comprehensive IFRS 9 transition information on 21 November 2018 in the transition report. The IFRS 9 and IFRS 15 transition information was also included in the analysis of financial results for the six months ended 31 December 2018. Both reports are available on the group's website at www.firstrand.co.za/investors/other-shareholder-documents/ and www.firstrand.co.za/investors/financial-results/. The transition information is not included in this announcement.

The content of this announcement is derived from audited information, but is not itself audited. The directors take responsibility for the preparation of this announcement.

Shareholders are advised that this announcement represents a summary of the information contained in the Analysis of financial results (the full announcement) and does not contain full or complete details.

Any investment decisions by investors and/or shareholders should be based on consideration of the announcement as a whole and shareholders are encouraged to review the full Analysis of financial results, which is available for viewing on the group's website and on
https://senspdf.jse.co.za/documents/2019/JSE/ISSE/FSR/FSR0619.pdf

The full Analysis of financial results and related audit reports are available for inspection and/or collection from FirstRand's registered office, 4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton and the offices of the sponsors, Rand Merchant Bank (a division of FirstRand Bank Limited), 1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton. Inspection of the Analysis of financial results is available to investors and/or shareholders at no charge during normal business hours from 6 September 2019.

COMPANY INFORMATION

DIRECTORS

WR Jardine (chairman), AP Pullinger (chief executive officer), HS Kellan (financial director), M Vilakazi (chief operating officer), MS Bomela, HL Bosman, JP Burger, JJ Durand (alternate), GG Gelink, NN Gwagwa, F Knoetze, RM Loubser, PJ Makosholo, TS Mashego, EG Matenge-Sebesho, AT Nzimande, LL von Zeuner, T Winterboer

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5 September 2019