FIRSTRAND

MEDIA RELEASE

FIRSTRAND DELIVERS HIGH ROE,
RESILIENT EARNINGS AND STRONG DIVIDEND GROWTH

Johannesburg, 7 September 2017 – FirstRand Limited (FirstRand) today reported results for the year ended 30 June 2017.

Financial highlights

- Normalised earnings **grew 7%**
- Dividend per ordinary share **up 13%**
- Normalised return on equity (ROE) of **23.4%**
- Normalised net asset per share (NAV) **up 9%**

The results reflect solid operational performances from FirstRand's franchises, FNB, RMB and WesBank, all of which produced quality topline growth, improved cost management and appropriate credit origination and provisioning. The group continued to strengthen its balance sheet and protect its return profile.

Commenting, FirstRand CEO, Johan Burger, said:

"It's very pleasing that the group can continue to produce real growth in earnings and a high return to our shareholders, despite a very challenging operating environment. These results are testament to the quality of the operational performances of FirstRand's franchises which were characterised by solid topline growth.

"FirstRand's high ROE, strong capital position and conservatively positioned balance sheet has allowed the board to increase the dividend payout above earnings growth. The group continues to exercise discipline in allocating capital and will not chase growth at the expense of returns. We believe these results continue to strike the right balance between growth, prudent risk management and investment for growth, whilst ensuring premium returns to shareholders."

Key take-outs from the group's performance include:

- NII increased 7%, driven by ongoing growth in deposits (+7%) and the positive endowment impact, although advances growth was muted (+5%) given the group's risk appetite and lower demand.

- Margins in many of the lending businesses continued to be under pressure from higher term funding and liquidity costs and competitive pressures.

- NIR growth of 8% benefited from ongoing customer acquisition and volume growth at FNB and realisations in RMB's private equity portfolio.

- Total cost growth of 7% was an improvement year-on-year, but continues to trend above inflation due to ongoing investment in building the insurance and asset management franchises, the footprint in the rest of Africa and platforms to extract efficiencies. The cost-to-income ratio improved marginally to 51.0%.

- Credit impairments increased 13% to 95bps which is in line with expectations and below the through-the-cycle charge of 100 to 110bps. The group continued to adjust credit appetite in the high-risk segments of the retail market. Retail provisions increased at a franchise level, which the group believes is prudent given the current cycle, with overall portfolio provisions remaining above the annual charge.

FNB's total franchise produced pre-tax profits of R18.8 billion, with the domestic franchise growing profits 8%. Profits from FNB's African subsidiaries declined 32% driven by poor performances in the subscale businesses, particularly Mozambique, as well as the impact of continued investment in footprint and product rollout. FNB's total profit growth was 5% with an ROE of 37.4%.

FNB's domestic performance was driven by its ongoing strategy to:

- Grow and retain core transactional accounts.
- Provide digital platforms to deliver cost effective and innovative transactional propositions to customers.
- Use customer relationships and data analytics to cross-sell and up-sell a broad range of financial services products (particularly insurance and investment products).
- Apply disciplined credit origination strategies.
- Provide innovative savings products to grow the retail deposit franchise.
- Right-size physical infrastructure to achieve efficiencies.

During the period under review, overall customer numbers increased 4% and the cross-sell ratio across FNB moved up from 2.65 to 2.83.

RMB grew pre-tax profits 10% to R9.8 billion and produced an improved ROE of 26.2%. This performance highlights the strength and diversification of RMB's portfolio of corporate banking, investment banking, global markets and private equity franchises and was achieved despite significant investments in growth and efficiency projects.

WesBank grew profits 2%, delivering an ROE of 20% and an ROA of 1.87%. This was a solid operational performance in a tough operating environment of decreasing new vehicle sales and a worsening credit cycle. The increasing level of diversification in WesBank's portfolio of businesses continues to position the franchise well to weather the domestic credit cycle. Insurance, personal loans and the UK VAF businesses all contributed positively to growth.

Looking forward, Burger said:

"This was a very satisfactory outcome given the level of conservatism applied to the balance sheet and ongoing investment in new growth initiatives, which are expected to deliver outperformance in the medium term. We do, however, expect the macroeconomic environment to continue to be characterised by low domestic demand, pressure on personal incomes and possible further rating agency downgrades and this will create headwinds for topline growth in the group's domestic franchises in the current financial year. Sub-Saharan growth rates are expected to show a recovery over the next twelve months and this should be supportive of the rest of Africa portfolio.

"Despite these macro challenges we remain committed to our current investment cycle, and we are very focused on driving efficiencies and managing core costs. The group aims to deliver real growth in earnings and an ROE near the upper end of its stated target range of 18% to 22%."

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