MEDIA RELEASE

FIRSTRAND DELIVERS REAL GROWTH AND PREMIUM RETURNS TO ITS SHAREHOLDERS

Johannesburg, 9 March 2017 – FirstRand Limited (FirstRand) today reported results for the six months ended 31 December 2016.

Group financial highlights

- Normalised earnings per share **grew 7%**
- Dividend per ordinary share **up 10%**
- Normalised Return on Equity (ROE) of **22.9%**
- Normalised net asset per share (NAV) **up 8%**

Commenting on the results, FirstRand CEO, Johan Burger, said:

"The group continued its delivery of real growth in earnings and premium returns off a long track record of outperformance.

Normalised earnings growth of 7% and an ROE of 22.9% were driven by solid operational performances from our franchises and is a very satisfactory outcome given the level of ongoing investment in new growth initiatives, which is expected to deliver outperformance in the medium term and the level of conservatism applied to the balance sheet.

The group continues to exercise discipline in allocating capital and will not chase growth at the expense of returns. We believe these results demonstrate the quality of our underlying businesses and 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 12%, driven by ongoing growth in advances (+4%) and deposits (+6%). Margins in many of the lending businesses continued to come under pressure from higher term funding and liquidity costs and competitive pressures. For example, term lending growth in both RMB and WesBank was muted due to continued discipline in origination to preserve returns. Earnings and margins benefited from the positive endowment effect.
- The group achieved fee and commission income growth of 8%, benefiting from ongoing volume growth specifically in electronic channels together with solid growth in customer numbers. Total group NIR growth moderated to 2% given the impact of the timing of private equity realisations.

- Total operating expenses increased 8% and continued to trend above inflation as the group remains committed to investing in its insurance and asset management franchises, the footprint in the rest of Africa and platforms to extract efficiencies. The cost-to-income ratio increased marginally to 51.3%.
- Credit impairments increased 19% with the credit impairment ratio increasing from 77 bps to 86 bps. The overall credit picture remains in line with expectations and reflects both the respective franchise growth strategies and the specific origination actions taken in the different segments of the group's customer base throughout the current credit cycle. The group continued to adjust credit appetite in the high risk segments of the retail market. Robust growth has however, been generated on the back of FNB's strategy to focus on lending to its core transactional customer base.
- Given FirstRand's sustained superior return profile and the strong operational performances from the franchises, combined with a strong capital position and low growth in RWA for the six months to December 2016, the board was comfortable to grow the dividend above normalised earnings.

At a franchise level FNB, RMB and WesBank produced very resilient operating performances.

FNB's total franchise produced pre-tax profits of R9.4 billion, with the domestic franchise growing profits 6%. Profits from FNB's African subsidiaries declined 29% driven by poor performances in Mozambique and Zambia, as well as the impact of continued investment in footprint and product rollout. FNB's total profit growth was 3% with an ROE of 38.5%.

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

- grow and retain core transactional accounts;
- use its customer relationships and sophisticated data analytics to effectively cross-sell and up-sell into that customer base; and
- apply disciplined origination strategies and provide innovative transactional and savings products.

During the period under review, overall customer numbers increased 6% and the cross-sell ratio across FNB moved up from 2.63 to 2.72.

RMB

RMB grew pre-tax profits 3% to R4.1 billion and produced an ROE of 21.3%, despite lower private equity realisations. This performance highlights the strength and diversification of RMB's portfolio of corporate banking, investment banking, global markets and private equity franchises despite significant investments in growth and efficiency projects.

WesBank

WesBank grew profits 9%, delivering an ROE of 19.9% and a higher ROA of 1.87%. This performance was achieved in an operating environment characterised by constrained consumer disposable income, decreasing new vehicle sales and a challenging 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.

Looking forward, Burger commented:

"The group expects economic growth to pick up slightly in the second half of calendar year 2017, although this is unlikely to provide significant support to topline growth for some time.

FirstRand is committed to its current investment cycle despite ongoing topline pressures, as it believes its growth strategies both in broadening its financial services offerings and building its rest of Africa franchise will deliver outperformance over the medium to long term. The group aims to deliver real growth in earnings and an ROE of between 18% and 22%."

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