FIRSTRAND

MEDIA RELEASE

FIRSTRAND DELIVERS HIGH QUALITY TOPLINE, EARNINGS AND DIVIDEND GROWTH AND AN ROE ABOVE ITS TARGET RANGE

Johannesburg, 6 March 2018 – FirstRand Limited (FirstRand) today reported results for the six months to December 2017.

Key financial highlights:

- Normalised earnings grew **7%**
- Dividend per ordinary share up **9%**
- Normalised return on equity (ROE) of **22.5%**
- Normalised net asset per share (NAV) up **9%**

Commenting, FirstRand CEO Johan Burger said:

> *"These results are very pleasing given that the second half of 2017 was a very challenging operating environment. The group has delivered a strong operational performance characterised by high quality topline growth, improved cost management and appropriate credit origination and provisioning. It continues to exercise discipline in allocating capital and will not chase growth at the expense of returns. FirstRand's high ROE, strong capital position and conservatively positioned balance sheet has allowed the board to increase the dividend payout above earnings growth."*

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

- NII increased 6%, underpinned by good growth in deposits (+9%) and solid advances growth (+7%).
- Group NIR increased 10% and reflects strong fee and commission income growth of 9%. This was driven mainly by higher volumes across FNB's digital and electronic channels, and growth in customer numbers and cross-sell. Private equity realisations in RMB, whilst modest, were higher than the comparative period.
- Insurance revenue increased 7%, benefiting from strong volume growth in FNB's funeral (+11%) and credit life (+9%) policies.
- Total cost growth of 8% continues to trend above inflation due to ongoing investment in the new insurance and asset management activities, platforms to extract further efficiencies and building the footprint in the rest of Africa. As a result, operating jaws were marginally negative and the cost-to-income ratio deteriorated slightly to 51.7%.
- At 87 bps, credit impairments were higher period-on-period but lower compared to June 2017 (91bps) and well below the group's through-the-cycle charge of 100 to 110bps.

The two largest operating businesses, FNB and RMB, produced strong operational performances whilst WesBank had a tough six months.

FNB grew its pre-tax profits 11% to R10.4 billion on the back of a strong performance from its South African business, which grew pre-tax profits 12%, and a moderate turnaround in the rest of Africa portfolio, which delivered a 5% decline in pre-tax profit compared to a 29% decline in December 2016.

Total FNB produced an ROE of 40.6%. Key financial and operating highlights include:

- NIR increased 11% on the back of strong fee and commission growth
- Banking app volumes increased 66%
- Although advances growth was muted at 5%, deposit growth was above market at 11%
- NPLs increased 5% with all of the retail and commercial lending books trending better than anticipated at this point in the cycle
- Insurance revenues increased 14%
- Assets under management increased 16%

RMB grew pre-tax profits 11% and delivered an ROE of 22.9%. This performance highlights the strength and diversification of RMB's portfolio. Key operating and financial highlights include:

- Good growth in advances of 9%
- Profits from rest of Africa activities increased 23%
- Investments in efficiency projects in previous periods have delivered strong operational leverage resulting in cost growth below inflation
- RMB continued to be disciplined in capital allocation to protect returns and maintained its strong provisioning levels

WesBank pre-tax profits declined 2% and delivered a resilient ROE of 18.6%, which remains above the group's hurdle rate. This performance reflects a tough operating environment for its domestic VAF business although the local personal loans business, DirectAxis, and the corporate lending business delivered strong performances.

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.*
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> *"Since the outcome of the ANC elective conference in December 2017, sentiment and markets have staged a material recovery and the outlook for South Africa is more positive than it has been for some time.*

"In the medium to longer term, given the market leading positions of its businesses and the growth strategies it is executing on, FirstRand considers itself strategically well positioned to benefit from renewed growth. However, given the structural nature of many of South Africa's challenges, the group believes that the domestic fundamentals will not change quickly, therefore, it expects a similar macro picture for the remainder of its financial year to June 2018."

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