FIRSTRAND

MEDIA RELEASE

FIRSTRAND DELIVERS GROWTH AND PREMIUM RETURNS TO ITS SHAREHOLDERS

Johannesburg, 8 September 2016 – FirstRand Limited (FirstRand) today reported results for the year to June 2016.

Group financial highlights

- Normalised earnings per share **grew 8%**
- Dividend per ordinary share also **up 8%**
- Normalised Return on Equity (ROE) of **24%**
- Normalised net asset per share (NAV) **up 10%**

The operating franchises produced very resilient performances in tough operating conditions:

- **FNB** normalised earnings grew 8% and produced an ROE 38.6%
- **RMB** normalised earnings increased 9% and ROE improved to 25.2%
- **WesBank** normalised earnings up 22% with an ROE of 21.8%

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

"This performance is very pleasing for a number of reasons. Following five years of outperformance the group continues to show real growth in earnings off a very high base, so given all the economic and regulatory headwinds we face, 8% growth in earnings per share and a 24% ROE is a very good outcome. This performance was also achieved whilst the group is investing heavily in future growth strategies that will ensure outperformance over the longer term. All of this demonstrates the quality of the group's portfolio of businesses, combined with our ability to allocate capital to maximise shareholder returns.

The group has consistently stated that it will not chase earnings growth at the expense of ROE and I believe these results strike an appropriate balance between growth, prudent risk management and investment for the future, whilst ensuring sustainable, premium returns."

Group performance overview

The group's NII increased 13% driven by ongoing growth in advances and deposits and benefited from the positive endowment effect of an average 68 bps increase in the repo rate for the year.

NIR growth of 7% was robust, and especially impressive at FNB given the regulatory impact of interchange. NIR also benefited from a strong performance from RMB's investing activities and knowledge-based fees.

Total operating expenses increased 11% and continue to trend above inflation as the group continues to invest in its growth strategies, including building out the new insurance and asset management franchises, and the operating footprint in the rest of Africa.

As predicted, the group's impairment ratio increased to 86 bps but remains well below the group's through-the-cycle charge of 100 to 110 bps. The main drivers of the increase were the normalisation of credit experience in mortgages, card and VAF; some new business strain from strong book growth in FNB's unsecured retail portfolios linked to its cross-sell and up-sell strategies, and in FNB Commercial. The tough credit environments in Zambia, Mozambique and Botswana also had a negative impact at FNB.

NPLs have, therefore, increased, but the overall credit picture remains in line with expectations given the cycle and the franchise growth strategies and specific origination actions taken. The group consistently adjusted credit appetite in the high risk segments of the retail market but has seen robust growth on the back of FNB's strategy to focus on lending to its core transactional customer base.

Franchise performance review

FNB grew pre-tax profits 8% and delivered an ROE of 38.6% reflecting a particularly solid performance from FNB SA (+11%) given the increasing economic and regulatory headwinds the business is currently facing and is testament to the quality of its transactional, lending and liabilities franchises.

This performance was again driven by FNB's ongoing strategy to grow and retain core transactional accounts, use its customer relationships and data analytics to effectively cross-sell and up-sell into the customer base whilst applying disciplined origination strategies and providing innovative transactional and savings products. FNB's cross-sell ratio improved from 2.55 to 2.65.

NII increased 17% driven by growth in both advances (10%) and deposits (12%) and the positive endowment effect from higher interest rates. Domestic retail and lending activities continued to show good growth on the back of the transactional cross-sell strategy.

NPLs in the domestic unsecured books, which have seen the strongest growth in new business, are trending in line with expectations and reflect the quality of new business written, appropriate pricing for risk and the effectiveness of FNB's customer segment and sub-segment origination strategies.

RMB

RMB produced growth in pre-tax profits of 10% to R8.9 billion and delivered an improved ROE of 25.2%. This performance highlights the resilience and diversification of RMB's portfolio of businesses and the quality of its earnings.

Investment banking and advisory activities delivered an excellent performance, driven by strong fee income on the back of key advisory and underwriting mandates secured during the year. This was achieved despite muted balance sheet growth and margin compression resulting from RMB's deliberate strategy to preserve ROE and not originate unprofitable advances.

Corporate transactional activities continued to produce positive results, benefiting from growth in deposits and increased demand for structured and traditional trade products. The foreign exchange business profited from currency volatility and increased client flows both locally and in the rest of Africa.

As expected, RMB's private equity franchise also produced strong growth with large realisations continuing. The quality and diversity of the Ventures and Corvest portfolios contributed to healthy annuity earnings from associates and investment subsidiaries.

WesBank

WesBank delivered a very strong performance off an already high base and in a very tough economic operating environment, producing 20% growth (+15% in constant currency) in pre-tax profits to R5.5 billion, ROE of 21.8% and ROA of 1.99%. The increasing level of diversification in WesBank's portfolio of businesses has positioned the franchise well to weather the domestic credit cycle, and deliver more sustainable, less volatile earnings.

Advances grew 10% mainly driven by new business volumes in MotoNovo (UK) and the local VAF portfolios, all of which continue to reflect good credit quality with the overall risk profile in line with current credit appetite. Whilst bad debts in the local VAF portfolio are trending up they remain within through-the-cycle thresholds and WesBank continues to be conservatively provided.

WesBank's NIR growth of 14% was driven by satisfactory new business volumes in the domestic portfolios, increasing insurance revenues on the back of the MotoVantage acquisitions in late 2015 and a strong performance from MotoNovo.

Prospects

Looking forward Burger commented;

"Although there remains elevated risk in the macros, both domestic and international, FirstRand is confident that the quality of its franchises allows it to effectively navigate its operating environment in both good and bad times."

"The group remains committed to growing economic profits on a sustainable basis and will continue to only allocate capital to growth initiatives that maximise returns. We also remain confident that the quality of our portfolio of businesses, the strength of our balance sheet and our discipline in the allocation of capital together with the new strategies we are investing in, will ensure continued growth and superior returns to shareholders."

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