FIRSTRAND

MEDIA RELEASE

FIRSTRAND CONTINUES TO PRODUCE EXCELLENT RETURNS AND RESILIENCE IN EARNINGS DESPITE ECONOMIC AND REGULATORY HEADWINDS

Johannesburg, 8 March 2016 – FirstRand Limited (FirstRand) today reported results for the six months to 31 December 2015.

Financial highlights

- Normalised earnings **grew 9%**
- Diluted normalised earnings per share **increased 10%**
- Dividend per ordinary share **up 16%**
- Normalised Return on Equity (ROE) of **23.4%**

Key operational takeouts

- FNB, RMB and WesBank grew profits and produced ROEs significantly above targets.
- Despite topline pressure the group continued to produce a very satisfactory return on assets (ROA) of 2%.
- Net interest income (NII) benefited from targeted growth in advances and excellent growth in deposits.
- Margins trended lower on the back of higher funding and liquidity costs and impact of LCR.
- Non-interest revenue was resilient despite regulatory impact and muted economy.
- Overall cost of credit remains well within expectations despite the deteriorating credit cycle.
- The group continued to strengthen its balance sheet with prudent provisioning.

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

"These results are pleasing given that the operating environment has been even tougher than we envisaged in the last quarter of last year. All of our operating franchises are delivering resilient operational performances and the group's high ROE remains underpinned by the quality of its transactional, deposit and lending franchises.

The group's income statement benefited from an increase of 9% in NII which was driven by growth in both advances and deposits. With regards advances, many of FNB's retail books showed good asset growth, resulting from FNB's cross-sell and up-sell strategies, particularly targeted at existing customers in the lower risk, higher income segments. WesBank's new business volumes were muted in its domestic franchise, given tight credit appetite and pressures facing consumers. Continued strong growth in the MotoNovo business in the UK, however, resulted in total new business volumes of 11%.

FNB's focus on growing its liability franchise and continued traction in RMB's corporate and transactional activities resulted in group deposits growing 12%. However the group's net interest margin was negatively impacted by higher term funding and liquidity costs, and the impact of the introduction of LCR in the second half of last year. In addition, accounting mismatches, relating to interest rate hedging strategies and funding instruments impacted NII by R400 million, however the majority of these will reverse in the future.

Total non-interest revenue (NIR) increased 5%, which included the impact of reduced interchange fees at FNB. Transactional volumes, however, continued to grow strongly, particularly on electronic and digital channels, on the back of client acquisition and increased cross-sell into both the retail and commercial customer segments. WesBank's NIR benefited from good growth in new business and insurance revenues, and RMB's investing activities, particularly its private equity business, performed extremely well with realisations of over R1 billion.

Impairments and non-performing loans (NPLs) in the retail books are being closely monitored and FNB and WesBank continue to tighten credit appetite. Pressure on commodity prices has resulted in some strain in RMB's corporate lending book, particularly certain resources counters, and oil and gas exposures in the rest of Africa. These, however, represent only 2.2% of the total corporate and investment banking (CIB) advances portfolio. The group is comfortable with its agricultural lending with drought-affected exposures representing only 7% of the total commercial book.

Burger commented that going forward, economic headwinds were increasing.

"There continues to be risk to the downside as the consumer's disposable income comes increasingly under pressure, this will create ongoing headwinds for revenue growth. The negative credit cycle has now arrived and, therefore, all of our franchises continue to exercise very strict discipline in credit origination.

"We remain optimistic that the quality of our franchises combined with our strong balance sheet, positions FirstRand well to weather the worsening operating environment. All of our businesses will remain focused on their respective growth strategies both in South Africa and the rest of Africa and, despite continued investment in future growth, there remains significant effort to extract efficiencies. The group expects to continue to deliver earnings growth and superior returns for shareholders."

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