



FIRSTRAND

RESULTS  
PRESENTATION  
*for the six months ended  
31 December 2017*

'17





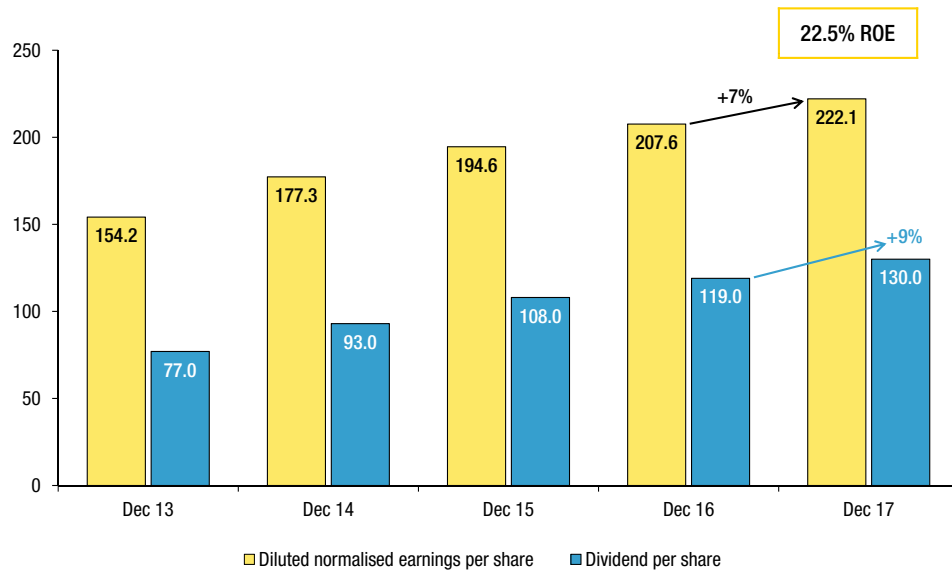
FIRSTRAND

RESULTS  
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introduction

### FirstRand continued to deliver real earnings growth and superior returns...

Cents

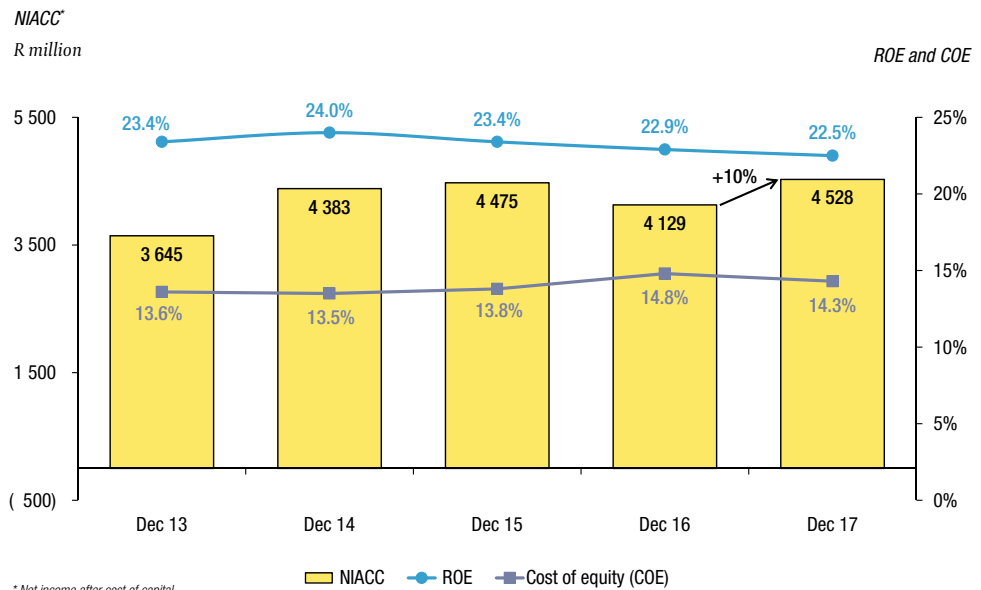


## ...despite difficult macroeconomic backdrop

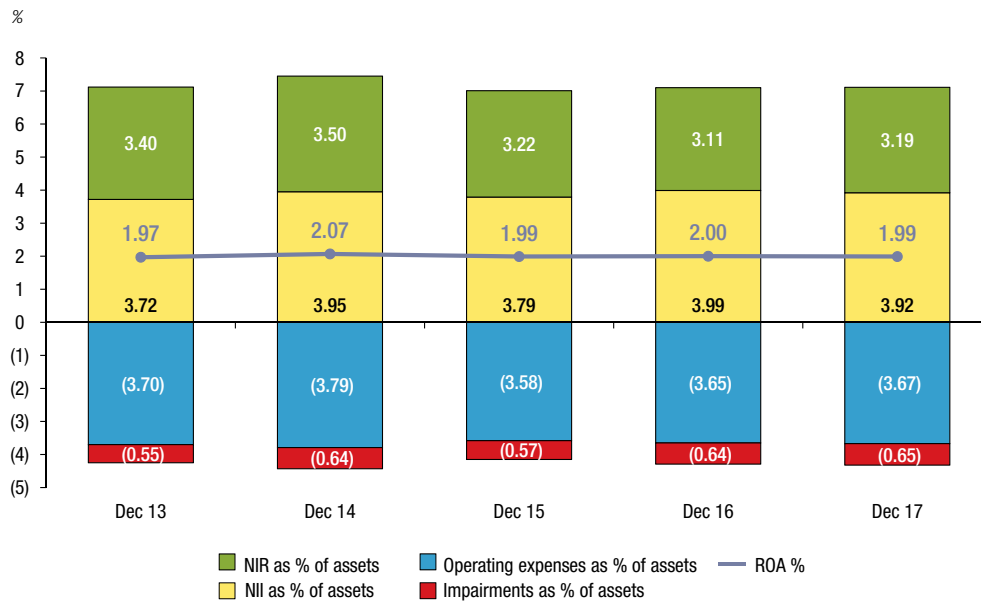
- SA operating environment was characterised by:
  - Political uncertainty
  - Low GDP growth
  - Depressed business and consumer confidence
- Rest of Africa macro backdrop was more supportive:
  - Improved rainfall and commodity prices allowed some countries to recover
  - Countries with links to SA, however, weighed down by low growth causing activity levels to remain subdued
- UK growth remained resilient despite Brexit uncertainty



## Good growth in NIACC, the group's primary measure of shareholder value creation



## Return profile underpinned by sustainably higher ROA...



The graph shows each item before taxation and non-controlling interests as a percentage of average assets.  
ROA reflects normalised earnings after tax and non-controlling interests as a percentage of average assets.



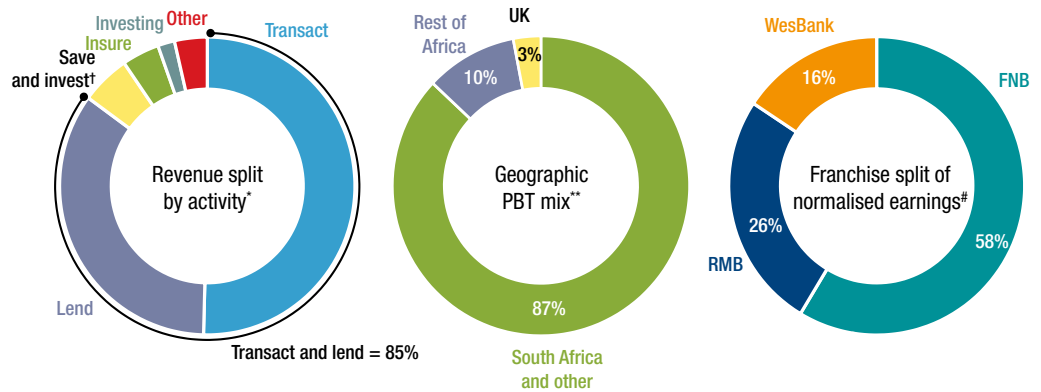
## ...structurally higher due to portfolio mix and strategic choices

- Relative size of transactional franchise (50% of gross revenue and >70% of NIR)
- Relative advances mix delivers higher risk-adjusted margins
  - VAF (37% of retail advances, average margin 4.34%)
  - Unsecured (16% of retail advances, average margin 11.96%)
  - Lower relative market share of lower margin, lower risk lending business (i.e. mortgages at 47% of retail advances with average margin of 1.88%)
  - Discipline in generating appropriate returns in corporate lending
- Credit underwriting and pricing anchored to preserve return profile
- Disciplined allocation and pricing of capital, funding and liquidity, and risk capacity
- Market-leading private equity franchise has remained consistent generator of high returns, although currently in an investment cycle
- Incremental benefit of insurance, and save and invest franchises

Average margins are net of funds transfer pricing.



## Current breakdown of portfolio – activity, geography and franchise



\* Based on gross revenue excluding consolidation adjustments.

\*\* Based on PBT (incl. GTSY), excluding FCC, FirstRand company, consolidation adjustments and NCNR preference dividend.

# Excludes FCC (incl. GTSY), FirstRand company, consolidation adjustments and NCNR preference dividend.

† Includes deposit taking and investment management.



## FNB and RMB performed well, WesBank had a tough six months

<i>Normalised earnings</i> R million	Contribution*	Dec 17	Dec 16	% change	ROE %
FNB	58%	7 160	6 409	12 ▲	40.6
RMB	26%	3 139	2 821	11 ▲	22.9
WesBank	16%	1 915	1 944	(1) ▼	18.6

\* Contribution to total normalised earnings excluding FCC (incl. GTSY), FirstRand company, consolidation adjustments and NCNR preference dividend.



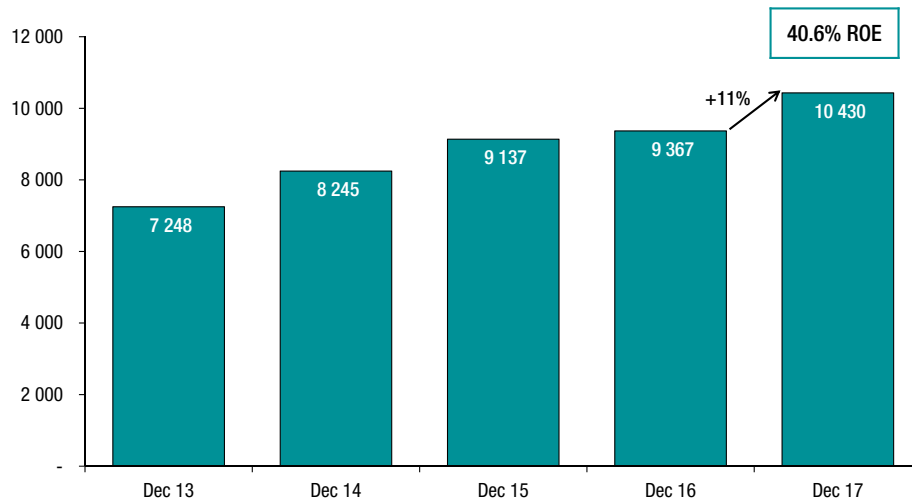


RESULTS  
PRESENTATION  
for the six months ended  
31 December 2017

review of  
operations

## Good growth in pre-tax profits and superior returns maintained

Normalised PBT  
R million



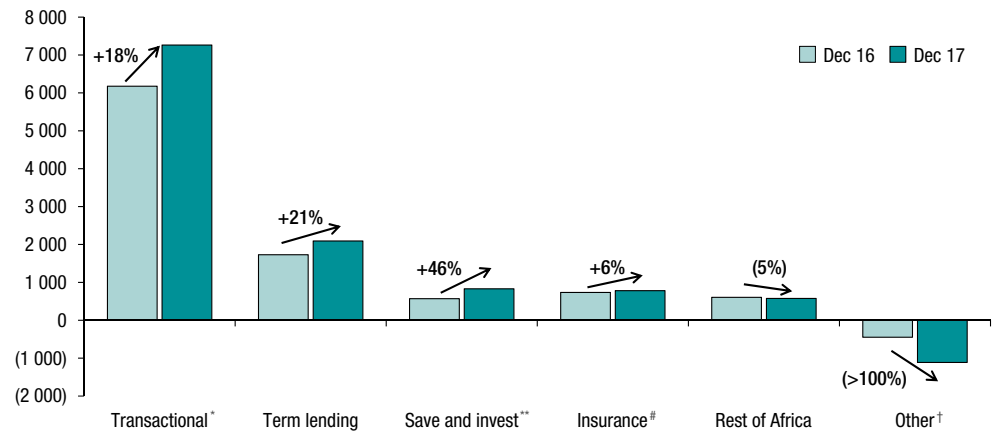
Periods prior to 2015 have not been restated for refined rest of Africa segmentation. Periods prior to 2014 have not been restated for allocation of FCC costs and return on capital.



## Strong domestic performance, rest of Africa remains under pressure

Normalised PBT

R million



\* Transactional includes transactional deposit products and deposit endowment, overdrafts and credit cards.

\*\* Save and invest includes non-transactional deposits.

# Insurance includes embedded credit protection.

† Includes India.



## Key ratios and statistics demonstrate quality of operational performance...

### INCOME STATEMENT

- NIR growth +11%
- NII growth +7%
- Improvement in cost-to-income ratio to 53.6% (2016: 54.0%)

### BALANCE SHEET

Advances		Deposits	
Segment	% change	Segment	% change
Consumer	+3	Consumer	+10
Premium	+5	Premium	+14
Commercial	+8	Commercial	+11

Total customer growth of 3% with increase in cross-sell VSI from 2.72 to 2.88

### OPERATING STATISTICS

Customer growth	Segment	% change
	Consumer	+1
	Premium	+12
	Commercial	+7

Volume growth	Channel	% change
	ATM/ADT	+5
	Internet	-1
	Banking app	+66
	Mobile	+3
Point-of-sale	+13	





## ...reflecting success of consistent strategy

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

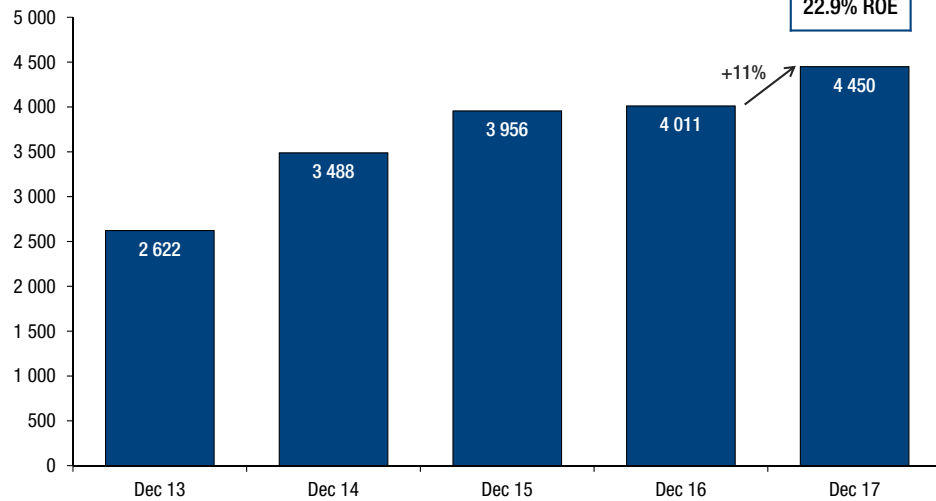


RESULTS  
PRESENTATION  
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review of  
operations

## Return and growth demonstrate quality and diversity of portfolio

Normalised PBT  
R million

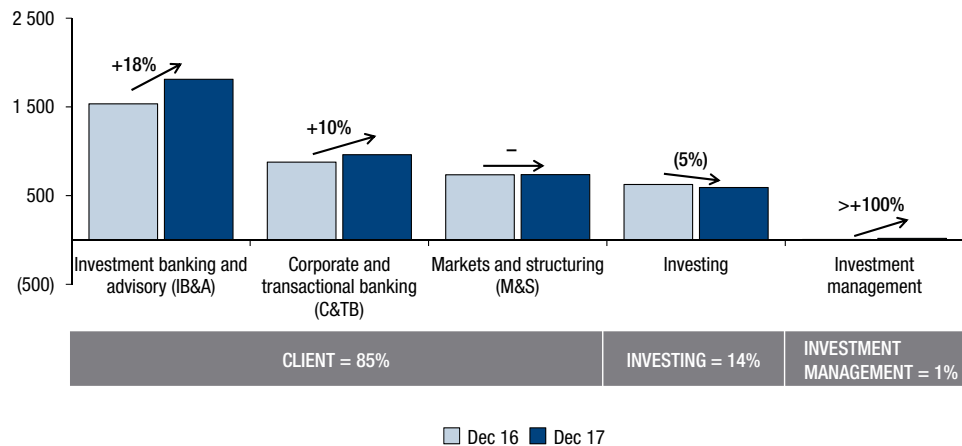


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## Focus on clients and disciplined cost management underpinned performance

Normalised PBT\*  
R million



\* Excludes RMB Resources, legacy and head office portfolios.



## Strong operational performance

- IB&A delivered solid results underpinned by:
  - Good lending income supported by prior period advances growth
  - Resilient fee income on the back of advisory and capital market mandates
  - Proactive provisioning shielding impact of sovereign downgrade
- C&TB's continued focus on leveraging platforms and expanding product offerings contributed to good profit growth, particularly in the rest of Africa
- M&S successfully navigated volatile markets to offset impact of lower equity flows, and a softer performance in the credit trading and hard commodities portfolios
- Investing performance supported by realisations, but pressure on annuity income given prior period realisations and a tough macroeconomic environment
- Disciplined cost management driving positive jaws



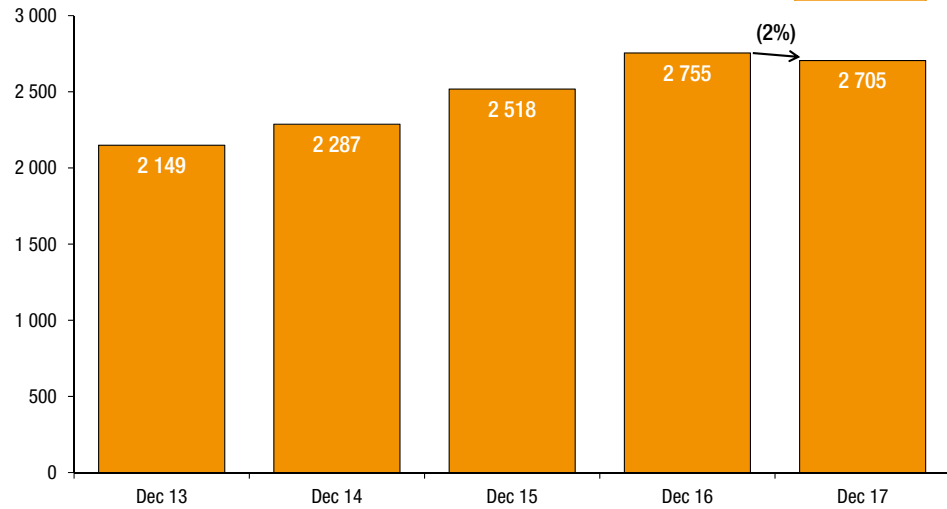
**WesBank**

RESULTS  
PRESENTATION  
*for the six months ended  
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review of  
operations

## Resilient performance in difficult environment

Normalised PBT  
 R million

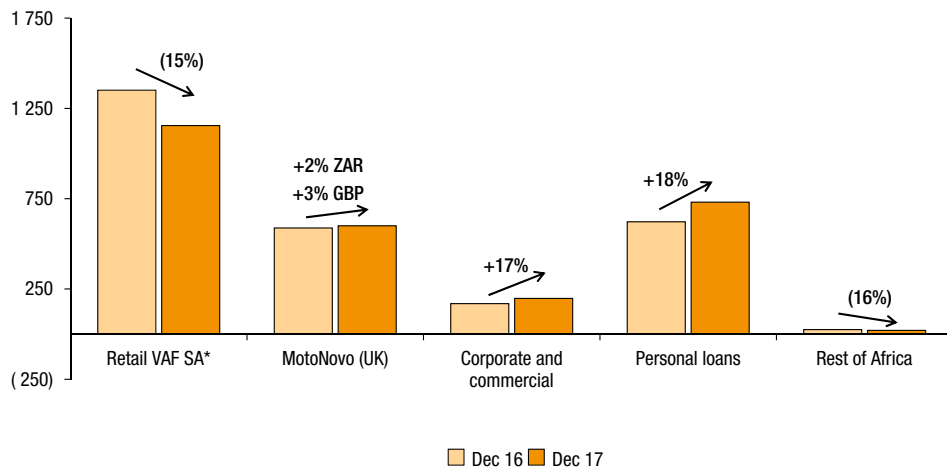


Periods prior to 2015 have not been restated for refined rest of Africa segmentation. Periods prior to 2014 have not been restated for allocation of FCC costs and return on capital.



## Decline in SA retail VAF partially offset by good performances in corporate and personal loans

Normalised PBT  
 R million



\* Retail VAF SA includes MotoVantage.



## Mixed picture across the portfolio

- SA retail VAF PBT declined 15%
  - Credit loss ratio increased from 1.42% to 1.80%
  - Increase in NPLs, stickiness in late stage arrears and increase in customers opting for court orders for repossession required higher coverage and provisioning
  - Margins resilient despite competitive pressures
  - Slower growth in MotoVantage reflecting book growth and competitive pressures
- MotoNovo (UK) up 3% in GBP terms
  - Arrears tracking in line with deteriorating macros
  - Credit loss ratio increased to 1.57% in GBP terms (2016: 1.43%)
  - Continued investment in platforms and product diversification
- Improved performance in SA corporate, up 17%
  - Benign impairment levels
  - Good growth in FML portfolio
- Strong performance from personal loans business, up 18%
  - 15% growth in advances
  - Credit loss ratio declined to 7.54% (2016: 8.30%) reflecting historic risk cuts



FIRSTRAND

RESULTS  
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financial review

## Performance highlights (normalised)

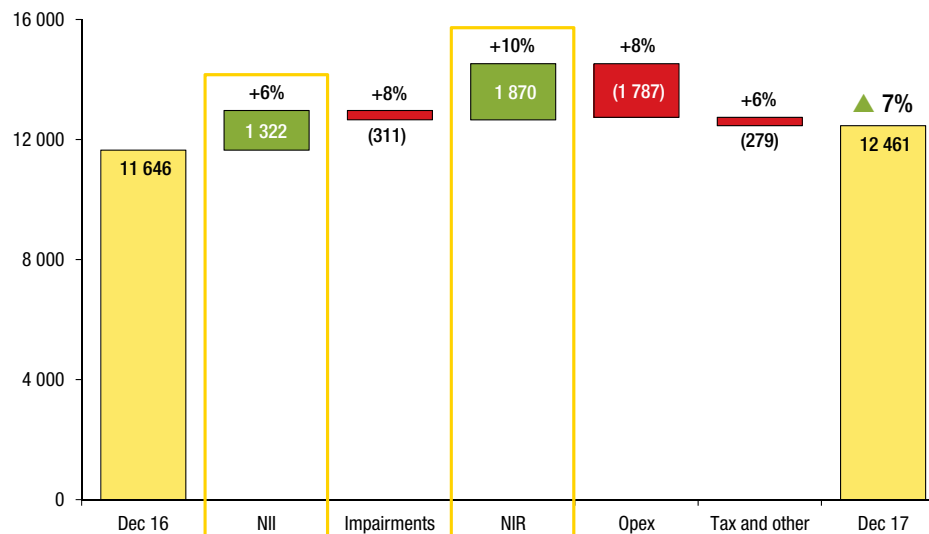
	Dec 17	Dec 16	% change
Diluted EPS (cents)	222.1	207.6	7 ▲
Dividend per share (cents)	130.0	119.0	9 ▲
Earnings (R million)	12 461	11 646	7 ▲
NIACC (R million)	4 528	4 129	10 ▲
Net asset value per share (cents)	2 014.2	1 843.0	9 ▲
Net interest margin (%)	5.28	5.29	▼
Credit loss ratio (%)	0.87	0.86	▲
Cost-to-income ratio (%)	51.7	51.3	▲
Return on assets (%)	1.99	2.00	▼
Return on equity (%)	22.5	22.9	▼
CET1 ratio* (%)	14.0	14.1	▼

\* Includes unappropriated profits.

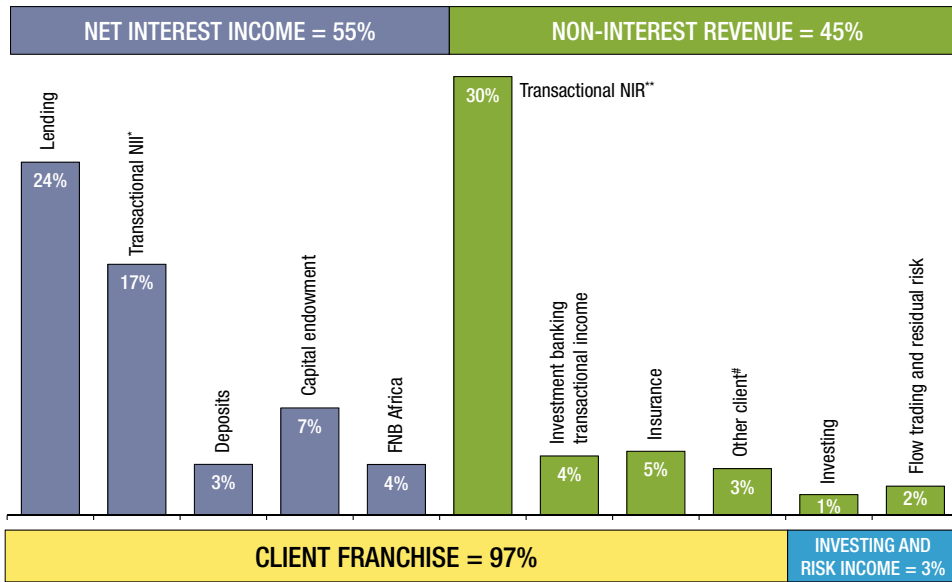


## High quality topline growth maintained

Normalised earnings  
 R million



## Revenue composition reflects strength of client franchise



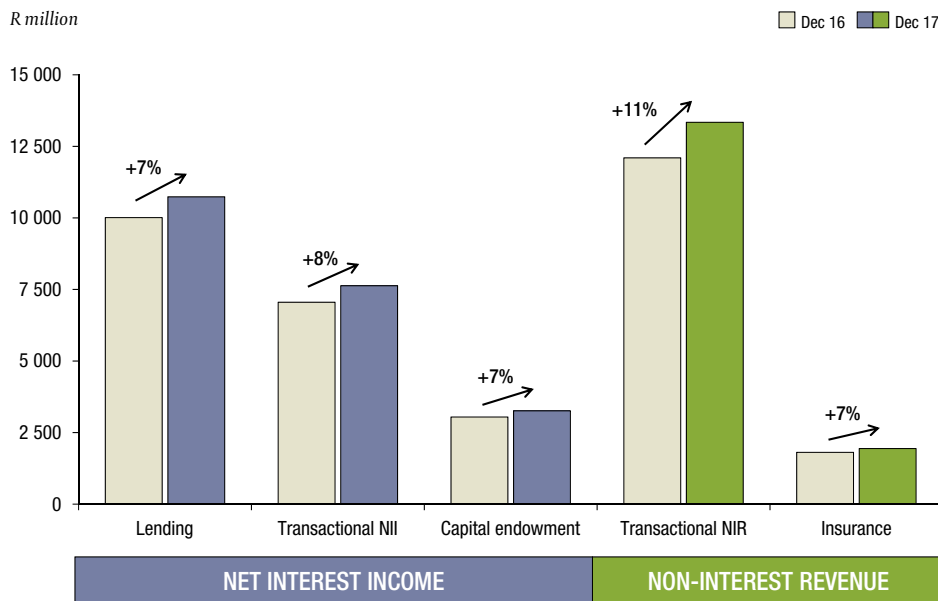
\* Includes transactional accounts and related deposit endowment, overdrafts and credit card.

\*\* From retail, commercial and corporate banking.

# Includes WesBank associates.



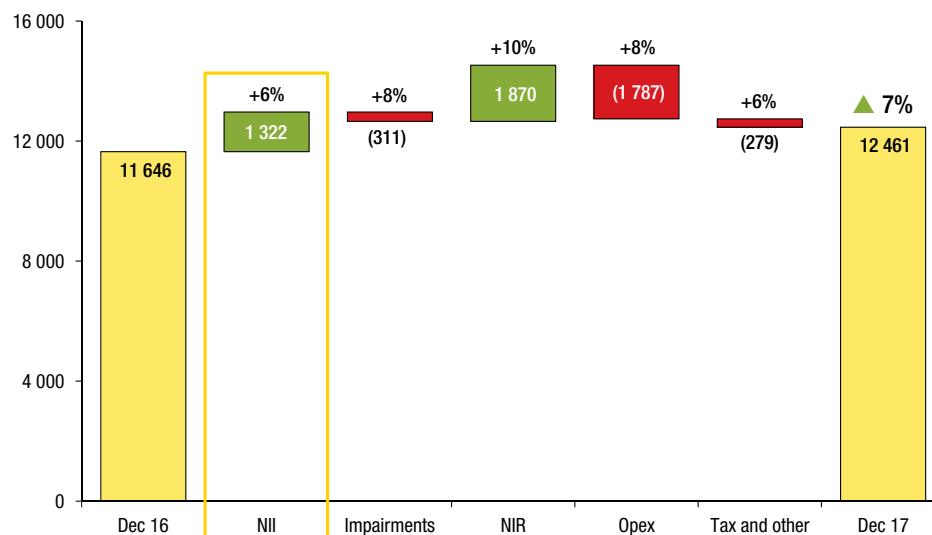
## Good growth in key drivers of topline



## High quality topline growth maintained

Normalised earnings

R million



## NII driven by lending and transactional volumes

Net interest income\*

R million

	Dec 17	Dec 16 <sup>#</sup>	% change
Lending	10 737	10 010	7
Transactional NII**	7 631	7 054	8
Deposits	1 545	1 467	5
Capital endowment	3 261	3 044	7
Group Treasury	9	298	(97)
FNB Africa	1 541	1 559	(1)
Other NII in operating franchises	(159)	(189)	(16)
<b>Total net interest income</b>	<b>24 565</b>	<b>23 243</b>	<b>6</b>

\* After taking funds transfer pricing into account.

\*\* Includes NII relating to transactional deposit products and related deposit endowment, overdrafts and credit cards.

<sup>#</sup> Numbers restated to reflect refined allocation methodology for lending. Refer to Analysis of financial results booklet for more detail.



## Unpacking Group Treasury NII

### Capital endowment benefited from higher capital levels, despite lower rates

- Interest on capital endowment +>R200 million

### Group Treasury activities

- Financial resource management activities (>R200 million), elevated funding cost
- ALM strategies, and interest rate and FX management (>R100 million)

### Accounting volatility in Group Treasury NII

- MTM on fair value of structured funding +>R150 million
- Other\* (>R100 million)

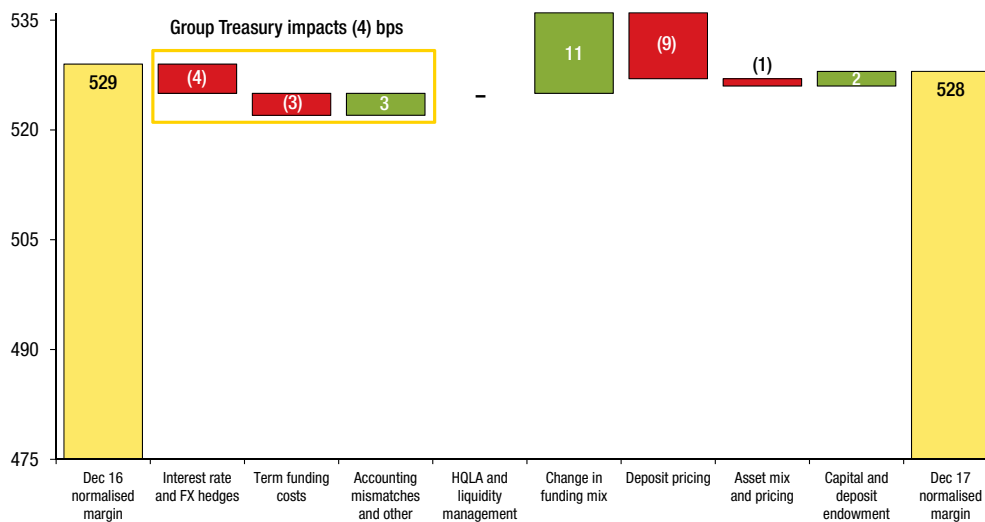
\* Includes London Branch and other mismatches in Group Treasury.



## Pricing margin pressure offset by differentiated funding strategies

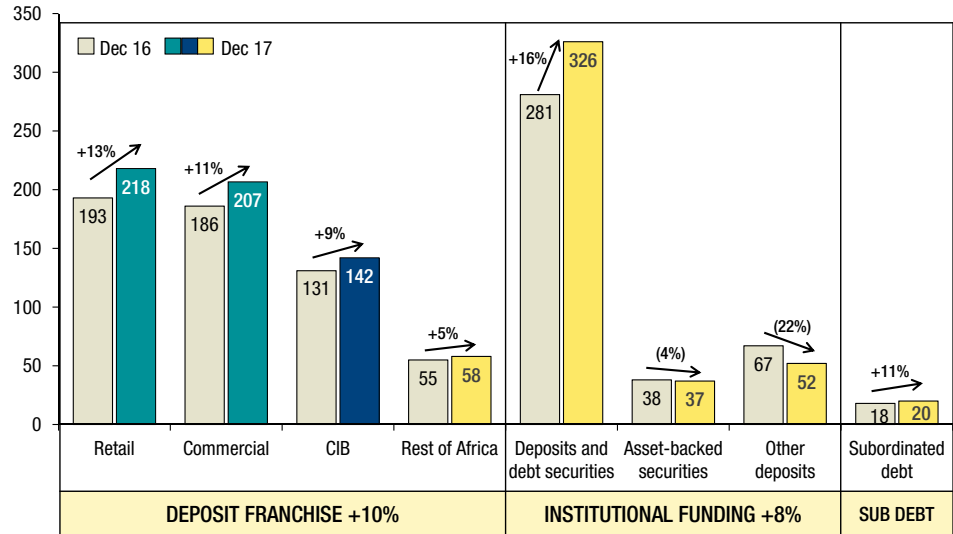
Margin

Basis points



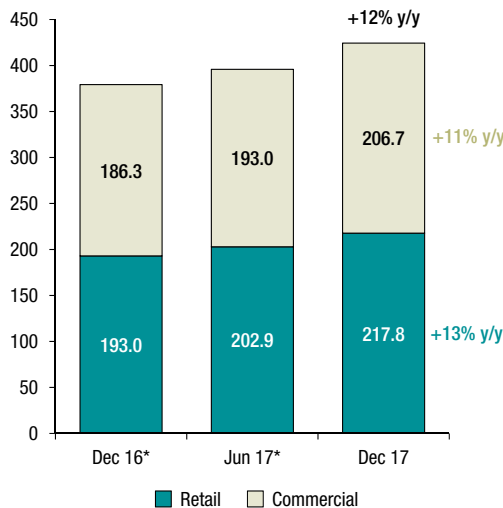
## Strong growth in deposits across all segments

Liabilities  
 R billion



## Growth in FNB deposits driven by innovative product set and customer acquisition

FNB SA deposits  
 R billion

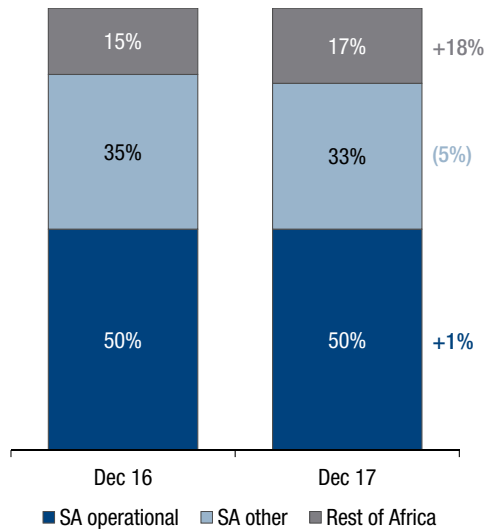


- Double-digit growth across all segments
  - Consumer +10%
  - Premium +14%
  - Commercial +11%
- Current and savings deposits grew well above market
- Further traction in acquisition through digital channels
- Cross-sell continues into existing base
- Product innovation supporting growth

\* Prior year figures have been restated as a result of internal switches within FNB and the migration of the WIM business back into FNB.

## Good growth in average deposit balances in RMB rest of Africa

Composition of corporate banking average deposits



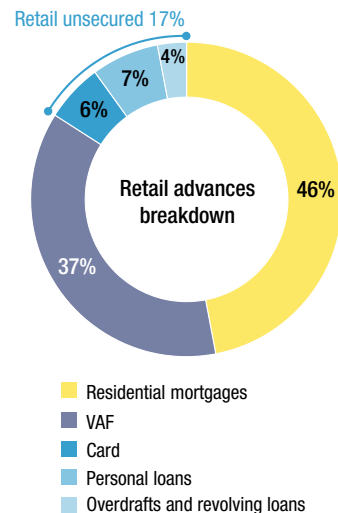
- Client acquisition and product roll-out underpinned strong growth of 18% in the rest of Africa
- Corporate banking average operational deposits up 1% in South Africa, impacted by tough client operating environment, particularly in the FI sector
- CIB point-in-time balance\* is cyclical – up 9%

\* Excludes cash collateral and deposits held under repurchase agreements and rest of Africa deposits.



## Retail advances growth reflects specific origination strategies

R million	Dec 17	Dec 16	% change
Residential mortgages*	198 704	191 437	4
VAF	157 566	147 439	7
– SA	103 789	99 323	4
– MotoNovo**	53 777	48 116	12
Card	25 063	22 495	11
Personal loans	29 867	26 899	11
– FNB	14 562	14 431	1
– WesBank	14 369	12 468	15
– MotoNovo	936	-	-
Transactional account-linked overdrafts and revolving term loans <sup>†</sup>	15 101	14 358	5
Retail advances	426 301	402 628	6
Retail VAF securitisation notes	24 238	17 812	36
FNB and WesBank rest of Africa advances <sup>#</sup>	51 522	51 888	(1)



\* Restatement of Islamic banking for the move from premium to commercial.

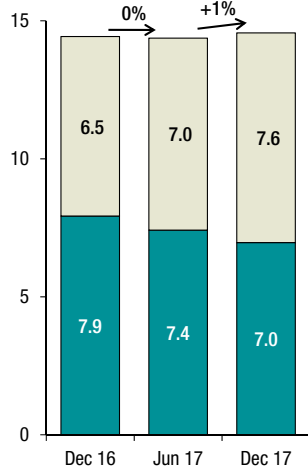
\*\* 14% UK VAF advances growth in GBP terms.

# Includes in-country advances of FNB and WesBank.

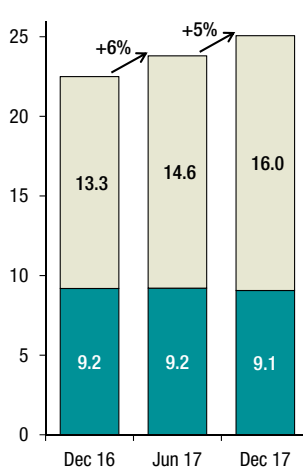


## FNB unsecured advances growth reflects targeted approach

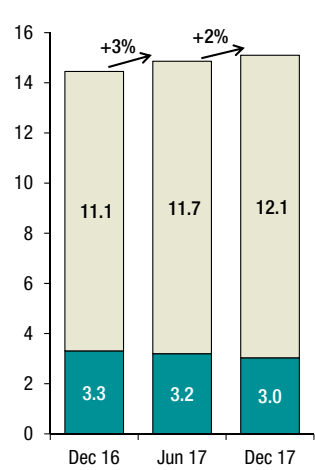
*FNB personal loans*  
 R billion



*FNB card*  
 R billion



*Other retail\**  
 R billion

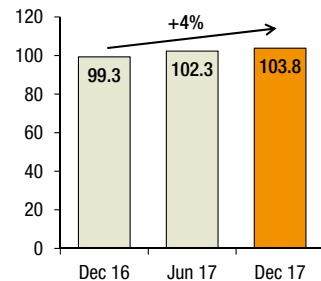


\* Transactional account-linked overdrafts and revolving term loans.



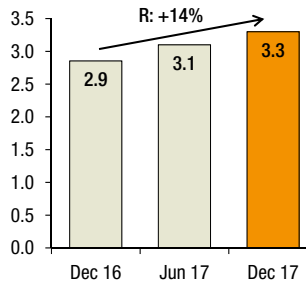
## WesBank retail advances grew in line with expectations

*Retail VAF SA advances*  
 R billion



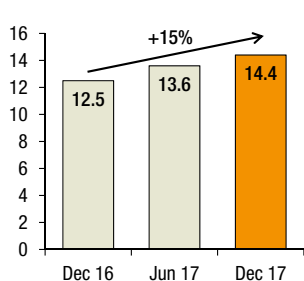
- New business production up 9.8%, however, not all advances reflected on balance sheet
- New vehicle sales up 6%
- Excluding VW and McCarthy JV rundown, growth was 11%

*MotoNovo advances*  
 £ billion



- New products and footprint expansion
- Cutbacks in risk appetite moderating growth rates
- New business production flat y/y due to risk cuts
- Personal loans portfolio growth

*Personal loans advances*  
 R billion

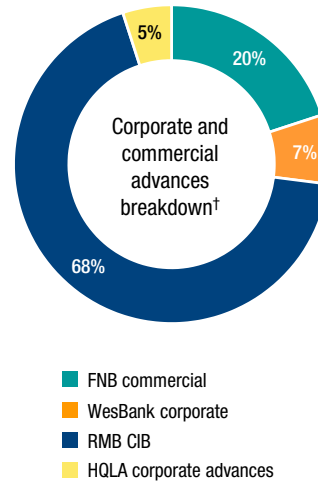


- New business production reflects:
  - Focused growth in low risk buckets
  - Results of diversified marketing channel



## Corporate and commercial advances growth remained resilient

R million	Dec 17	Dec 16	% change
CIB core advances – South Africa	250 387	226 194	11
– Investment banking*	193 181	179 254	8
– HQLA corporate advances	16 980	18 862	(10)
– Corporate banking**	40 226	28 078	43
CIB core advances – rest of Africa**,#	37 825	37 285	1
CIB total core advances†	288 212	263 479	9
WesBank corporate	29 768	28 525	4
FNB commercial‡	87 900	81 173	8
RMB repurchase agreements	19 580	30 246	(35)
Total corporate and commercial advances	425 460	403 423	5



\* Prior year figure restated to exclude the portion relating to Ashburton Investments, now reported under FCC.

\*\* Prior year figure restated to reclassify amounts out of corporate banking into the rest of Africa.

# Includes cross-border and in-country advances.

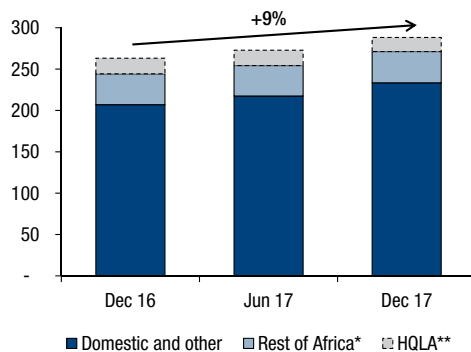
† Excludes RMB repurchase agreements.

‡ Restatement of Islamic banking for the move from premium segment to commercial segment.

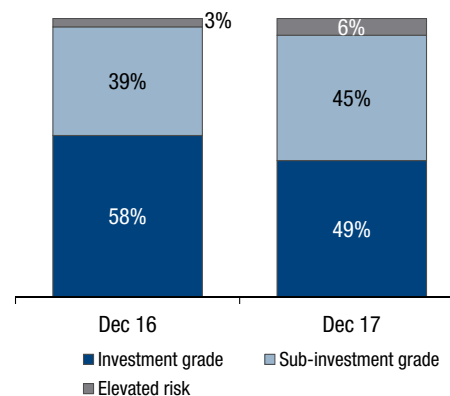


## Growth in CIB advances driven by working capital solutions

RMB CIB core advances  
R billion



Wholesale credit performing book#



- Rest of Africa advances grew 13% in USD
- Strong coverage ratios maintained given weaker corporate credit environment
- SA sovereign rating downgrades impacted counterparty ratings
- Elevated risk category increase driven by sovereign downgrade, weak economy and stress in certain counterparties

\* Includes cross-border and in-country.

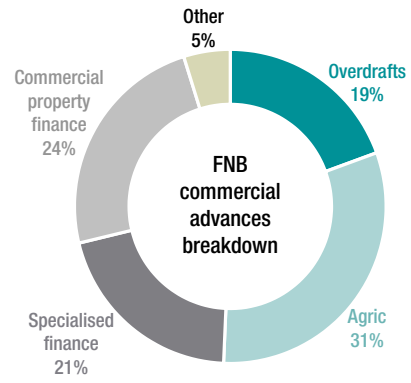
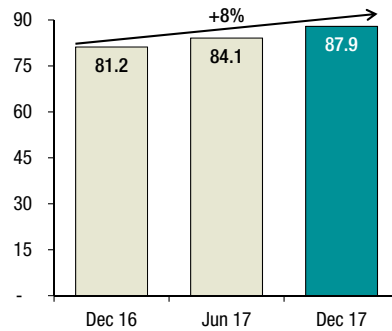
\*\* HQLA included in Group Treasury, but originated in RMB. Included for illustrative purposes.

# International scale EAD.



## Customer acquisition and cross-sell strategies drive advances in FNB's commercial segment

FNB commercial advances  
 R billion



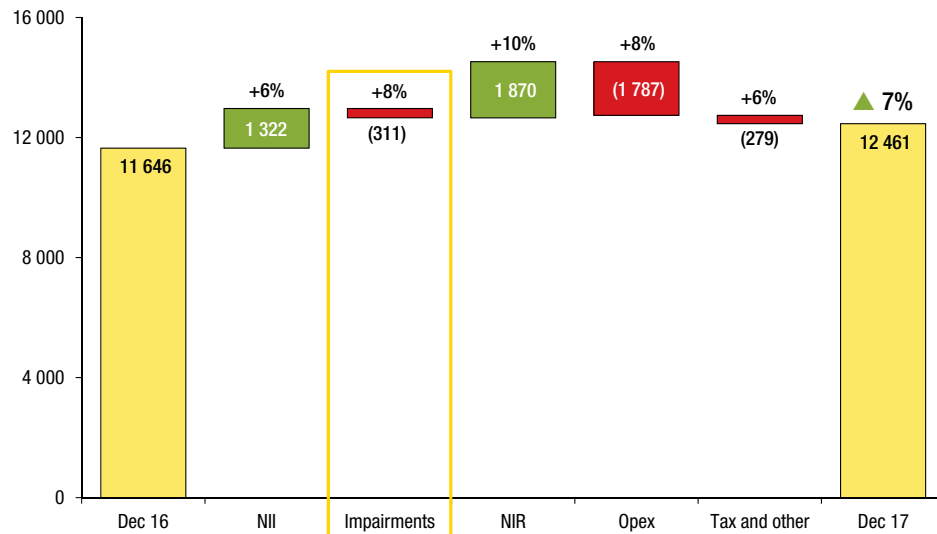
- Reflects targeted new client acquisition in the small business segment
- Expanded term lending product offering to existing client base
- Strong growth in agric and property sectors

*Note: Some prior year comparatives have been restated as a result of internal switches within FNB.*



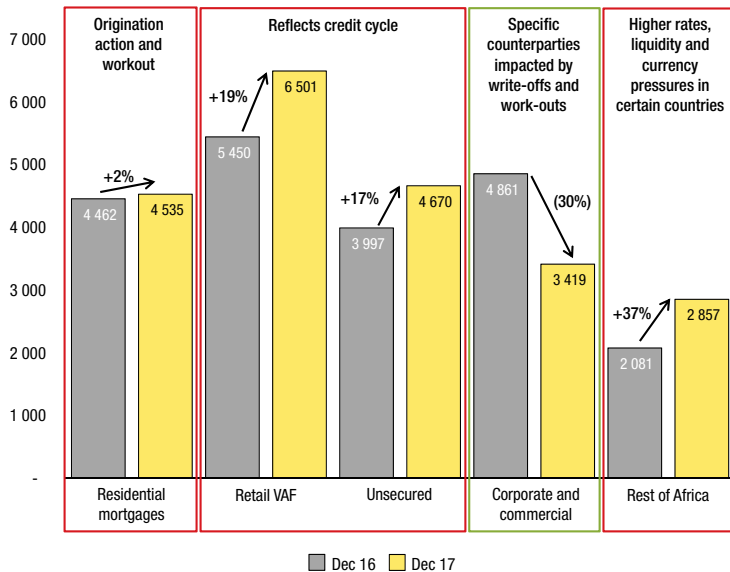
## High quality topline growth maintained

Normalised earnings  
 R million

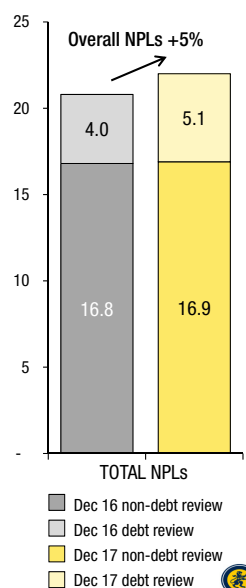


## NPLs trending in line with expectations

NPLs  
R million



NPLs  
R billion



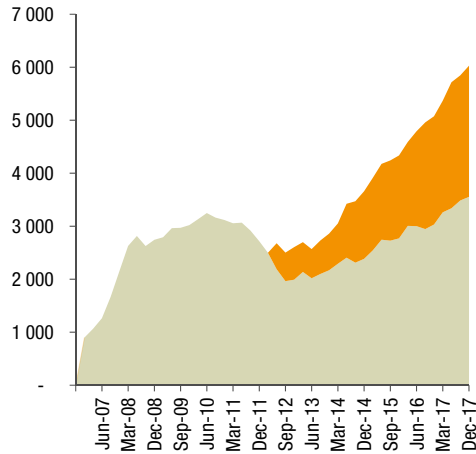
## Paying debt-review customers require lower coverage

Coverage ratios %	COVERAGE									Change in total coverage (y/y)
	Non-debt review			Restructured debt-review			Total			
	Dec 17	Jun 17	Dec 16	Dec 17	Jun 17	Dec 16	Dec 17	Jun 17	Dec 16	
FNB credit card	78.6	74.2	75.7	52.5	45.1	42.2	66.9	67.0	67.6	▼
FNB retail other	80.4	75.5	79.8	36.2	37.9	43.4	70.0	67.0	71.6	▼
FNB loans	68.5	69.2	70.1	48.5	48.2	71.5	60.4	61.9	70.5	▼
WesBank loans	72.8	71.9	70.0	18.0	26.3	26.7	36.6	38.1	39.4	▼
SA retail VAF	42.9	43.1	40.3	9.5	9.4	10.5	29.4	29.3	28.5	▲

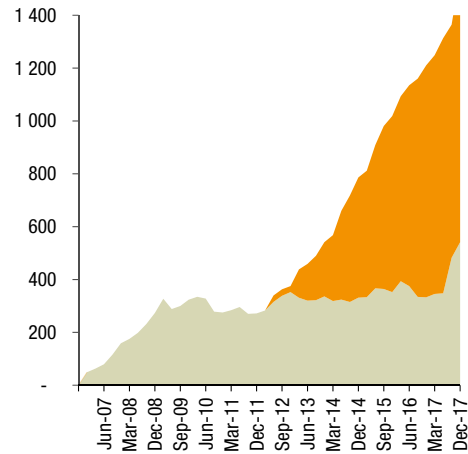
Coverage appropriate given higher payment profile of reclassified NPLs

## WesBank coverage reflects higher proportion of debt-review customers

Retail VAF SA NPLs  
 R million



WesBank personal loans NPLs  
 R million



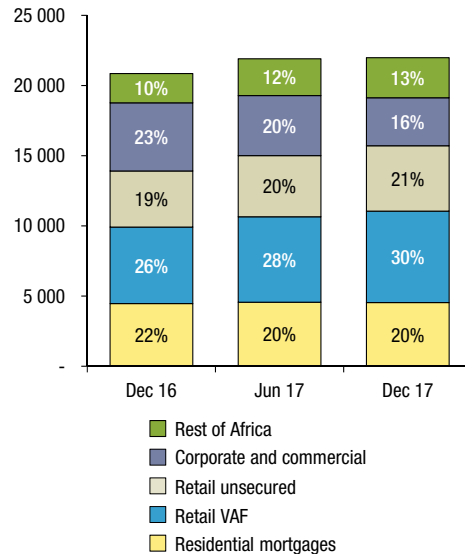
■ NPLs ■ Debt review restructured NPLs

**Paying debt-review customers result in lower coverage ratio**



## Overall coverage remains appropriate

NPLs  
 R million



Coverage ratios  
 %

	Dec 17	Jun 17	Dec 16
Retail – secured	27.6	26.9	26.6
Residential mortgages	22.5	21.8	22.1
VAF	31.1	30.7	30.2
– SA	29.4	29.3	28.5
– MotoNovo	58.2	58.4	59.9
Retail – unsecured	55.4	56.6	60.5
Credit card	66.9	67.0	67.6
Personal loans*	47.4	49.4	54.9
Retail – other	70.0	67.0	71.6
Corporate and commercial	45.3	48.0	43.8
Rest of Africa	38.0	42.2	38.4
Specific impairments	37.6	38.8	38.3
Portfolio impairments**	41.0	38.6	41.2
<b>Total coverage ratio</b>	<b>78.6</b>	<b>77.4</b>	<b>79.5</b>

\* Includes FNB and WesBank loans, and MotoNovo personal loans.

\*\* Includes portfolio overlays.

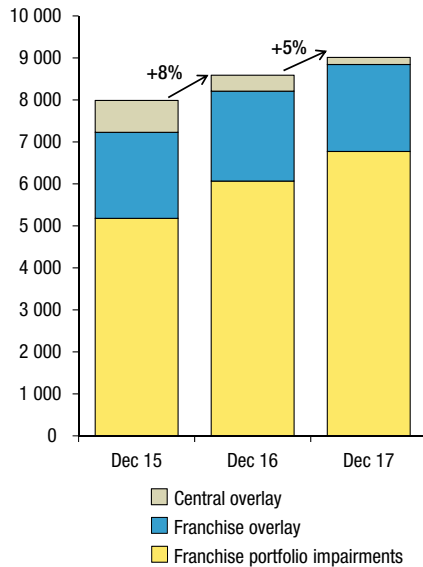




## Total portfolio provisions increased with franchise overlays maintained

### Portfolio impairments

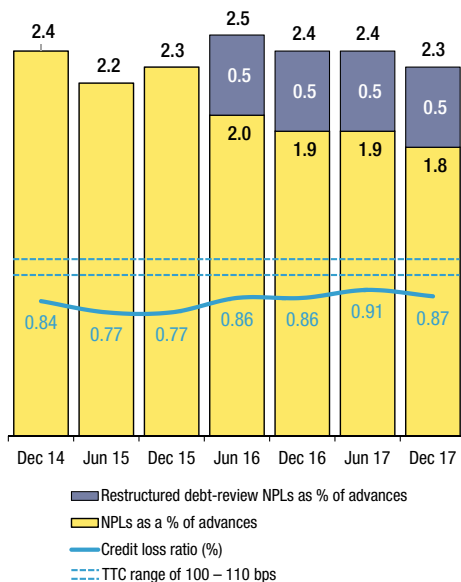
R million



	Dec 17	Dec 16	Dec 15
Portfolio impairments as % of performing book	0.98	1.00	0.97
Credit loss ratio (%)	0.87	0.86	0.77
Portfolio impairments (R million)	9 011	8 589	7 988



## Credit loss ratio remains below TTC



\* Prior year comparatives have been restated as a result of internal switches within FNB, migration of the WIM business into FNB from Ashburton Investments and a move from RMB to Ashburton Investments (which is reported as part of FCC).

Credit loss ratio %	Dec 17	Dec 16'
Retail – secured	0.84	0.70
Residential mortgages	0.15	0.14
VAF	1.72	1.42
– SA	1.80	1.42
– MotoNovo	1.58	1.40
Retail – unsecured	5.48	5.91
Credit card	2.41	2.60
Personal loans	6.51	8.04
– FNB	5.53	7.83
– WesBank	7.54	8.30
– MotoNovo	6.15	-
Retail – other	8.48	7.09
<b>Total retail</b>	<b>1.60</b>	<b>1.52</b>
Corporate and commercial	0.17	0.28
Rest of Africa	1.49	1.36
FCC (incl. Group Treasury)	(0.02)	(0.06)
<b>TOTAL</b>	<b>0.87</b>	<b>0.86</b>



## Credit performance better than expected due to origination strategies and prudent provisioning

Asset class	Contribution to I/S impairment charge	Credit loss ratio	Specific coverage	Portfolio coverage	Commentary
Residential mortgages	3%	0.15% -	↑	↓	<ul style="list-style-type: none"> <li>• Charge benefiting from lower NPLs</li> </ul>
VAF SA	23%	1.80% ▲	↑	↑	<ul style="list-style-type: none"> <li>• Increased NPLs and higher coverage on portfolio and specific drive increase in charge</li> <li>• Higher than expected NPLs on self-employed and SME segments</li> <li>• Prolonged recovery timelines impact coverage</li> </ul>
MotoNovo (VAF UK)	10%	1.58% ▲	↓	↑	<ul style="list-style-type: none"> <li>• NPL formation in line with historic book growth and impact of risk cuts still flowing through</li> <li>• Portfolio provision reflects increased prudence</li> </ul>



## Credit performance better than expected due to origination strategies and prudent provisioning

Asset class	Contribution to I/S impairment charge	Credit loss ratio	Specific coverage	Portfolio coverage	Commentary
Card	7%	2.41% ▼	↓	↑	<ul style="list-style-type: none"> <li>• Charge below TTC with balance sheet provision bias maintained given cross-sell/up-sell</li> </ul>
Personal loans*	23%	6.51% ▼	↓	↔	<ul style="list-style-type: none"> <li>• Charge down on back of appetite cuts</li> <li>• Specific coverage declining (increase in debt review)</li> <li>• Portfolio provisions maintained</li> </ul>
Retail other	16%	8.48% ▲	↓	↑	<ul style="list-style-type: none"> <li>• Growth in charge expected given customer acquisition</li> <li>• Specific coverage declines on debt review</li> <li>• Increased conservatism</li> </ul>

\* Includes MotoNovo personal loans.



## Credit performance better than expected due to origination strategies and prudent provisioning

Asset class	Contribution to I/S impairment charge	Credit loss ratio	Specific coverage	Portfolio coverage	Commentary
CIB	-	-	↑	↓	<ul style="list-style-type: none"> <li>NPLs and portfolio coverage down on write-offs and work-outs</li> <li>Portfolio charge benefited from prior year proactive provisioning</li> </ul>
Commercial	8%	0.77% ▲	↓	↓	<ul style="list-style-type: none"> <li>Increase in charge in line with expectation given book growth, especially in small business overdrafts</li> <li>As expected, NPL growth driven by agric with coverage impacted by mix</li> <li>Portfolio coverage benefits by lower arrears</li> </ul>
Rest of Africa	11%	1.49% ▲	↓	↑	<ul style="list-style-type: none"> <li>Macros in sub-scale subsidiaries driving substantial increase in charge</li> <li>Portfolio provisions increased as continued stress is expected</li> </ul>

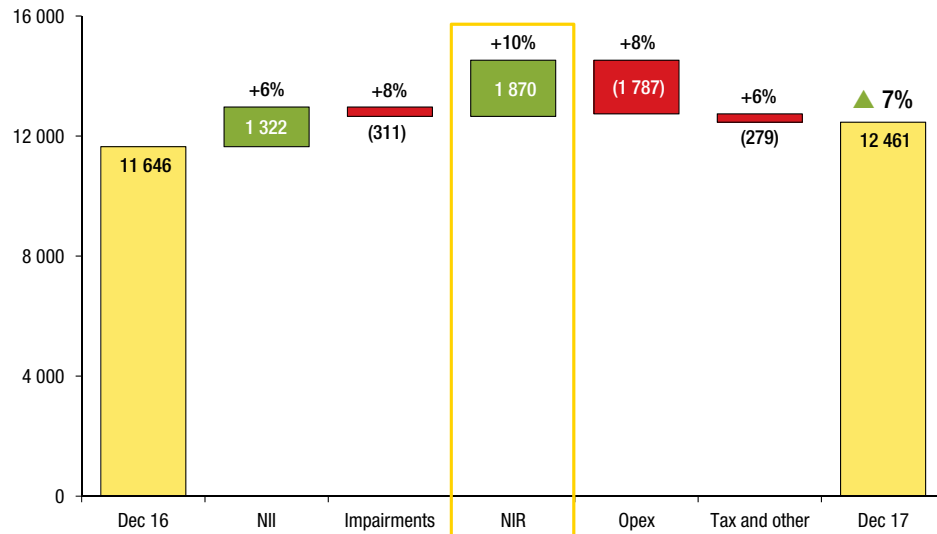
## Credit metrics in line with risk appetite and cycle

<b>PORTFOLIO PROVISION</b>	+5% to R9.0 billion	Still prudent
<b>SPECIFIC PROVISION</b>	+4% to R8.3 billion	Appropriate coverage
<b>INCOME STATEMENT CHARGE</b>	87 bps (still below TTC)	Lower than expected



## High quality topline growth maintained

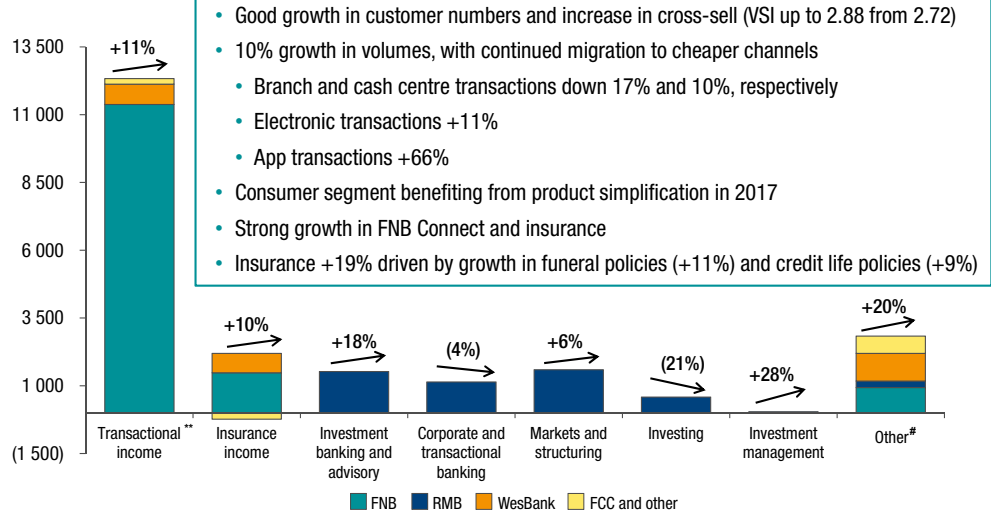
Normalised earnings  
 R million



## FNB's NIR benefited from customer acquisition and volumes

Non-interest revenue\*  
 R million

FNB NIR +11%

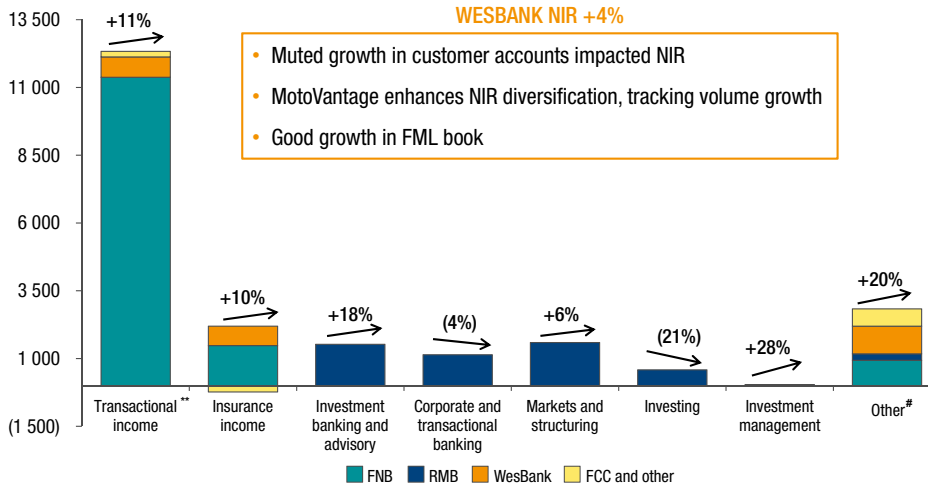


\* Excludes consolidation adjustments.  
 \*\* Excludes RMB transactional income.  
 # Other includes FCC (including Group Treasury) and other.

## WesBank NIR driven by FML and insurance initiatives

Non-interest revenue\*

R million



- Muted growth in customer accounts impacted NIR
- MotoVantage enhances NIR diversification, tracking volume growth
- Good growth in FML book

\* Excludes consolidation adjustments.

\*\* Excludes RMB transactional income.

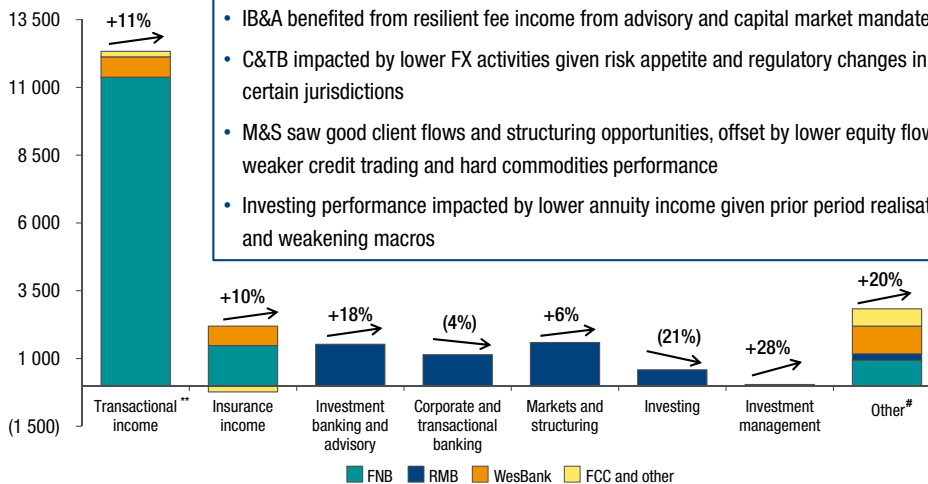
# Other includes FCC (including Group Treasury) and other.



## RMB's client franchises delivered solid NIR growth

Non-interest revenue\*

R million



- IB&A benefited from resilient fee income from advisory and capital market mandates
- C&TB impacted by lower FX activities given risk appetite and regulatory changes in certain jurisdictions
- M&S saw good client flows and structuring opportunities, offset by lower equity flows, weaker credit trading and hard commodities performance
- Investing performance impacted by lower annuity income given prior period realisations and weakening macros

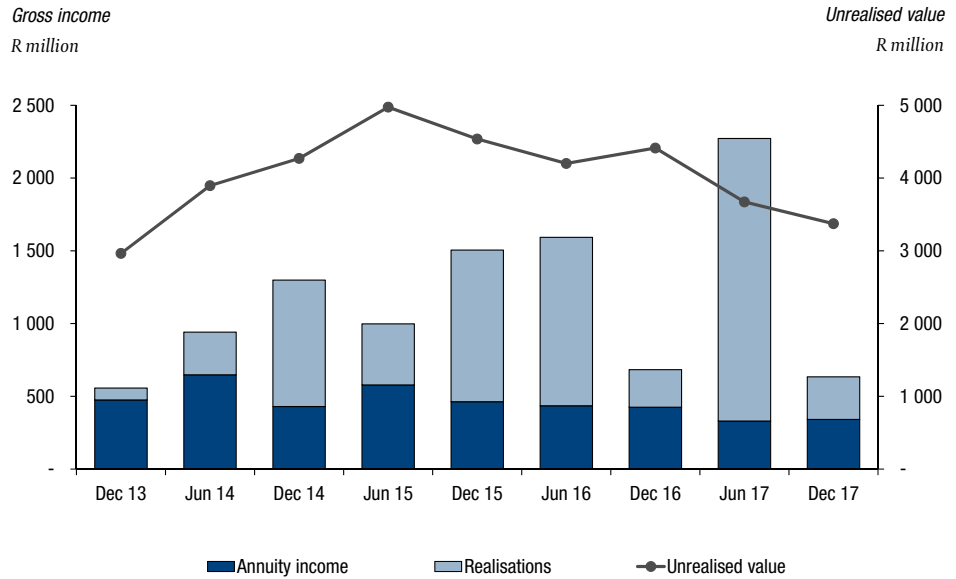
\* Excludes consolidation adjustments.

\*\* Excludes RMB transactional income.

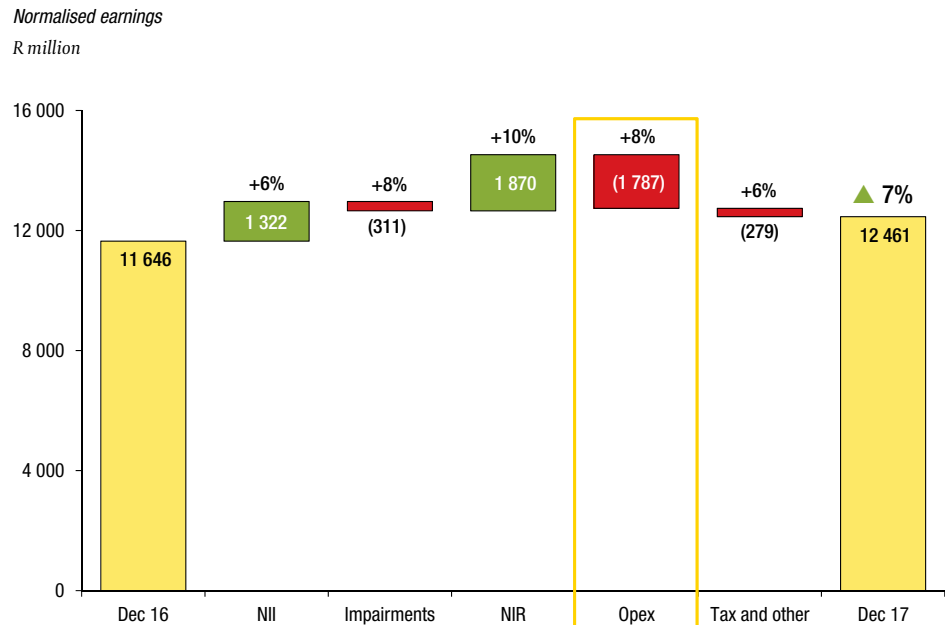
# Other includes FCC (including Group Treasury) and other.



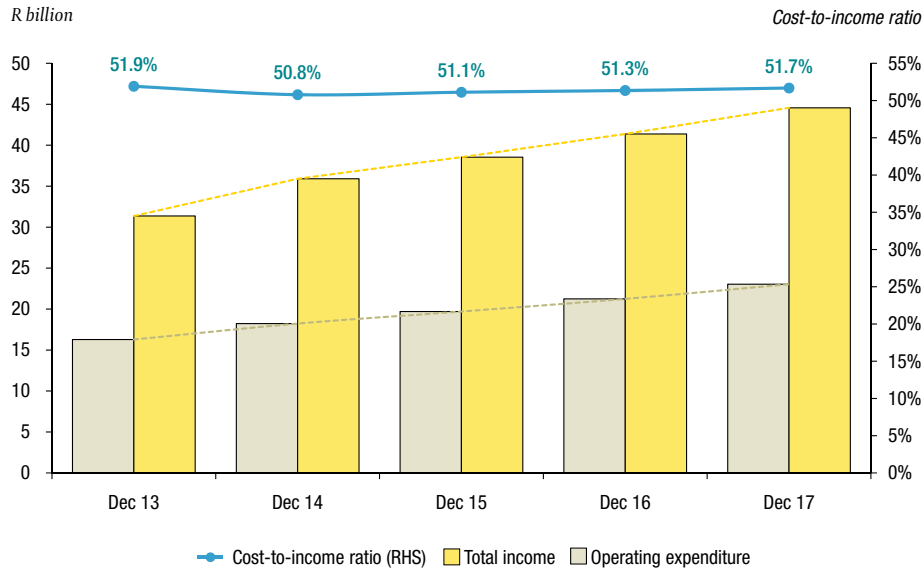
### Healthy unrealised value maintained in the Private Equity portfolio following realisation cycle



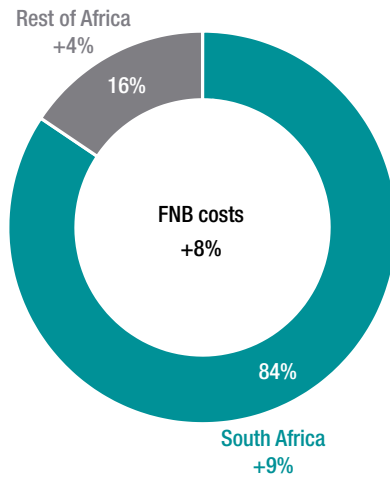
### High quality topline growth maintained



## Marginal increase in cost-to-income ratio driven by continued investment drag



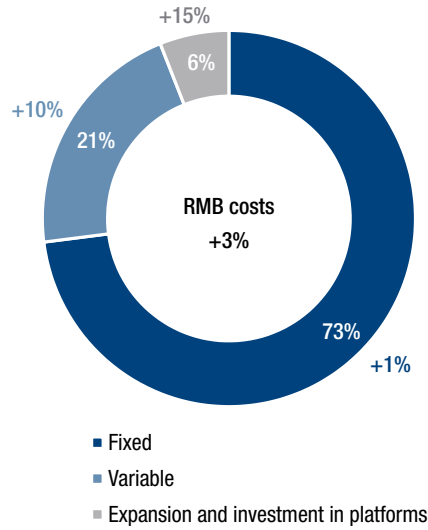
## FNB cost trend still impacted by investment in growth initiatives



- Growth initiatives
  - Insurance
  - Wealth and investment management (WIM)
  - Card acquiring (Power Card)
  - Rest of Africa
  - Branch digitisation
- Majority of development costs are expensed
- Cost-to-income ratio slightly down to 53.6% (2016: 54.0%)



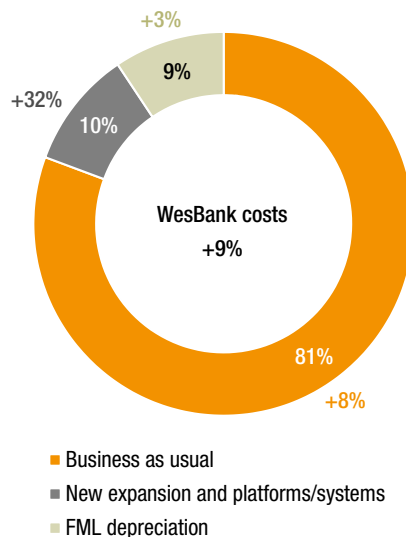
## RMB's strong cost discipline supports operational leverage



- Efficiency gains from:
  - Historical platform investments
  - Ongoing automation initiatives
- Fixed cost growth tracking well below inflation despite:
  - Ongoing investment in platforms and people in the rest of Africa
  - Continued regulatory and compliance spend
  - Ramp up in markets infrastructure investment
- Cost-to-income ratio slightly down to 46.7% (2016: 47.0%)



## WesBank's costs reflect operational efficiencies in core business, offset by investment in growth initiatives

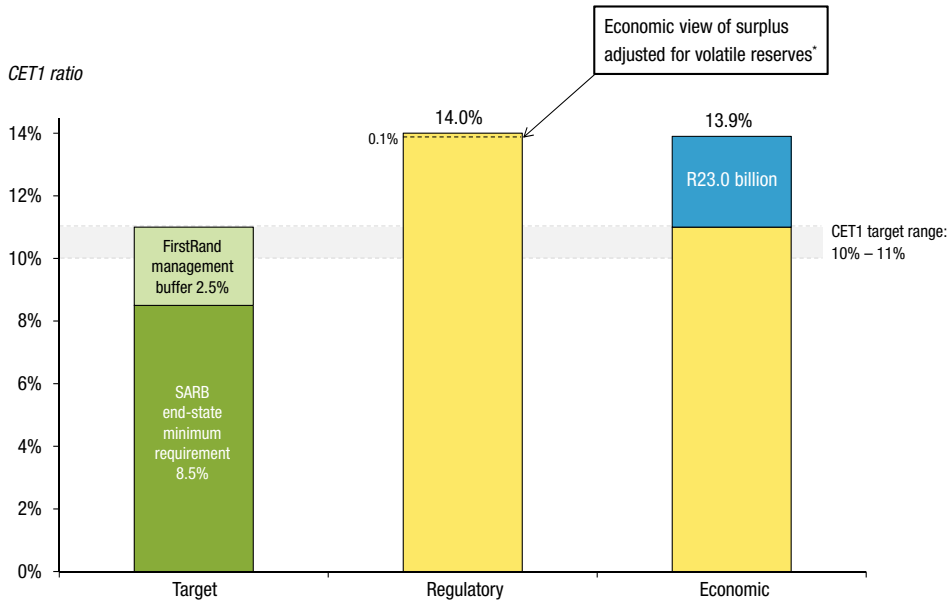


- Operating expenses +9%
  - Investments in channel and new products
    - MotoNovo digital channels and personal loans
    - DirectAxis digital channel
    - Financial and regulatory system enhancements
  - FML depreciation up due to volume growth
  - Higher profit shares payable
- Operating efficiencies achieved locally due to cost containment focus
- Cost-to-income ratio increased to 41.6% (2016: 40.6%)





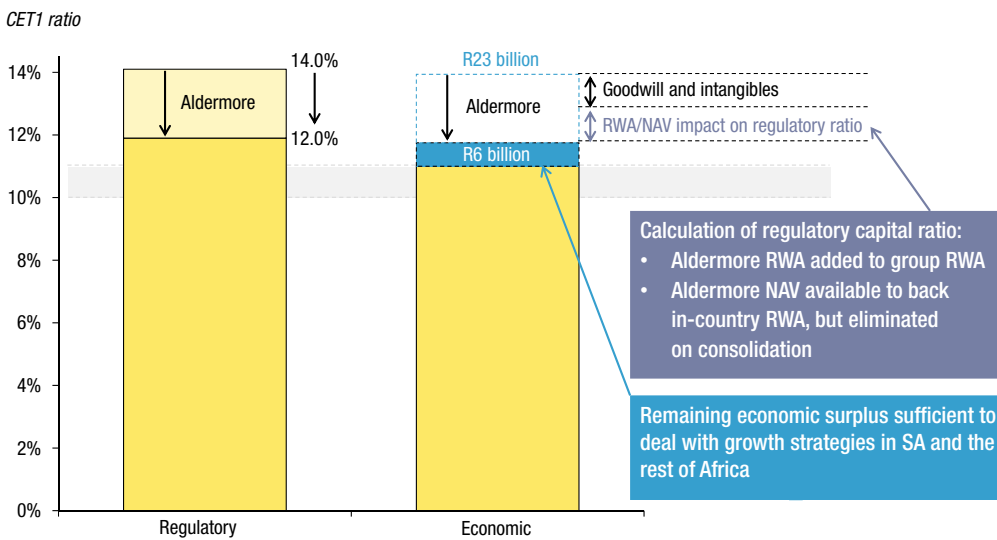
## FirstRand remains well capitalised



\* No adjustment taken for Basel IV changes outside the forecast horizon.

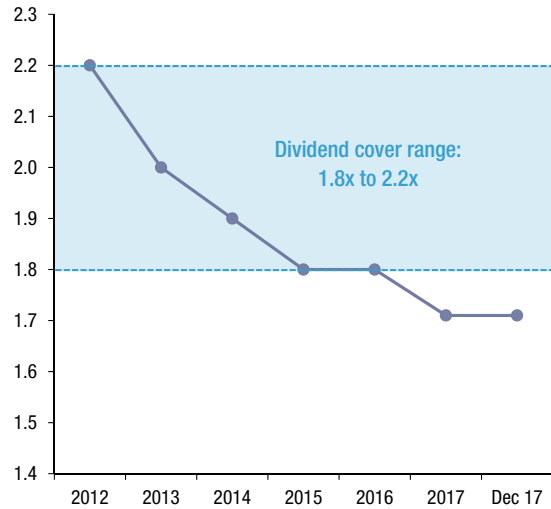


## Impact of Aldermore transaction on surplus



## Strong capital position supports dividend strategy

Dividend cover



- Dividend payout sustainable
  - Group's high return profile
  - Strong capital generation
- Provides ability to reward shareholders through yield until the growth trend in RWA and earnings improves



## Summing up

### Revenue growth +7.7%

- Deposit growth +9%
- Advances growth +7%
- Flat net interest margin (NIM)
- Strong NIR growth benefited from volume and customer growth

### Bad debts +8.3%

- At 87 bps, better than expected
- Debt-review account growth continues to impact NPLs
- Portfolio provisions maintained

### Opex growth +8.4%

- Continued investments
- Marginally negative jaws

### Dividend +9.2%

- Year-end dividend cover maintained
- Payout ratio of 58%
- Dividend growth above earnings growth

**Earnings growth above nominal GDP**



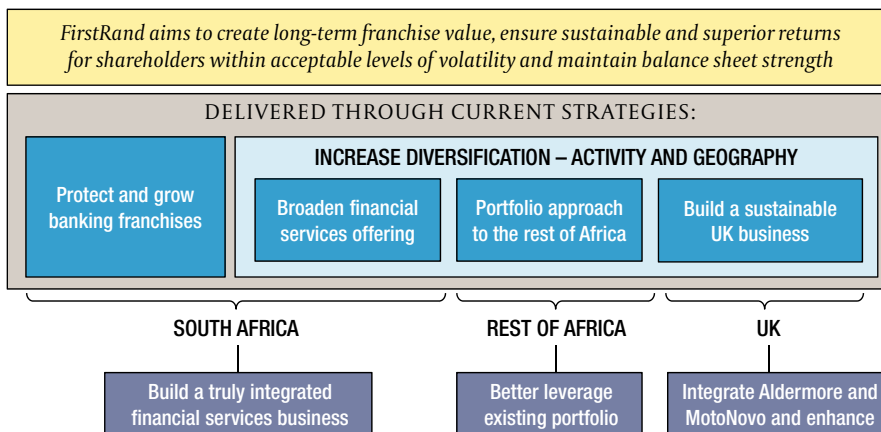


FIRSTRAND

RESULTS  
PRESENTATION  
for the six months ended  
31 December 2017

## unpacking performance against strategy

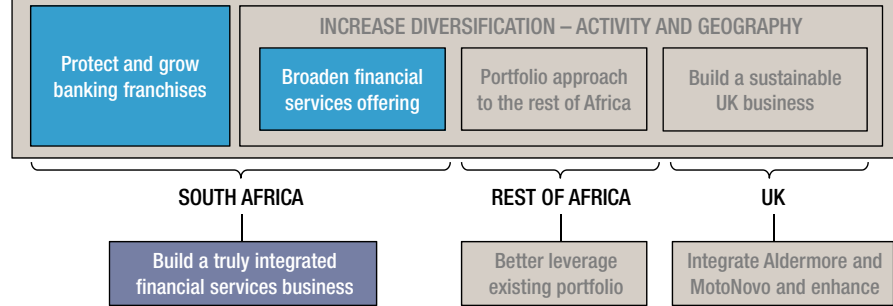
### Group strategic framework



## Group strategic framework

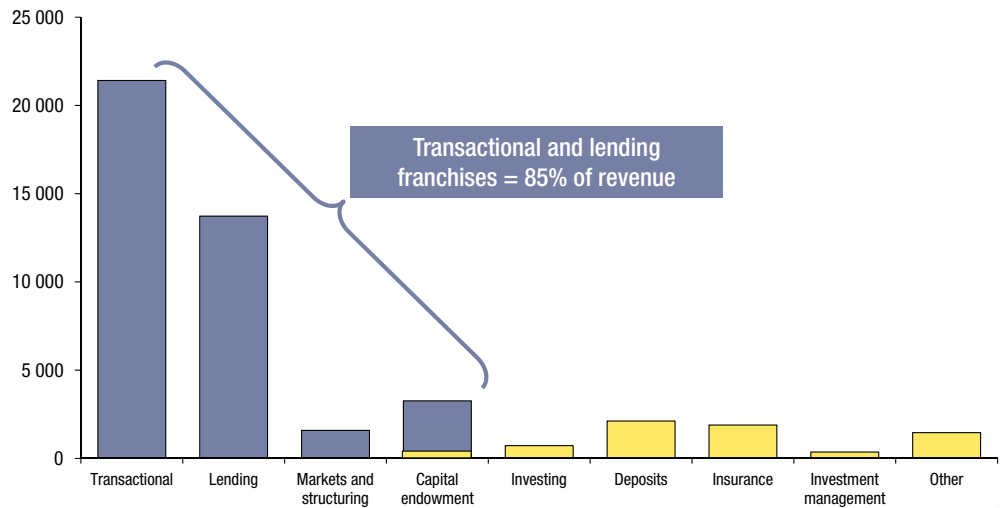
*FirstRand aims to create long-term franchise value, ensure sustainable and superior returns for shareholders within acceptable levels of volatility and maintain balance sheet strength*

DELIVERED THROUGH CURRENT STRATEGIES:



## Transactional and lending franchises continue to be substantial contributors

Gross revenue\*  
 R million



\* Excludes consolidation adjustments.



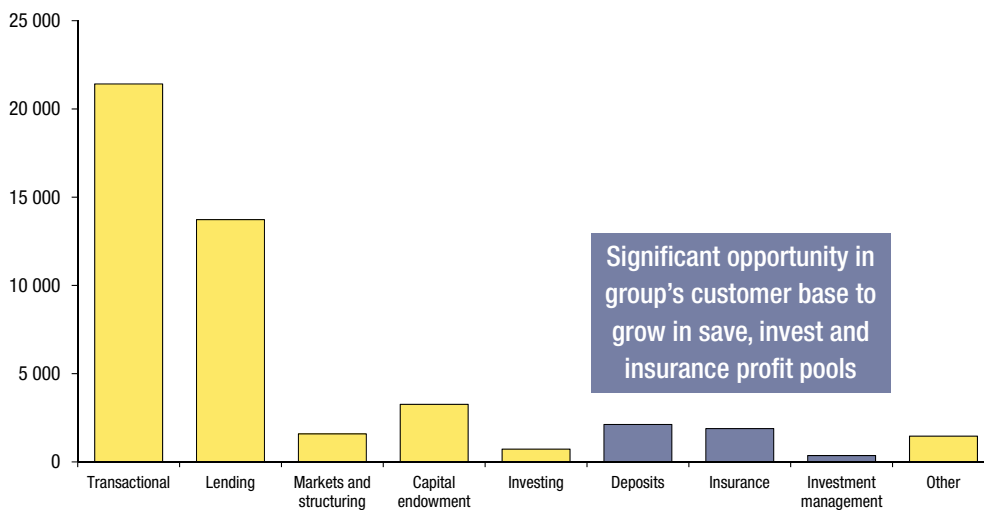
## Strategy to protect and grow banking franchises = high quality topline growth

- Core transactional customer acquisition (retail, commercial and corporate)
- Resultant increase in transactional volumes and strong deposit growth
- Ongoing momentum in cross-sell
- Segment focus delivered appropriate advances growth given the cycle and pricing anchored to protecting returns
- Leveraging market-leading advisory and structuring franchises
- Balance sheet prudence maintained



## Further growth opportunities lie in execution of diversification strategies

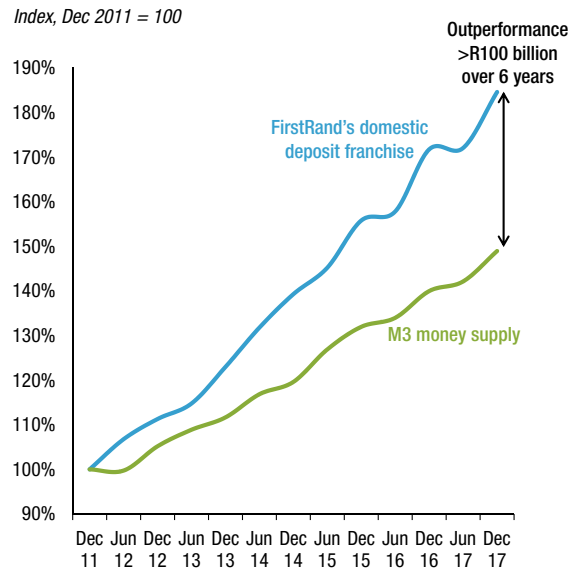
Gross revenue\*  
R million



\* Excludes consolidation adjustments.



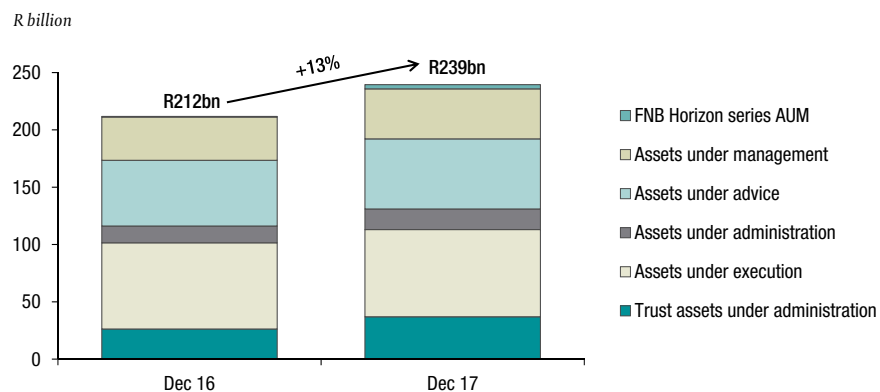
## Deposit franchise growth outpacing market on the back of save and invest strategy



- Strong growth supported by:
  - Product innovation
  - Improved channel utilisation
  - Cross-sell to existing customer base
  - Financial resource management strategies



## Good progress in wealth and investment management (WIM)



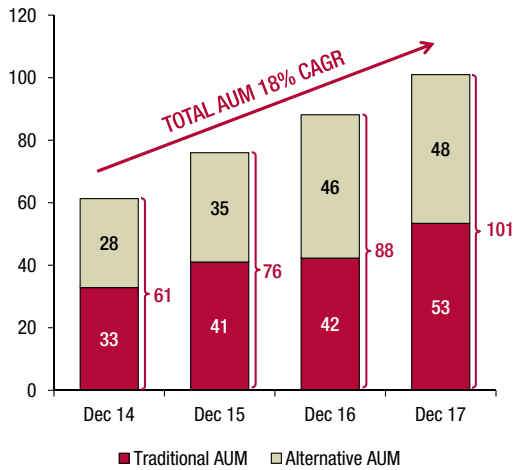
- WIM activities moved to FNB from Ashburton Investments on 1 July 2017
- FNB Horizon series launched in July 2016 – AUM exceeds R3.6 billion
  - Managed by Ashburton Investments
  - Sold into FNB customer base



## AUM growth benefited from Namibian acquisition and SA inflows

Assets under management

R billion



- Good new business flows from both traditional and alternative asset classes
  - Leveraging FNB customers and channels
  - New mandates in institutional fixed income
- Acceptable performance across all asset classes
- Pointbreak Namibia acquisition contributed R6 billion of AUM

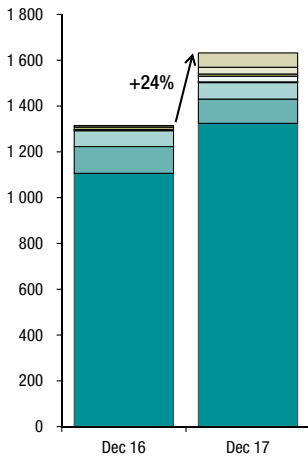
\* AUM excludes conduits and is shown for pure asset management business.



## FNB Life increasing segment penetration, growing product set and leveraging distribution channels...

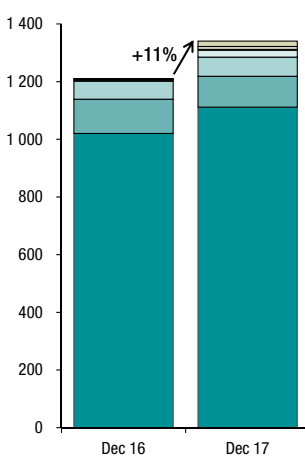
### Annual premium income (API)

In-force API on standalone life products  
R million



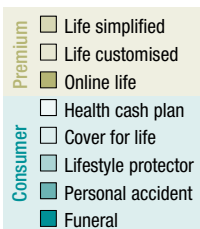
### Policies

Number of standalone life policies  
Thousands



### Sales channels

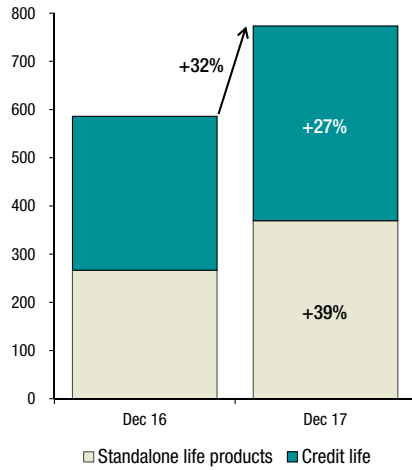
Channel	% of sales
Branch	72
Call centres	21
Digital	7



## ...resulting in strong value creation

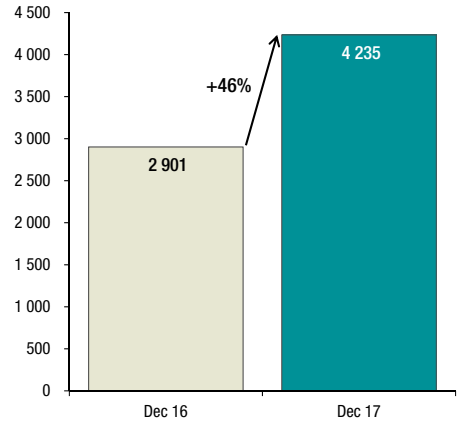
### Value of new business

Value of new business – all life products  
 R million



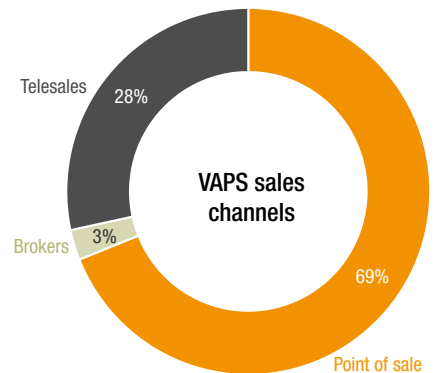
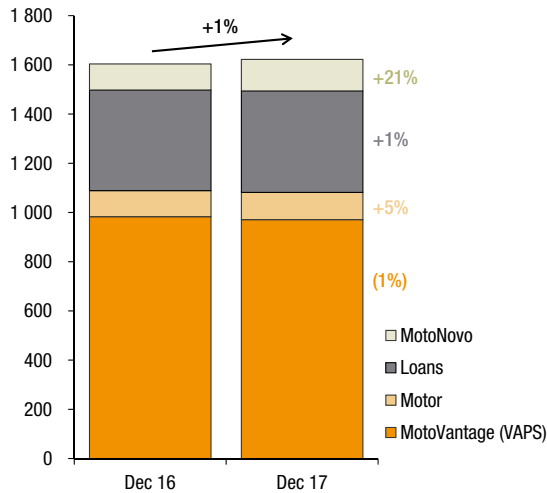
### Value creation

Embedded value – all life products  
 R million



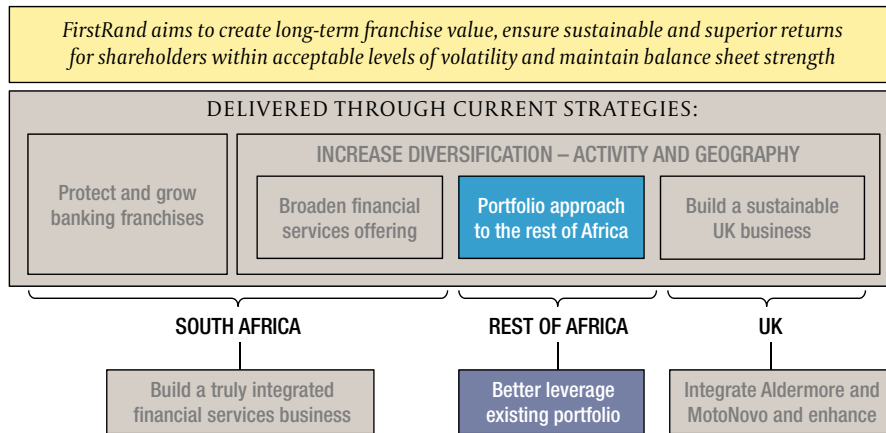
## WesBank insurance tracked new business volumes

Number of policies  
 R million





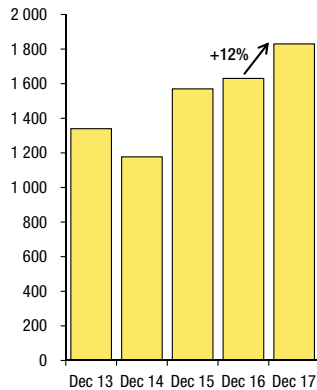
## Group strategic framework



## Group's rest of Africa growth driven by strong CIB performance

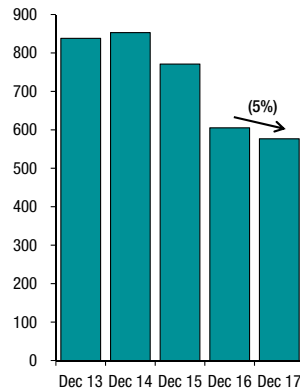
Group rest of Africa normalised PBT\*

R million



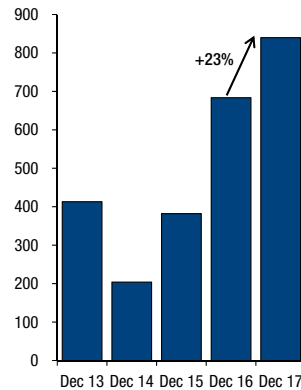
FNB rest of Africa normalised PBT\*\*

R million



RMB rest of Africa normalised PBT#

R million



**All subsidiaries ROE 16.3%, mature subsidiaries ROE 23.6%**

\* Strategy view – includes in-country and cross-border activities. Includes GTSY, but excludes FCC, FirstRand company and NCNR preference dividend. GTSY profits were included in FNB numbers for years prior to 2015.

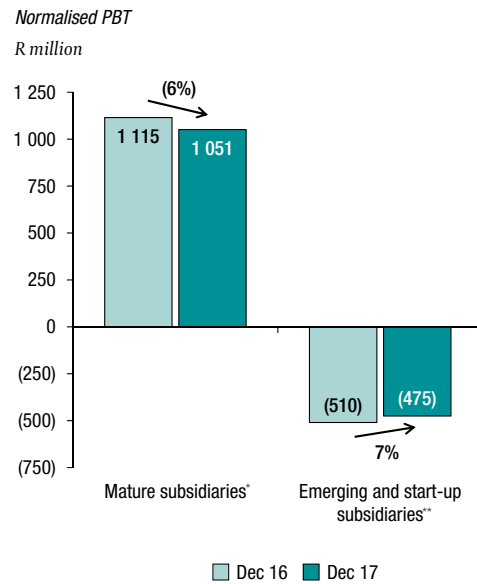
\*\* Excludes India.

# Strategy view including in-country and cross-border activities. Excludes central portfolios.

Note: ROEs based on legal entity (in-country) view.



## FNB Africa – credit strain due to macro headwinds

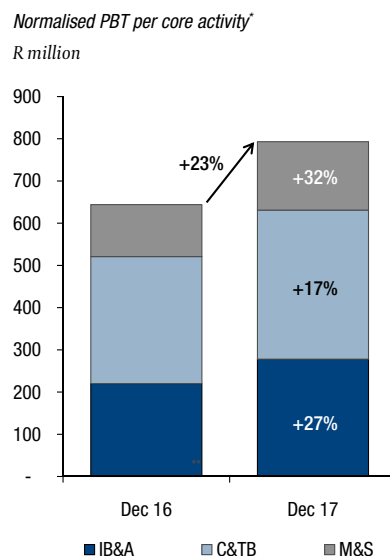


\* Mature subsidiaries: Botswana, Namibia, Swaziland (gross of minority interests).  
 \*\* Emerging and start-up subsidiaries: Lesotho, Mozambique, Zambia, Tanzania and Ghana.

- Mature subsidiaries – negatively impacted by credit provisions
  - Namibia earnings 13% down, as NPLs grew in recessionary economy
  - Botswana impacted by commercial exposure
- Emerging and start-up subsidiaries
  - Sub-scale Tanzania operation impacted by credit performance
- Total cost growth limited to 4%



## RMB's rest of Africa strategy continues to deliver growth



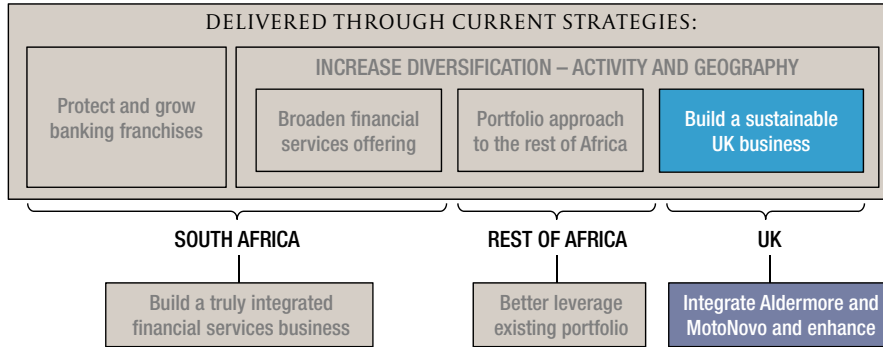
\* Strategy view including in-country and cross-border activity. Excludes central portfolios.

- Rest of Africa grew 23%
- Steady growth in IB&A despite economic headwinds, coupled with oil and gas provision releases
- C&TB building scale with liability-raising strategies and trade and working capital solutions driving performance
- M&S performance benefited from strong flow trading revenues



## Group strategic framework

*FirstRand aims to create long-term franchise value, ensure sustainable and superior returns for shareholders within acceptable levels of volatility and maintain balance sheet strength*



## UK – building blocks for a sustainable business

- MotoNovo currently undiversified from a product and market perspective
  - Meaningful market share in financing second hand vehicles
  - Organically building more diversified product set (personal loans and insurance)
- Acquisition of Aldermore would accelerate diversification process
  - Strength of Aldermore's position in SME, mortgage and savings markets
- Once integrated into Aldermore, MotoNovo will be supported by Aldermore's funding platform which can be further scaled – a more sustainable funding model for MotoNovo



## More appropriate hard-currency funding for FirstRand

Capacity limited to 10% of domestic balance sheet – substantial portion used to fund MotoNovo



Will become available to SA and rest of Africa CCIB client franchises and transactions

SA sovereign rating is sub-investment grade



Resultant funding costs uncompetitive in UK market



## The group exercised discipline

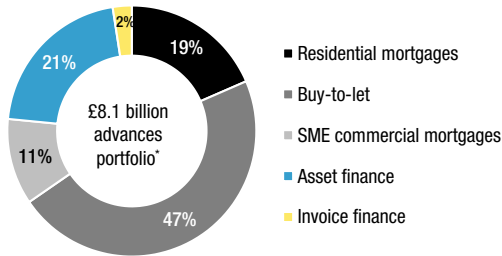
- Must not impact ability to maintain communicated dividend strategy
- Capital position post transaction remains robust
  - CET 1 ratio > 11%
- Maintain counterparty status
- Manageable goodwill impact
- No material impact on ROE
- Stress analysis outcome must be acceptable



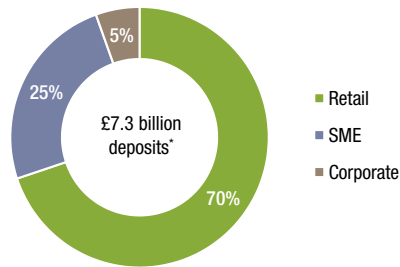
## What does Aldermore bring?

A positive next step in strategy to build a more diversified, sustainable UK franchise

Specialist lender with diversified lending book to retail and SME customers



Well-regarded customer deposit franchise



Ticks immediate boxes for diversification and funding for MotoNovo

\* At 30 June 2017.



## Why is it attractive?

- Highly regarded management team
- Owner-manager CEO running the business
- Brings UK banking licence
- Operationally well structured
- Deposit franchise that is easily scalable
- Profitable business with good returns
- Scope for FirstRand to add value



## Group strategic framework

*FirstRand aims to create long-term franchise value, ensure sustainable and superior returns for shareholders within acceptable levels of volatility and maintain balance sheet strength*

DELIVERED THROUGH CURRENT STRATEGIES:

Protect and grow banking franchises

INCREASE DIVERSIFICATION – ACTIVITY AND GEOGRAPHY

Broaden financial services offering

Portfolio approach to the rest of Africa

Build a sustainable UK business

SOUTH AFRICA

REST OF AFRICA

UK

Build a truly integrated financial services business

Better leverage existing portfolio

Integrate Aldermore and MotoNovo and enhance

*Underpinned by disciplined management of financial resources*



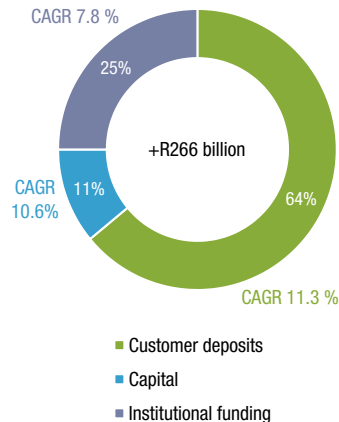
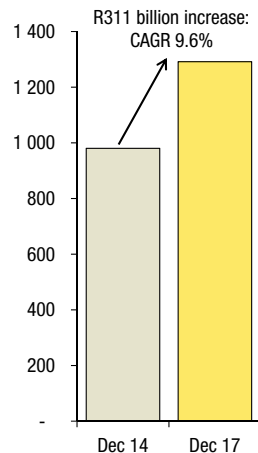
## FRM strategies have delivered balance sheet optimisation

Balance sheet growth

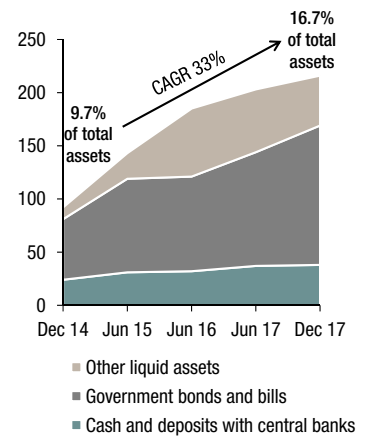
How balance sheet growth was funded

Liquid asset growth

Total assets  
R billion

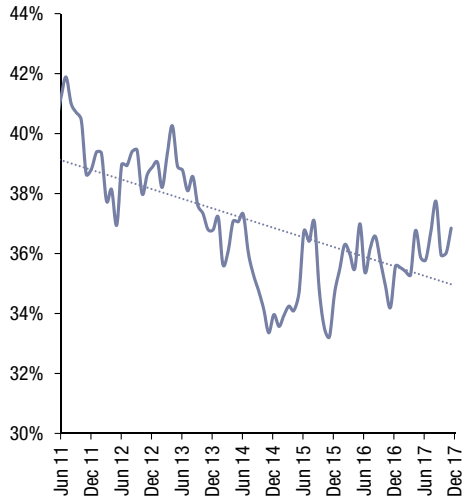


Liquid assets  
R billion

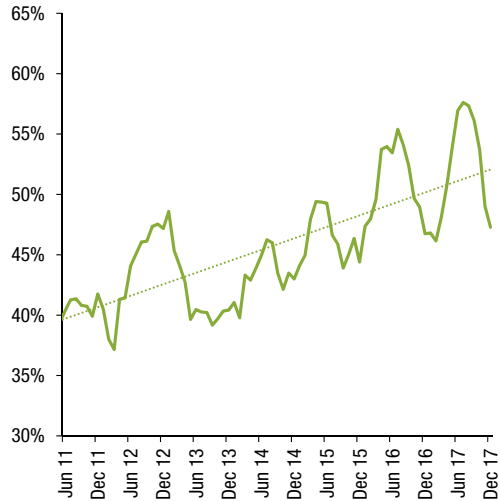


## Reduced reliance on institutional funding and lengthened term profile over time

Institutional funding as % of total funding

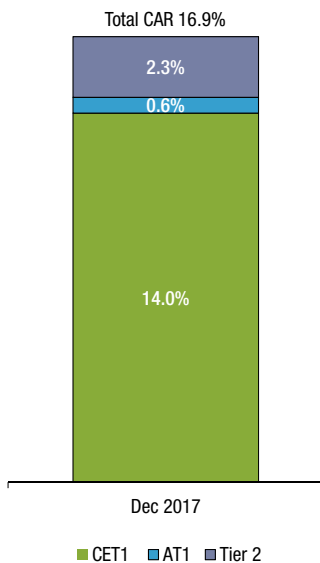


Long-term funding as % of institutional funding (>6m)

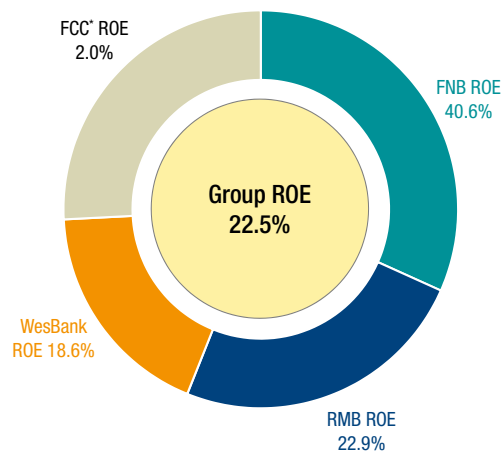


## Disciplined capital allocation underpins delivery of superior returns

Capital position remains strong

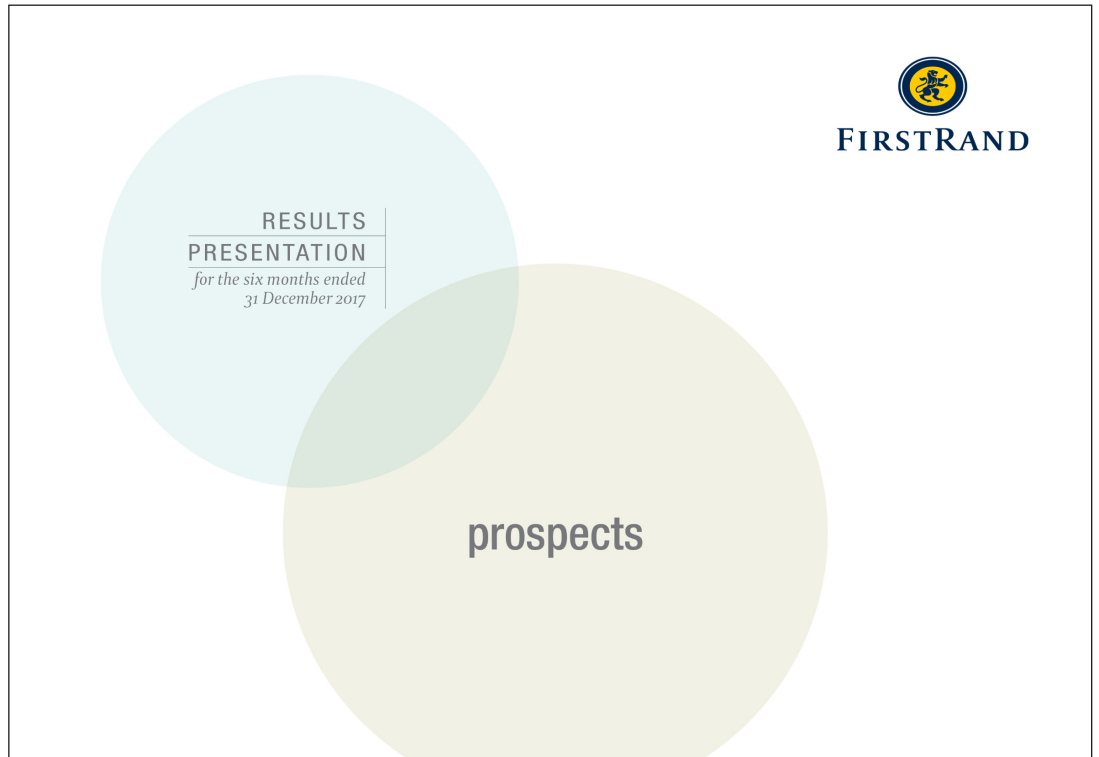


Average NAV allocation



\* Including Group Treasury.





## Domestic fundamentals will take time to improve

- SA sentiment and macroeconomic outlook has improved
  - Medium to long term
    - Market-leading position of group's businesses and execution on growth strategies mean the group is well positioned to benefit from renewed growth
  - Short term
    - Given structural nature of challenges in SA, group believes domestic fundamentals will not improve quickly
    - Therefore expect similar macro backdrop for remainder of financial year
- Group remains committed to:
  - Investing for growth and diversification (activities and geographies)
  - Allocating financial resources to maximise economic profits
  - Maintaining a strong and prudently positioned balance sheet
  - Delivering real growth in earnings and superior returns





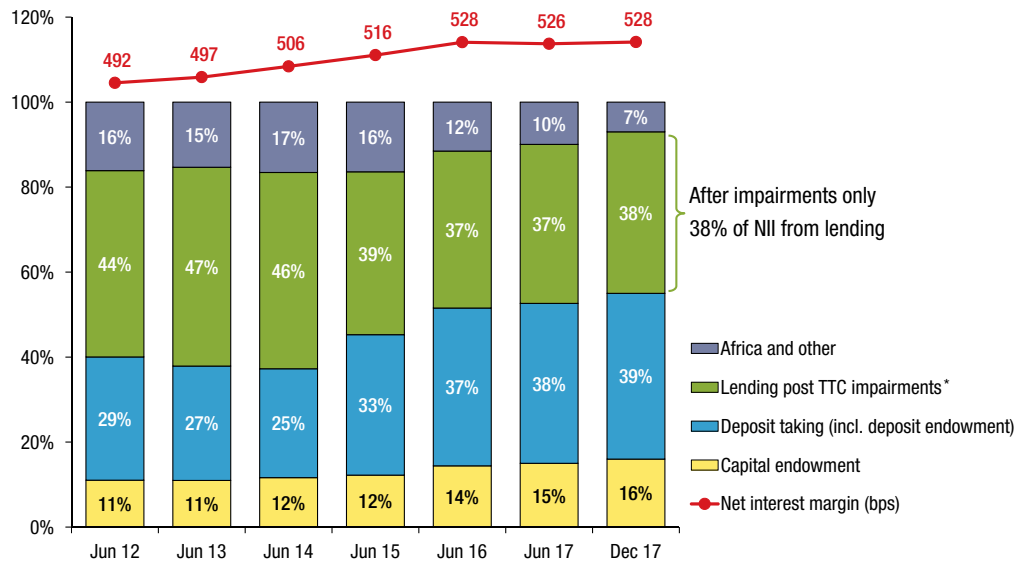


FIRSTRAND

RESULTS  
PRESENTATION  
for the six months ended  
31 December 2017

appendix

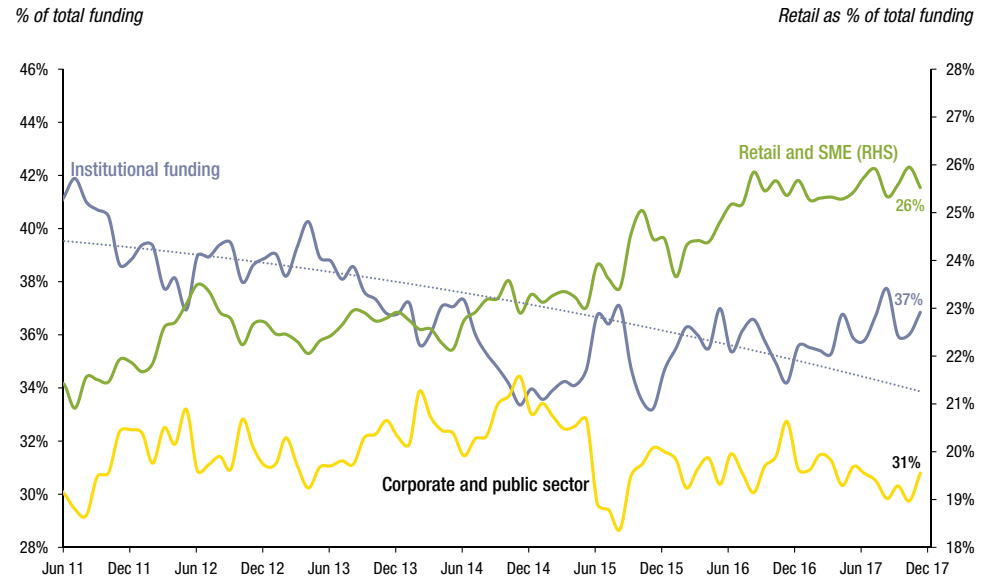
### Margin sustainable due to appropriate asset/liability mix



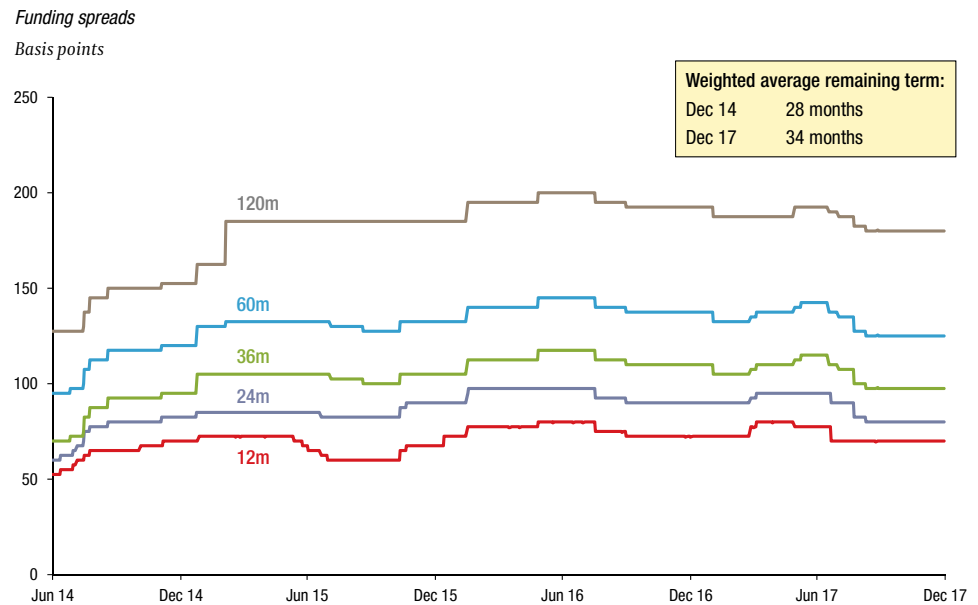
\* Assuming a TTC impairment charge of 100 bps.



## Continue to improve funding profile and mix



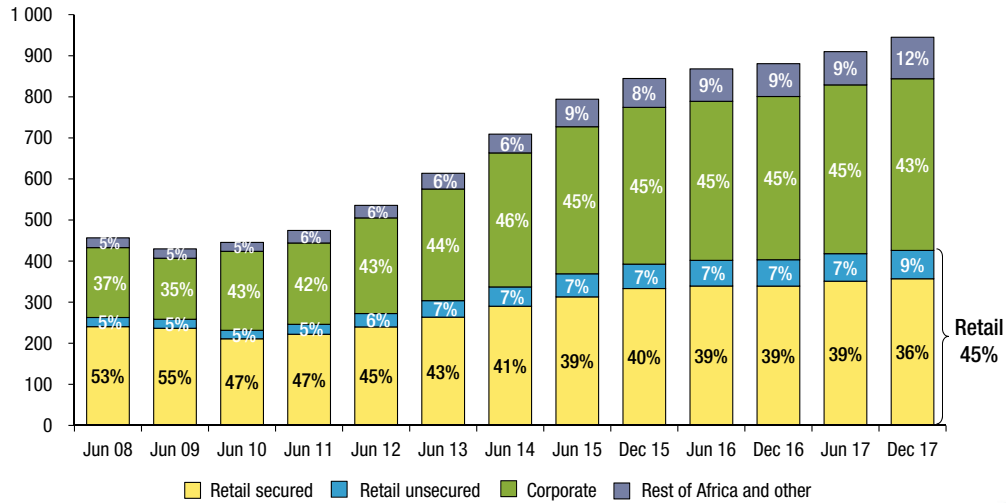
## Cost of funding is stable, but remains elevated



## Advances portfolio mix between corporate and retail remains appropriate

Gross advances

R billion



Periods prior to June 2015 have not been restated for refined rest of Africa segmentation.













## Retail advances growth reflects appropriate origination strategies

RETAIL ADVANCES			
Mortgages	Affordable housing	SA VAF	UK VAF (MotoNovo)
<ul style="list-style-type: none"> <li>Continued focus on origination quality.</li> <li>Uptick in last quarter.</li> <li>Tracked industry trend.</li> </ul>	<ul style="list-style-type: none"> <li>Credit demand and performance remain robust.</li> </ul>	<ul style="list-style-type: none"> <li>Volumes resilient and appetite reduced for higher-risk customers.</li> </ul>	<ul style="list-style-type: none"> <li>Market position and performance remain strong.</li> <li>Risk appetite conservatism.</li> </ul>
Card	Personal loans	Rest of Africa	Transactional facilities
<ul style="list-style-type: none"> <li>Growth following FNB customer cross-sell strategy and transactional spend growth.</li> <li>Growth contained in premium segment.</li> </ul>	<ul style="list-style-type: none"> <li>Customer cross-sell driving growth. Appetite reduced with focus on low/medium risk, mainly in premium segment.</li> <li>Relaunch of digital-led origination is showing early signs of success with uplift in new business volumes.</li> </ul>	<ul style="list-style-type: none"> <li>Moderating growth and appetite with focus on FNB-banked customers.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing cross-sell and lending activation, but growth moderating.</li> </ul>



## Targeted lending strategies in corporate and commercial

COMMERCIAL ADVANCES					
Working capital	Commercial property finance	Agri finance	Asset-backed finance	Small businesses (SMEs)	Rest of Africa and India
 <ul style="list-style-type: none"> <li>Organic growth to existing clients with increasing utilisation levels.</li> <li>Selective acquisition of new clients.</li> </ul>	 <ul style="list-style-type: none"> <li>Remain focused on banked owner-occupied. Selective acquisition of multi-tenanted deals.</li> </ul>	 <ul style="list-style-type: none"> <li>Continue to diversify exposure across commodities and geographically.</li> <li>Proactive drought impact management.</li> </ul>	 <ul style="list-style-type: none"> <li>Growth focus on customers across targeted industries.</li> <li>Cross-sell to banked clients.</li> </ul>	 <ul style="list-style-type: none"> <li>Continue to cross-sell to relationship base with some tightening on new-to-bank and higher risk business.</li> </ul>	 <ul style="list-style-type: none"> <li>Unlocking synergies and renewed focus to grow upper end of mid and large corporate segments.</li> </ul>
CORPORATE ADVANCES					
Domestic short-term lending	Domestic long-term lending	Acquisition finance	Rest of Africa strategy		
 <ul style="list-style-type: none"> <li>Increase in utilisation of working capital facilities.</li> <li>Maintained SOE limits.</li> </ul>	 <ul style="list-style-type: none"> <li>Tracking nominal GDP.</li> </ul>	 <ul style="list-style-type: none"> <li>SA corporates expanding to developed markets.</li> <li>Delivering large multi-product solutions.</li> </ul>	 <ul style="list-style-type: none"> <li>Driven by infrastructure and resource finance in presence jurisdictions.</li> </ul>		

Commercial includes all advances to commercial clients across FNB and WesBank. Corporate includes advances to corporate and public sector customers across FNB, FNB and WesBank.



## Unpacking the 10% increase in total NIR

<i>Non-interest revenue</i> <i>R million</i>	Dec 17	Dec 16	% change
Fee and commission income	13 956	12 808	9
Insurance income	1 942	1 810	7
Markets, clients and other fair value	2 066	1 664	24
Investment income	344	89	>100
Other	1 206	1 292	(7)
Share of associates and JVs	488	469	4
<b>Total non-interest revenue</b>	<b>20 002</b>	<b>18 132</b>	<b>10%</b>

+9% reflects strength of transactional franchises

Realisations across categories



## Coverage breakdown: residential mortgages

<i>Type</i>	R million	Specific coverage ratio
Sold property awaiting registration	113	34.5%
Deceased	212	60.1%
Debt review – mostly paying per agreement	823	9.4%
Insolvencies and litigation	1 500	24.8%
Non-debt review – payments being made	1 244	18.7%
Other	643	26.6%
<b>Total</b>	<b>4 535</b>	<b>22.5%</b>

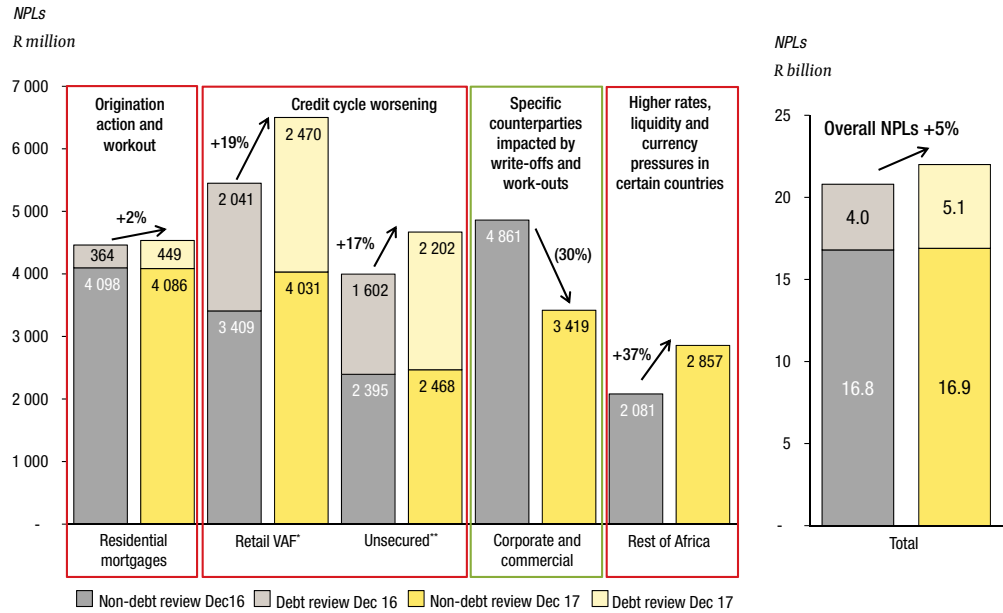


## Coverage breakdown: retail VAF (SA and UK)

<i>Type</i>	R million	Specific coverage ratio
Other (includes absconded, insurance and alienations)	404	58.4%
Repossession	202	55.8%
Legal action for repossession	803	42.7%
Not restructured debt review	648	39.7%
Arrears 3+ months	1 974	42.6%
Restructured debt review	2 470	9.5%
<b>Total</b>	<b>6 501</b>	<b>31.1%</b>



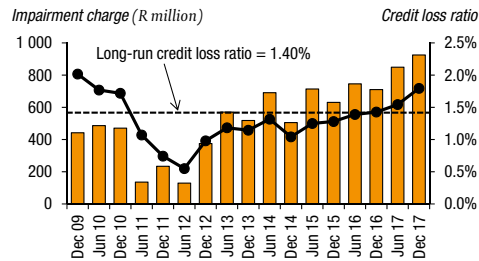
## Debt review driving NPL growth in retail



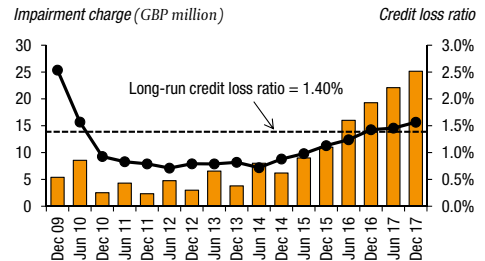
\* Retail VAF amount includes NPLs from MotoNovo, to which debt review is not applicable (SA only Dec 17: R6 104 million; Dec 16: R5 158 million).  
\*\* Includes NPLs relating to MotoNovo personal loans.

## WesBank credit portfolios

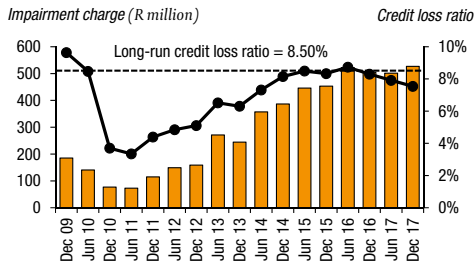
### DOMESTIC RETAIL VAF



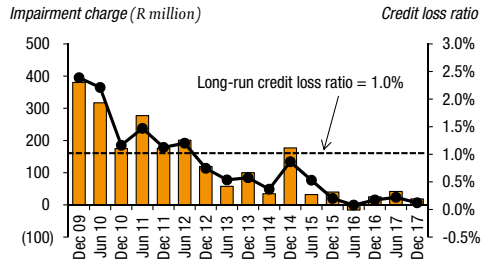
### MOTONOVO (UK)



### PERSONAL LOANS



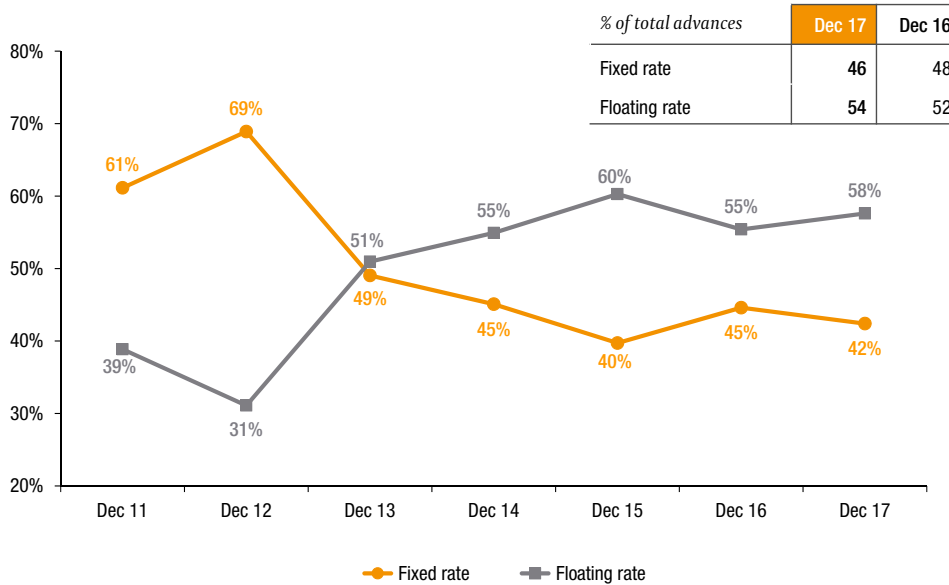
### CORPORATE AND COMMERCIAL



Impairment charge
  Credit loss ratio

## Margin pressure from shift in rate mix in WesBank's VAF book

Proportion of SA retail VAF new business



% of total advances	Dec 17	Dec 16
Fixed rate	46	48
Floating rate	54	52



## Recalibration of branch network continues

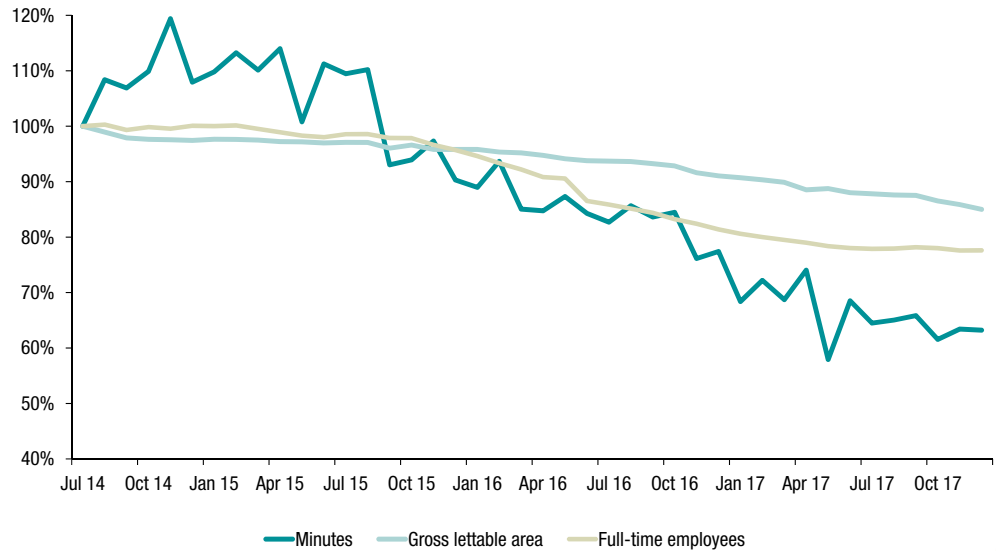
INFRASTRUCTURE COST REDUCTION	INVESTMENT TO TAKE OUT MORE COSTS	FOCUS ON GROWTH IN LONG-TERM COSTS
<ul style="list-style-type: none"> <li>Branch costs flat</li> <li>Branch m<sup>2</sup> (7%)</li> <li>Outcomes-based remuneration paying off</li> <li>Modular branch fitment is more cost effective</li> </ul>	<ul style="list-style-type: none"> <li>Electronic channels</li> <li>Growth in ADT device cash +14%</li> <li>Smartbox devices (business cash processing) +53%</li> <li>Digital capabilities in branch activations                             <ul style="list-style-type: none"> <li>App: &gt;+100%</li> <li>Online: +42%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Staff costs +3%</li> <li>Long-term leases +1%</li> <li>Rationalise:                             <ul style="list-style-type: none"> <li>Property portfolio</li> <li>Operational process</li> </ul> </li> </ul>

Percentages shown above relate to year-on-year changes for points of presence.



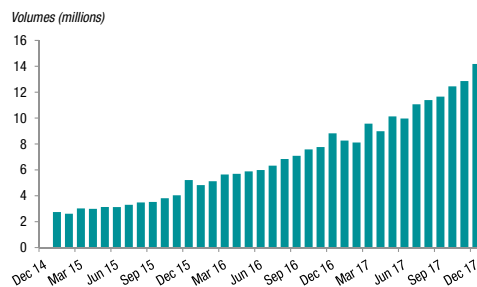
## Branch efficiencies being realised

Index, Jul 2014 = 100

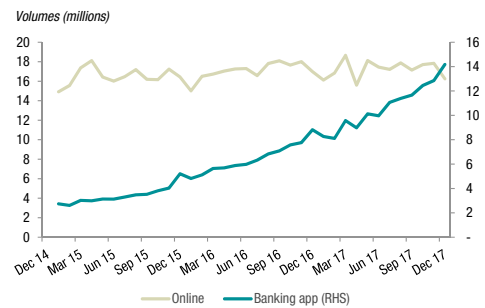


## Innovation driving growth in volumes and values

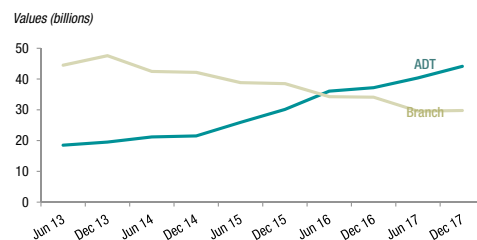
### FNB banking app transactions



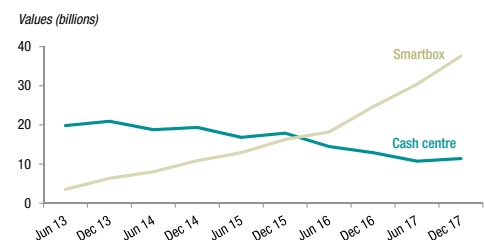
### Digital platforms



### Deposit values (excl. cheques) – branches vs ADTs



### Deposit values – smartbox vs cash centres







[www.firststrand.co.za](http://www.firststrand.co.za)



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