

*for the six months ended 31 December 2016*



**results  
presentation**



**FIRSTRAND**



RESULTS PRESENTATION  
for the six months ended 31 December 2016

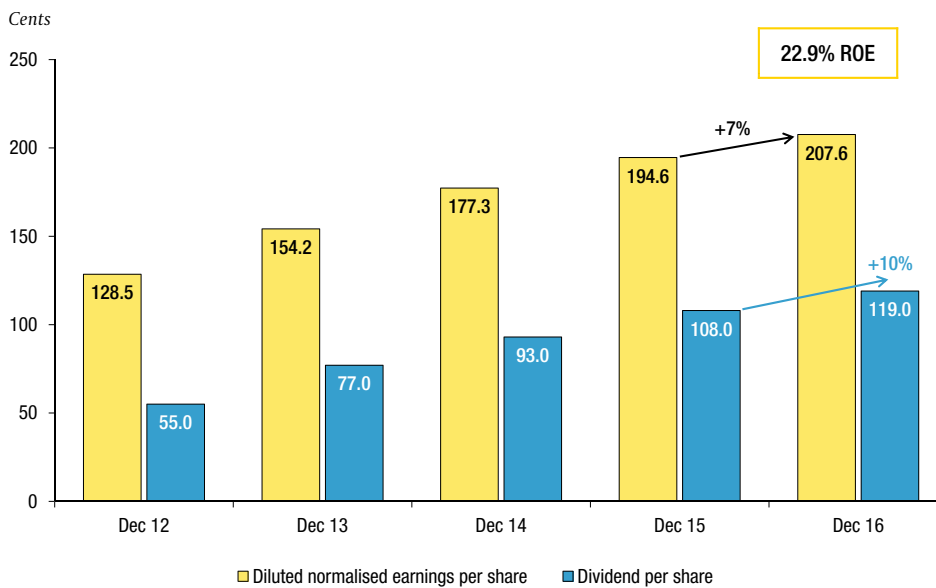


# introduction

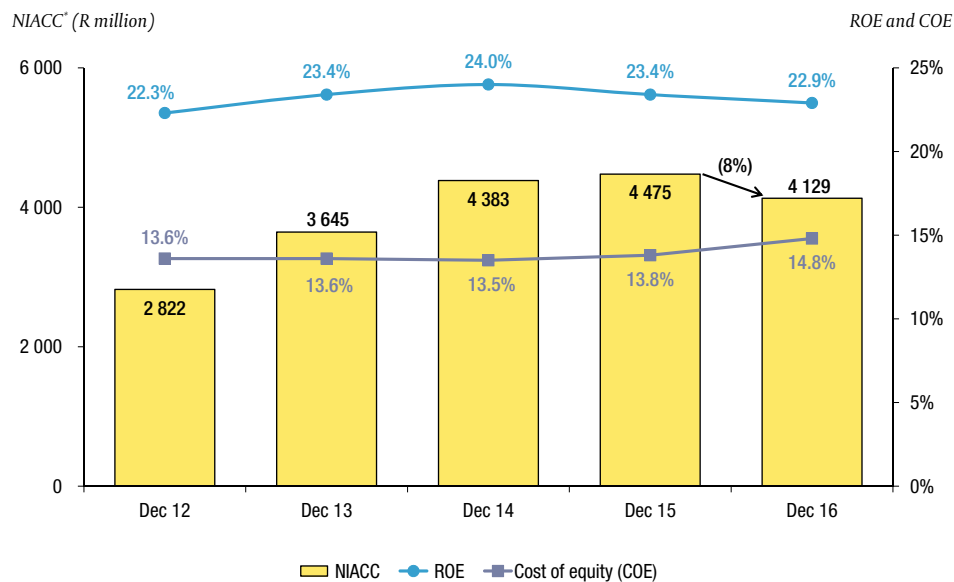


FIRSTRAND

## Real EPS and DPS growth continued, return remained above target range



## Higher cost of equity impacted NIACC growth



\* Net income after capital charge.

## Results themes – income statement

### NIR PRESSURES

- Strategic choices
  - Product rationalisation and pricing in Consumer
  - E-migration – lower fees
- Regulatory impacts
  - Rate and fee caps – lower production
- Timing of private equity realisations

### HIGH QUALITY NII

- Endowment benefit
- Good growth in deposit franchise
- Asset growth
  - Targeted growth across segments/franchises
  - Appropriate cutbacks in risk appetite

Themes playing out in resilient earnings performance

### BAD DEBTS

- Origination actions taken over past two years underpin bad debt charge
- Bad debt charge at 86 bps remains below long-term range of 100 – 110 bps

### COSTS

- Investment decisions
- Cost reduction lagging e-migration in FNB

## Results themes – balance sheet

### STRONG CAPITAL POSITION

- CET 1 ratio = 14.1% (regulatory minimum 6.9%)
- Basel III leverage = 8.4% (regulatory minimum 4%)
- RWA = 60.6% of total assets

### ROBUST FUNDING AND LIQUIDITY POSITION

- LCR = 95% (minimum requirement 70%)
- Available HQLA = R173 billion
- Deposit franchise represents 60% of funding

Balance sheet  
prudence  
maintained

### PRUDENT PROVISIONING AND COVERAGE

- Portfolio provisions > annual bad debt charge
- Total coverage at 79.5% appropriate

### APPROPRIATE ORIGINATION STRATEGIES

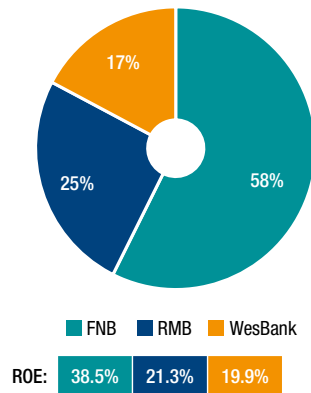
- Cutbacks in high risk buckets in retail
  - Retail advances grew 3%
- Commercial advances +11%
- CIB (incl. HQLA) +8%



## Franchises produced solid operational performances

NORMALISED EARNINGS (R million)	Dec 16	Dec 15*	% change
FNB	6 462	6 278	3 ▲
RMB	2 853	2 805	2 ▲
WesBank	1 944	1 786	9 ▲

FRANCHISE SPLIT OF NORMALISED EARNINGS\*\*



\* Dec 15 numbers have been restated for the move of a business unit from WesBank to FNB.

\*\* Excludes FCC (including Group Treasury), FirstRand company, consolidation adjustments and NCNR preference dividend.



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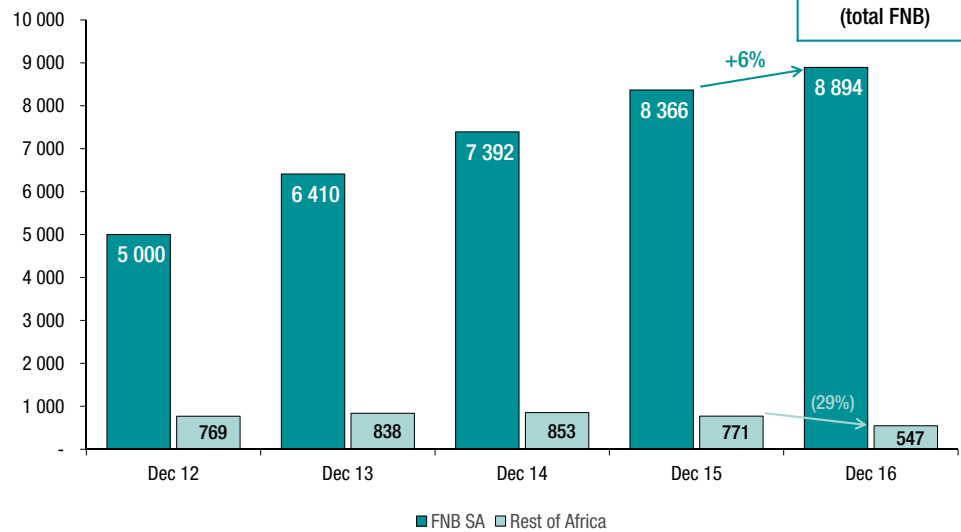


# review of operations



## Domestic franchise resilient, weak macros impacted rest of Africa

NORMALISED PBT (R million)

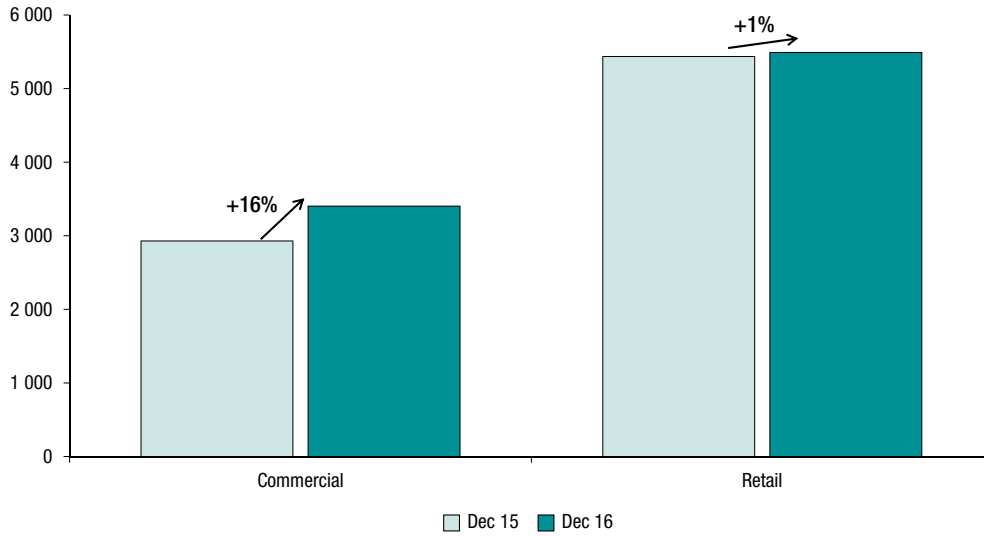


*Periods prior to 2015 have not been restated for refined rest of Africa segmentation. Periods prior to 2014 have not been restated for allocation of FCC costs and return on capital.*



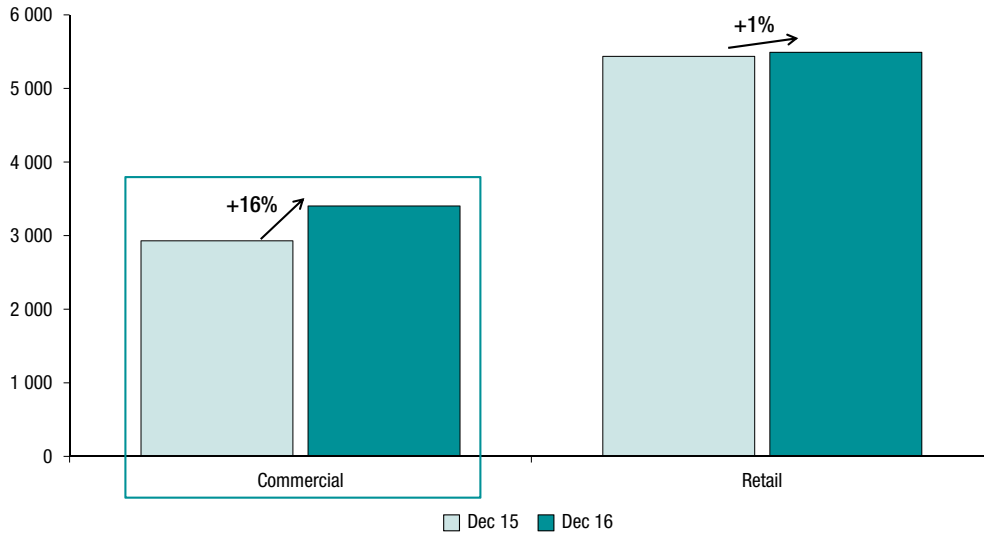
### Segment view of FNB SA presents a mixed picture

NORMALISED PBT (R million)



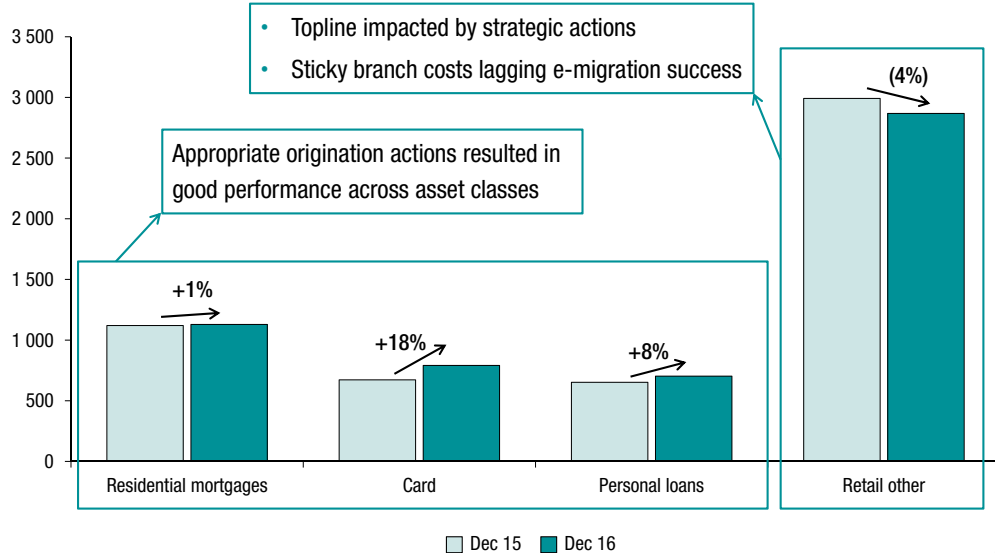
### Strong performance from FNB Commercial underpinned by growth in customers and cross-sell

NORMALISED PBT (R million)



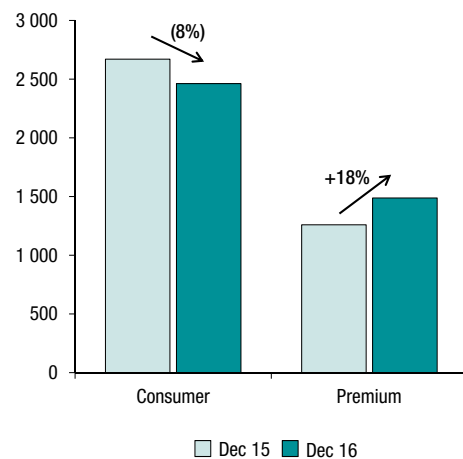
## Retail performance unpacked – product view

NORMALISED PBT (R million)



## Premium's strategy delivered strong growth in NIR, offset by strategic action to simplify Consumer offering

TRANSACTIONAL ACCOUNT NIR (R million)

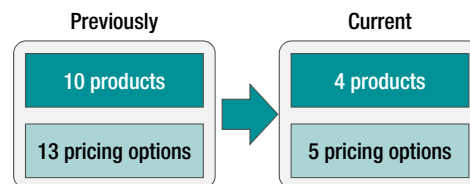


### PREMIUM

- Deliberate strategy to migrate clients to Premium
- Successful cross-sell and up-sell strategy into sweet-spot customers

### CONSUMER

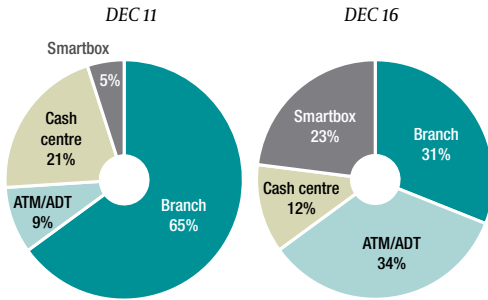
- Simplified product and pricing options
- Some customers moved into lower revenue-generating product lines resulting in R250 million negative impact





## Success of FNB's e-migration strategy results in revenue squeeze...

### DEPOSIT CHANNEL MIX ILLUSTRATES SCALE OF MIGRATION OVER PAST FIVE YEARS



### FASTER-THAN-EXPECTED E-MIGRATION RESULTS IN REVENUE SQUEEZE

	Year-on-year change in transaction volumes %
Mobile	26
Internet	11
Point-of-sale volumes	11
Banking app	80
ADT/ATM cash deposits	18
Branch	
– Withdrawals	(12)
– Deposits	(30)

**Strong growth (lower fees)** (referring to Mobile, Internet, Point-of-sale, Banking app, ADT/ATM cash deposits)

**Volumes contracting (higher fees)** (referring to Branch Withdrawals and Deposits)

## ...will require recalibration of the branch network, but there is a lag

### SOME EARLY COST REDUCTION WINS

- Staff costs (5%)
- Reduced fit-out cost per branch (modular) (29%)
- Outcomes-based remuneration paying off

### INVESTMENT TO TAKE OUT MORE COSTS

- Electronic channels
  - Growth in ADT device +8%
  - Smartbox devices (business cash processing) +35%
- Digital capabilities in branch – coverage increased from 30% of branches to 50%, with plans to increase to 80%
- Dedicated migration agents forecast to grow >40%

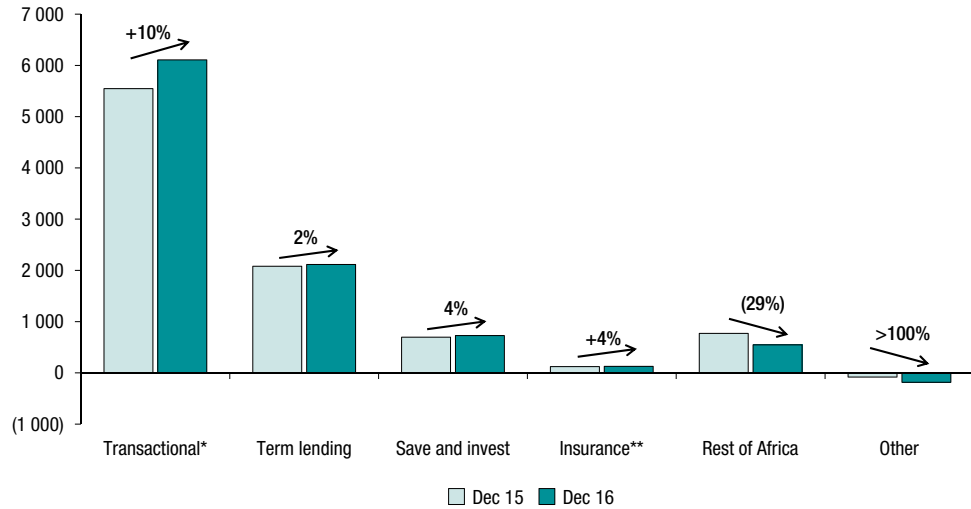
### LONG-TERM STICKY COSTS

- Long-term leases +8%
- Rationalise:
  - Property portfolio
  - Operational process

\* Percentages shown above relate to year-on-year changes.

## Activity view of FNB performance

NORMALISED PBT (R million)



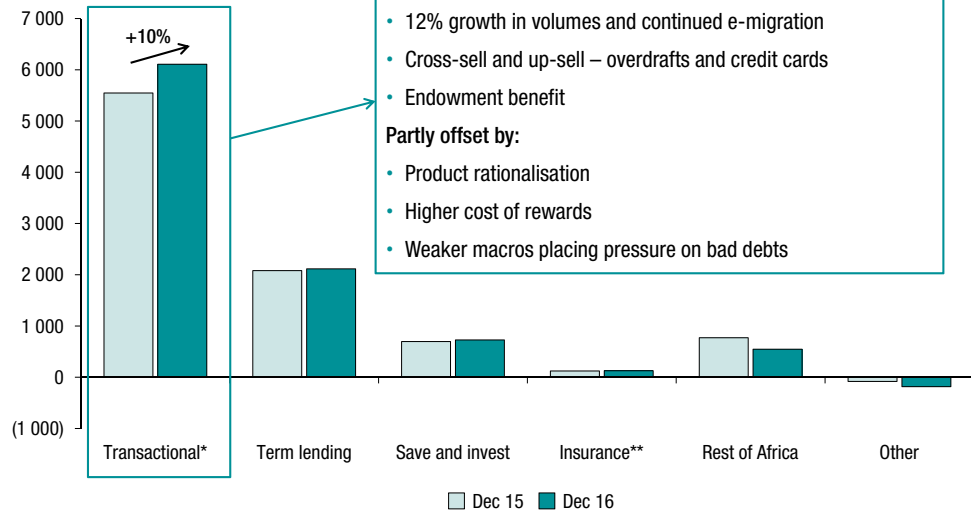
\* Transactional includes transactional deposit products and deposit endowment, overdrafts and credit cards.

\*\* Insurance includes elements of embedded credit protection.



## Transactional franchise resilient despite headwinds

NORMALISED PBT (R million)

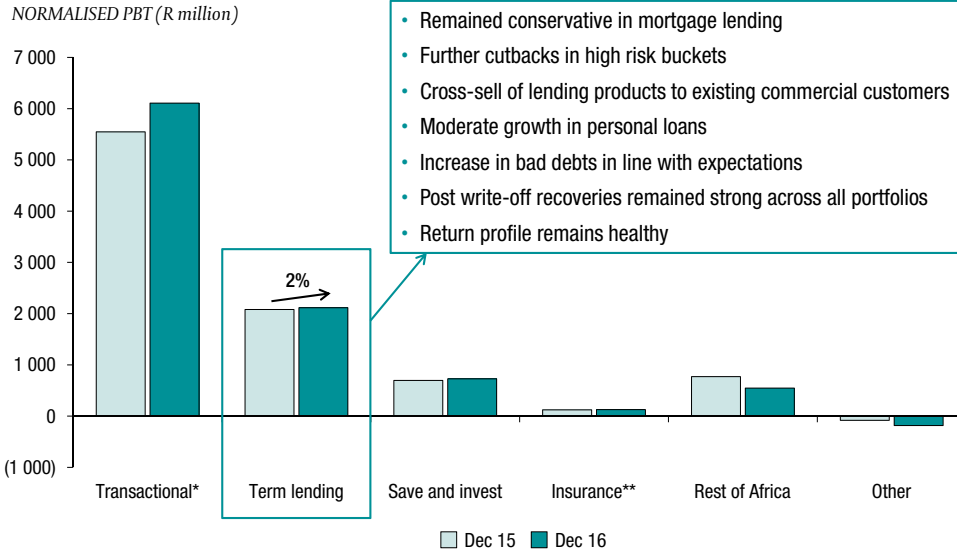


\* Transactional includes transactional deposit products and deposit endowment, overdrafts and credit cards.

\*\* Insurance includes elements of embedded credit protection.



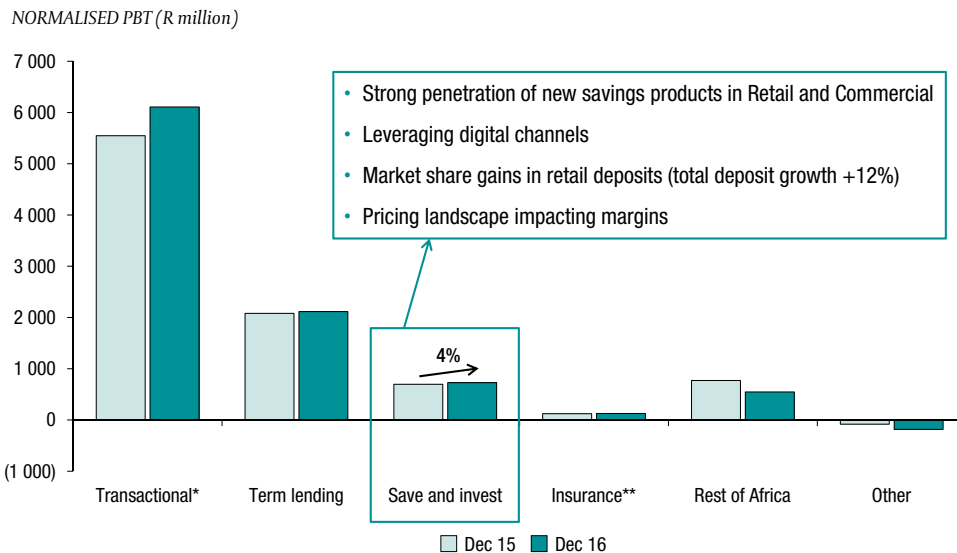
## Term lending performance reflects origination strategies



\* Transactional includes transactional deposit products and deposit endowment, overdrafts and credit cards.  
 \*\* Insurance includes elements of embedded credit protection.



## Strong growth in deposits, but at lower margins

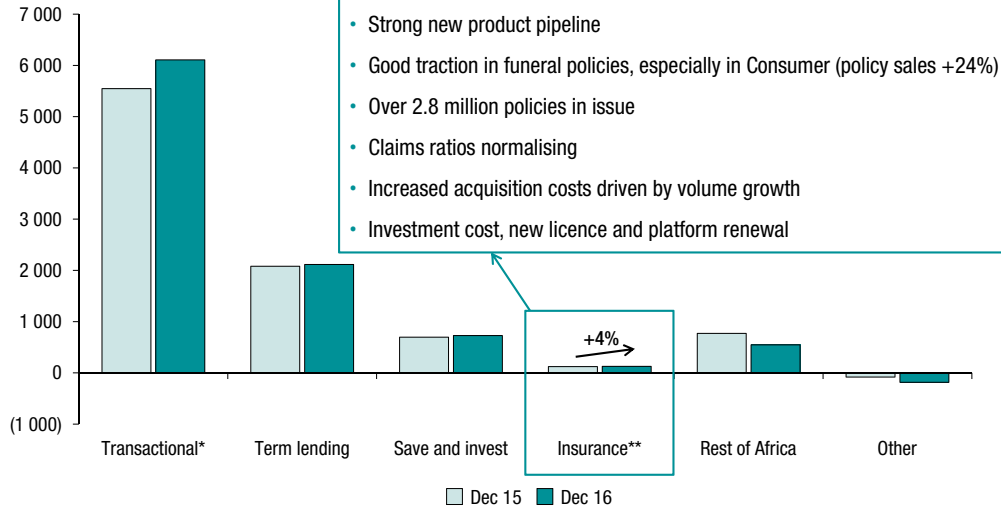


\* Transactional includes transactional deposit products and deposit endowment, overdrafts and credit cards.  
 \*\* Insurance includes elements of embedded credit protection.



## Good traction in insurance revenues up 13%, but continued investment drag

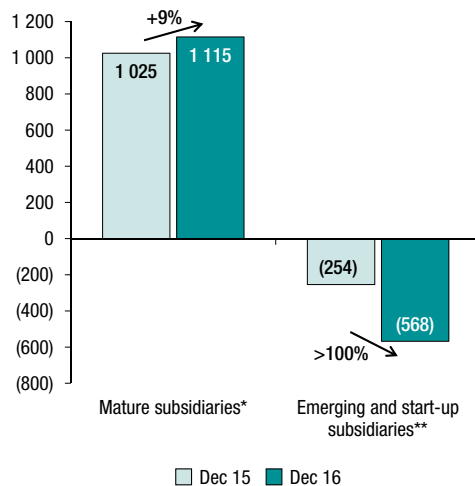
NORMALISED PBT (R million)



\* Transactional includes transactional deposit products and deposit endowment, overdrafts and credit cards.  
 \*\* Insurance includes elements of embedded credit protection.

## Rest of Africa – tough macros and investment costs offset good performance from mature businesses

NORMALISED PBT (R million)



### Mature subsidiaries

- Return profile preserved
- Namibia – resilient topline growth offset by investment costs
- Turnaround in Botswana performance on the back of improved margins and book growth

### Emerging and start-up subsidiaries

- Zambia and Mozambique macros extremely difficult and impacted bad debts in these sub-scale businesses
- Downsized retail business in India

\* Mature subsidiaries: Botswana, Namibia, Swaziland.

\*\* Emerging and start-up subsidiaries: Lesotho, Mozambique, Zambia, Tanzania and Ghana (and India).

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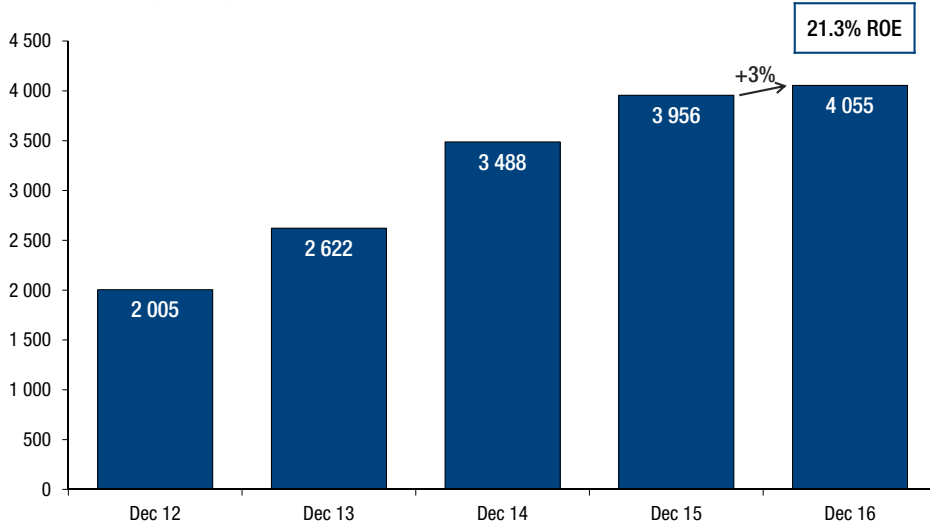


## review of operations



### RMB's diversified portfolio delivered good growth despite lack of Private Equity realisations

NORMALISED PBT (R million)

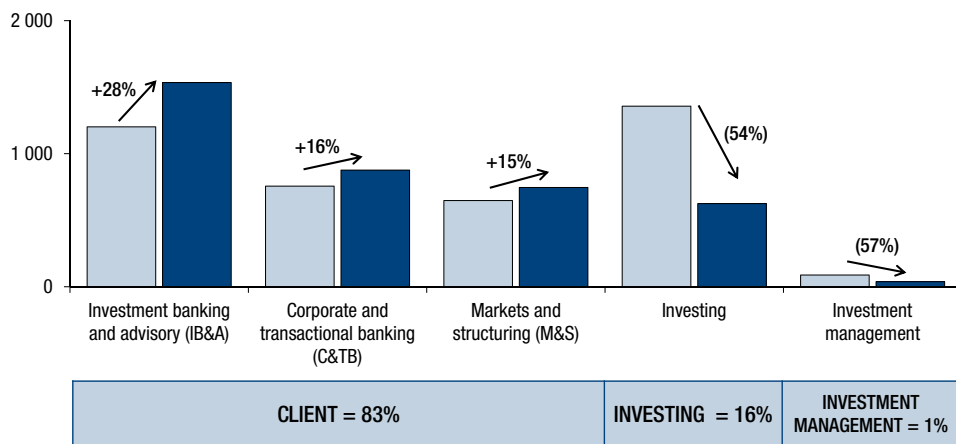


Periods prior to 2015 have not been restated for refined rest of Africa segmentation. Periods prior to 2014 have not been restated for allocation of FCC costs and return on capital.



## Performance underpinned by client-focused portfolio

NORMALISED PBT\* (R million)



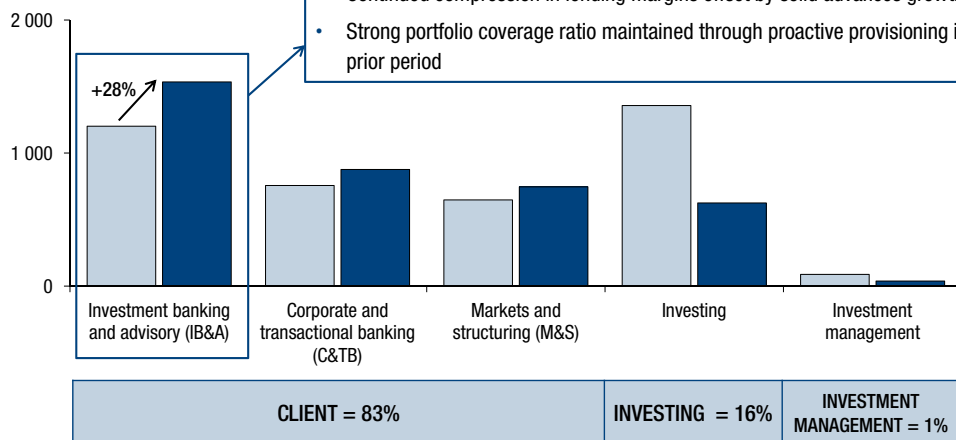
\* Excludes RMB Resources, legacy and head office portfolios.

Dec 15 Dec 16



## IB&A supported by strong fee generation

NORMALISED PBT\* (R million)



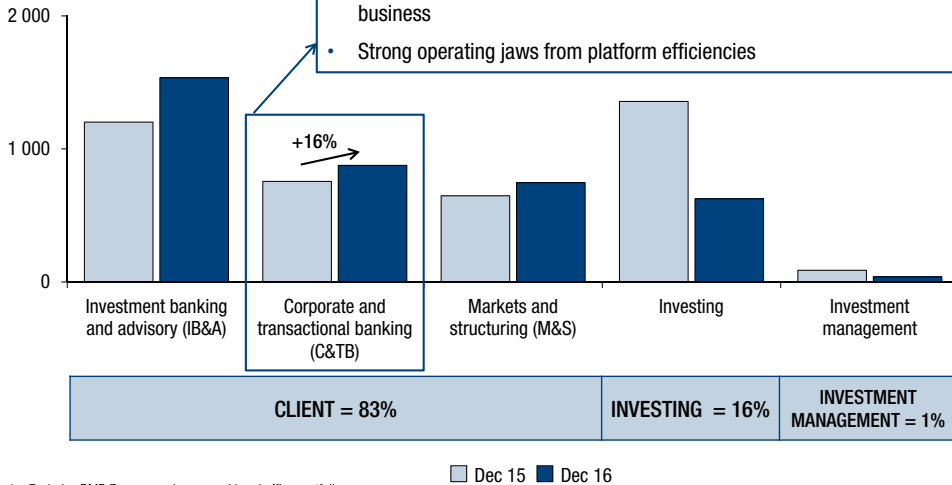
\* Excludes RMB Resources, legacy and head office portfolios.

Dec 15 Dec 16



## C&TB remains focused on leveraging platforms and growing the client franchise

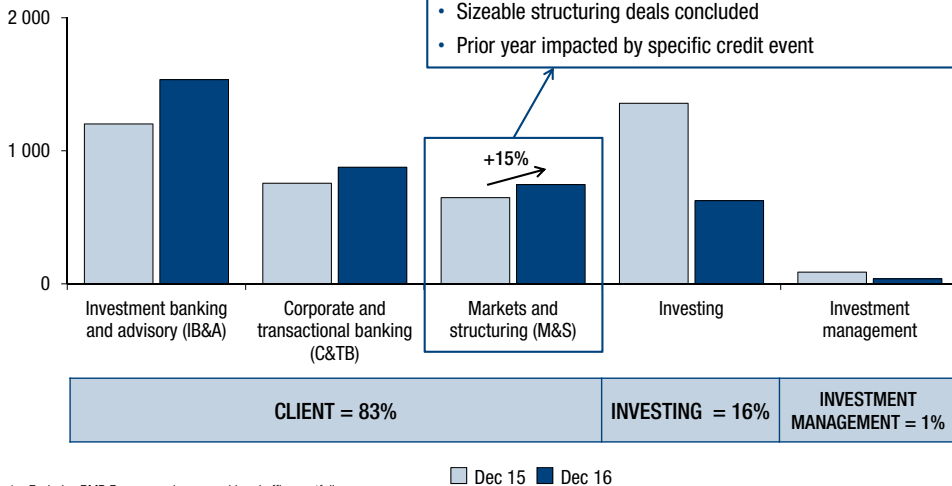
NORMALISED PBT\* (R million)



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

## M&S delivered a balanced performance across asset classes

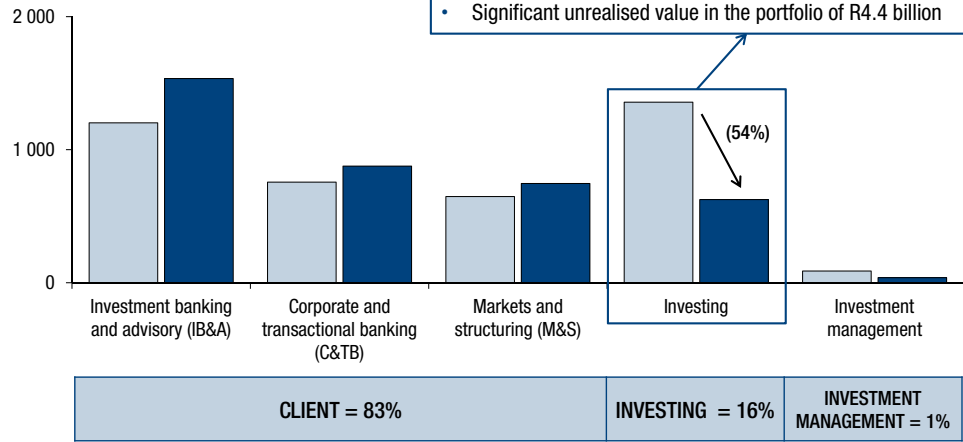
NORMALISED PBT\* (R million)



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

## Robust portfolio annuity earnings, despite lack of realisations – still in harvesting cycle

NORMALISED PBT\* (R million)



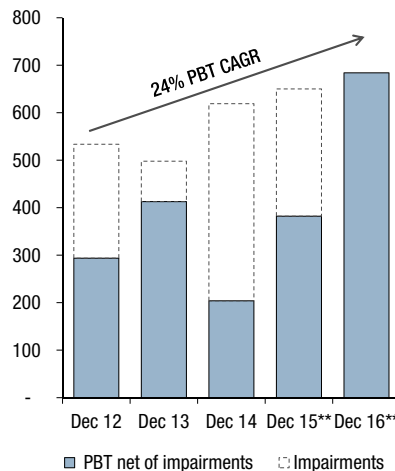
\* Excludes RMB Resources, legacy and head office portfolios.

■ Dec 15 ■ Dec 16



## Ongoing traction in RMB's rest of Africa franchise

REST OF AFRICA NORMALISED PBT\* (R million)



- Rest of Africa accounted for 17% of RMB's profits
- Strong contribution from transactional banking business
- Global FX performance dampened by challenging macro environment
- Continued currency volatility aided client flows and structuring opportunities
- Profits boosted by proactive provisioning in prior years

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

\*\* Reflects refined rest of Africa segmentation.





RESULTS PRESENTATION  
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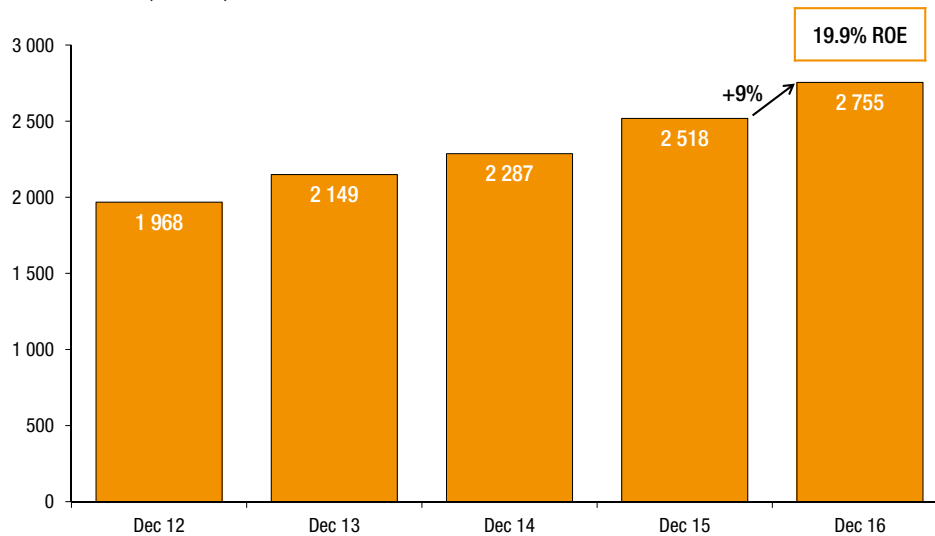


# review of operations



## Resilient performance from WesBank in difficult environment

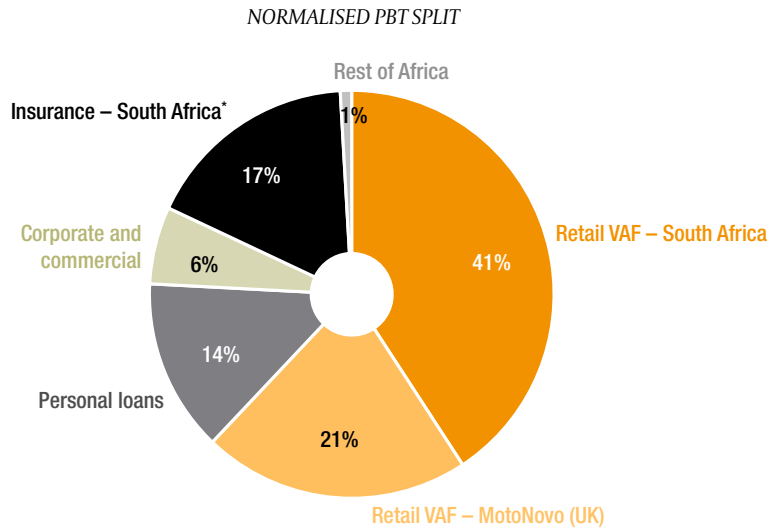
NORMALISED PBT (R million)



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



## Diversity underpins resilience

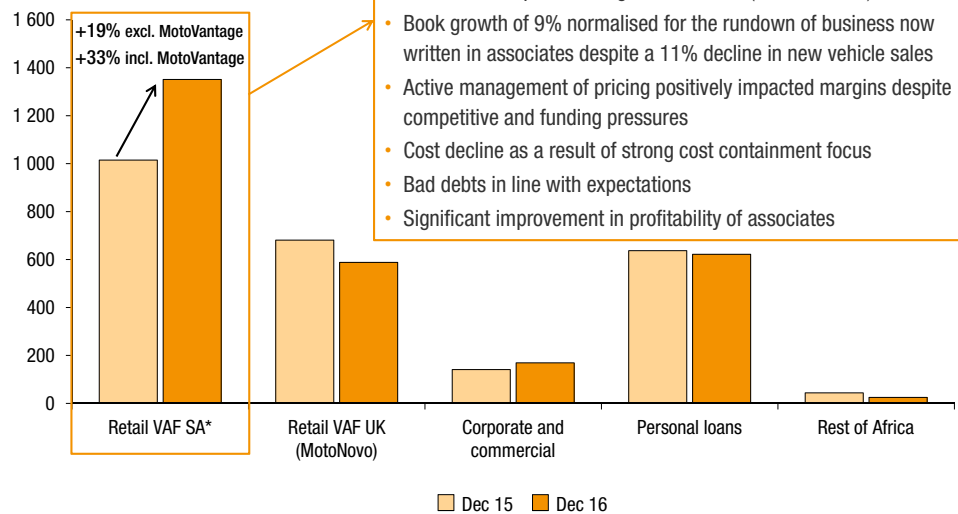


\* Insurance profits are included in SA retail VAF, personal loans, and corporate and commercial results in the Analysis of financial results booklet and the remainder of the WesBank operating review slides.



## Strong operational performance from local VAF enhanced by MotoVantage acquisition

NORMALISED PBT (R million)



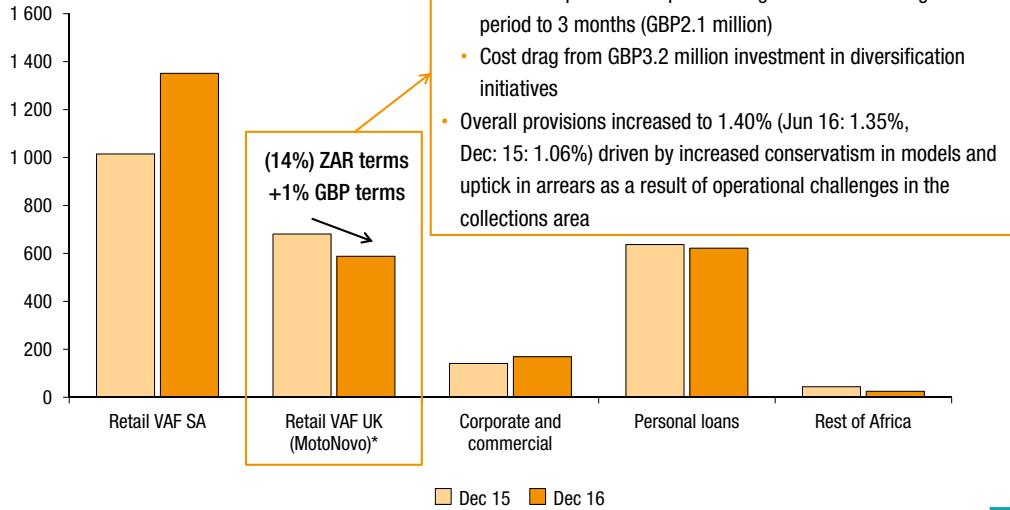
- R140 million PBT contribution from MotoVantage – growth excluding MotoVantage +19%
- New business production growth of 2.7% (Dec 15: 5.1%)
- Book growth of 9% normalised for the rundown of business now written in associates despite a 11% decline in new vehicle sales
- Active management of pricing positively impacted margins despite competitive and funding pressures
- Cost decline as a result of strong cost containment focus
- Bad debts in line with expectations
- Significant improvement in profitability of associates

\* Retail VAF SA includes MotoVantage.



## Increased prudence and investment initiatives impacted MotoNovo performance

NORMALISED PBT (R million)

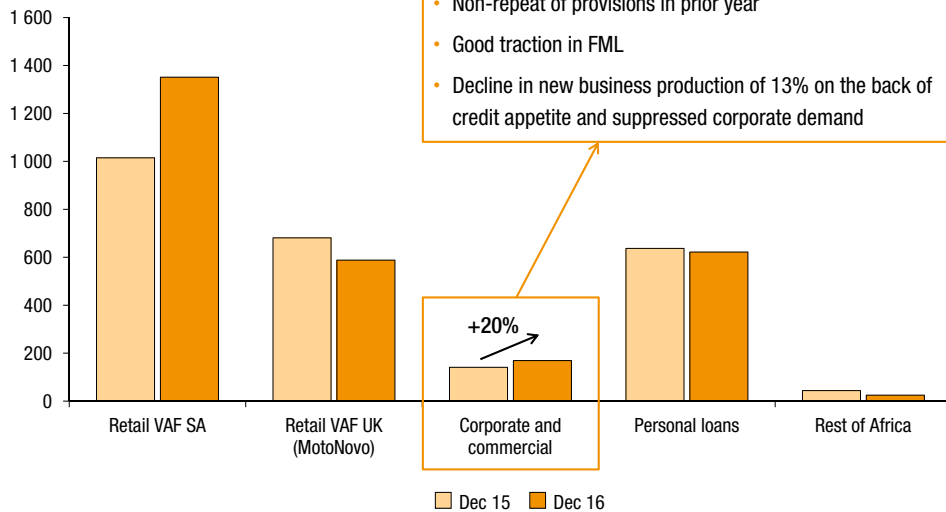


\* Adverse GBP exchange rate movements (average exchange rate – Dec 16: R17.85, Dec 15: R20.85).



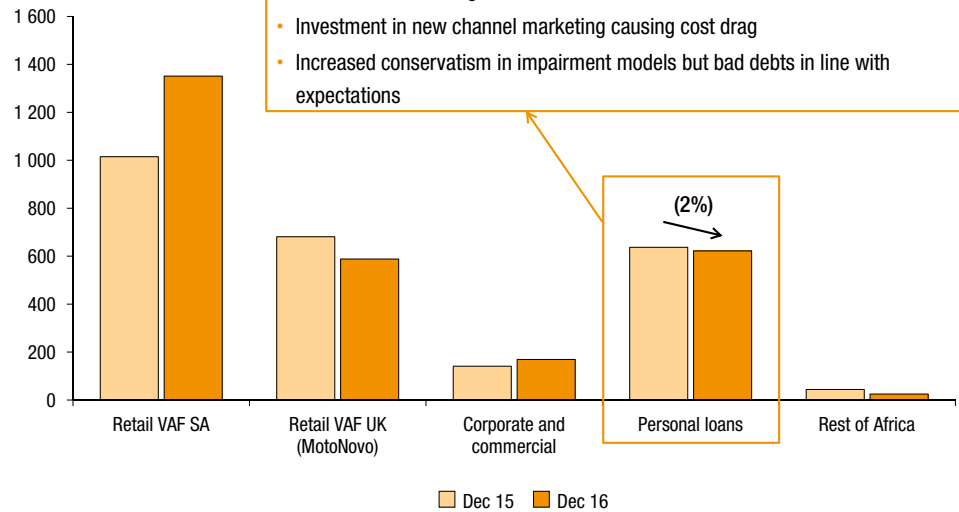
## Corporate and commercial benefited from non-repeat of provisions

NORMALISED PBT (R million)



## Personal loans impacted by investment drag and regulatory changes

NORMALISED PBT (R million)



- Advances increased 11%, on the back of new business production growth of 9.1%
- Cutback in risk appetite and NCA rate caps resulted in slowing advances growth and reduction in margins
- Investment in new channel marketing causing cost drag
- Increased conservatism in impairment models but bad debts in line with expectations



RESULTS PRESENTATION  
for the six months ended 31 December 2016



## financial review



FIRSTRAND

## Performance highlights (normalised)

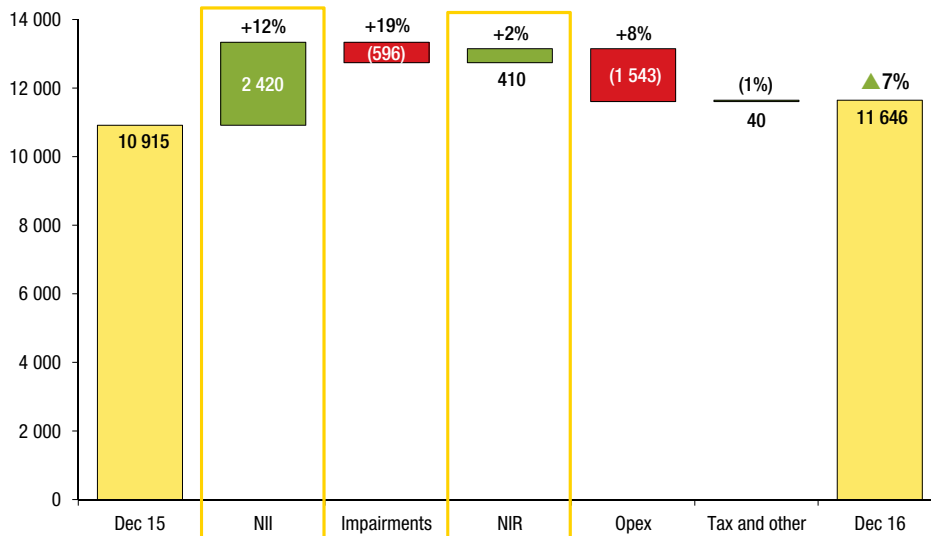
Normalised	Dec 16	Dec 15	% change
Diluted EPS (cents)	207.6	194.6	7 ▲
Dividend per share (cents)	119.0	108.0	10 ▲
Earnings (R million)	11 646	10 915	7 ▲
Net asset value per share (cents)	1 843.0	1 709.2	8 ▲
Net interest margin (%)	5.29	5.10	▲
Credit loss ratio (%)	0.86	0.77	▲
Cost-to-income ratio (%)	51.3	51.1	▲
Return on assets (%)	2.00	1.99	▲
Return on equity (%)	22.9	23.4	▼
NIACC (R million) – based on new COE	4 129	4 475	(8) ▼
CET1 ratio* (%)	14.1	13.7	▲

\* Includes unappropriated profits.

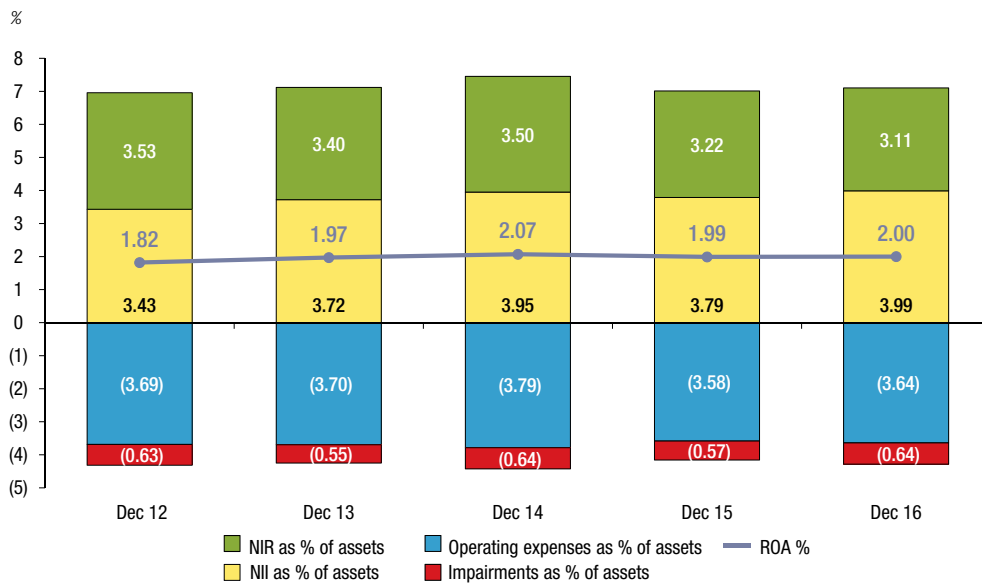


## Topline growth satisfactory given lack of realisations

NORMALISED EARNINGS (R million)



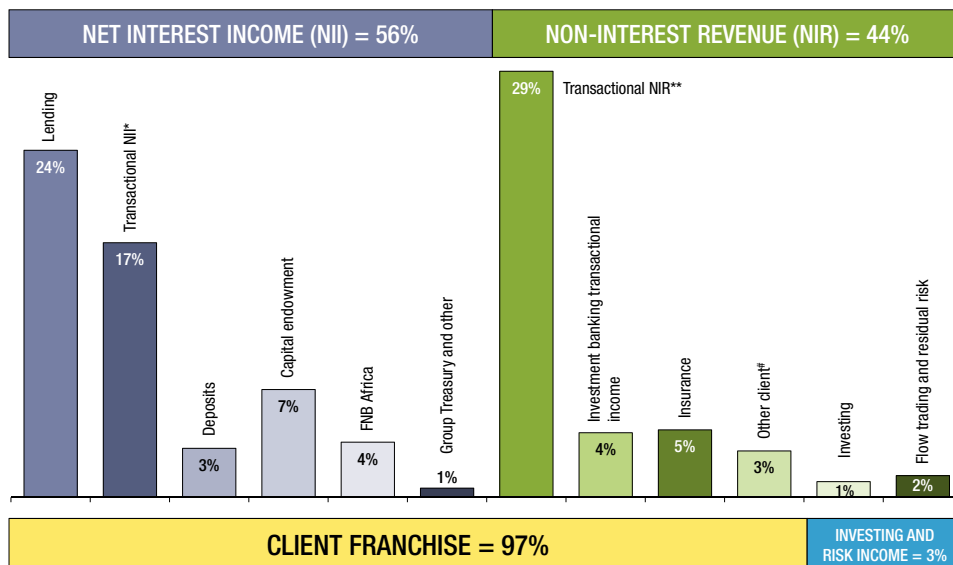
## ROA held up despite lack of realisations and emerging credit cycle



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.



## Revenue growth still driven by client franchise



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

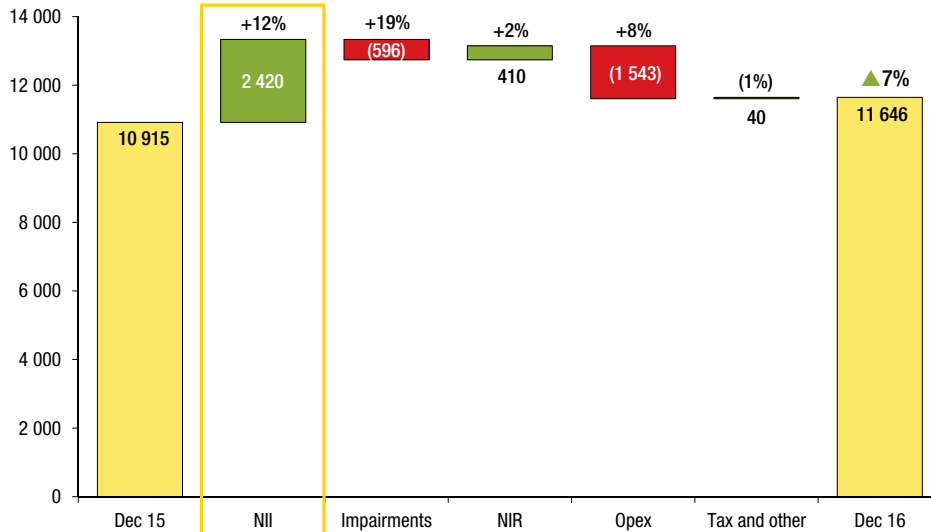
\*\* From retail, commercial and corporate banking.

# Includes WesBank associates.



## Topline growth satisfactory given lack of realisations

NORMALISED EARNINGS (R million)



## NII benefited from lending, deposit strategy and endowment

NET INTEREST INCOME* (R million)	Dec 16	Dec 15 <sup>#</sup>	% change
Lending	9 802	9 306	5
Transactional NII**	7 192	6 120	18
Deposits	1 385	1 308	6
Capital endowment	3 044	2 642	15
Group Treasury	298	(27)	(>100)
FNB Africa	1 559	1 278	22
Other (non-interest earning assets, e.g. fixed assets)	(37)	196	(>100)
<b>Total net interest income</b>	<b>23 243</b>	<b>20 823</b>	<b>12</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. Refer to Analysis of financial results booklet for more detail.

## Unpacking Group Treasury and capital endowment

### Capital endowment benefited from higher level of rates and capital

- Interest on capital endowment +>R400 million

### Group Treasury activities

- Interest rate risk hedges +>R235 million
- Foreign currency balance sheet optimization strategies and improvement in return from foreign currency liquidity management +>R90 million
- Financial resource management activities +>R120 million

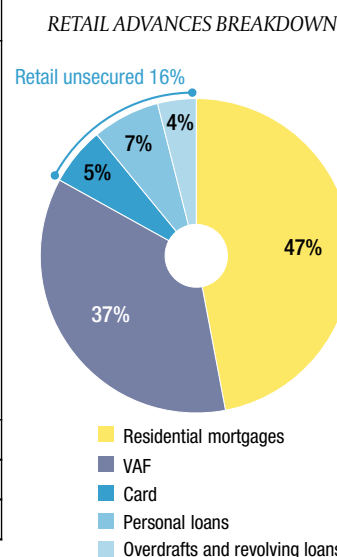
### Accounting volatility in Group Treasury NII

- MTM on fair value of structured funding (>R250 million)
- Other (FX translation, TRS timing, etc.) +>R100 million



## Retail advances growth reflect specific origination strategies

R million	Dec 16	Dec 15	% change
Residential mortgages	191 693	186 217	3
VAF	147 439	146 977	-
– SA	99 323	98 530	1
– MotoNovo (UK)*	48 116	48 447	(1)
Card	22 495	20 855	8
Personal loans	26 899	24 901	8
– FNB	14 431	13 630	6
– WesBank	12 468	11 271	11
Transactional account-linked overdrafts and revolving term loans	14 911	13 689	9
<b>Retail advances</b>	<b>403 437</b>	<b>392 639</b>	<b>3</b>
Retail VAF securitisation notes	17 812	9 879	80
FNB and WesBank rest of Africa advances**	51 888	50 226	3



\* 37% advances growth in GBP terms.

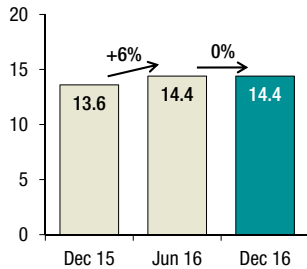
\*\* Includes in-country advances of FNB and WesBank as well as FNB's activities in India.



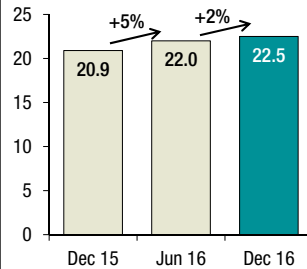


## FNB unsecured advances growth linked to transactional strategy within adjusted risk appetite

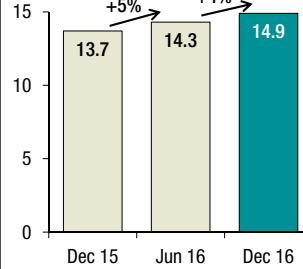
FNB PERSONAL LOANS (R billion)



FNB CARD (R billion)



OTHER RETAIL\* (R billion)



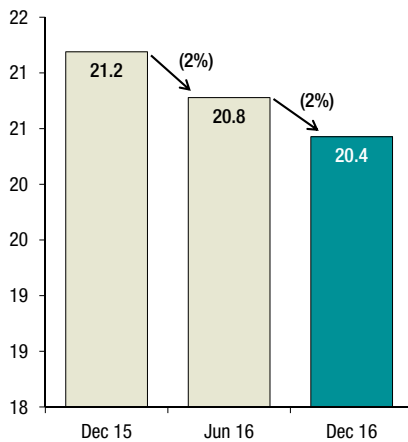
- Continued focus on cross-selling into existing customer base
  - Focused on middle-upper income segments
- Client migration and up-sell also driving growth
- Pre-scoring of clients ensures targeted product growth
- Growth moderated in line with risk cutbacks, slight acquisition strain seen

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

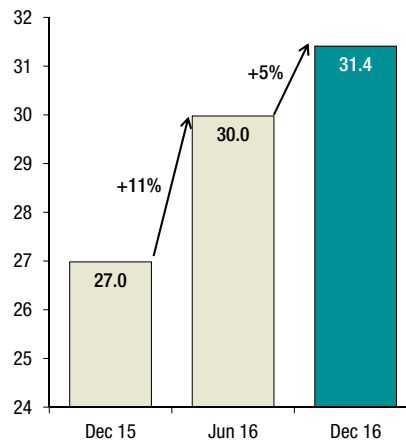


## Adjusted risk appetite in Consumer, resilient growth in Premium

CONSUMER UNSECURED (R billion)

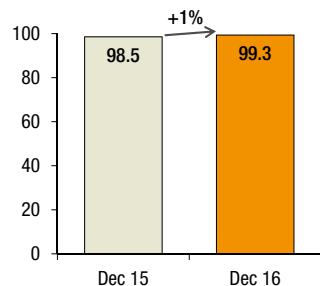


PREMIUM UNSECURED (R billion)



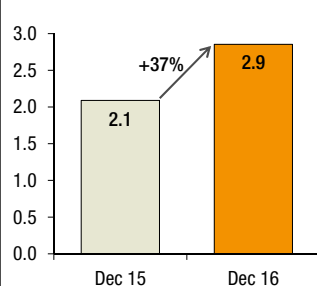
## WesBank advances growth reflects specific origination actions

RETAIL VAF SA ADVANCES (R billion)



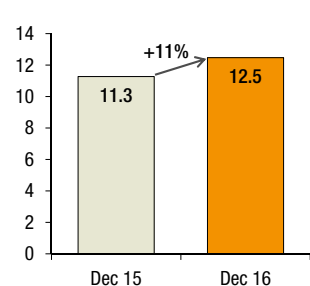
- Despite 11% decline in new vehicle sales
- Reflects shift from new to used
  - 51% used (Dec 15: 45%)
- Consistent risk appetite

MOTONOVO (UK) ADVANCES (£ billion)



- New products
- Origination footprint expansion
  - Supporting dealers 2 066 (Dec 15: 1 820)
- Cutbacks in risk appetite post-Brexit
- Risk profile reflecting changing product mix

PERSONAL LOANS ADVANCES (R billion)



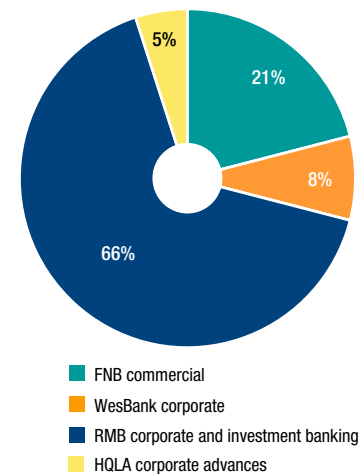
- New business production impacted by
  - Cutbacks in high risk buckets
  - Implementation of NCA amendments
- Risk appetite remains conservative



## Corporate and commercial advances growth remained resilient

R million	Dec 16	Dec 15	% change
CIB core advances – South Africa	227 802	209 086	9
– Investment banking	179 790	158 136	14
– HQLA corporate advances	18 862	15 280	23
– Corporate banking	29 150	35 670	(18)
CIB core advances – rest of Africa*	36 214	35 315	3
CIB total core advances	264 016	244 401	8
WesBank corporate	28 525	31 277	(9)
FNB commercial	80 364	72 280	11
RMB repurchase agreements	30 246	39 439	(23)
<b>Total corporate and commercial advances</b>	<b>403 151</b>	<b>387 397</b>	<b>4</b>

CORPORATE ADVANCES BREAKDOWN\*\*



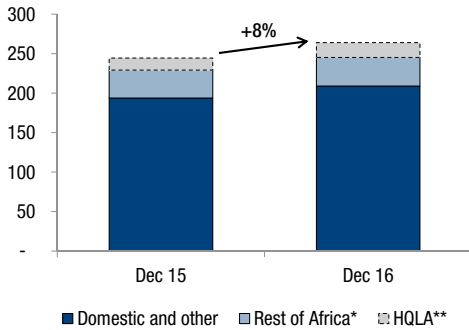
\* Includes cross-border and in-country advances.

\*\* Excludes RMB repurchase agreements.

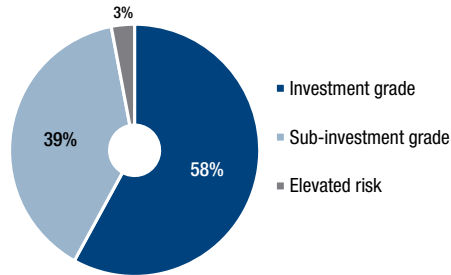


## CIB advances reflect deal flow and ROE preservation

RMB CIB CORE ADVANCES (R billion)



WHOLESALE CREDIT PERFORMING BOOK#



- Competitive pricing on investment grade assets narrowed margins
- Rest of Africa advances grew by 17% in constant-currency terms
- HQLA origination continued to assist FirstRand's LCR strategy
- Strong coverage ratios maintained in a weaker corporate credit environment

\* Includes cross-border and in-country.

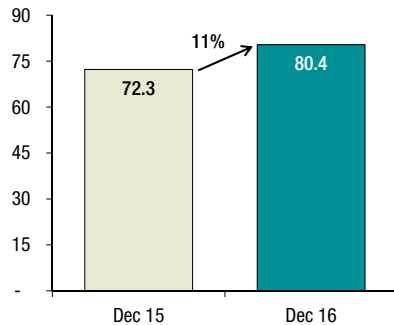
\*\* HQLA included in Group Treasury, but originated in RMB. Included for illustrative purposes.

# International scale EAD.

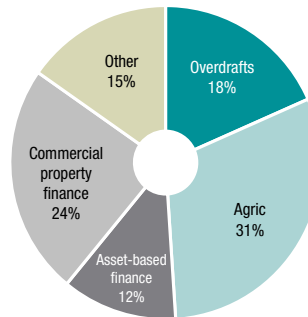


## Good growth across asset classes in Commercial

FNB COMMERCIAL ADVANCES (R billion)



FNB COMMERCIAL ADVANCES BREAKDOWN

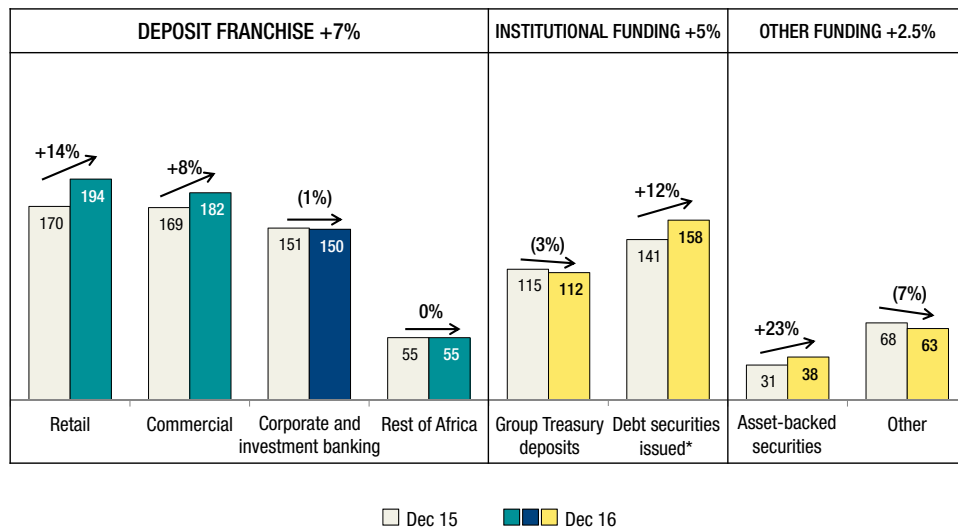


- Reflects targeted new client acquisition in the business segment and expanded term lending product offering to existing client base, resulting in growth of:
  - 16% in agric
  - 12% in commercial property finance
  - 9% in leveraged finance



## Liability franchise continues to grow in all segments

LIABILITIES (R billion)

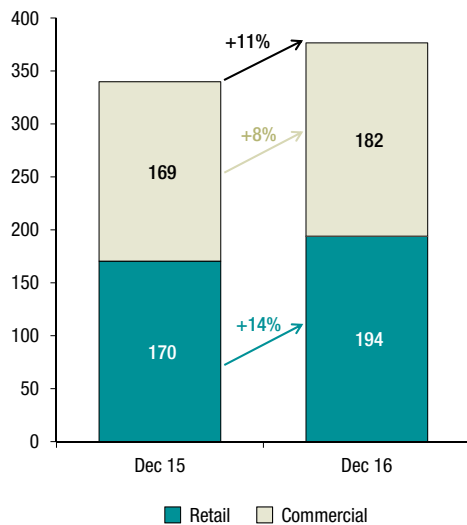


\* Dec 15 figure uncharacteristically low due to market disruptions experienced after 9 Dec 15.



## Growth in FNB deposits driven by compelling product set

FNB DEPOSITS (R billion)

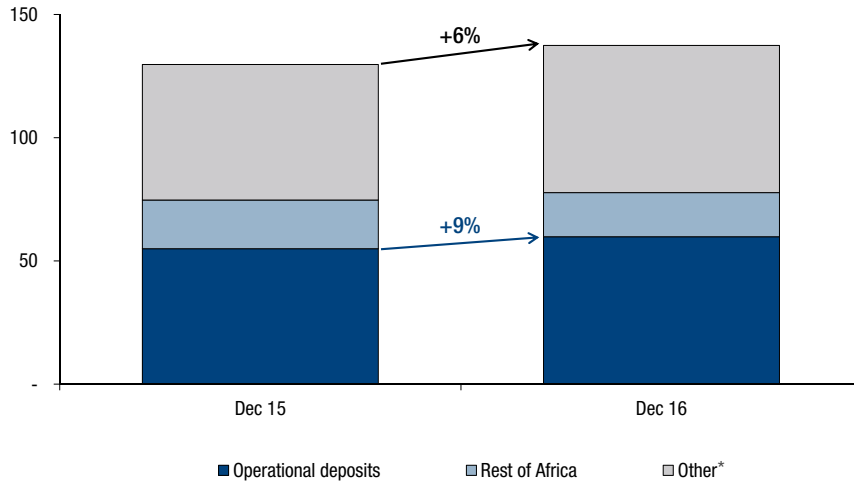


- Growth in upper end of Retail and in Commercial
- Product innovation supports deposit growth
- Current and savings deposits tracking above inflation and reflecting more active cashflow management
- Cross-sell into existing base
- Rest of Africa deposits increased 4% which is reflective of macros



## Growing client base underpins 9% average corporate operational deposit growth

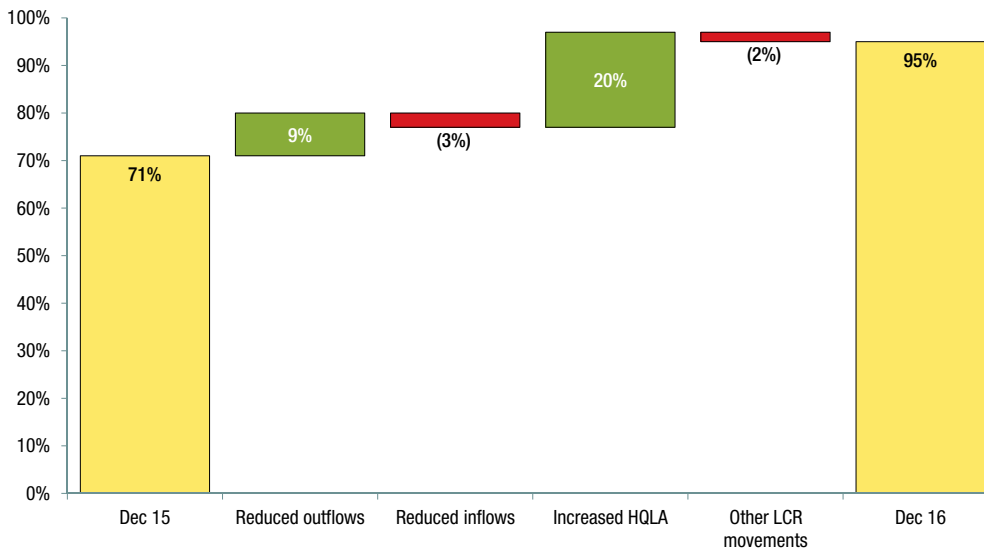
CORPORATE BANKING AVERAGE DEPOSITS (R billion)



\* Other includes currency balances which were impacted by exchange rate movements.



## Improvement in LCR driven by reduced outflows and higher HQLA...

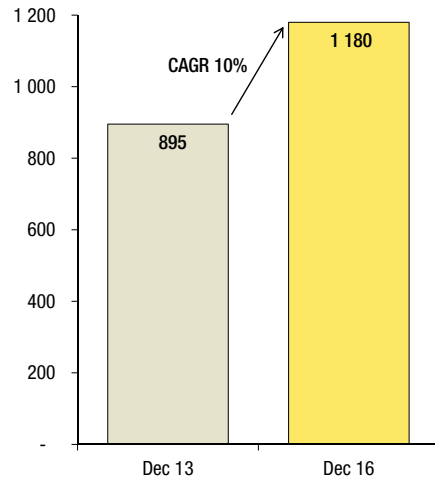


FRB SA LCR as at 31 Dec 16 was 104%.

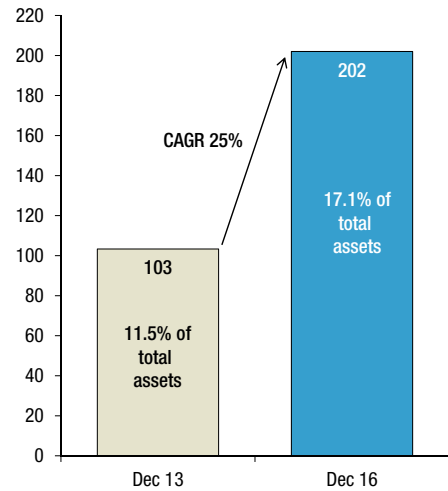


### ...resulting from the group's strategy to improve balance sheet liquidity

TOTAL ASSETS (R billion)



CASH AND AVAILABLE LIQUIDITY\* (R billion)

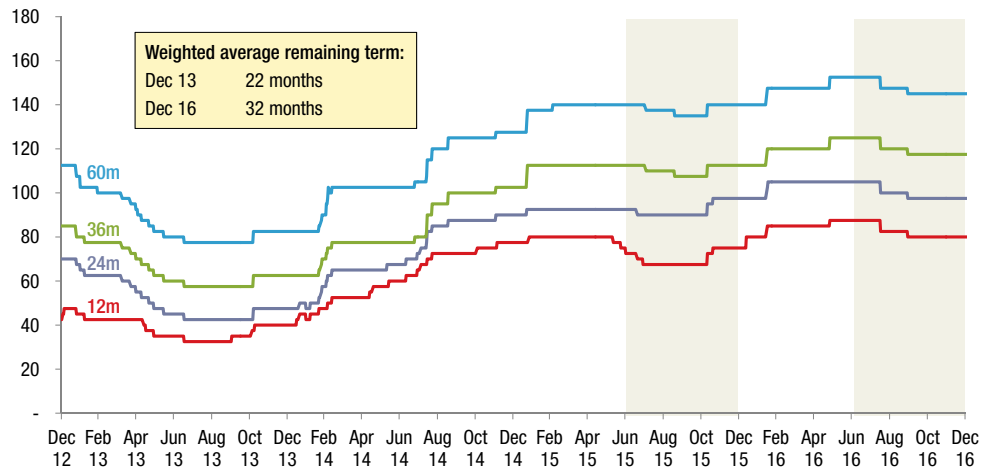


\* Includes cash and liquid assets, HQLA, and central bank eligible collateral.



### Despite moderation, cost of funding remains elevated...

FUNDING SPREADS (bps)

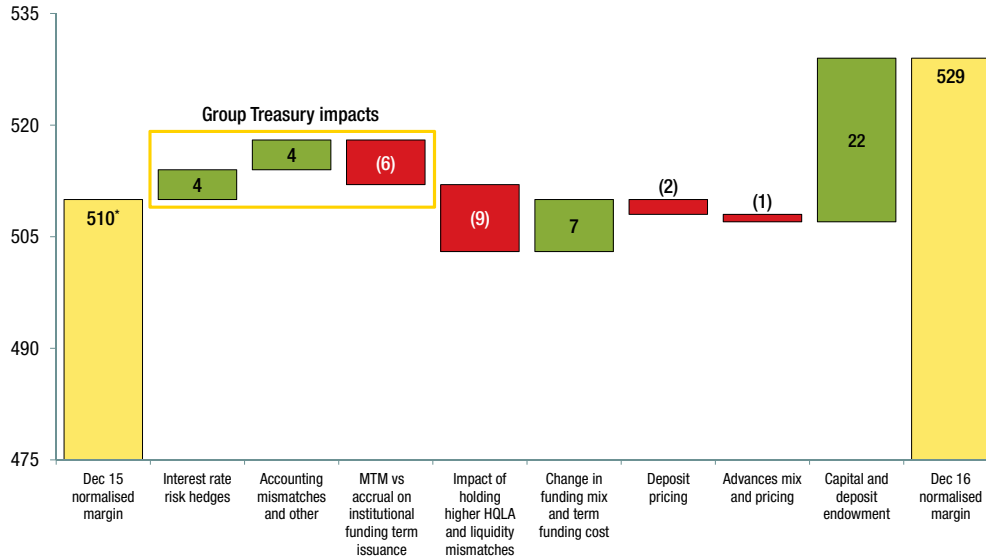


Source: Bloomberg <RMBP3>



### ...but offset by endowment benefit

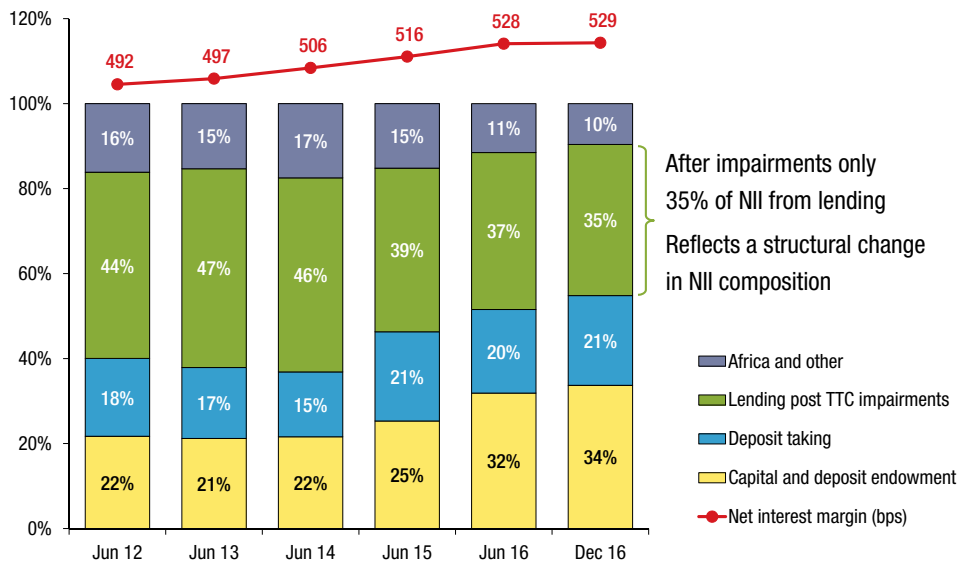
MARGIN (bps)



\* Restated.

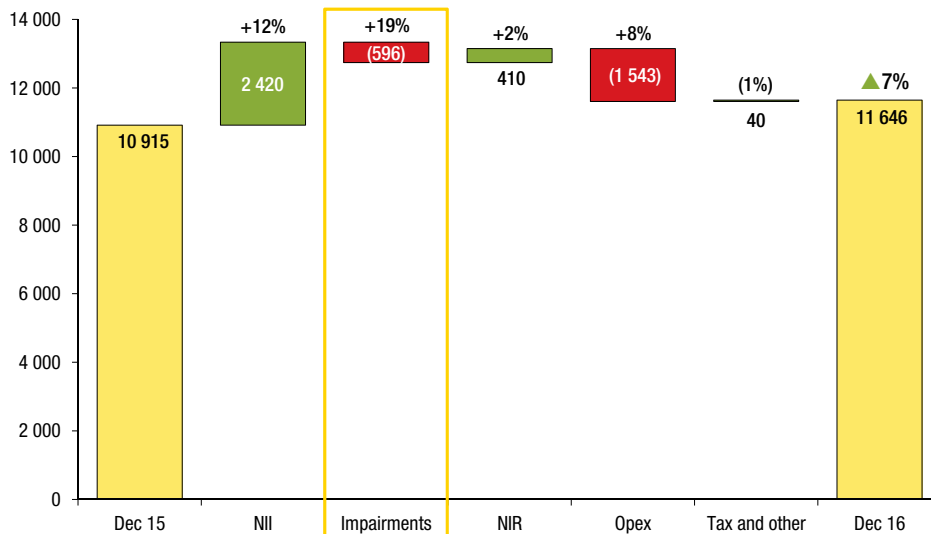


### Margin composition reflects strength of deposit franchise



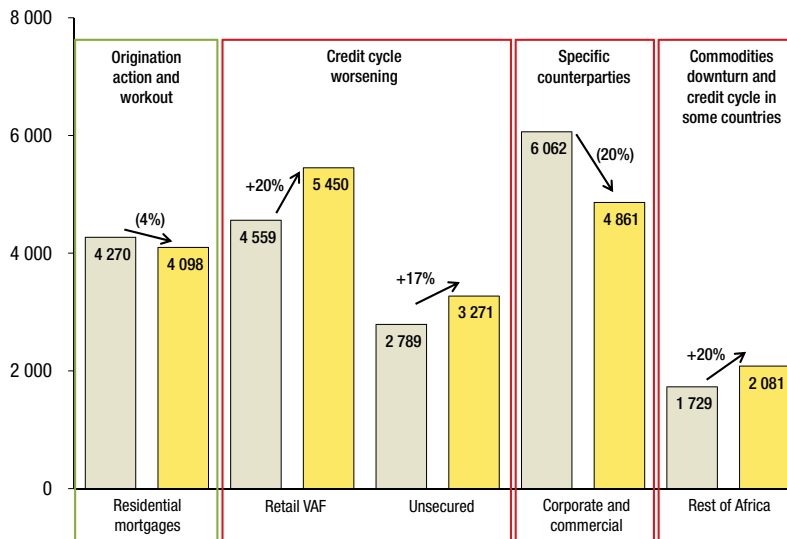
## Topline growth satisfactory given lack of realisations

NORMALISED EARNINGS (R million)

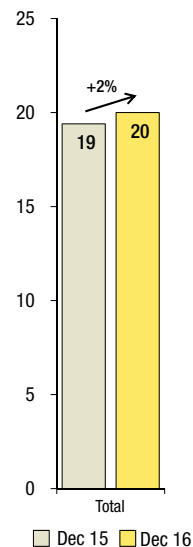


## Operational NPL trends in line with expectations

NPLs\* (R million)



NPLs\* (R billion)



\* Operational NPLs – excludes the impact of the distressed debt reclassification in FNB (R1 090 million – this takes the overall increase in NPLs to 7%).





### Paying debt review customers require lower coverage

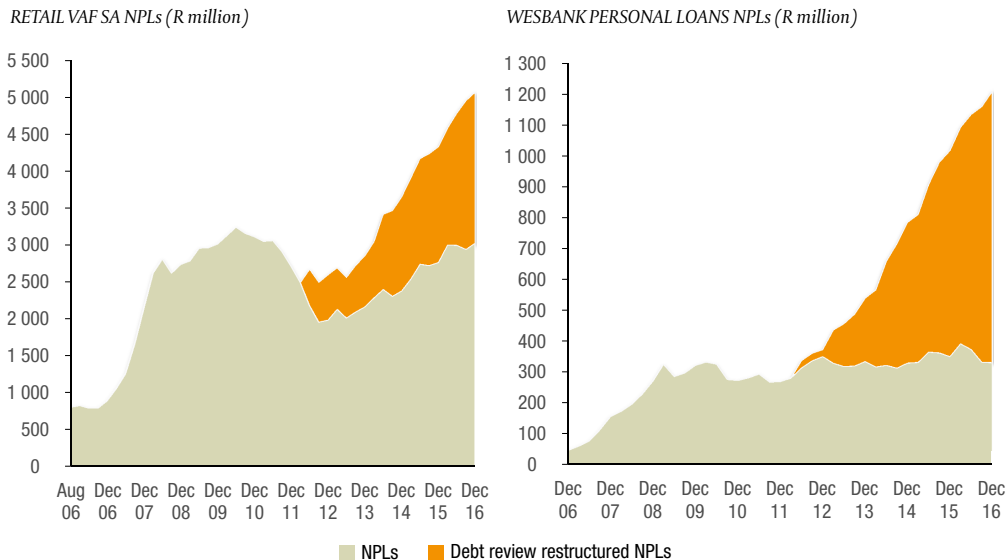
COVERAGE RATIOS (%)	DEBT REVIEW COVERAGE		NON-DEBT REVIEW		TOTAL NPL COVERAGE	
	Dec 16	Dec 15*	Dec 16	Dec 15*	Dec 16	Dec 15*
FNB credit card	42.2	-	75.7	71.8	67.6	71.8 ▼
FNB retail other	43.4	-	79.8	78.3	71.6	78.3 ▼
FNB loans	71.5	-	70.1	77.3	70.5	77.3 ▼
WesBank loans**	31.4	38.6	69.1	87.4	39.4	51.6 ▼
SA retail VAF**	17.0	21.5	40.9	46.1	28.5	33.4 ▼

Coverage appropriate given higher payment profile of reclassified NPLs

\* 2015 not restated for FNB and coverage not calculated.  
 \*\* Debt review coverage reduced due to increasing proportion of older paying debt review accounts.



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

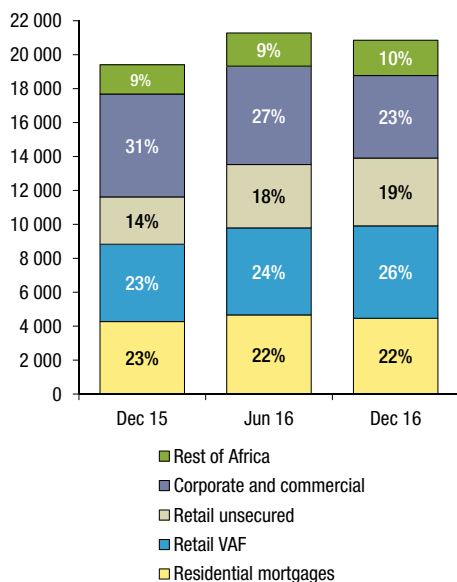


Paying debt review customers result in lower coverage ratio



## Overall coverage remains appropriate

NPLs (R million)



COVERAGE RATIOS (%)

	Dec 16	Dec 15
Retail – secured	26.6	28.5
Residential mortgages	22.1	21.9
VAF	30.2	34.7
– SA	28.5	33.4
– MotoNovo (UK)	59.9	59.8
Retail – unsecured	60.5	67.0
Credit card	67.6	71.8
Personal loans*	54.9	62.0
Retail – other	71.6	78.3
Corporate and commercial	43.8	53.4
Rest of Africa	38.4	31.6
Specific impairments	38.3	42.1
Portfolio impairments**	41.2	41.2
<b>Total coverage ratio</b>	<b>79.5</b>	<b>83.3</b>

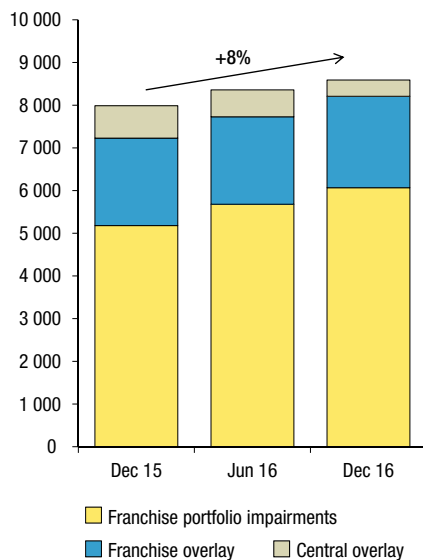
\* Includes FNB and WesBank loans.

\*\* Includes portfolio overlays.



## Total portfolio provisions increased with franchise overlays maintained

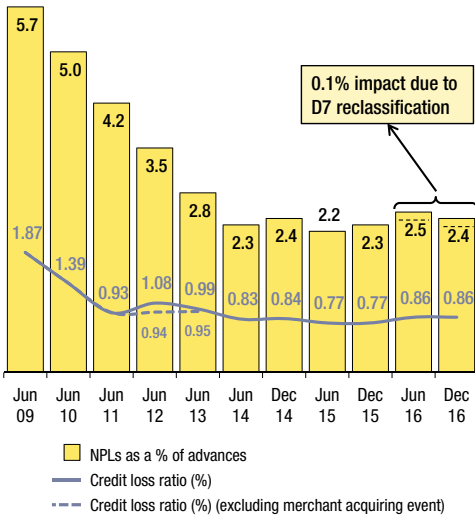
PORTFOLIO IMPAIRMENTS (R million)



	Dec 16	Jun 16	Dec 15
Portfolio impairments as % of performing book	1.00	0.99	0.97
Credit loss ratio (%)	0.86	0.86	0.77
Portfolio impairments (R million)	8 589	8 359	7 988



### Credit performance mitigated by proactive provisioning



CREDIT LOSS RATIO (%)		Dec 16	Dec 15
Retail – secured		0.70	0.62
Residential mortgages		0.14	0.17
VAF		1.42	1.22
– SA		1.42	1.28
– MotoNovo (UK)		1.40	1.06
Retail – unsecured		5.89	5.12
Credit card		2.60	2.18
Personal loans		8.04	7.48
– FNB		7.83	6.77
– WesBank		8.30	8.33
Retail – other		6.97	5.32
Total retail		1.52	1.30
Corporate and commercial		0.28	0.34
Rest of Africa		1.36	0.84
FCC (including Group Treasury)		(0.06)	(0.04)
Total credit loss ratio		0.86	0.77



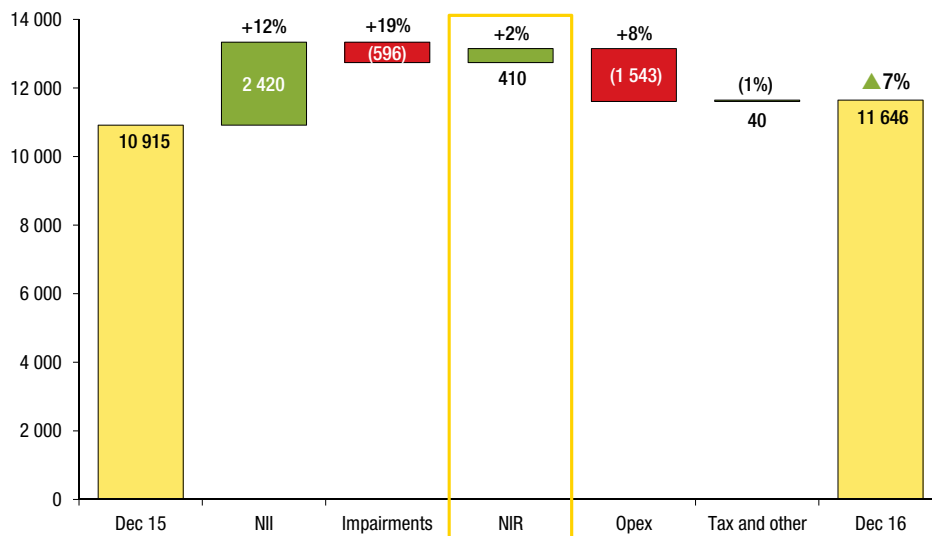
### Despite reclassifications, credit metrics in line with risk appetite and cycle

<b>PORTFOLIO IMPAIRMENTS</b>	+8% to R8.6 billion	Still prudent
<b>SPECIFIC IMPAIRMENTS</b>	-2% to R8.0 billion	Appropriate
<b>INCOME STATEMENT CHARGE</b>	86 bps (still below TTC)	In line with expectations



## Topline growth satisfactory given lack of realisations

NORMALISED EARNINGS (R million)



## Unpacking the 2% increase in total NIR

NON-INTEREST INCOME (R million)	Dec 16	Dec 15	% change
Fee and commission income	14 713	13 583	8
Markets, clients and other fair value	1 664	1 530	9
Other	1 197	1 128	6
Investment income	89	668	(87)
Share of associates and JVs	469	813	(42)
<b>Total non-interest income</b>	<b>18 132</b>	<b>17 722</b>	<b>2%</b>

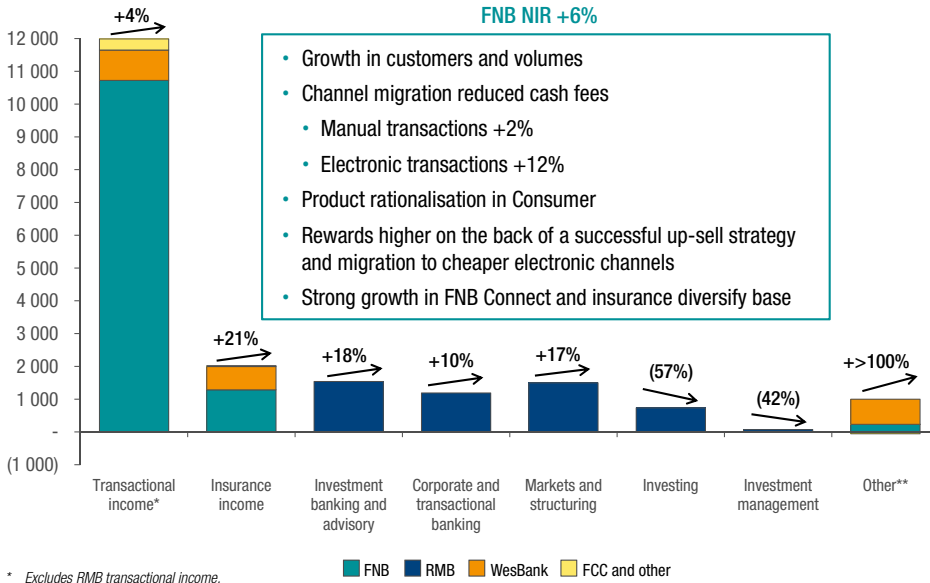
Reflects strength of transactional franchises

Reflects lack of realisations



## FNB's NIR impacted by product and pricing actions in Consumer segment

NON-INTEREST REVENUE (R million)



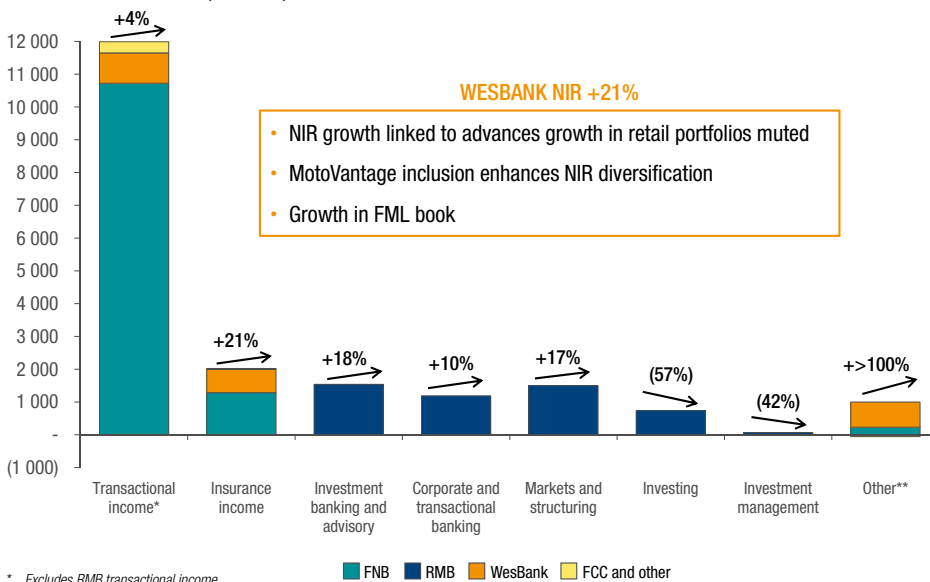
\* Excludes RMB transactional income.

\*\* Other includes FCC (including Group Treasury) and other.



## WesBank NIR benefited from insurance/VAPS initiatives

NON-INTEREST REVENUE (R million)



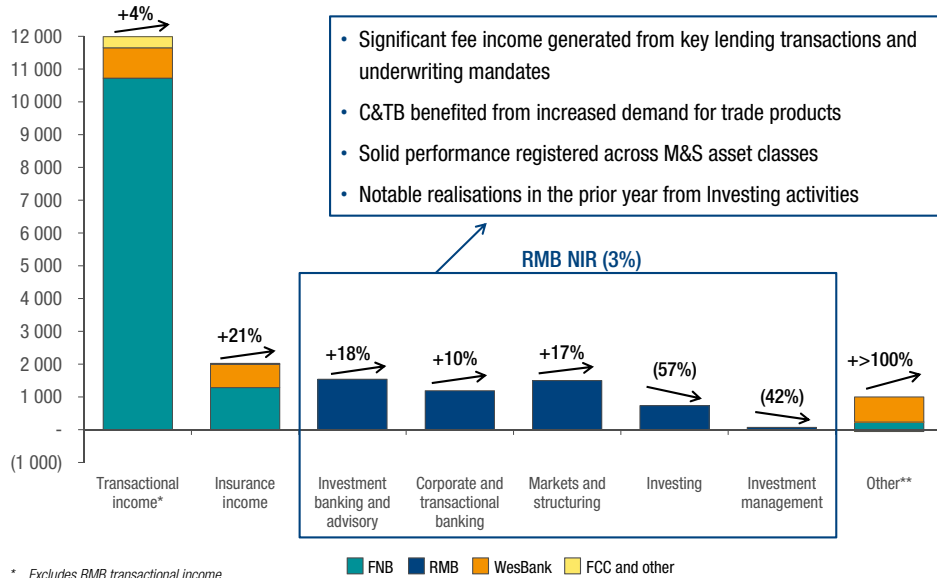
\* Excludes RMB transactional income.

\*\* Other includes FCC (including Group Treasury) and other.



## RMB remains a steady contributor to NIR

NON-INTEREST REVENUE (R million)



\* Excludes RMB transactional income.

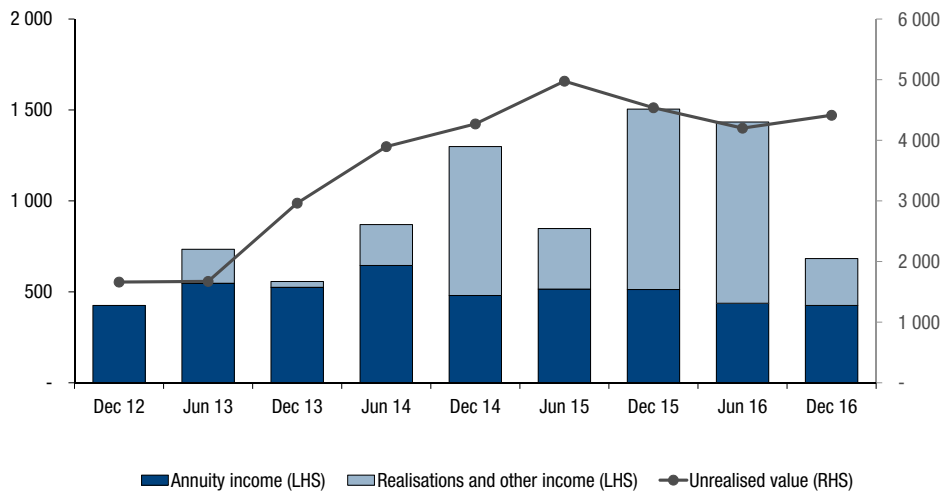
\*\* Other includes FCC (including Group Treasury) and other.



## Unrealised value in Private Equity remains healthy

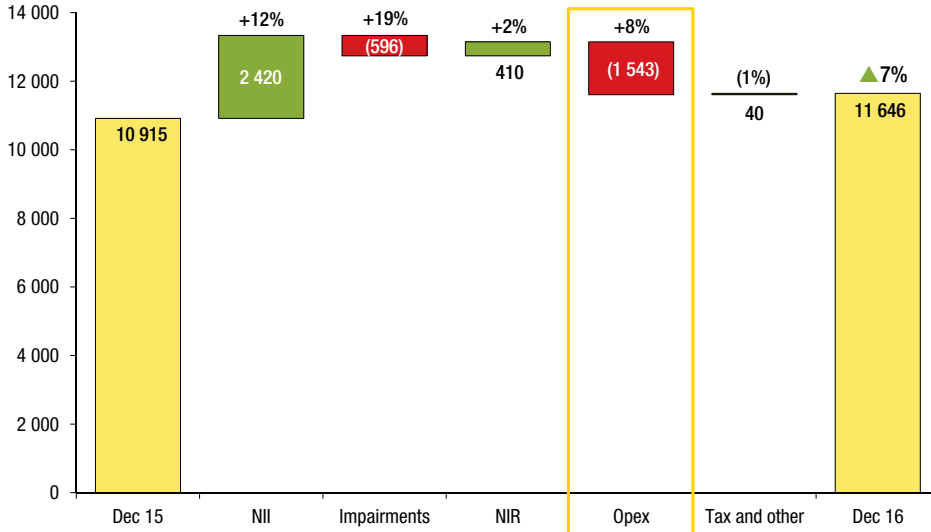
GROSS INCOME (R million)

UNREALISED VALUE (R million)



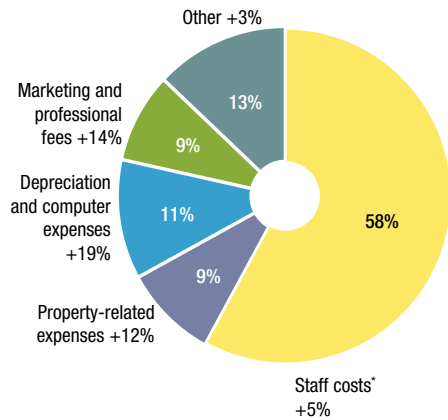
## Topline growth satisfactory given lack of realisations

NORMALISED EARNINGS (R million)

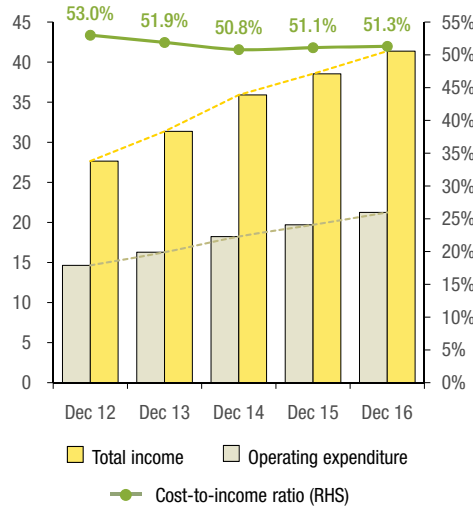


## Cost-to-income ratio impacted by investment cycle

BREAKDOWN OF OPERATING EXPENSES

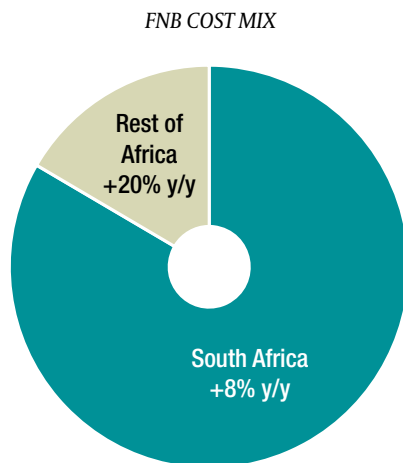


R billion COST-TO-INCOME RATIO



\* Staff cost growth moderated through lower variable costs linked to lower levels of income generation.

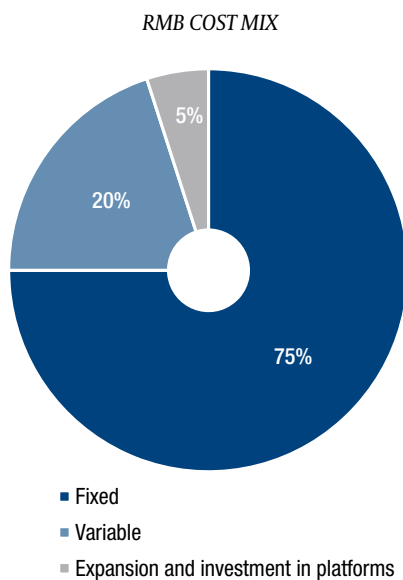
## FNB costs reflect ongoing investment in the rest of Africa



- Overall cost growth of 10%
- Cost-to-income ratio slightly up to 53.5% (Dec 15: 53.1%)
- Funded domestic growth initiatives in:
  - Insurance
  - Investment businesses
  - Card acquiring (Power Card)
- Continued investment in expanding physical presence and platform in the rest of Africa
- Regulatory pressures impact cost trajectory



## RMB operating costs contained despite investments in platforms

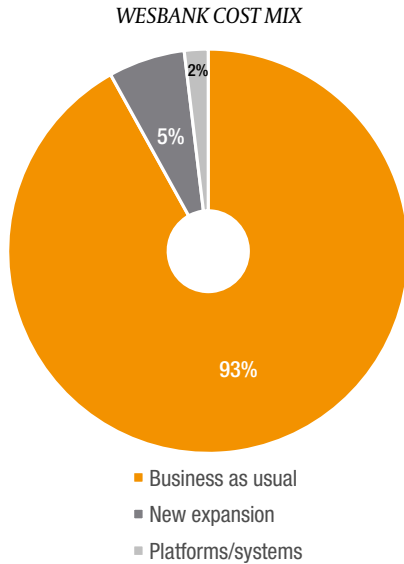


- Total cost growth contained to 2%, despite fixed cost growth of 5%, driven by:
  - Continued regulatory and compliance spend
  - Ongoing platform investments in the rest of Africa
- Platform investment in Global Markets to drive efficiencies and risk mitigation – significant investment over next 5 years





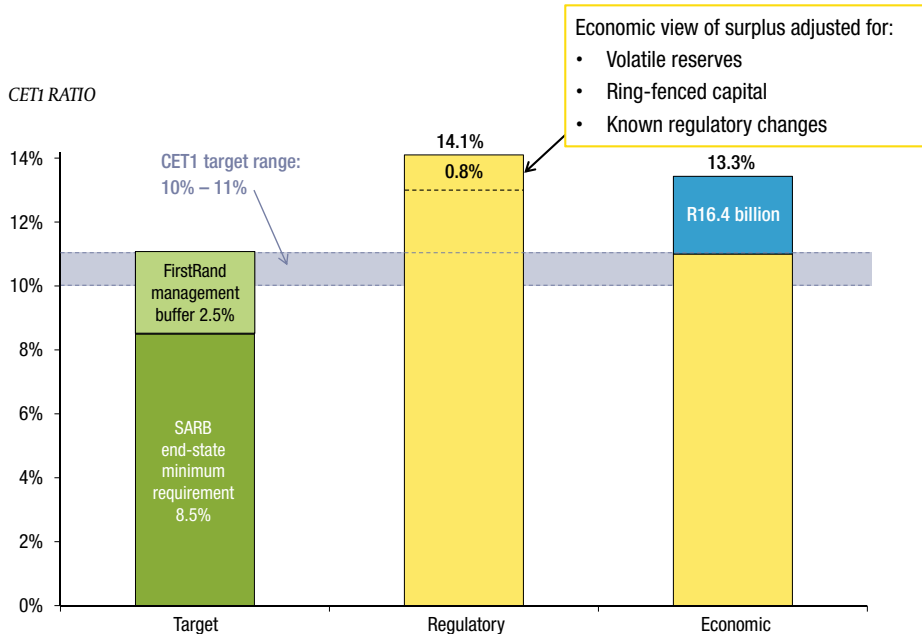
## WesBank's costs reflect diversification initiatives, offset by continued operational efficiencies in core business



- Operating expenses +10%
  - Business-as-usual costs +8%
- Cost-to-income ratio decreased to 40.6% (Dec 15: 41.2%)
- Operating efficiencies achieved locally due to cost containment focus
- Balance between strategic initiatives and cost efficiencies
- Benefit of currency appreciation in MotoNovo



## Strong capital position maintained



## Surplus appropriate for growth strategies

### Committed

2.2	Capture larger share of profits from the broader financial services markets domestically • FirstRand Insurance, Ashburton Investments, Regent VAPS and other
2.7	Existing organic strategy in the rest of Africa

### Management discretion

7.5	Acquisitions in priority countries
4.0	Buffer • Reflects strong capital generation



## Interim dividend growth above earnings growth

- Stated dividend cover range only assessed annually, however:
  - Maintained high return profile
  - Experienced low growth in RWA
  - Continued strong capital generation ➡ increasing surplus
- Board comfortable with 10% increase in interim dividend



RESULTS PRESENTATION  
for the six months ended 31 December 2016



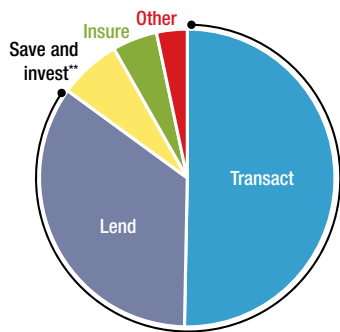
# progress on strategy



FIRSTRAND

## Diversifying FirstRand's portfolio creates growth opportunities

REVENUE SPLIT BY ACTIVITY\*

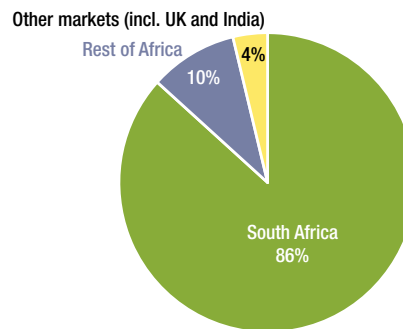


Transact and lend = 85%

### SOUTH AFRICA

- Lending and transactional still dominate – have grown and protected these franchises
- Broaden financial services offering – starting to see traction

GEOGRAPHIC PBT MIX#



### REST OF AFRICA

- Strategy delivering
- Build in-country franchises a priority

### OTHER MARKETS (UK AND INDIA)

- Well established and profitable CIB franchise in India
- Diversification (grow MotoNovo business)

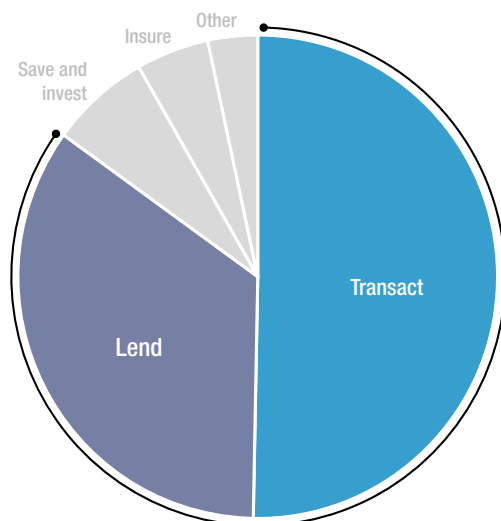
\* Based on gross revenue, excluding consolidation adjustments.

\*\* Includes private equity, deposit taking and investment management.

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



## Protect and grow transactional and lending franchises

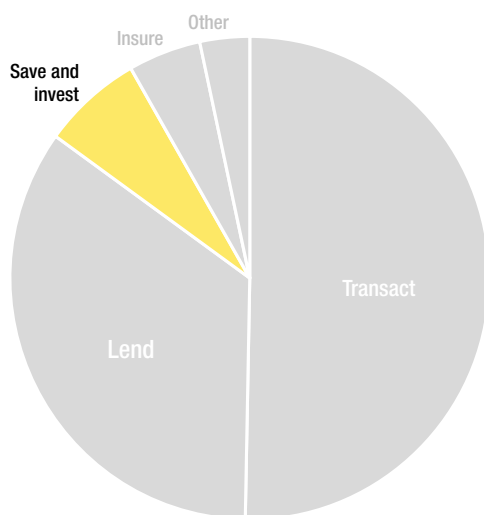


Transact and lend = 85%

- Good growth in customers across all segments
- Cross-sell and up-sell contributed to growth in lending, transactional and deposit franchises
- E-migration continues to underpin sustainability of FNB transactional franchise
- Targeted origination strategies across all portfolios resulted in above-system asset growth
- RMB corporate banking strategy adds to transactional franchises
- WesBank's origination model delivered above-market normalised book growth
- New channel activation delivered additional growth in WesBank personal loans



## Broaden financial services offering – save and invest



### FNB

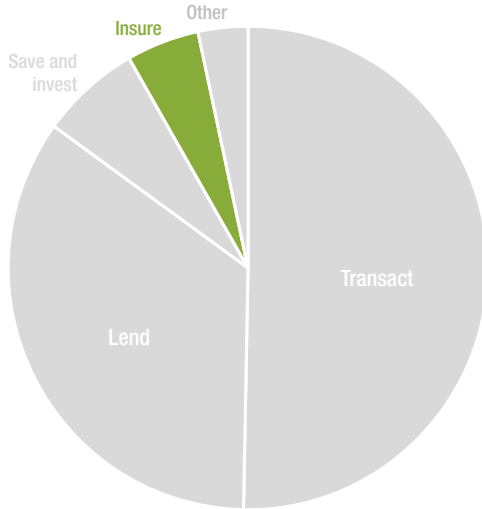
- Deposit-taking businesses benefited from cross-sell and up-sell and leveraging digital channels

### ASHBURTON INVESTMENTS

- RMB's origination of credit and private equity funds drove growth in AUM in Ashburton Investments
- Ashburton Investments fixed income mandates achieved good traction
- Strong investment performance attracting flows from IFAs and FNB customers
- AUM growth +12%



## Broaden financial services offering – insurance



### LIFE

- Strong growth from leveraging FNB's distribution channels
  - Funeral product sales +46%
  - Number of policies increased from 470k to 2.96 million
  - In-force API increased from R575 million to R2.5 billion
- Strong product pipeline including funeral cover, linked endowments, living annuities and life cover

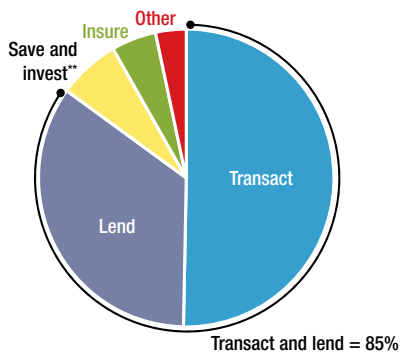
### VALUE-ADDED PRODUCT AND SERVICES (VAPS)

- Step change in VAPS strategy due to MotoVantage acquisition in October 2015
- Average monthly gross written premium originated through WesBank channels increased to R116 million (Oct 15 prior to acquisition: R66.5 million)



## Diversifying FirstRand's portfolio creates growth opportunities

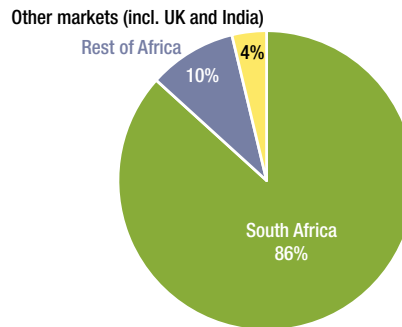
REVENUE SPLIT BY ACTIVITY\*



### SOUTH AFRICA

- Lending and transactional still dominate – have grown and protected these franchises
- Broaden financial services offering – starting to see traction

GEOGRAPHIC PBT MIX#



### REST OF AFRICA

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- Diversification (grow MotoNovo business)

\* Based on gross revenue, excluding consolidation adjustments.

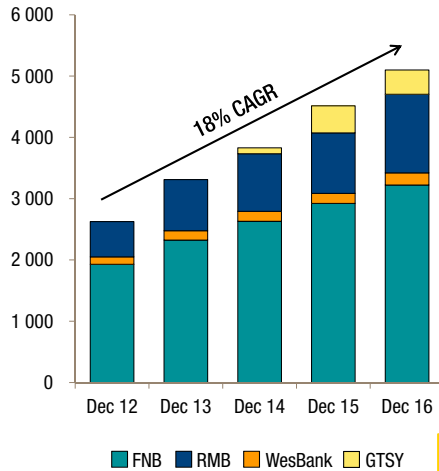
\*\* Includes private equity, deposit taking and investment management.

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

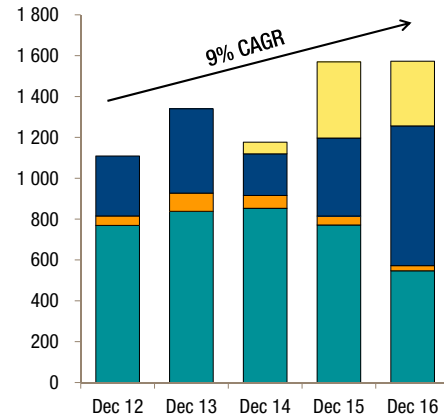


## Rest of Africa retail and CIB franchises resilient despite macro headwinds and ongoing investment

GROSS REVENUE\* (R million)



PBT\* (R million)



Overall subsidiaries ROE\*\* 14.0%, mature subsidiaries ROE\*\* 23.9%

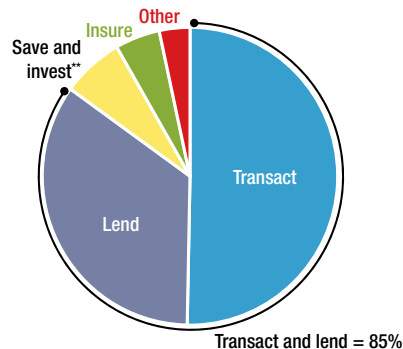
\* Strategy view – includes in-country and cross-border activities. Excludes FCC, FirstRand company, consolidation adjustments and NCNR preference dividend. GTSY profits were included in FNB numbers for periods prior to Dec 14.

\*\* ROE based on legal entity (in-country) view.



## Diversifying FirstRand's portfolio creates growth opportunities

REVENUE SPLIT BY ACTIVITY\*



Transact and lend = 85%

### SOUTH AFRICA

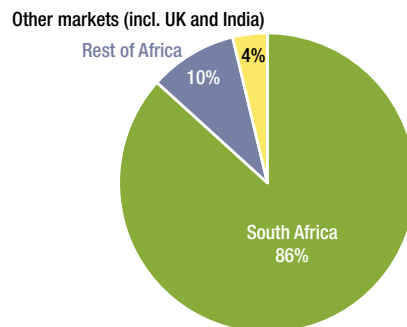
- Lending and transactional still dominate – have grown and protected these franchises
- Broaden financial services offering – starting to see traction

\* Based on gross revenue, excluding consolidation adjustments.

\*\* Includes private equity, deposit taking and investment management.

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

GEOGRAPHIC PBT MIX#



### REST OF AFRICA

- Strategy delivering
- Build in-country franchises a priority

### OTHER MARKETS (UK AND INDIA)

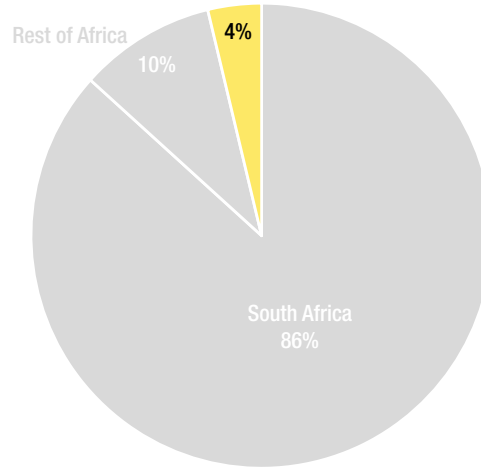
- Well established and profitable CIB franchise in India
- Diversification (grow MotoNovo business)



## Diversification in UK still presents growth opportunities

- Continued growth in motor distribution footprint
- Investing in product diversification
- Funding strategies still supportive of growth plans

Other markets (incl. UK and India)



RESULTS PRESENTATION  
for the six months ended 31 December 2016



**prospects**



**FIRSTRAND**

## Macros remain challenging, but...

...committed to:

- Investing for growth
- Allocating financial resources to maximise economic profits
- Maintaining a strong and prudently positioned balance sheet
- Delivering superior returns
- Quality of portfolio will ensure resilience in the short term
- Growth strategies should deliver outperformance in the medium to long term



RESULTS PRESENTATION  
for the six months ended 31 December 2016



# appendix

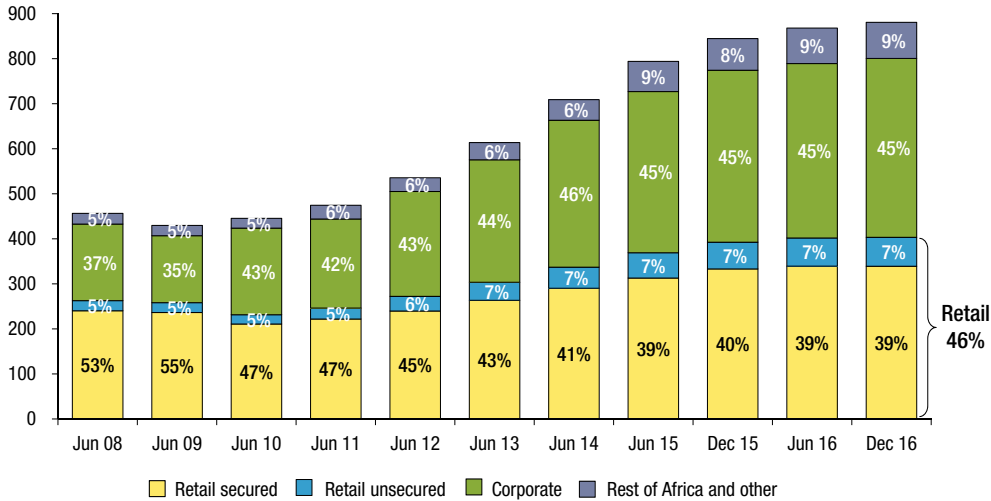


FIRSTRAND



## Advances portfolio mix between corporate and retail remains appropriate

GROSS ADVANCES (R billion)













\* Years prior to 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)
<p>Continued focus on low-risk FNB customers.</p>	<p>Credit demand and performance remain robust.</p>	<p>Volumes declining with vehicle sales and appetite reduced for higher-risk customers.</p>	<p>Market position and performance remain strong. Slowdown in economy.</p>
Card	Personal loans	Rest of Africa	Transactional facilities
<p>Growth following FNB customer cross-sell strategy and transactional spend growth.</p>	<p>Automated processes and customer cross-sell driving growth, appetite reduced with focus on low/medium risk.</p>	<p>Moderating growth and appetite with focus on FNB-banked customers.</p>	<p>Ongoing cross-sell and lending activation, but growth moderating and appetite reduced.</p>

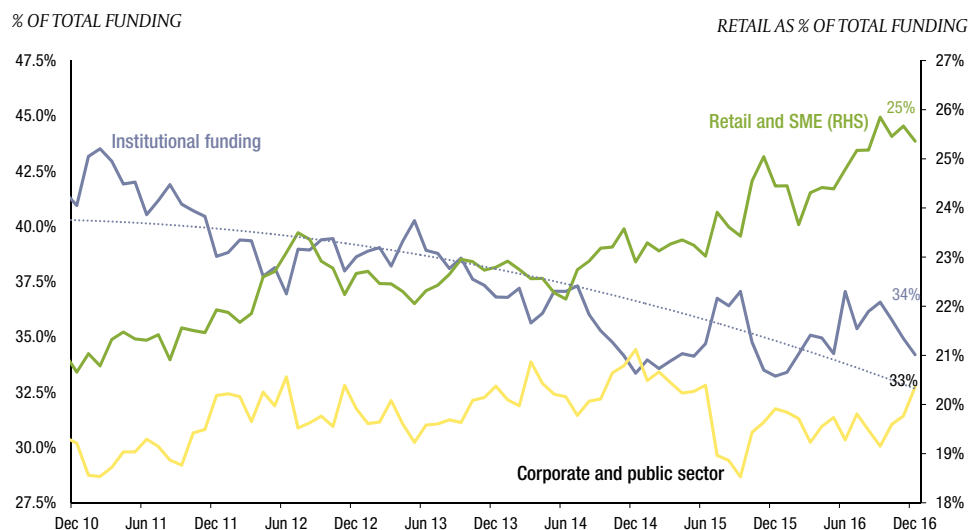
## Targeted lending strategies in corporate and commercial

COMMERCIAL ADVANCES					
Working capital	Commercial property finance	Agri finance	Asset-backed finance	Small businesses (SMEs)	Rest of Africa and India
 Organic growth to existing clients with increasing utilisation levels. Selective acquisition of new clients.	 Remain focused on banked owner-occupied. Selective acquisition of multi-tenanted deals.	 Continue to diversify exposure across commodities and geographically. Proactive drought impact management.	 Growth focus on customers across targeted industries. Cross-sell to banked clients.	 Continue to cross-sell to relationship base with some tightening on new-to-bank and higher risk business.	 Continue to target Africa-India corridor clients and introduce specialised product offerings.
CORPORATE ADVANCES					
Domestic working capital and term lending	Domestic and rest of Africa infrastructure finance	Cross-border rest of Africa (excl. ZAR depreciation impact)	Acquisition finance to strategic SA corporates		
 Tracking nominal SA GDP.	 Projects drawing down.	 Moderated appetite and activity. Bias towards short-term trade and working capital limiting unmitigated hard currency risk.	 Lead arranger to a number of larger foreign acquisitions by SA corporates.		

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



## Continue to improve funding profile and mix



## Coverage breakdown: residential mortgages

<i>TYPE</i>	<b>R million</b>	<b>Specific coverage ratio</b>
Sold property awaiting registration	106	24.6%
Deceased	240	23.0%
Debt review – mostly paying per agreement	765	20.0%
Insolvencies and litigation	1 347	21.6%
Non-debt review – payments being made	1 133	20.7%
Other	871	21.0%
<b>Total</b>	<b>4 462</b>	<b>22.1%</b>



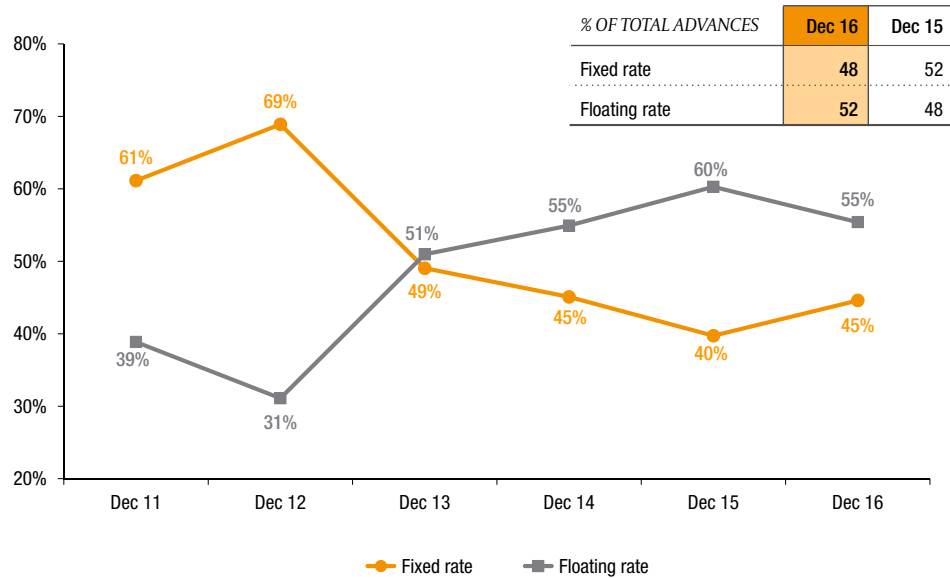
## Coverage breakdown: retail VAF (SA and UK)

<i>TYPE</i>	<b>R million</b>	<b>Specific coverage ratio</b>
Other (includes absconded, insurance and alienations)	370	59.6%
Repossession	261	55.8%
Legal action for repossession	612	42.1%
Not restructured debt review	633	37.9%
Arrears 3+ months	1 533	37.0%
Restructured debt review	2 041	10.5%
<b>Total</b>	<b>5 450</b>	<b>30.2%</b>



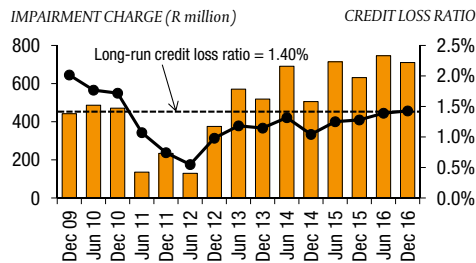
## Margin pressure from shift in rate mix in WesBank's VAF book

PROPORTION OF SA RETAIL VAF NEW BUSINESS

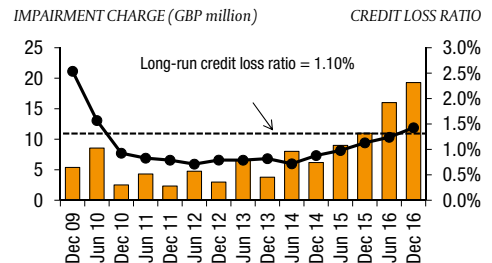


## WesBank credit – all portfolios trending in line with expectations

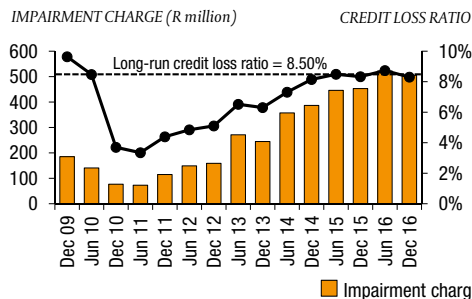
### DOMESTIC RETAIL VAF



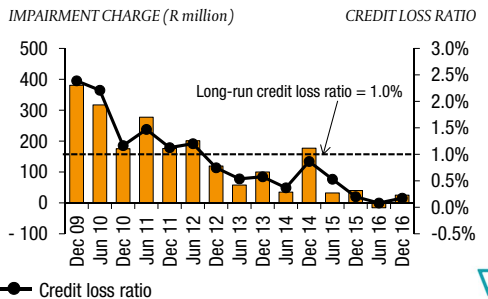
### MOTONOVO (UK RETAIL VAF)



### PERSONAL LOANS

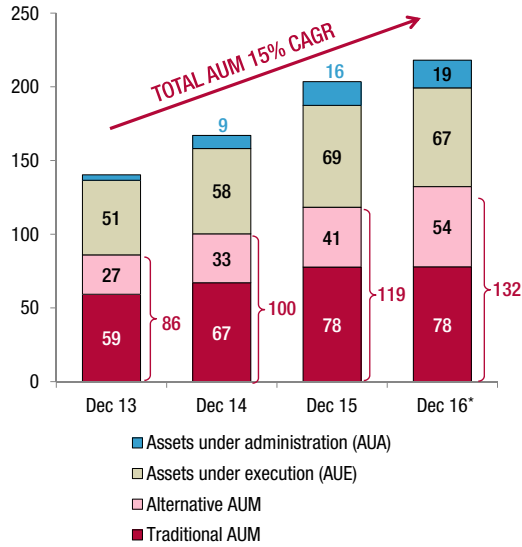


### CORPORATE AND COMMERCIAL



## AUM growth from good penetration of institutional and retail markets

R billion



- RMB's origination franchise facilitating strategy
- Good take up in fixed income mandates of multi-asset credit from RMB
- Differentiated products and strong investment performance attracting flows from IFAs and FNB customers

AUM excludes conduits.

\* During the current year R4 billion of AUM was reclassified as AUA resulting in a restatement of the comparatives as well. Accordingly the comparatives have been restated for the AUA that had been incorrectly classified in FNB Securities.









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