FIRSTRAND

STRONG GROWTH IN EARNINGS AND RETURNS CONTINUES AT FIRSTRAND

Normalised earnings up 21%, dividend up 28% and ROE up to 24.2%

Johannesburg, 9 September 2014 – FirstRand Limited (FirstRand) today reported results for the year to June 2014 with its portfolio of financial services franchises producing another strong performance.

HIGHLIGHTS

- Normalised earnings improved 21% to R18.7 billion.
- The Group's normalised return on equity (ROE) and return on assets (ROA) continued to trend upwards to 24.2% and 2.06%, respectively.
- Dividend up 28% with cover reduced to 1.9x reflecting strong performance.
- Strong balance sheet; the Group remains well capitalised with a Total Capital Adequacy Ratio of 16.7%.

Commenting on the results, FirstRand CEO, Sizwe Nxasana said:

> *"These results are very pleasing particularly given how challenging the operating environment has been. FirstRand's operating franchises, FNB, RMB and WesBank, delivered good operational performances, characterised by strong topline growth, profitability and returns.*
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> *"All three franchises continued to outperform the market, as they effectively executed on specific growth strategies in their respective markets; underpinned by a very strong focus on client relationships, transactional revenues, product and platform innovation and prudent credit origination."*

The Group's income statement benefited from an increase of 19% in net interest income (NII). This was driven by ongoing growth in new business in all of the large retail and commercial portfolios of FNB and WesBank, with RMB continuing to grow its core corporate lending book strongly, particularly driven by activities in the rest of Africa.

Total non-interest revenue (NIR) increased 14%, underpinned by ongoing fee and commission income growth at FNB, which grew NIR 10% and continued to profit from its strategy to drive transactional volumes on the back of client acquisition. WesBank benefited from good growth in its full maintenance rental book.

NIR growth was also driven by RMB's client franchises, particularly in the rest of Africa. RMB also benefitted from an excellent performance from its investment activities, driven by both strong equity accounted income from its private equity portfolio, and a significant investment realisation.

Impairments and non-performing loans (NPLs) are trending in line with expectations, but show a mixed picture across the portfolios. Residential mortgages, FNB commercial, FNB personal loans and RMB's investment banking division saw NPLs reduced, whilst NPLs in FNB card, vehicle and asset finance (VAF) and WesBank personal loans increased.

Commenting specifically on credit, Nxasana said:

> *"Early counter-cyclical credit actions taken in some of the Group's higher risk retail lending portfolios over the past two years have resulted in a better-than-expected overall credit experience, however, the Group believes that the cost of credit will trend up. Retail bad debts are currently at a cyclical low and the emergence of the negative credit cycle is beginning to show up in the VAF and card books. This view is also reflected in the Group's decision to increase provisions."*

FirstRand continues to focus on cost control, and the Group's cost to income ratio reduced despite ongoing investment in growth strategies both within South Africa, the rest of Africa and India.

Nxasana commented that FirstRand remained well positioned to weather what is expected to be a difficult macro environment, particularly for the consumer.

> *"South Africa has now entered an interest rate hiking cycle which will place further pressure on the South African consumer,"* he said.
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> *"Against this background FirstRand believes that the strength of our businesses and their respective growth strategies should place the Group in a position to outperform what is expected to be a worsening economic environment. In addition, our expanding footprint in the rest of Africa is delivering good growth in profits, and we will now consider accelerating deployment of capital into the region, albeit within a disciplined framework to maintain our targeted return profile."*

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