Johan Burger / COO & CFO

COO & CFO'S REPORT

FirstRand believes that the increase in focus on integrated financial resource management will allow it to fully optimise the financial, strategic and operational levers required to maximise returns to shareholders.

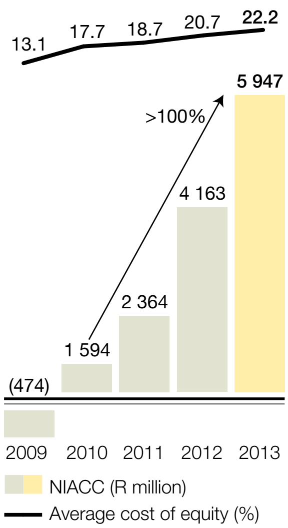
OVERVIEW OF RESULTS

FirstRand produced excellent results for the year ended 30 June 2013, achieving normalised earnings of R15 323 million, an increase of 20% on the previous period, and a normalised ROE of 22.2%, which is at the top end of the targeted range. Dividend per share increased 33% as the dividend cover was reduced to 2.0x (2012: 2.2x). ROA increased to 1.87% (2012: 1.73%), reflecting the Group's higher non-interest revenue (NIR) generating business model and discipline in using the balance sheet only where it can achieve appropriate returns.

Note: all information in this report is presented on a normalised basis.

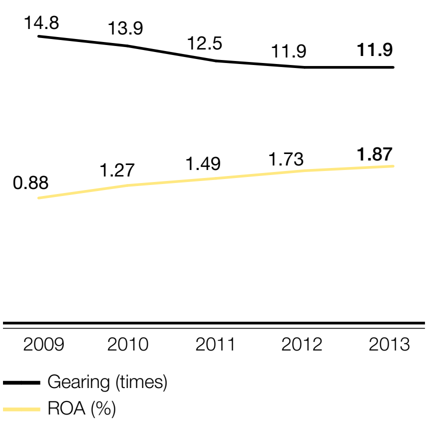
The Group believes the appropriate measure of value creation for shareholders is the return above cost of equity. As shown in the chart below, since 2010 the Group has improved ROE from 17.7% to 22.2%, and economic profits or net income after capital charge (NIACC) increased >100% from R1 594 million to R5 947 million. This is particularly pleasing as it was generated from an improved ROA and not gearing.

NIACC



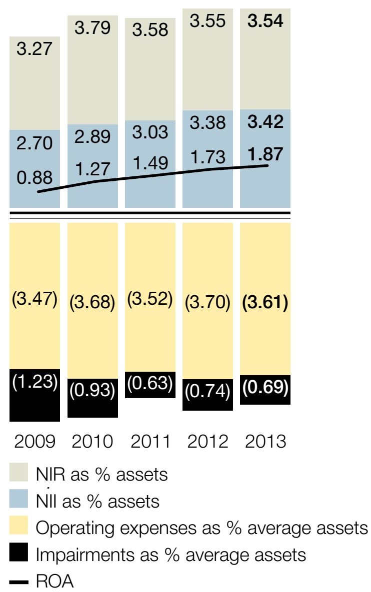
The following chart illustrates that gearing actually decreased from approximately 15x in 2009 to around 12x in the current year, whilst ROA increased from 0.88% to 1.87% over the same period.

ROA



ROA quality has also improved, however, it is now at a cyclical high.

ROA quality has also improved over this period with the client franchise contributing 95% of revenues. It is important to note that the Group's current ROA is cyclically high given that bad debts are still below the bottom end of the long-run average range.

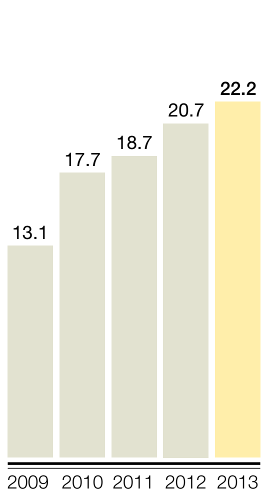


Each item is shown before taxation and non-controlling interests as a percentage of average assets. The ROA reflects normalised earnings after tax and non-controlling interests as a percentage of average assets.

FirstRand uses the key financial performance indicators below to measure the Group's performance against its core purpose to create long-term franchise value.

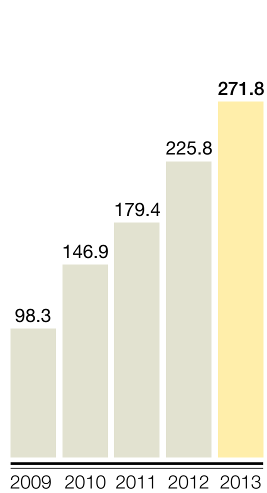
Key performance indicators

ROE (%)



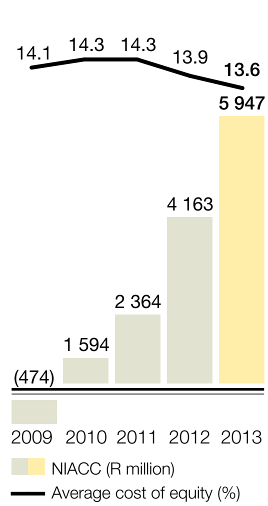
When the Group analyses ROE, it also takes into account the relationship between ROA and gearing levels. The Group's long-term ROE target range is 18% to 22% for normal economic cycles.

EPS (cents)



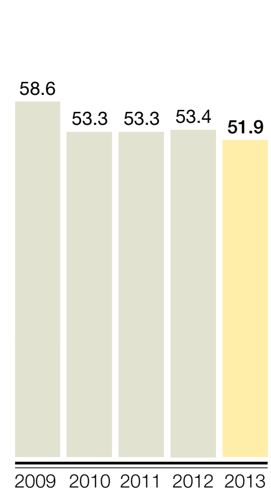
The Group targets earnings growth of 3% to 5% in excess of nominal GDP growth over the long term, as this will vary from year-to-year dependent on economic cycles.

NIACC



Growth in NIACC is the Group's internal benchmark for assessing performance.

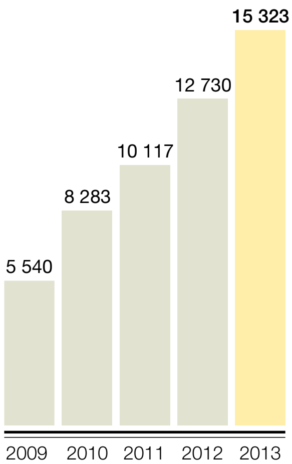
Cost-to-income ratio (%)



The Group monitors efficiency through the cost-to-income measure. Whilst the Group views the cost-to-income ratio as an outcome rather than a target, it recognises that balancing revenue growth and cost growth are key to value creation.

Normalised earnings

(R million)



Other key ratios are indicated in the table below.

Group key ratios – normalised

	Year ended 30 June	
	2013	2012
Earnings (R million)	**15 323**	12 730
ROE (%)	**22.2**	20.7
Diluted earnings per share (cents)	**271.8**	225.8
Return on average assets (%)	**1.87**	1.73
Credit loss ratio (%)	**0.99**	1.08
Credit loss ratio (%) excluding the impact of the merchant acquiring event	**0.95**	0.94
Net asset value per share (cents)	**1 303.1**	1 142.4
Dividend per share (cents)	**136.0**	102.0
Normalised cost-to-income ratio (%)	**51.9**	53.4
Tier 1 ratio (%)	**14.8**	13.2
CET1 ratio (%)	**13.8**	12.3
Net interest margin (%)	**4.97**	4.92
Gross advances (R billion)	**612**	536

A breakdown of earnings from each operating franchise is shown below.

Sources of normalised earnings

for the year ended 30 June

R million	**2013**	% composition	2012	% composition	% change
FNB	**8 162**	53	6 666	53	22
RMB	**4 426**	29	3 654	29	21
WesBank	**2 852**	19	2 599	20	10
Corporate Centre and consolidation adjustments	**(178)**	(1)	(703)	(6)	(75)
FirstRand Limited (company)*	**358**	2	789	6	(55)
NCNR preference dividend	**(297)**	(2)	(275)	(2)	8
Normalised earnings	**15 323**	100	12 730	100	20

* *Included in the 2013 figure is the consolidation adjustment of R589 million (2012: R818 million) to bring the IFRS 2 costs from cash settled in the underlying subsidiaries to equity settled at the Group level.*

CONSISTENT STRATEGIES DRIVING FINANCIAL PERFORMANCE

The Group's strong financial performance was driven by the on-going execution of certain strategies which have the objective to provide shareholders with:

- earnings resilience, growth and sustainability;
- balance sheet strength; and
- quality returns.

These strategies are summarised in the table below. Further analysis on these strategies and their impact on financial performance follows-on.

		Strategies
Earnings resilience and growth (income statement)		diversification; client franchise businesses; appropriate risk appetite; and positive operating jaws.
Balance sheet strength	**Assets** **Liabilities and equity**	appropriate action in new business origination; managing NPLs and coverage ratios; grow the deposit franchise and improve liquidity profile; and maintain strong capital position.
Quality of returns (performance management)		maintain ROE within target range with focus on ROA not gearing; and discipline in deployment of capital.

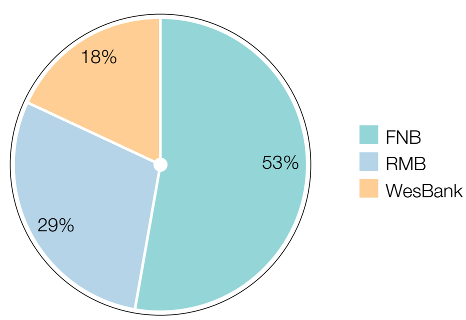
DIVERSIFICATION

FirstRand's portfolio of franchises provides good diversification and represents the appropriate mix of business activities, at both a franchise and segment level. The Group believes, however, that it remains under-represented in certain segments, markets and products and has clear strategies to address these gaps. For instance, the Group launched its new investment management franchise, Ashburton Investments, and more details of this strategy can be found in the *CEO's report*.

Franchise diversification

Normalised earnings (R million)	**2013**	2012	% change
FNB	**8 162**	6 666	22
RMB	**4 426**	3 654	21
WesBank	**2 852**	2 599	10
Other*	**(117)**	(189)	(38)
Total normalised earnings	**15 323**	12 730	20

* *Comprises FirstRand and dividends paid on NCNR preference shares, Corporate Centre and consolidation adjustments.*

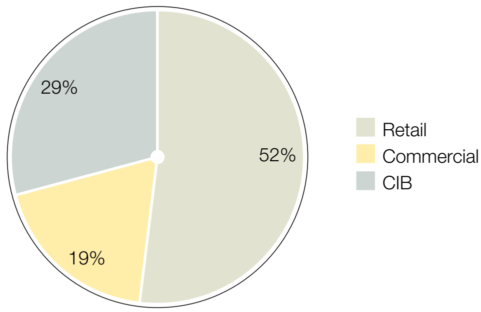


Segment diversification

Normalised earnings (R million)	2013	2012	% change
Retail	**8 027**	6 442	25
Commercial*	**2 987**	2 823	6
Corporate and investment banking (CIB)	**4 426**	3 654	21
Other	**(117)**	(189)	(38)
Total normalised earnings	**15 323**	12 730	20

* *Includes FNB Commercial and WesBank Corporate.*

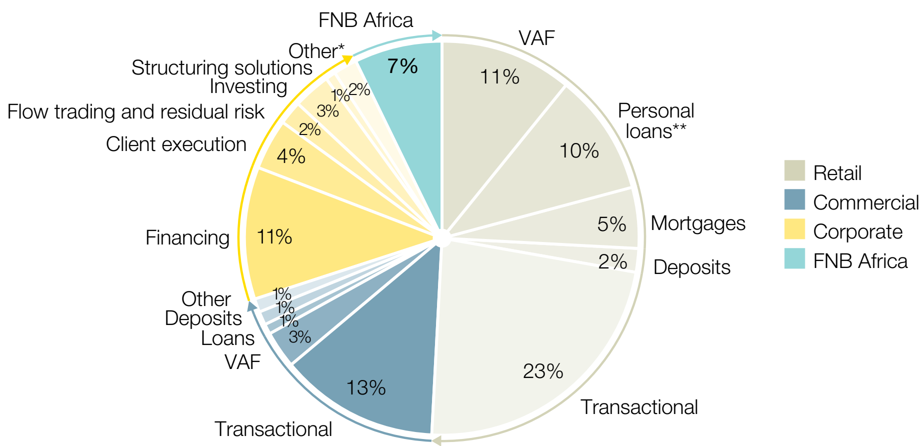
Normalised earnings mix**



** *Excludes FirstRand Limited (company) and dividends paid on NCNR preference shares, Corporate Centre and consolidation adjustments.*

The segment diversification in the year under review reflects the relative positioning of the Group's franchises, with strong contributions from the retail and corporate and investment banking segments. Excluding certain investments in growth initiatives (refer to page 36 of the *FNB review of operations*), the commercial segment produced double digit growth. The overall contribution from retail increased to 52% (2012: 50%) of gross revenue, with corporate and investment banking and commercial contributing 29% and 19%, respectively.

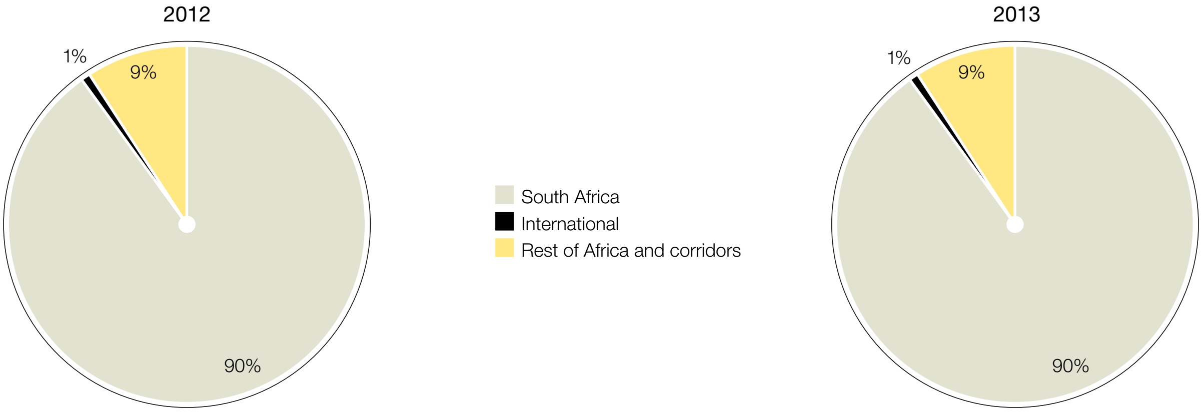
Product diversification



Based on gross revenue, excluding Corporate Centre and consolidation adjustments.
* *Includes VAF Corporate.*
** *Includes WesBank personal loans.*

The Group has deep product diversification across its various segments which further underpins its objective to mitigate earnings volatility through an over reliance on specific revenue streams.

Geographic diversification



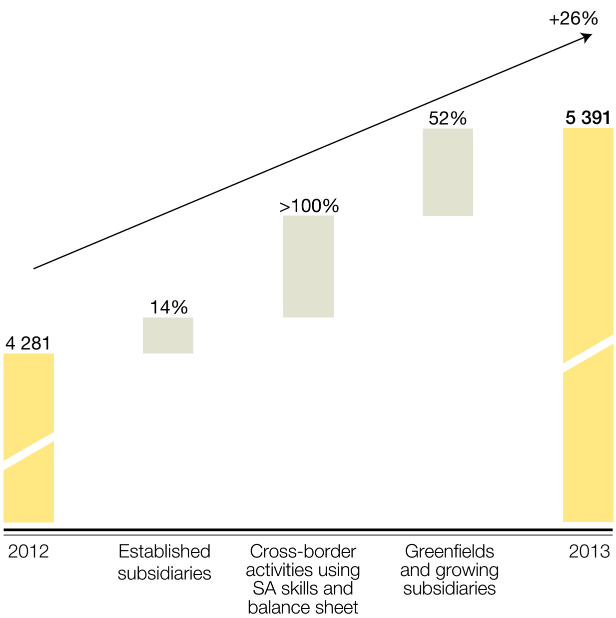
Based on gross revenue, excluding Corporate Centre and consolidation adjustments.

As illustrated above the Group remains concentrated in its domestic market with 90% of revenues generated in South Africa. The ratio has not shifted year-on-year but this is due to the strong rate of growth in the domestic businesses and because the rest of Africa is achieving growth rates similar to the South African business.

FirstRand is making good progress on the execution of its growth strategy in the rest of Africa. This strategy has three pillars, and is outlined in detail in the *CEO's report*. The chart below shows a breakdown of rest of Africa revenue growth (+26%) across the three pillars.

Gross revenue

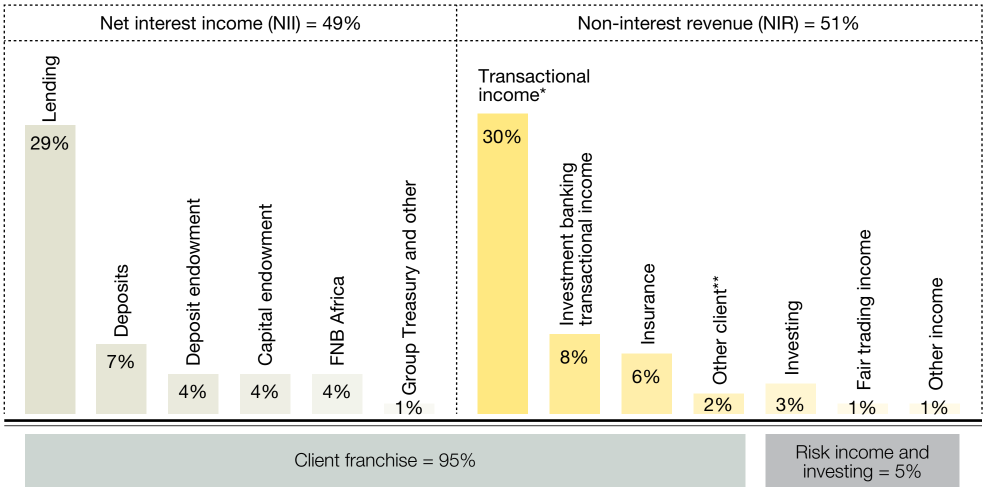
(R million)



The established rest of Africa subsidiaries produced a 30% ROE, with returns from the growing subsidiaries still negative at (1.3%). It will take time for these operations to start meeting hurdle rates, however, the Group has remained disciplined in limiting the dilution of the return profile in line with the strategic framework.

GROW CLIENT FRANCHISE BUSINESSES

The chart below illustrates the success of the Group's continued focus on building its client franchises, which now contribute 95% of revenues. Lending and transactional income is the largest contributor at 59% of gross income. The Group's success in building its non-interest revenue franchises is reflected in the 51% contribution to total revenue.



* *From retail, commercial and corporate banking.*
** *Includes WesBank associates.*

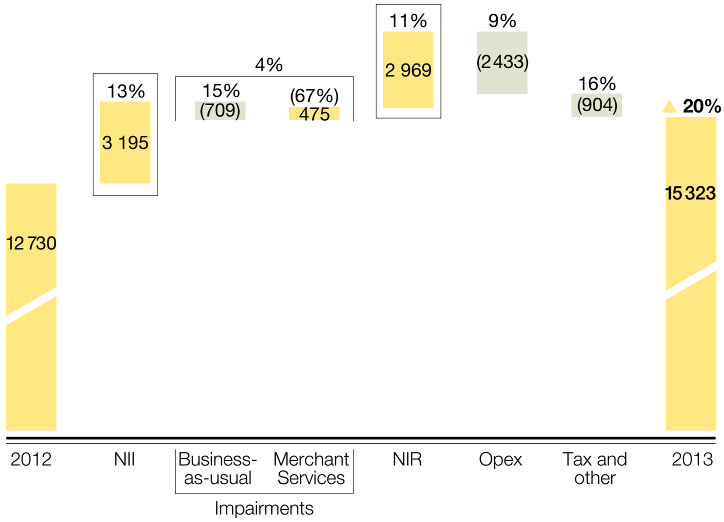
FirstRand is making good progress on the execution of its growth strategy in the rest of Africa and has remained disciplined in limiting the dilution of the return profile.

STRONG TOPLINE UNDERPINS EARNINGS GROWTH

The following chart illustrates that the Group's performance was driven by strong topline growth with NII increasing 13% and NIR growing 11%.

Normalised earnings

(R million)

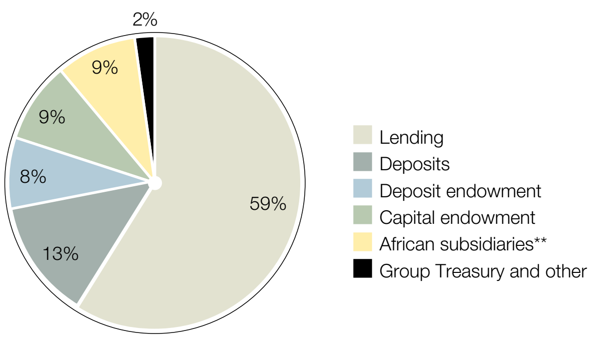


Net interest income growth of 13%

Lending remains the largest contributor to NII (59%), which has grown 21% as a result of both good asset growth and margin expansion. The lower growth from the deposit and endowment portfolios is a function of margin compression due to lower interest rates and competitive pressures.

NII breakdown

Net interest income* (R million)	2013	2012	% change
Lending	**16 648**	13 738	21
Deposits	**3 753**	3 629	3
Deposit endowment	**2 294**	2 117	8
Capital endowment	**2 337**	2 187	7
African subsidiaries	**2 386**	2 137	12
Group Treasury and other	**646**	1 061	(39)
Total net interest income	**28 064**	24 869	13

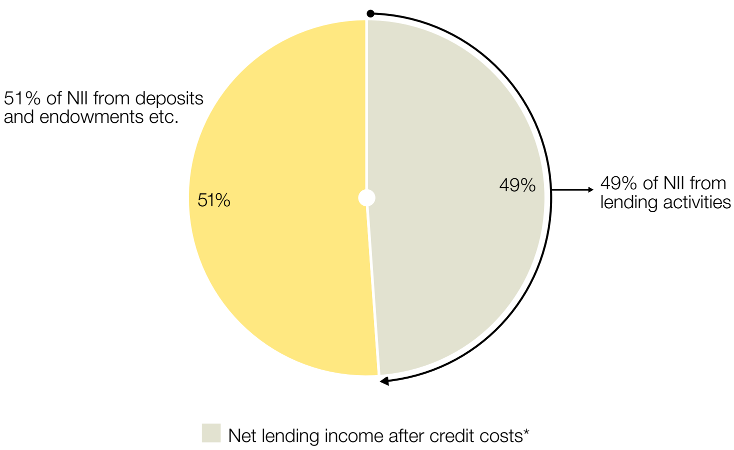


* *After taking funds transfer pricing into account.*

** *Reflects legal entity view.*

After adjusting for risk cost, which the Group believes is the appropriate approach to assessing the margin businesses, the picture is more balanced, as can be seen from the following chart.

Net interest income adjusted for risk cost (i.e. after impairment of advances)



* *Excludes African subsidiaries.*

Margins

Net interest margin improved from 4.92% to 5.07% year-on-year, positively impacted by changes in asset mix to higher margin products and continued repricing, offset by lower margins on capital and deposit endowment as a result of lower interest rates.

Two treasury issues reduced the margin by 10 bps to 4.97%;

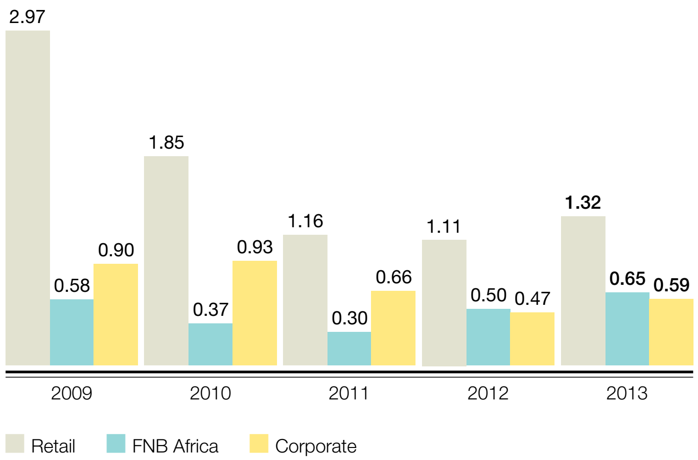
- a real cost of 4 bps resulted from the strategy to run a conservative USD liquidity position to deal with rollover risk and provide a buffer for deal pipeline; and
- accounting mismatches (fair value vs accrual) relating to different treatment of assets and liabilities, which reverse over the remaining term of the assets and liabilities.

As a percentage of average interest-earning banking assets	%
Normalised margin – June 2012	**4.92**
Capital and deposit endowment	**(0.11)**
Advances	**0.26**
Changes in balance sheet mix	**0.18**
Asset pricing	**0.08**
Liabilities	**–**
Changes in balance sheet mix (deposits)	**0.03**
Changes in balance sheet mix (capital)	**0.01**
Term funding cost	**–**
Deposit pricing	**(0.04)**
Margin before Treasury impacts	**5.07**
Treasury strategies	**(0.10)**
Foreign currency liquidity buffer cost	**(0.04)**
Accounting mismatches	**(0.06)**
Normalised margin – June 2013	**4.97**

Impairments within the long-run average

Bad debts, excluding the impact of the merchant acquiring event, increased from 94 bps to 95 bps, which remains in line with expectations and includes credit impairment overlays, primarily at FNB and RMB. These overlays reflect the Group's view that the benign credit cycle has bottomed and are considered prudent given the strong book growth. The overlays do not reflect any specific stresses in the Group's portfolios, all of which are tracking as anticipated.

Credit loss ratio
(%)



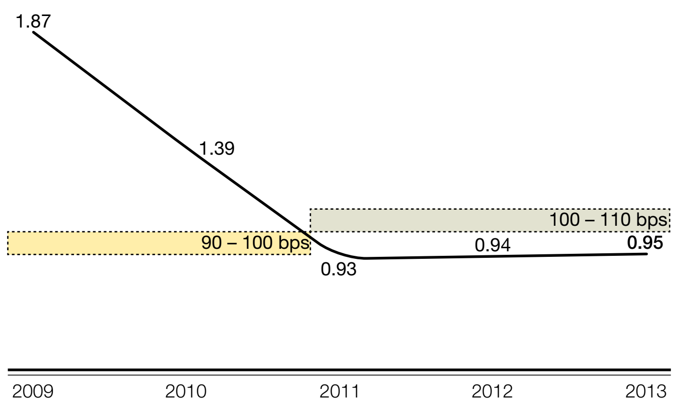
Credit loss ratio (%)	**2013**	2012
Retail – secured	**0.62**	0.58
Residential mortgages	**0.32**	0.56
VAF	**1.14**	0.62
Retail – unsecured	**6.20**	5.37
Credit card	**0.19**	0.24
Personal loans	**9.70**	8.57
Retail – other	**7.47**	8.47
Total retail	**1.32**	1.11
Corporate	**0.59**	0.47
FNB Africa	**0.65**	0.50
Total credit loss ratio*	**0.95**	0.94

* *Excluding the impact of the merchant acquiring event.*

The retail portfolio impairment charge reflects increasing arrears and portfolio provisioning. The residential mortgage and card books depict prudent actions taken with regard to write-off policies and origination strategies. Defaults in the corporate book are still at very low levels, however, the charge includes increases in portfolio provisions.

As can be seen from the following chart, impairments are still below the long-run average of 100 to 110 bps, however, bad debts are expected to move into and/or above the long-run average going forward.

Credit loss ratio*
(%)

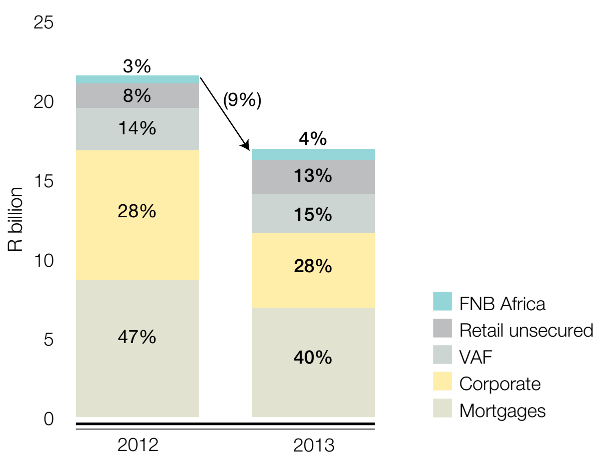


* *Excludes impact of the merchant acquiring event of 4 bps in 2013 (2012: 14 bps).*

Absolute levels of non-performing loans (NPLs) decreased 9%, however, total coverage increased from 60% to 74.3% year-on-year, driven by:

- the shift in the NPL mix from secured to personal loans where losses are higher (more detail on this below); and
- higher portfolio impairments.

NPLs

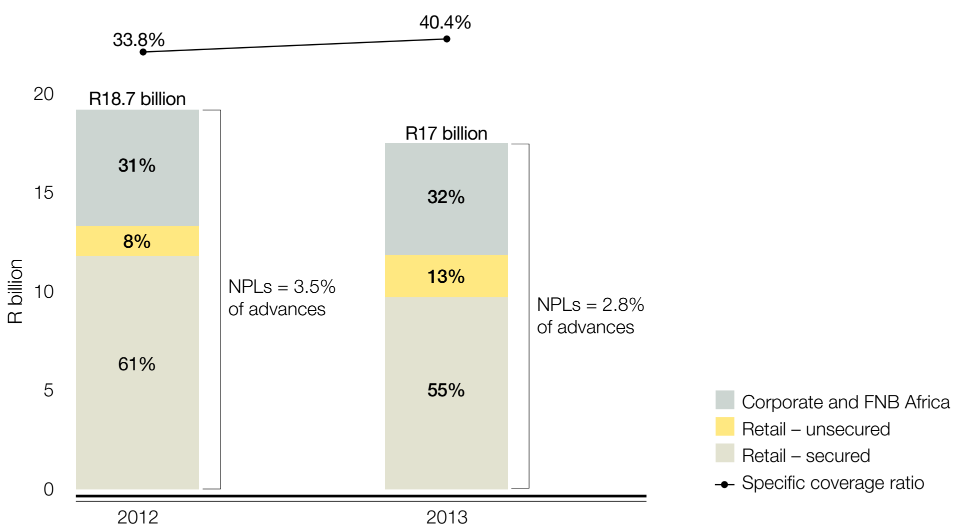


Coverage ratios (%)	2013	2012
Retail – secured	**25.3**	23.5
Residential mortgages	**21.7**	19.9
VAF	**35.0**	35.2
Retail – unsecured	**75.5**	79.7
Credit card	**71.9**	65.7
Personal loans*	**74.5**	80.4
Retail – other	**80.8**	91.2
Corporate	**54.6**	41.2
FNB Africa	**39.1**	48.0
Specific impairments	**40.4**	33.8
Portfolio impairments**	**34.0**	26.2
Total coverage ratio	**74.3**	60.0

* *Includes FNB loans and WesBank loans.*
** *Includes central portfolio overlays.*

The following chart illustrates the NPL mix change. Retail secured now represents 55% (2012: 61%) of NPLs whilst the proportion of retail unsecured NPLs increased from 8% to 13% year-on-year, which in turn has driven higher coverage against NPLs.

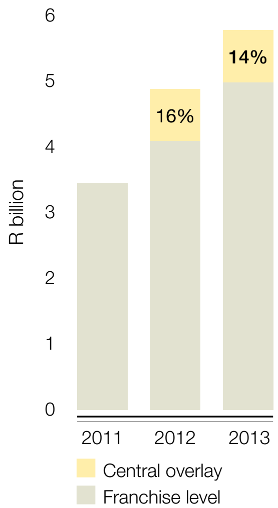
NPL mix



Increased portfolio provisions reflect book growth, resultant arrears and specific prudent actions taken last year. The central overlay constitutes 14% of total portfolio provisions as can be seen from the chart below.

The Group believes that expressing portfolio provisions as a percentage of the performing book is a more meaningful measure than as a percentage of the non-performing book. On this basis, the coverage has increased from 0.76% in 2011 to 0.97% in 2013 and represents approximately one year's bad debt charge.

Portfolio impairment



	2013	2012	2011
Portfolio impairments as % of performing book	**0.97**	0.95	0.76
Bad debt charge* (%)	**0.95**	0.94	0.93
Portfolio impairments (R million)	**5 775**	4 892	3 457

* *Excluding the impact of the merchant acquiring event.*

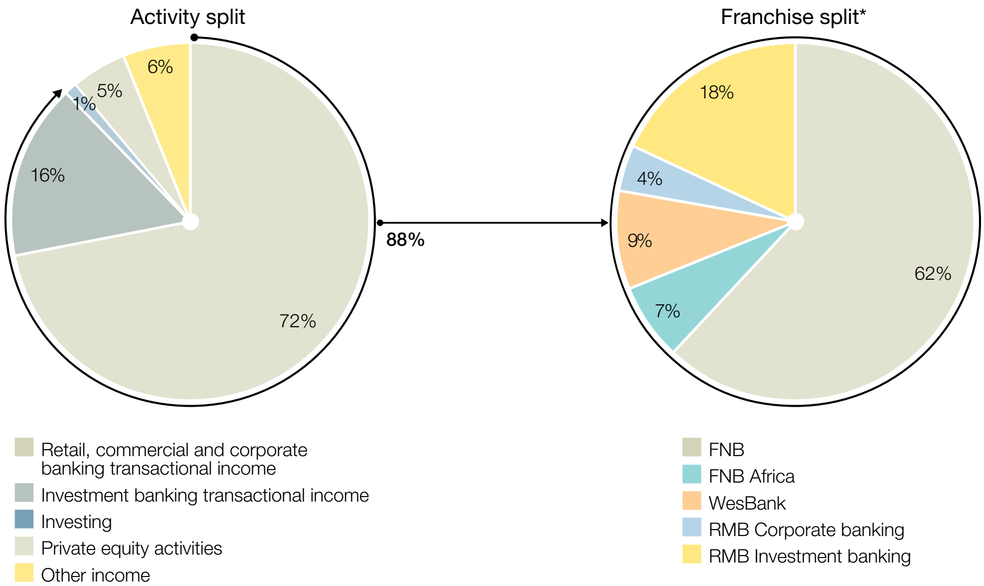
Non-interest revenue up 11%

R million	% of composition of total NIR	2013	2012	% change
Transactional non-interest revenue	88	**25 691**	23 014	12
Retail, commercial and corporate banking	72	**20 946**	18 867	11
Investment banking	16	**4 745**	4 147	14
Private equity activities	5	**1 340**	1 123	19
Investment income	1	**154**	152	1
Other income*	6	**1 876**	1 803	4
Non-interest revenue	100	**29 061**	26 092	11

* *Includes WesBank associates.*

The Group has consistently executed on strategies to drive growth in NIR and, in the year under review, this resulted in 12% growth in transactional revenue NIR, which contributes 88% of total NIR, with retail, commercial and corporate banking revenues increasing 11% and investment banking revenues up 14%. Private equity activities grew 19% as a result of some realisations.

NIR breakdown



* *Excludes Corporate Centre and consolidation adjustments.*

The FNB franchise is the largest contributor to transactional revenue at 62%, followed by RMB at 18% and WesBank at 9%. Refer to the *Review of operations* on pages 35 to 44 for more detail on the franchise NIR strategies and growth.

Cost containment

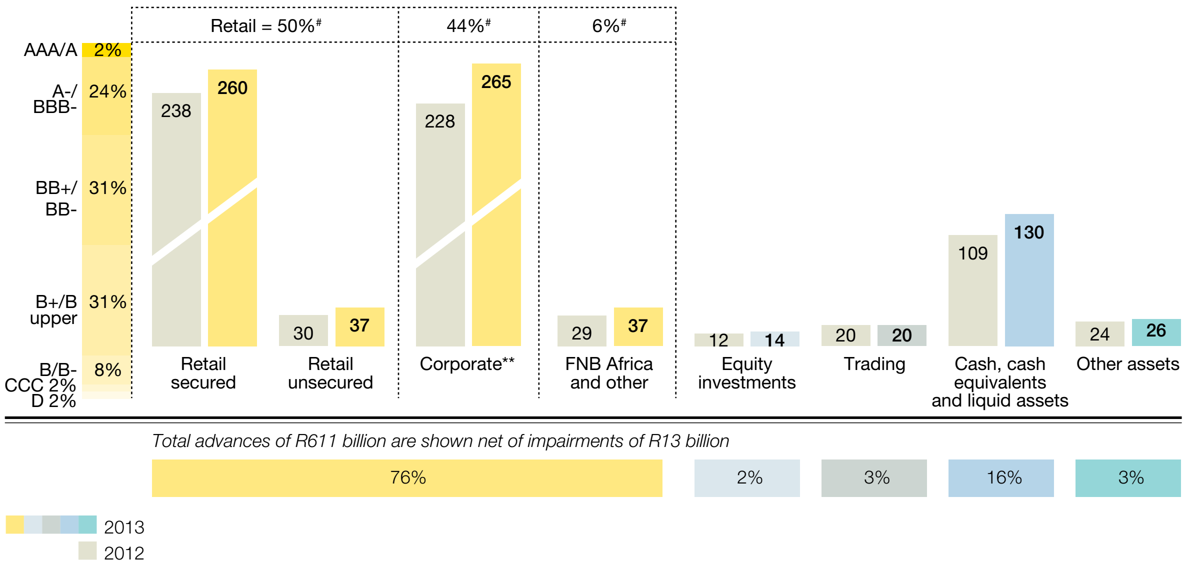
The Group's cost-to-income ratio reduced to 51.9% (2012: 53.4%) reflecting strong topline growth of 12% against cost growth of 9%, which the Group considers a good performance given the current level of investment in growth initiatives.

The Group has consistently executed on strategies to drive NIR growth, resulting in 12% growth in transactional NIR which contributes 88% of total NIR.

BALANCE SHEET STRUCTURE AND RISK PROFILE

Asset profile reflects appropriate risk appetite actions

Assets*
(R billion)



* Non-recourse-, derivative-, securities lending- and short-term trading position assets and liabilities have been netted off.
** Included in corporate advances are African deals on the SA balance sheet of R14.6 billion (2012: R8.2 billion).
\# Percentage of advances.

The Group's asset profile is dominated by a high-quality diversified advances portfolio, which constitutes 76% of total assets. Retail represents 50% and corporate 44% of total advances. In terms of credit quality, 57% of the portfolio has a credit rating of BB- or better. Cash, cash equivalents and liquid assets represent 16% of total assets, with only a small portion related to the investment and trading businesses.

Credit risk

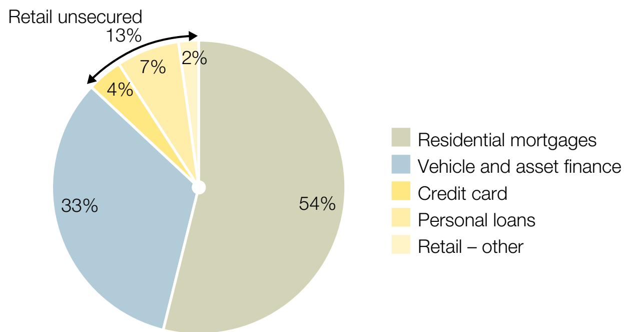
Retail portfolio

The retail portfolio achieved 11% asset growth in the year under review. The strongest growth came from vehicle and asset finance (VAF), credit card and personal loans. Growth in personal loans is, however, slowing given the actions taken in the past 18 months.

Secured lending still constitutes 87% of total retail advances (mortgages 54% and VAF 33%) with unsecured lending at 13%, split between credit card (4%), personal loans (7%) and other retail (2%).

Retail advances breakdown

R million	2013	2012	% change
Residential mortgages	**163 046**	157 851	3
Vehicle and asset finance	**100 598**	81 867	23
Credit card	**13 001**	11 291	15
Personal loans	**20 132**	17 631	14
FNB loans	**12 885**	11 730	10
WesBank Loans	**7 247**	5 901	23
Retail – other	**6 909**	3 742	85
Total retail advances	**303 686**	272 382	11



The chart below provides insight to certain risk appetite actions the Group took, which explain below- or above-market trend growth in the underlying retail products.

Risk appetite actions in the retail portfolios

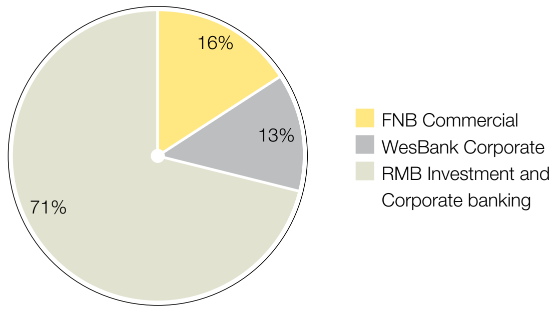
Retail				
Mortgages	**VAF**	**Card**	**Personal loans**	**Other**
→	→	→	↓	→
Remain conservative with focus on low-risk FNB customers	Gradual reduction of higher-risk with volumes tracking vehicle sales	Conservative, but growing FNB base and increased utilisation driven by rewards	Cut back risk in 2011 and 2012 and tightened affordability as lower-income highly geared	Risk neutral, strongly targeting FNB base as under-represented

Corporate and commercial portfolios

Successful lending strategies in RMB corporate and investment banking (CIB) and FNB Commercial have delivered good growth of 16%. CIB is the largest component of the portfolio at 71%. Growth has been achieved whilst maintaining credit quality.

Corporate advances

R million	2013	2012	% change
FNB Commercial	**42 834**	35 960	19
WesBank Corporate	**34 210**	31 621	8
RMB Corporate banking	**5 101**	2 669	91
RMB Investment banking	**187 865**	162 574	16
Core advances	**147 363**	124 092	19
Repurchase agreements	**40 502**	38 482	5
Total corporate advances	**270 010**	232 824	16



The following chart again illustrates certain risk appetite actions taken in the corporate and commercial portfolios and provides insight on the asset growth numbers.

Risk appetite actions in the commercial portfolios

Commercial				
Commercial property finance	**Agri finance**	**Asset-backed finance**	**Debtor and leverage finance**	**Rest of Africa**
↑	↑	→	↑	↑
Growing as under-represented – focus on banked, owner-occupied	Diversifying exposure across commodities and geographically	Focus on lower risk and banked customers across target asset classes	Focus on banked customers and driving facility utilisation	Leverage growing footprint to target SA clients and low risk domestics

Risk appetite actions in the corporate portfolios

Corporate			
Working capital finance	**Infrastructure finance**	**Cross-border rest of Africa**	**SA corporate**
→	↗	↑	↑
Tracking nominal SA GDP	SA renewable energy projects with strong drawdown pipeline projected	Primarily structures financing in hard and soft commodities within strategic African countries	Lead arranger of the larger acquisition and leveraged finance transactions for SA debt capital markets

A detailed overview of the Group's credit risk profile and risk management practices is provided on pages 129 to 229 of the *Risk and capital management report*.

Market risk

RMB continues to assume market risk in relation to its client activities (market making in local markets, hedging and client facilitation). Market risk exposures are strictly monitored and managed with risk appetite and limits set in relation to the size of the earnings and capital base. VaR and ETL limits are dealt with in more detail on page 203 of the *Risk and capital management report*.

Equity investment risk

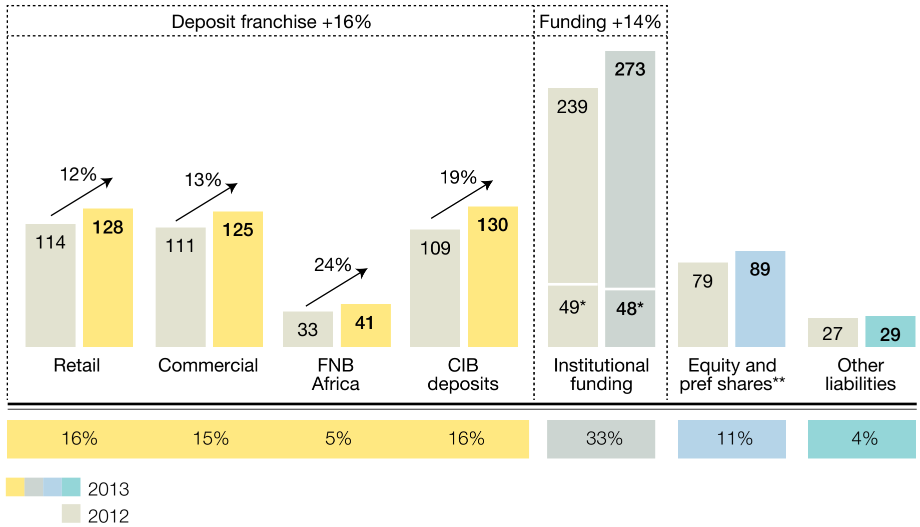
Equity investment risk stems primarily from RMB's private equity activities. The Group's portfolio is diversified across different investment teams, industries and counters.

The private equity portfolio is equity accounted or consolidated (as applicable), and not marked-to-market. The significant unrealised value of approximately R1.7 billion (2012: R1.6 billion) mitigates earnings volatility. Refer to pages 211 to 213 of the *Risk and capital management report* for more detail.

The Group's risk appetite remains conservative in retail lending portfolios. Growth in corporate and investment banking advances has been achieved whilst maintaining credit quality.

Liability profile reflects strengthening deposit franchise and liquidity management and strong capital position maintained

Liabilities# and equity
(R billion)



* CIB institutional funding.
** Includes ordinary equity, non-controlling interests, NCNR preference shares and Tier 2 liabilities.
# Net of derivatives and short trading positions.
Non-recourse deposits and securities lending included in deposits.

Funding and liquidity

The Group has continued to grow its deposit franchise and take proactive liquidity management actions, resulting in deposit franchise growth outpacing institutional funding growth.

The deposit franchise grew across all segments, with retail up 12% on the back of customer acquisition and innovative products, commercial up 13% as a result of dedicated sales teams and product development, and 19% growth in CIB driven by focused sales teams and innovative liquidity products.

Since 2010, better source and term deposits contributed 83% of liability growth:

- 70% of the growth came from the deposit franchise, 13% from capital markets and 17% from other institutional funding; and
- the weighted average remaining term of institutional funding has been further extended from 17.4 months in 2010 to 20.4 months.

Capital

FirstRand's capital management strategy is aligned to the Group's overall objective to deliver sustainable returns to shareholders within appropriate levels of volatility.

The Group's philosophy, given the uncertain macro environment, is to operate at the higher end of its targeted capital levels to ensure balance sheet resilience. Current targeted ranges and ratios are summarised in the table.

Capital ratios and targets

	CET1	Tier 1	Total
Regulatory minimum (%)	4.5	6.0	9.5**
Target (%)	9.5 – 11.0	11.0	12.0 – 13.5
FirstRand actual (%)	**13.8**	**14.8**	**16.3**
FRB* actual (%)	**12.6**	**13.3**	**14.9**

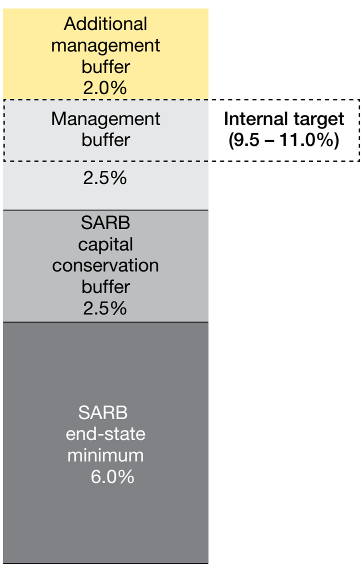
* *Reflects solo supervision, i.e. FRB excluding foreign branches.*
** *The regulatory minimum excludes the bank-specific individual capital requirement.*

The Group's actual CET1 ratio is 13.8%, however, this includes foreign currency translation and available-for-sale reserves, which the Group considers to be too volatile to include as available capital. When these reserves are excluded and the Basel III end-state changes are included, the CET1 ratio is 13%. This ratio is the basis from which the Group manages its capital strategy and is made up of the following:

- SARB end-state minimum of 6%;
- SARB capital conservation buffer of 2.5%;
- a management buffer of 2.5% which covers business as usual organic growth, stress and volatility and sufficient flexibility for possible regulatory change; and
- an additional management buffer of 2% (R10 billion) which is currently allocated for deployment in support of the Group's expansion strategy.

This breakdown is shown in the chart below.

Breakdown of Group's economic view of CET1



CET1 composition

The appropriateness of the level of payout to shareholders will be re-evaluated on an annual basis.

Dividend strategy

When assessing the appropriate level of payout to shareholders the Group considers the following:

- to ensure that the ROE remains within the target range of 18% to 22%, FirstRand assesses the robustness of the ongoing capital generation of its business. The Group is currently of the view that its ROE is at a cyclical high and, therefore, a reduction in dividend cover needs to be sustainable on a risk view as well as a core view;
- the anticipated growth in risk weighted assets (RWA) given the operating environment and the overall organic growth plans of the operating franchises; and
- the Group's objective to protect the R10 billion of capital currently allocated to its expansion strategy.

Following a comprehensive analysis of the above factors, the Group has reduced its dividend cover to 2.0x (2012: 2.2x) and considers this to be both appropriate and prudent as all of its buffers will remain intact even under a severe risk scenario. The appropriateness of the level of payout will be re-evaluated on an annual basis.

Interest rate risk in the banking book

The Group does not take interest rate views in the banking book as all interest rate positions are transferred to Group Treasury and hedged out in the market. The endowment portfolio (capital and lazy deposits) accounts for the majority of interest rate risk in the banking book and the Group is exposed to interest rate cuts. The Group strategically manages the interest rate profile in its endowment portfolio and evaluates hedging options on an ongoing basis. A 100 bps cut in interest rates would reduce margins between 15 and 20 bps before any hedging activities.

FINANCIAL RESOURCE MANAGEMENT

The Group's strategic financial resource management objectives are aligned to the requirements of key stakeholders, namely, shareholders, debt holders (including depositors) and regulators. These objectives are to:

- generate sustainable and less volatile returns; and
- maintain a strong balance sheet.

In line with this mandate, the Group has implemented an integrated financial resource management approach.

The ultimate objective of the financial resource management process is to manage the level of volatility in the Group's earnings. To achieve this objective, the Group requires a deep understanding of the risk inherent in its earnings base as this is a primary determinant of the Group's actual risk capacity (refer to page 140 of the *Risk and capital management report* for more detail on risk appetite and capacity). The Group also assesses how much of its risk capacity should be utilised by each franchise in different macroeconomic scenarios.

The financial resource management function manages three critical pillars:

- deployment of capital;
- allocation of funding and liquidity; and
- risk capacity allocation and utilisation to achieve desired volatility profile.

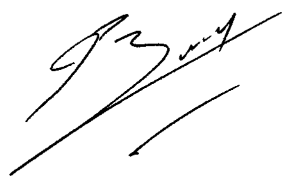
The Group sets minimum balance sheet and return targets (top-down) for different economic cycles. Based on the relative size of a franchise's earnings, it sets a volatility profile (bottom-up) aligned to the overall Group objectives. The targets for a normal cycle are outlined below.

Balance sheet and return targets

Description	Target
Targeted capital adequacy ratio (CAR)	12% to 13.5%
ROE target	18% to 22%
Liquidity coverage ratio	60%
Credit rating	Sovereign rating

CONCLUSION

When assessing the results for the year to June 2013 it is pleasing to note that FirstRand continues to deliver on its strategic objectives. Going forward the Group will measure, monitor and refine these objectives. FirstRand believes that the increase in focus on integrated financial resource management will allow it to fully optimise the financial, strategic and operational levers required to maximise returns to shareholders.



Johan Burger

Chief operating officer and chief financial officer