

FINANCIAL AND STRATEGIC UPDATE

June 2015



FIRSTRAND BANK



Agenda

Overview of the FirstRand group and FirstRand Bank FirstRand Bank financial performance Asset quality	Harry Kellan, Group CFO
Capital, funding and liquidity	Andries du Toit, Group Treasurer

OVERVIEW OF THE FIRSTRAND GROUP AND FIRSTRAND BANK (ISSUER)



FIRSTRAND BANK

Introducing FirstRand group – financial position and track record



FINANCIAL HIGHLIGHTS for the six months ended 31 December 2014	ZAR million	USD million
Normalised total assets	980 176	84 717
Normalised net asset value	85 241	7 367
Normalised earnings	9 993	909
Normalised ROE	24.0%	
Capital adequacy – CET1 ratio*	13.8%	

Conversion rates at 31 December 2014:

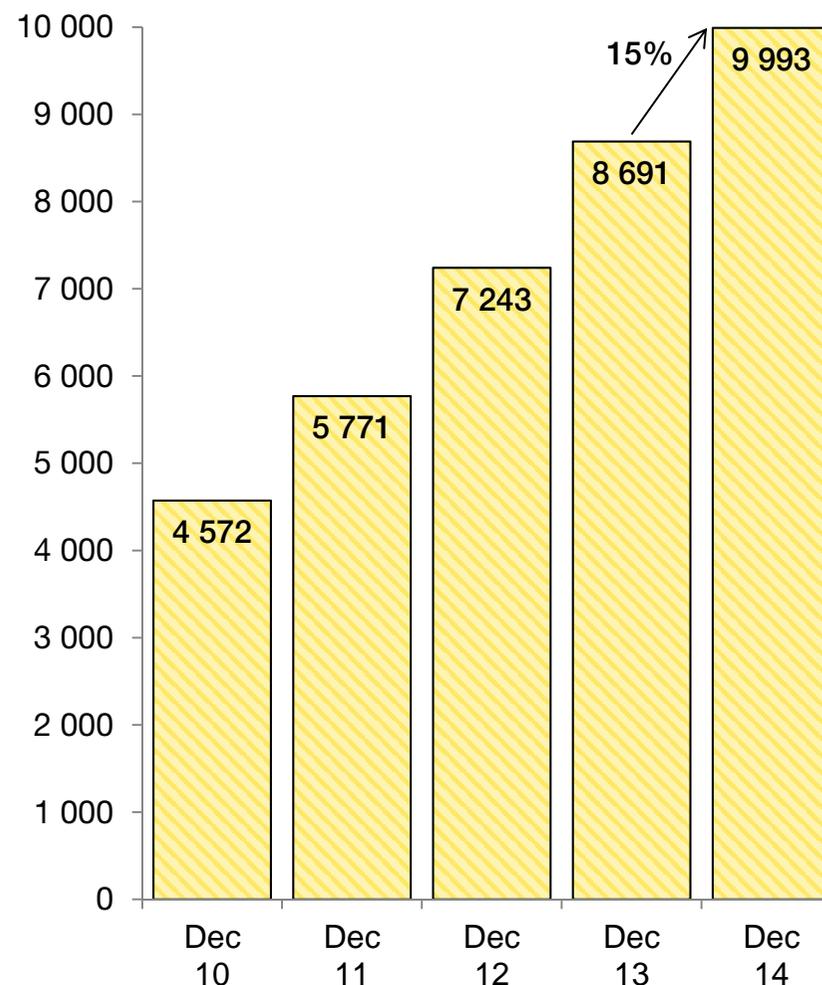
income statement: USD1 = ZAR10.99, balance sheet: USD1 = ZAR11.57

* Includes unappropriated profits.

KEY OPERATING STATISTICS for the six months ended 31 December 2014	Dec 2014
Employees	39 508
Physical representation points	874
ATMs	7 089
Card-acceptance point-of-sale devices	125 960

NORMALISED EARNINGS*

ZAR million



* Normalised earnings shown on a continuing normalised basis 2010 - 2011.



Group's growth strategy

BE THE AFRICAN FINANCIAL SERVICES GROUP OF CHOICE

- Underpinned by our commitment to:

Create long-term
franchise value

Deliver superior
and sustainable
economic returns
within acceptable
levels of volatility

Maintain balance
sheet strength



Group's unique operating structure



FIRSTRAND

Listed holding company (FirstRand Limited, JSE: FSR)



Group-wide
functions



Retail and
commercial bank



Corporate and
investment bank



Instalment
finance



Investment
management

Stakeholder
management

Customer-facing franchises

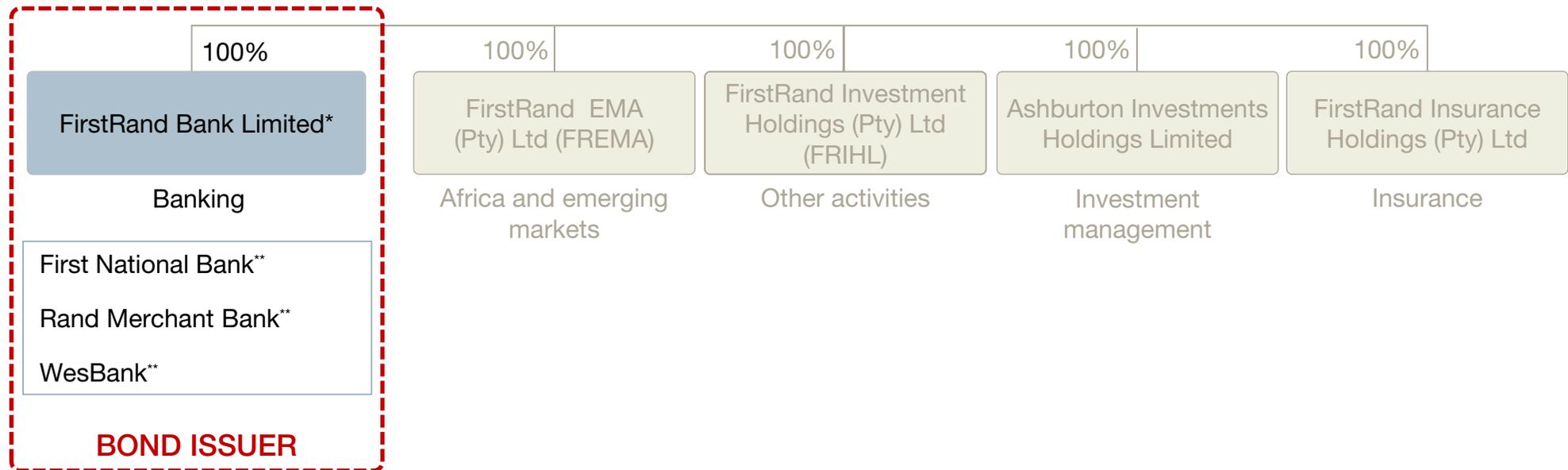


FirstRand Bank (FRB) is the debt issuer and holds the group's South African banking franchises...



FIRSTRAND

Listed holding company (FirstRand Limited, JSE: FSR)

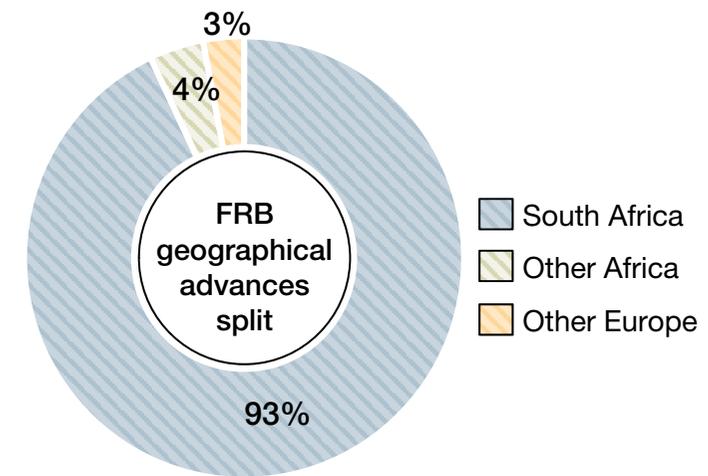
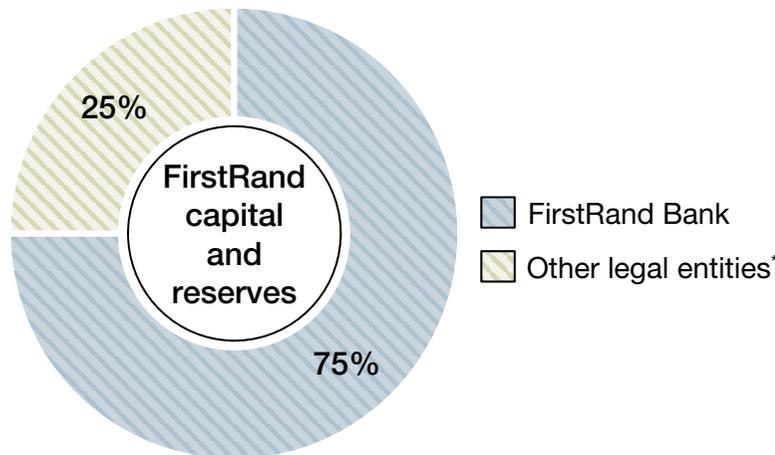
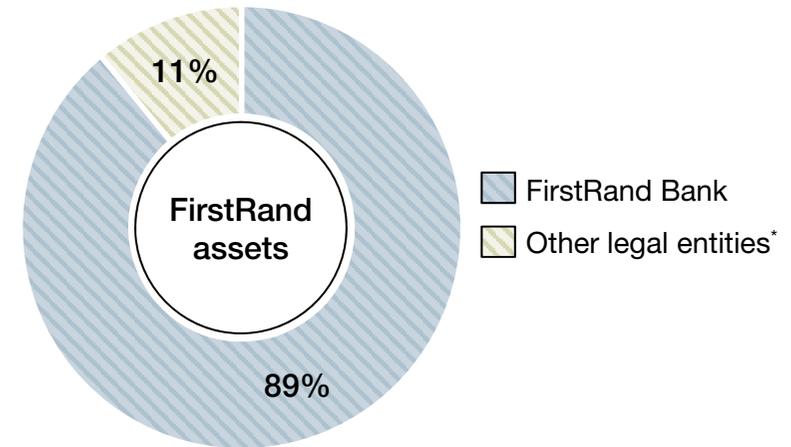
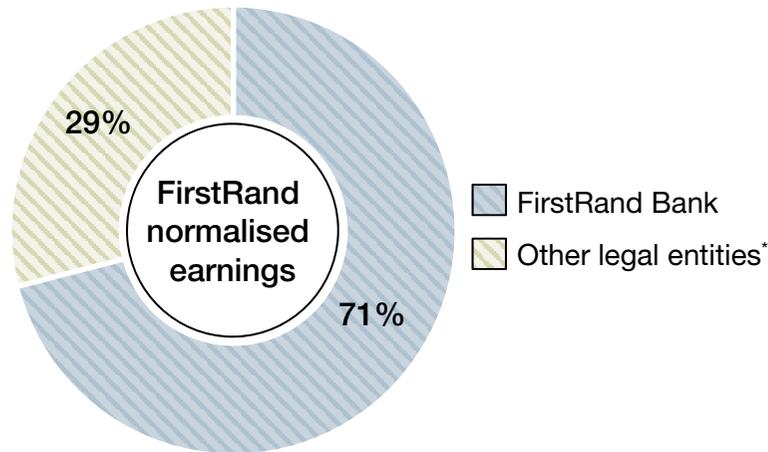


* Also comprises branches (in India and London) and representative offices (in Kenya, Angola, Dubai and Shanghai).

** Divisions of FirstRand Bank Limited.



... and is a significant contributor to the group's financial position...

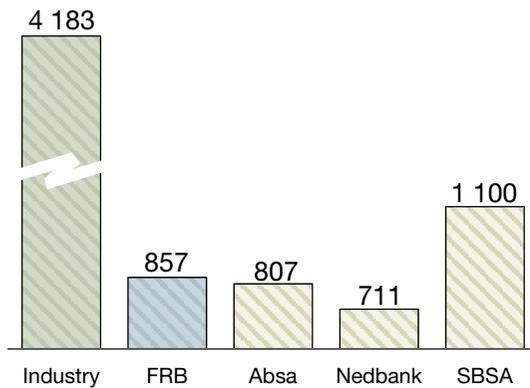


* Comprises of FREMA, FRIHL, Ashburton Investments Holdings Ltd and FirstRand Insurance Holdings (Pty) Ltd

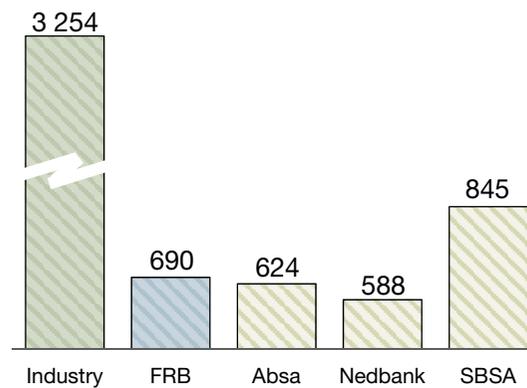


...and one of South Africa's Big 4 banks

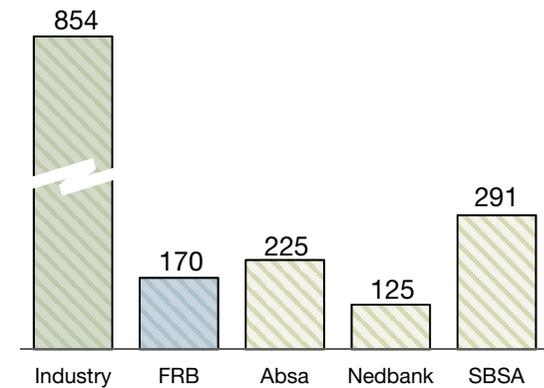
Assets* (ZAR billion)



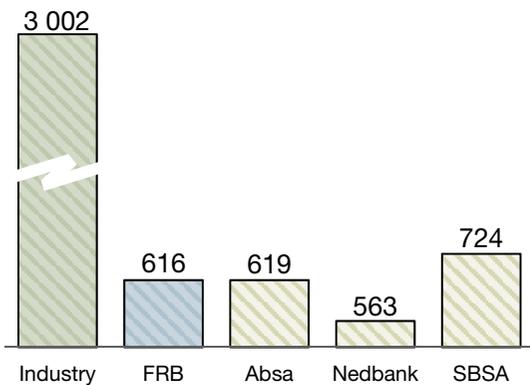
Gross advances* (ZAR billion)



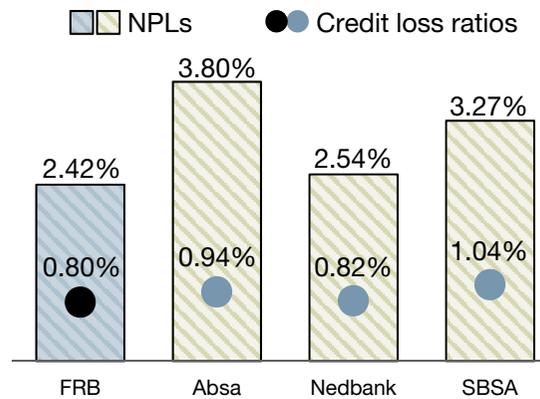
Residential mortgages* (ZAR billion)



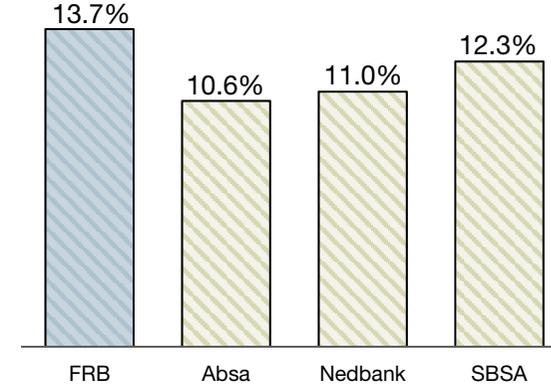
Deposits* (ZAR billion)



NPLs and credit loss ratios# (%)



Common Equity Tier 1 ratios# (%)



Sources: * SARB BA900 returns as at Dec 14.

Company reports as at Dec 14.

FIRSTRAND BANK FINANCIAL PERFORMANCE



FIRSTRAND BANK



Key themes for South Africa's macroeconomic outlook

- Sub-par growth
 - Structural constraints (incl. electricity, skills shortage, labour market rigidities)
 - Faded commodity price tailwind
 - Indebtedness
- Inflation lifting from cyclical lows
- Limited room for policy support
 - Monetary policy constrained by inflation and (foreign) funding pressure
 - Fiscal policy constrained by government indebtedness and ratings pressure
- Expect a gradual lift in interest rates
- Sovereign rating under pressure
- Tail risks remain high



FirstRand Bank performance highlights

Normalised results	Dec 14	Dec 13	Change
Profit before tax (ZAR million)	9 672	8 814	10% ▲
Earnings (ZAR million)	7 139	6 582	8% ▲
Return on equity (%)	22.9	24.3	▼
Return on assets (%)	1.65	1.67	▼
Credit loss ratio (%)*	0.80	0.78	▲
Cost-to-income ratio (%)	56.3	55.9	▲
Tier 1 ratio (%)**	14.2	14.1	▲
Common Equity Tier 1 ratio (%)**	13.7	13.4	▲
Net interest margin (%)	5.23	5.17	▲
Average loan-to-deposit ratio (%)#	91.6	89.6	▲
Gross advances (ZAR billion)	663	586	13% ▲

* Credit loss ratio = annualised impairments/average gross advances.

** Reflects solo supervision, i.e. FRB excluding foreign branches. Ratios include unappropriated profits.

Average loan-to-deposit ratio = average gross advances/average deposits.

Adjusting for accounting change at WesBank

– strong operational performance from banking franchises



Normalised PBT (ZAR million)	As reported			Operational performance		
	Dec 14	Dec 13 [#]	% change	Dec 14	Dec 13 [#]	% change
FNB	6 578	5 544	19 ▲	6 578	5 544	19 ▲
RMB	1 868	2 918	(36) ▼	1 868	2 918	(36) ▼
WesBank	1 536	1 793	(14) ▼	2 082*	1 815**	15 ▲
FCC (incl. Group Treasury) and other	(310)	(1 441)	78 ▲	(310)	(1 441)	78 ▲
Profit before tax (PBT)	9 672	8 814	10 ▲	10 218	8 836	16 ▲

* MotoNovo's (based in the United Kingdom and provides finance primarily for used cars via independent motor dealers) reported profit was negatively impacted by a prospective change in accounting treatment for incentive commissions on securitisation transactions of ZAR546 million. The operational performance of the business has been adjusted accordingly. Refer to page 9 (WesBank financial highlights) and page 12 (description of "Income on securitised assets") of FirstRand Bank's analysis of financial results for the six months ended 31 Dec 14.

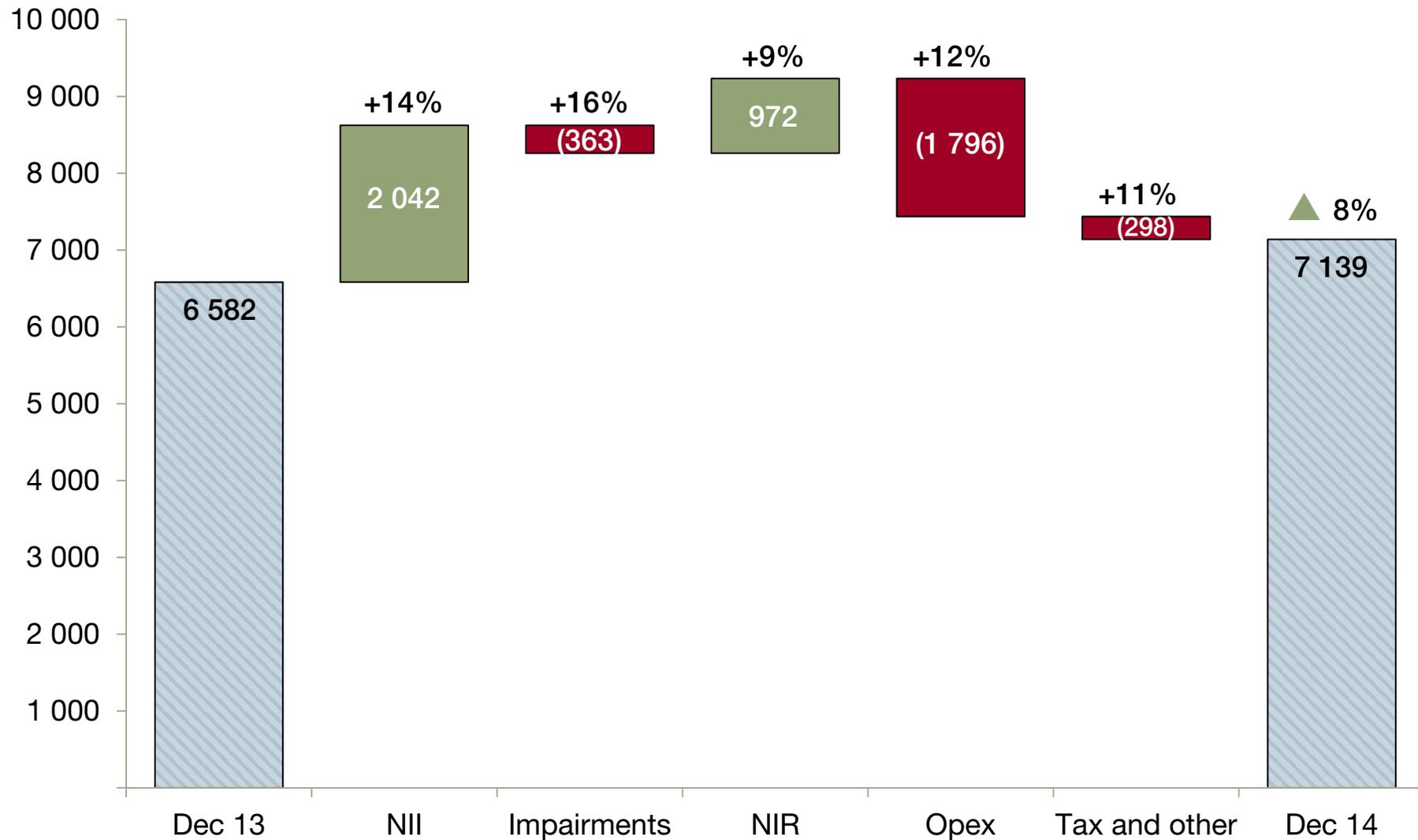
** WesBank Corporate profits were impacted by changes to the fleet business structure, which was included for a full six-month period in the Dec 14 results, compared to only three months in the Dec 13 period. The operational performance for Dec 13 has therefore been adjusted upwards by ZAR22 million to be representative of a full six-month period enabling a like-for-like comparison.

December 2013 franchise profits have been restated to include return on capital earned and a portion of bank costs which were previously disclosed as part of FCC profits.

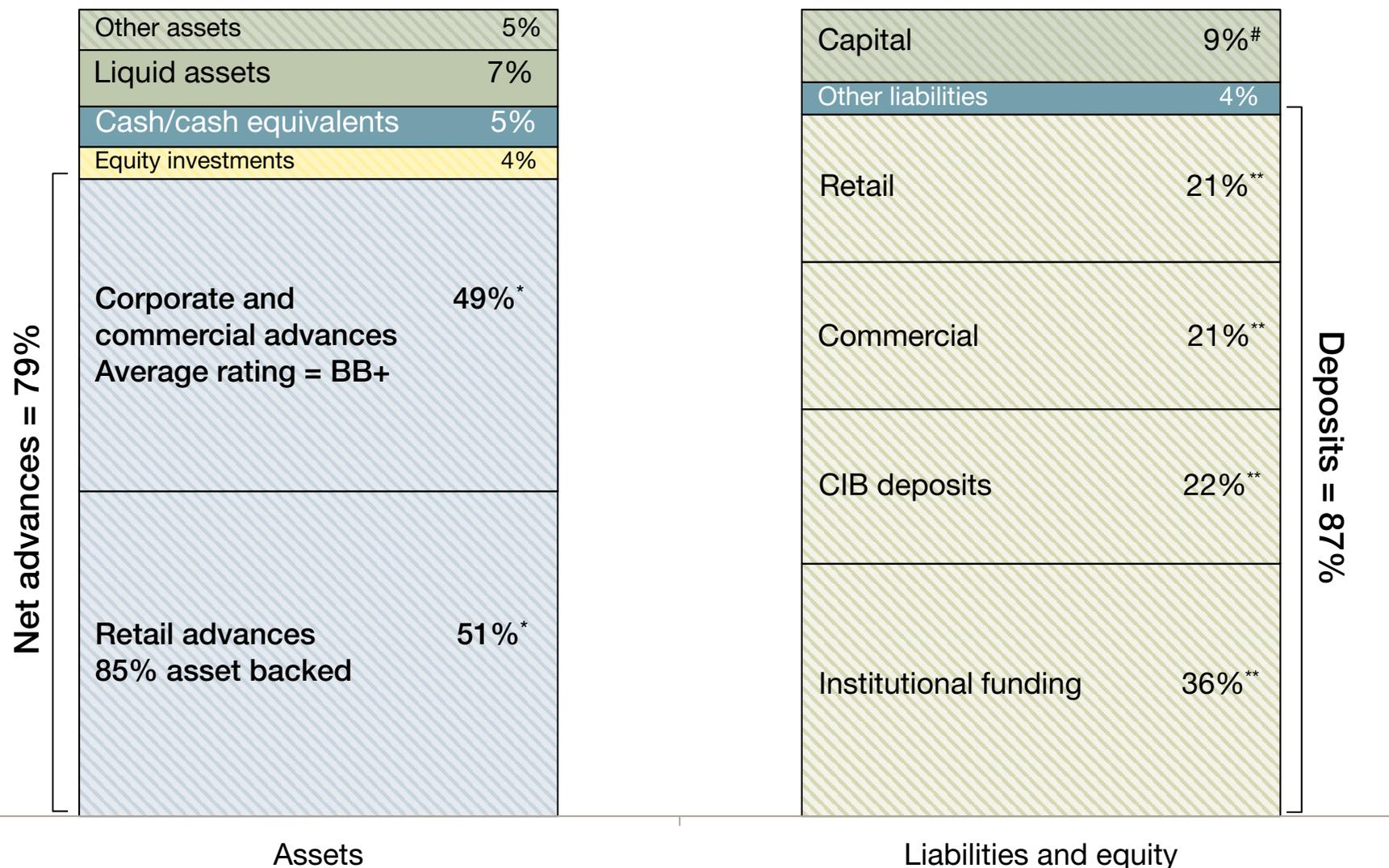


Continued strong topline drives earnings growth

Normalised earnings (ZAR million)



Structure of balance sheet reflects strategy and SA market structure



* As a proportion of net advances

Ordinary equity (7.5%), NCNR preference shares and Tier 2 liabilities (1.5%)

Note: Derivative-, securities lending- and short trading position assets and liabilities have been netted off

** As a proportion of deposits.

ASSET QUALITY



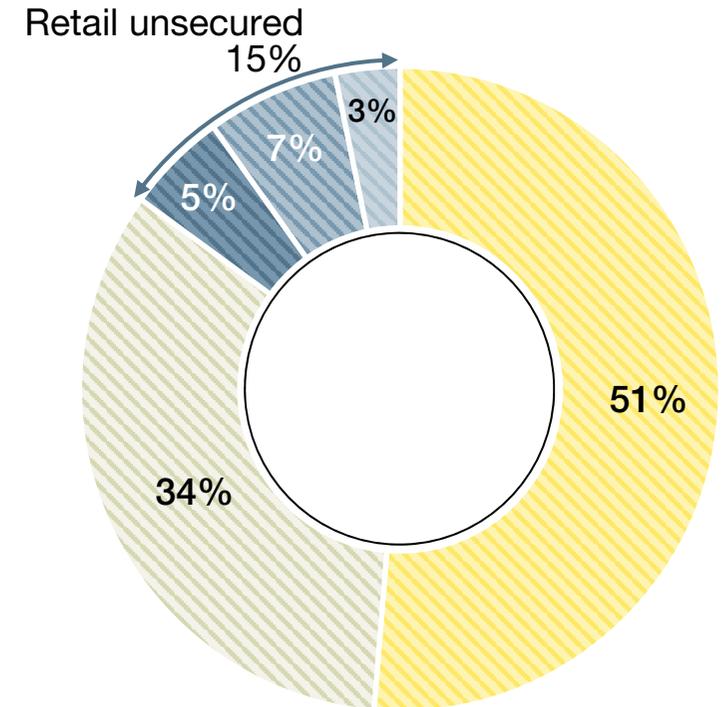
FIRSTRAND BANK



Retail advances reflects strength of lending franchises

Retail advances breakdown

ZAR million	Dec 14	Dec 13	% change
Residential mortgages	175 097	166 954	5
Vehicle and asset finance (VAF)*	115 039	99 242	16
Card	17 356	14 173	22
Personal loans	22 654	20 471	11
FNB loans	12 831	12 280	4
WesBank loans	9 823	8 191	20
Retail other	11 143	8 053	38
RETAIL ADVANCES	341 289	308 893	10



- Residential mortgages
- Vehicle and asset finance (VAF)
- Credit card
- Personal loans
- Overdrafts and revolving loans

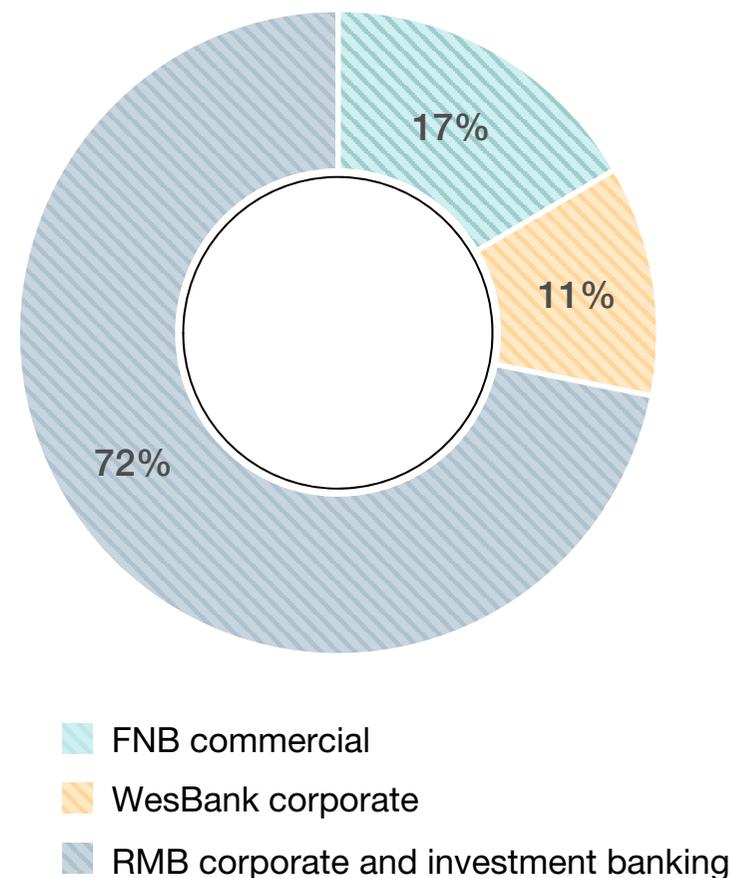
* Includes exposures of ZAR5.8 billion (Dec 14) considered retail in nature on a look-through basis, which have been reallocated from WesBank Corporate (Dec 13: ZAR nil).

Corporate advances resilient but slowing, reflecting lower levels of activity



ZAR million	Dec 14	Dec 13	% change
RMB core South Africa	159 617	128 001	25
RMB core cross-border	27 001	24 775	9
RMB IB core advances	186 618	152 776	22
Repurchase agreements	35 837	36 599	(2)
RMB investment banking	222 455	189 375	17
RMB corporate banking	6 326	6 427	(2)
WesBank corporate*	36 821	34 977	5
FNB commercial	52 825	44 539	19
CORPORATE ADVANCES	318 427	275 318	16

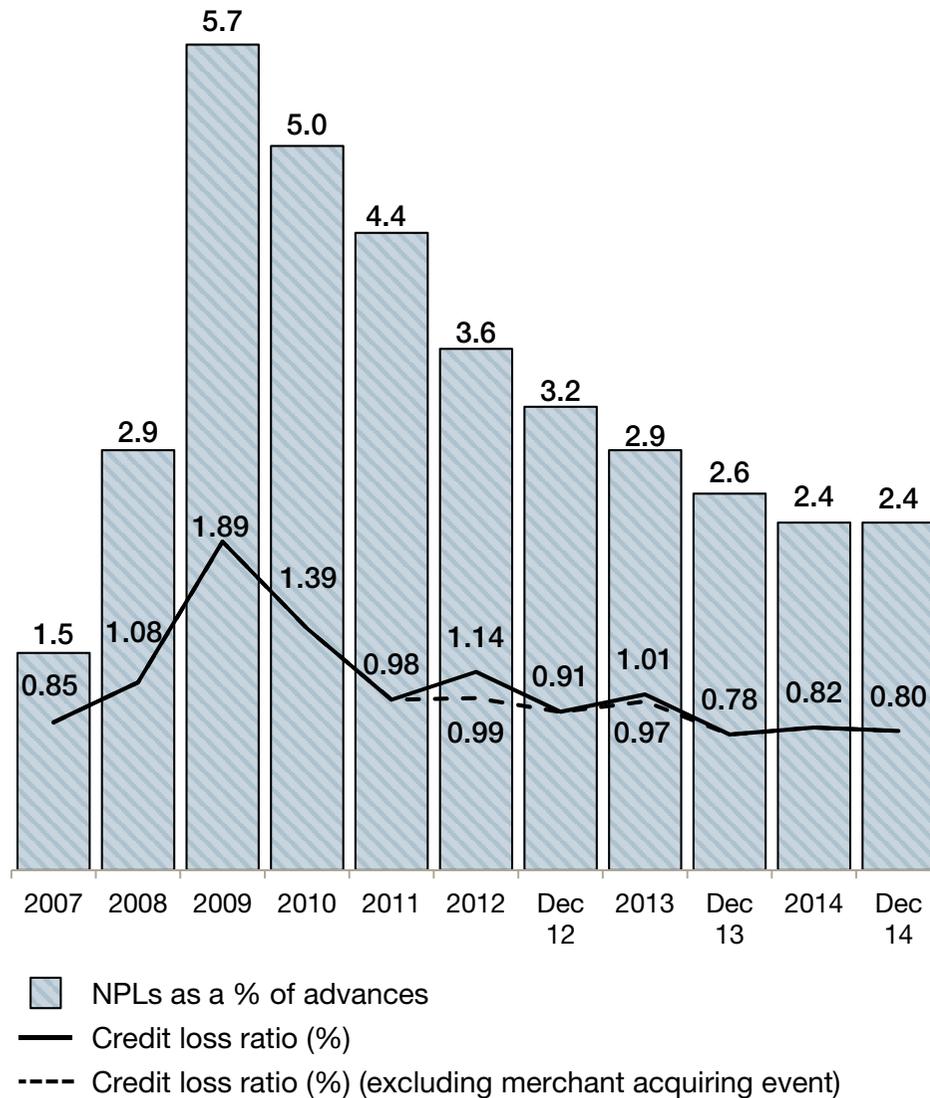
Corporate advances breakdown



* Excludes exposures of ZAR5.8 billion (Dec 14) considered retail in nature on a look-through basis, which have been reallocated to retail VAF (Dec 13: ZAR nil).



Increase in impairment charge driven by franchise overlays

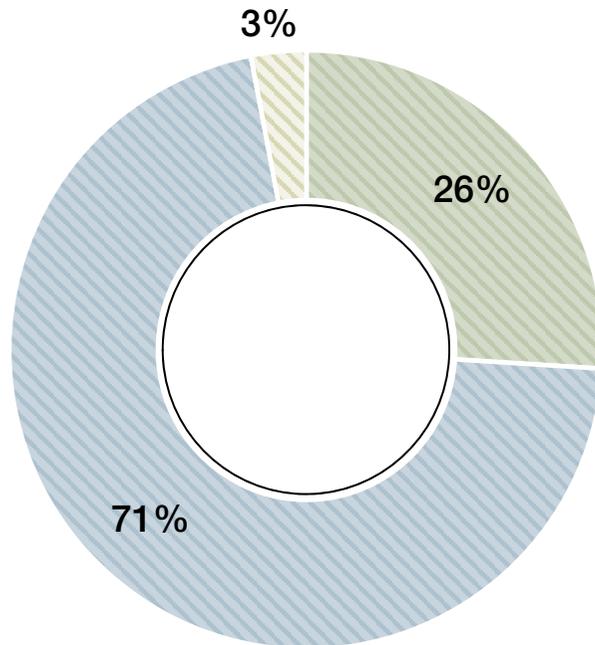


Credit loss ratio (%)	Dec 14	Dec 13
Retail – secured	0.44	0.48
Residential mortgages	0.06	0.10
VAF	1.04	1.13
Retail – unsecured	5.35	6.16
Card	0.19	0.22
Personal loans*	7.24	8.36
Retail other	9.57	10.99
Total retail	1.17	1.26
Corporate and commercial	0.50	0.24
Franchise impairment charge	0.85	0.78
Central portfolio overlay (releases)	(0.05)	–
Total credit loss ratio	0.80	0.78

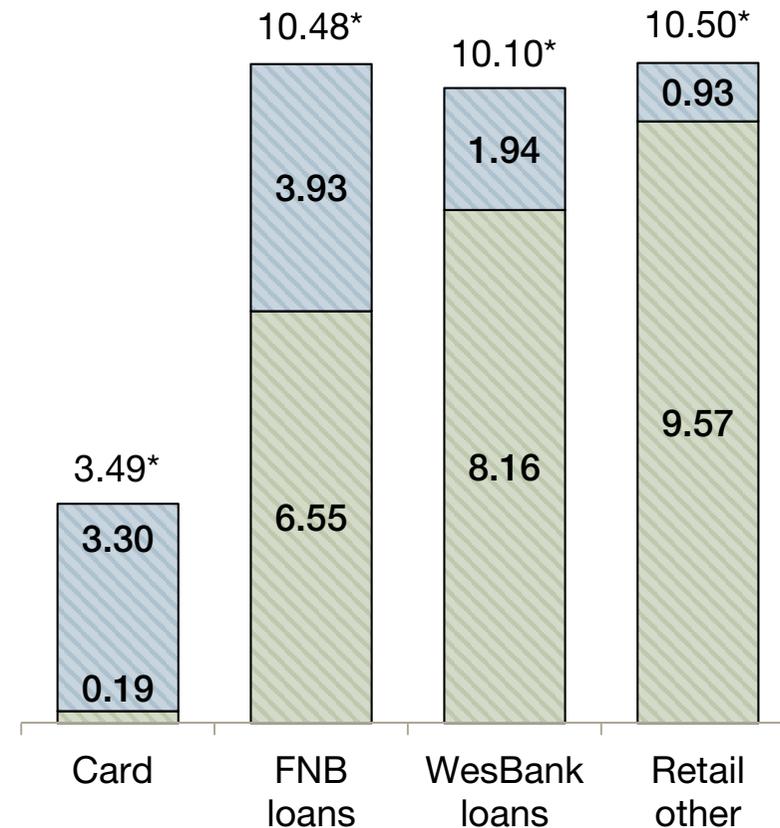
* Includes FNB loans and WesBank loans.



Unsecured portfolios benefiting from post write-off recoveries



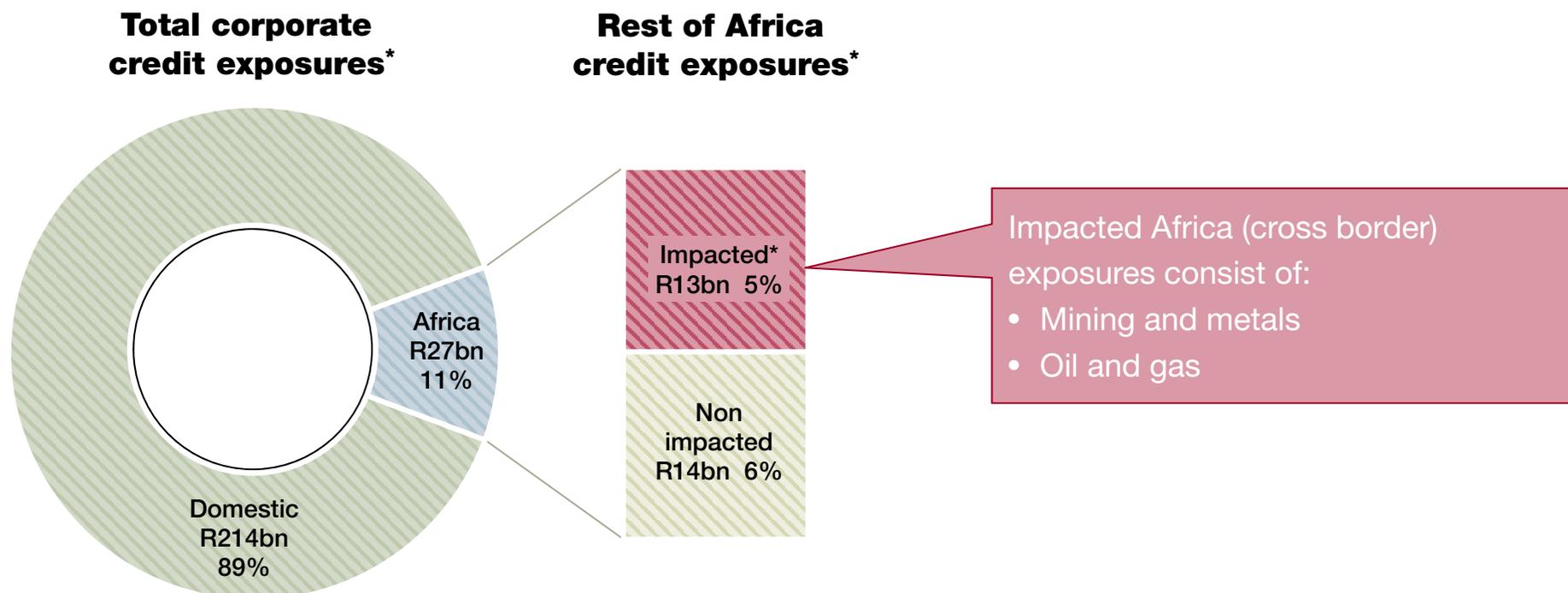
- Retail secured
- Retail unsecured
- Corporate



- Recoveries as a % of average advances
- Credit loss ratio net of recoveries (%)

* Credit loss ratio gross of recoveries (%).

Not a function of defaults but reflects strengthening of balance sheet...



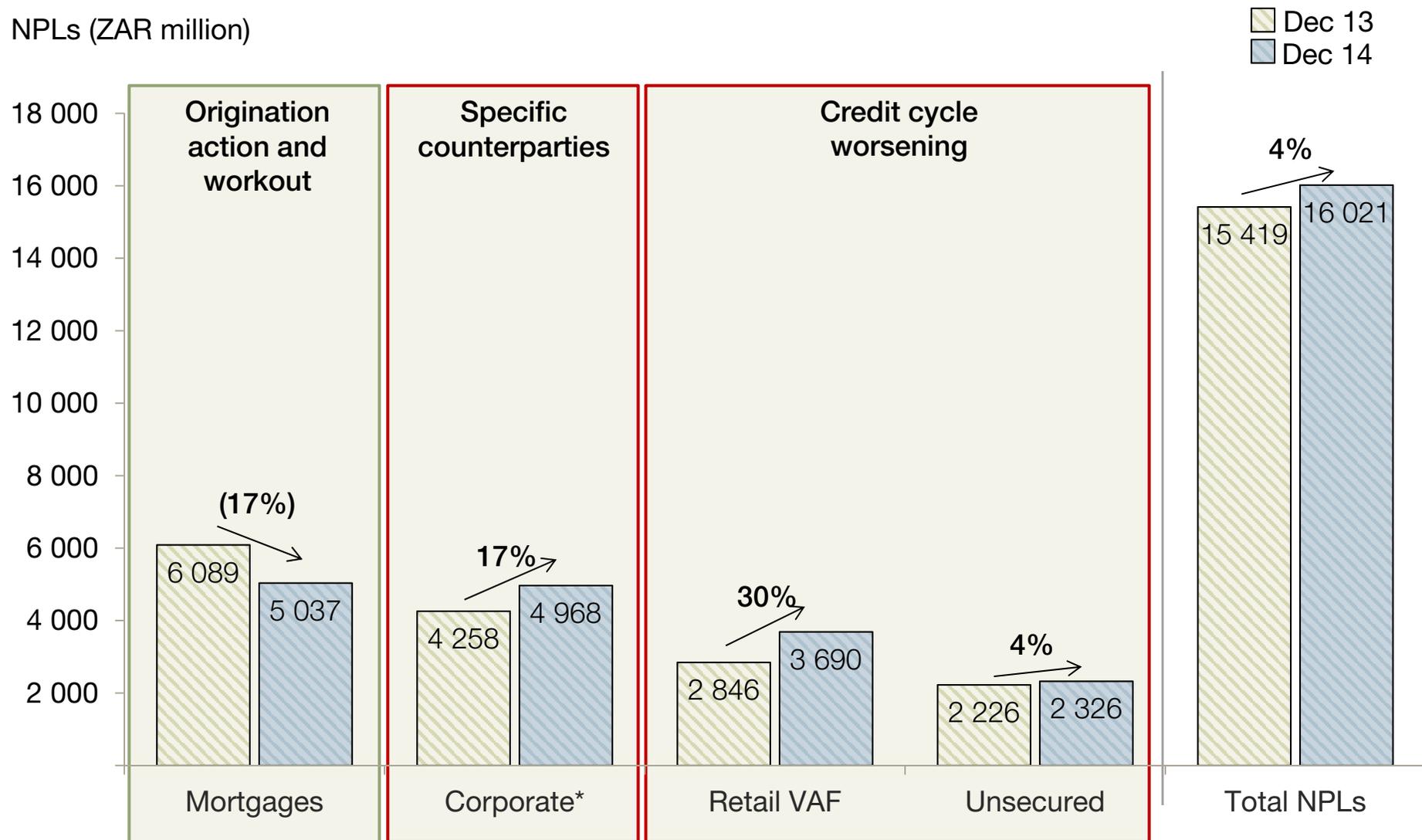
...given uncertainty on oil and gas, and mining and metals

* Graphs show exposure at default



Continued reduction in residential mortgages NPLs from work-out strategy

NPLs (ZAR million)

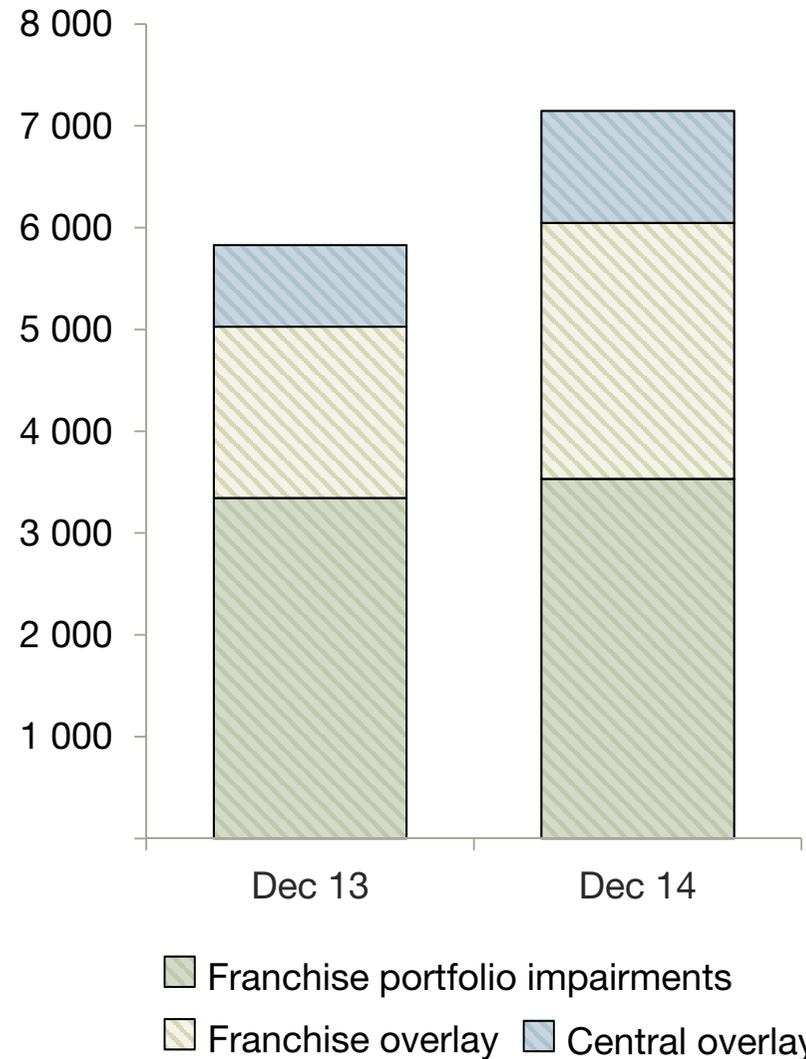


* Includes FNB Africa (also includes FNB's activities in India)



Overlays reflect countercyclical actions

Portfolio impairments (ZAR million)



	Dec 14	Dec 13
Portfolio impairments as % of performing book	1.11%	1.02%
Bad debt charge (%)	0.80%	0.78%
Portfolio impairments (R million)	7 148	5 829

CAPITAL, FUNDING AND LIQUIDITY



FIRSTRAND BANK

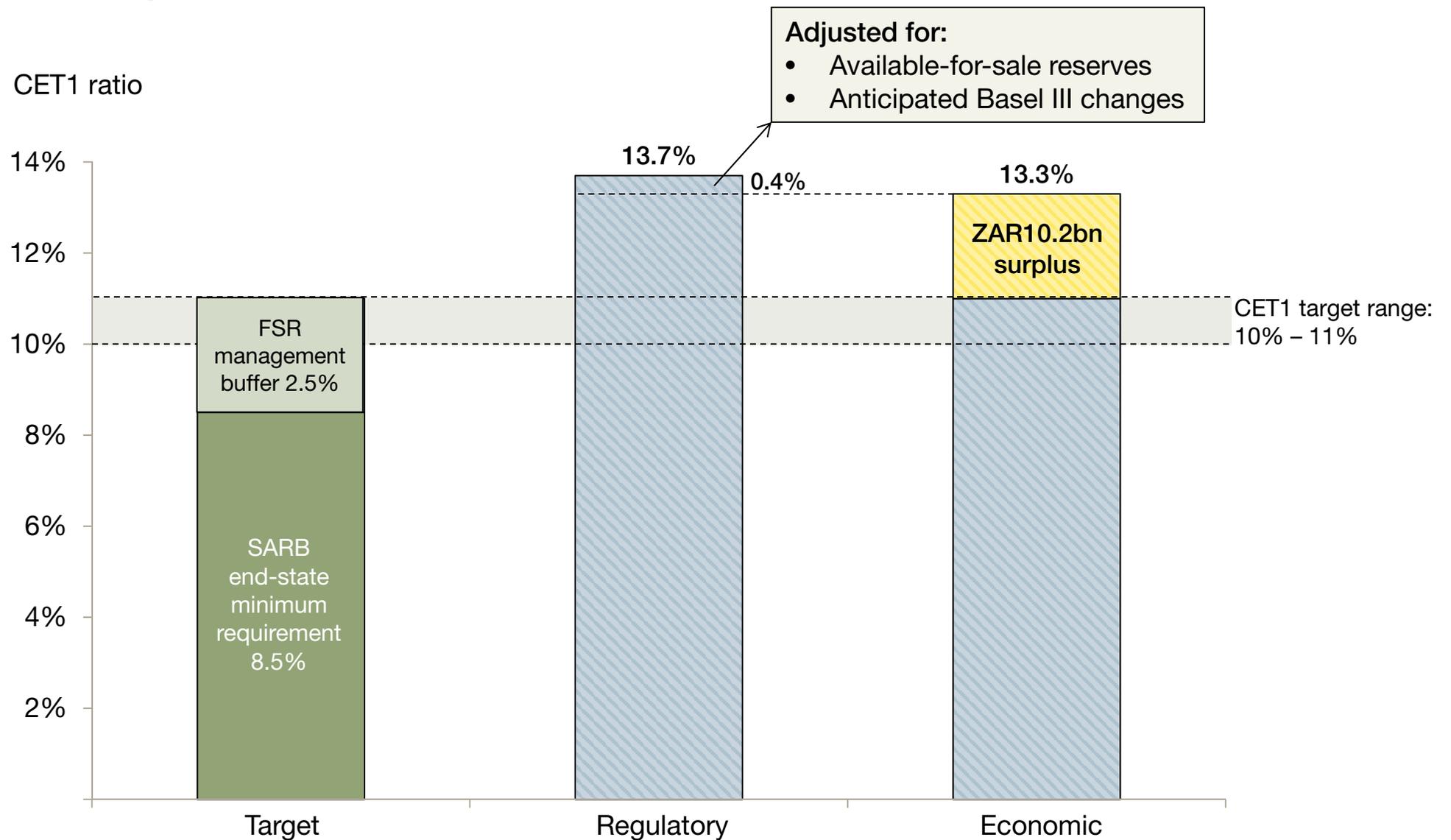
Capitalisation and liquidity principles for group subsidiaries



- Subsidiaries are managed on a stand-alone basis
- No implicit or explicit support from the group
- Subsidiaries in each jurisdiction capitalised on a Basel III basis in accordance with its risk profile and fully funded to support its growth aspirations
- Subsidiaries must comply with SARB regulations and those of respective in-country regulators – focus placed on Tier 1 capital and total capital adequacy
- Each subsidiary target capital levels (in excess of regulatory minimums) informed by stress testing
- Focus on developing in-country deposit franchises

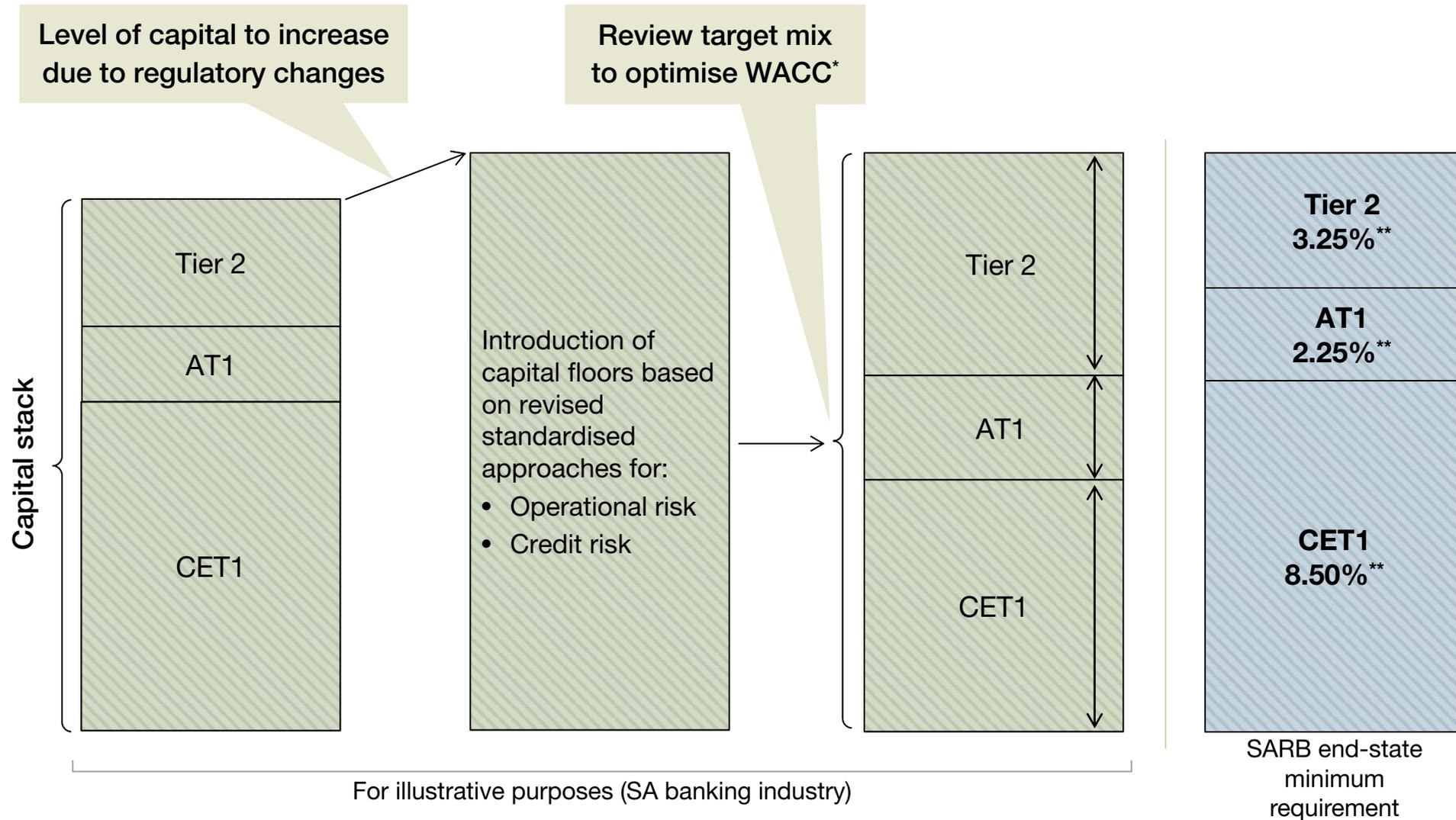


Strong capital position...



...comfortably exceeds SARB leverage requirement of 4%

Regulatory and market developments will require higher level, but different mix of capital



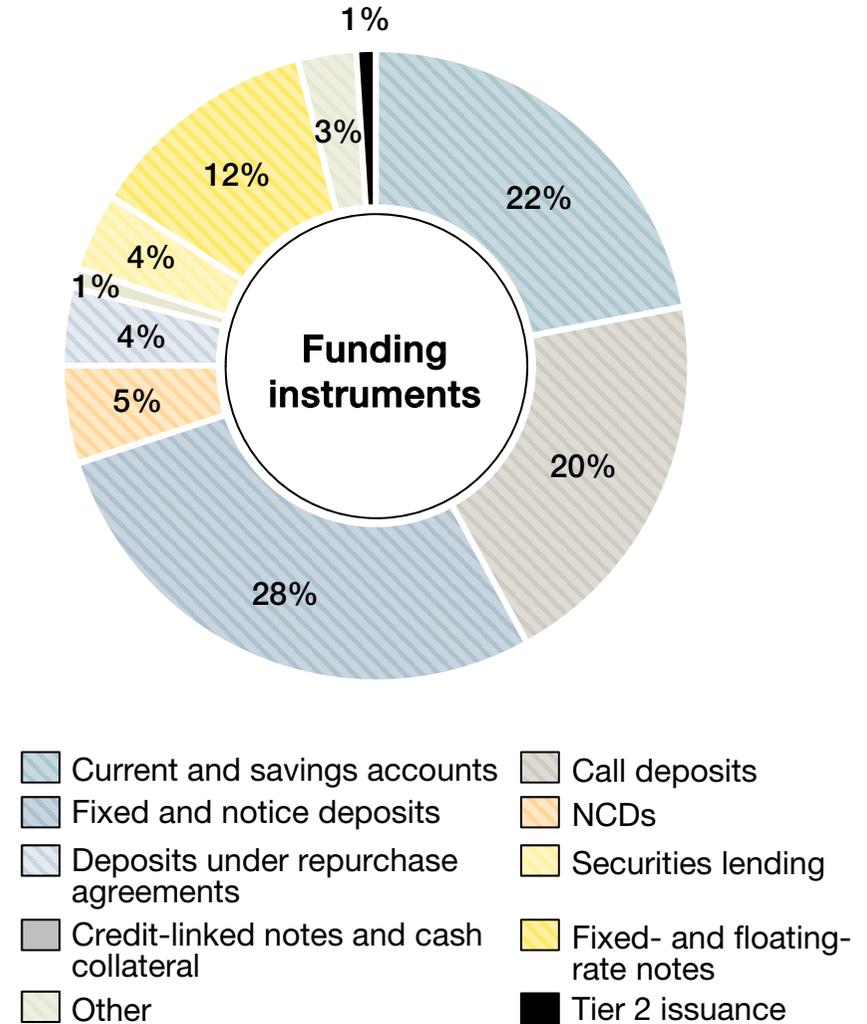
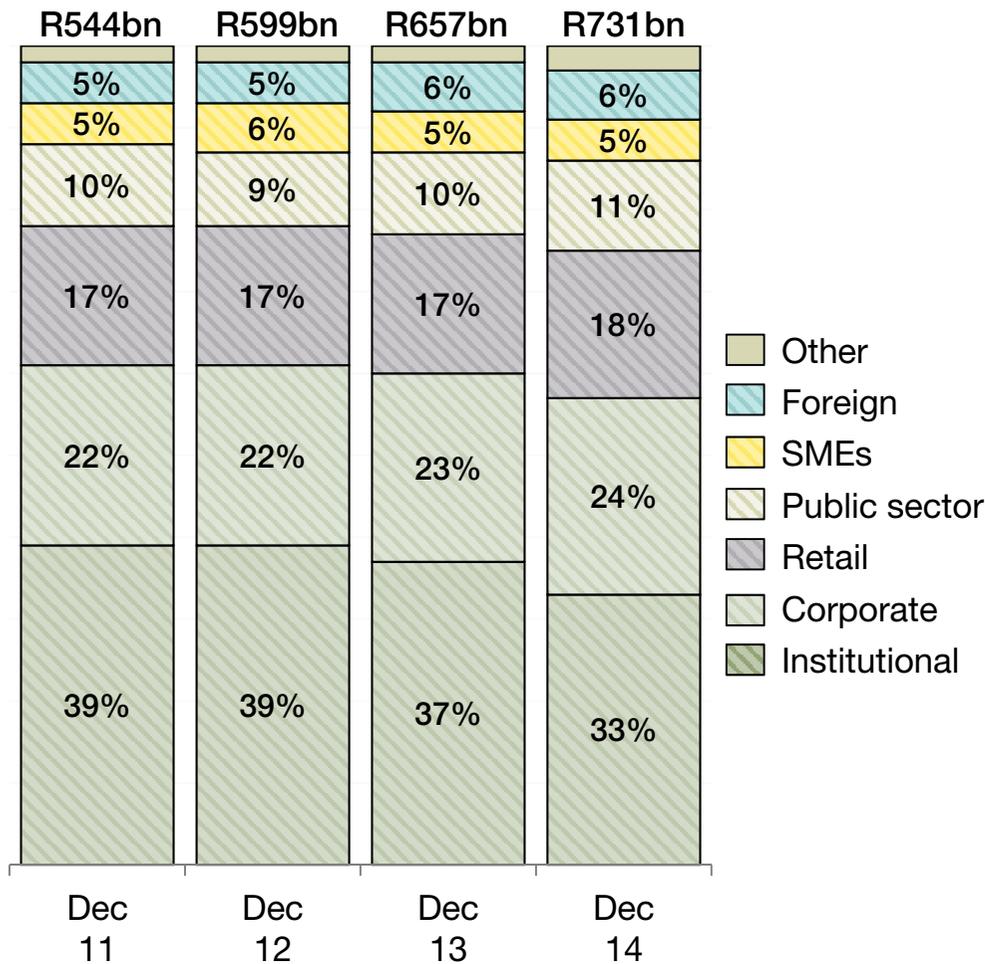
* WACC = Weighted average cost of capital.

** SARB 2019 end-state minimum requirement; excludes bank-specific individual capital requirement (Pillar 2b), assumes max add-on for domestic systemically important banks (D-SIB).



Strong focus on building a diversified funding base

Sources of funding





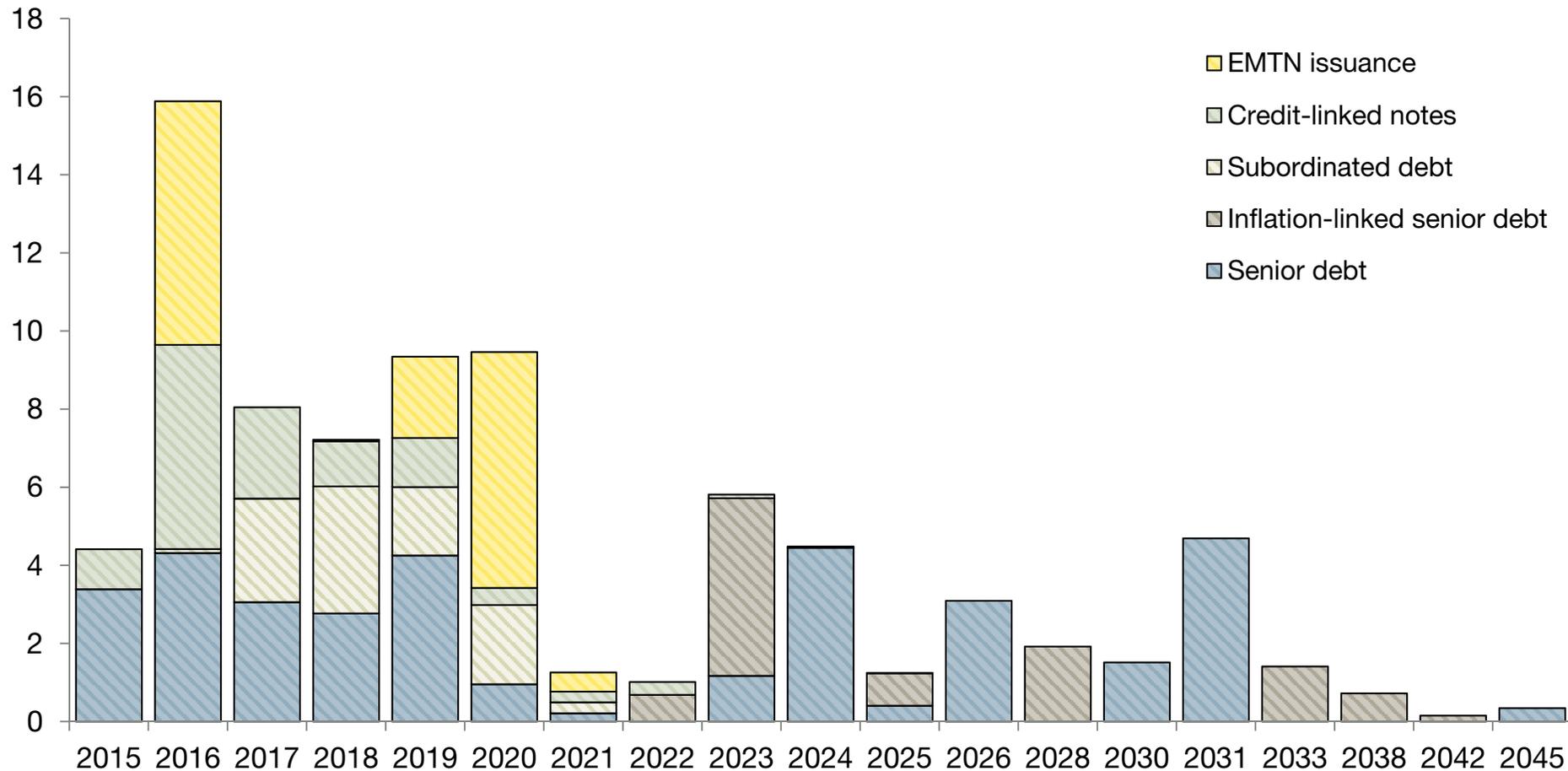
International funding activities

- EMTN programme
 - Reg S
 - USD500 million 5-year bond due 2016
 - USD500 million 5-year bond due 2020
 - Private placements
 - African currencies BWP, ZMK, NGN settled in USD/EUR
- CHF programme (Six Swiss Exchange)
 - CHF160 million 5-year bond due 2019
- MotoNovo Finance
 - Turbo ABS securitisation programme
 - 5 successful issues – with significant spread compression for the Aaa notes from 180bps to 47bps over 5 years
- Bilateral facilities
- Syndicated loans
- DFI facilities
- Trade finance loans
- Collateralised funding



Listed debt maturity profile

Maturity profile of FRB's capital market instruments (ZAR billion – April 2015)



Successfully priced a USD500 million senior bond issue in April 2015, achieved broad global distribution and final order book was in excess of USD1.8 billion



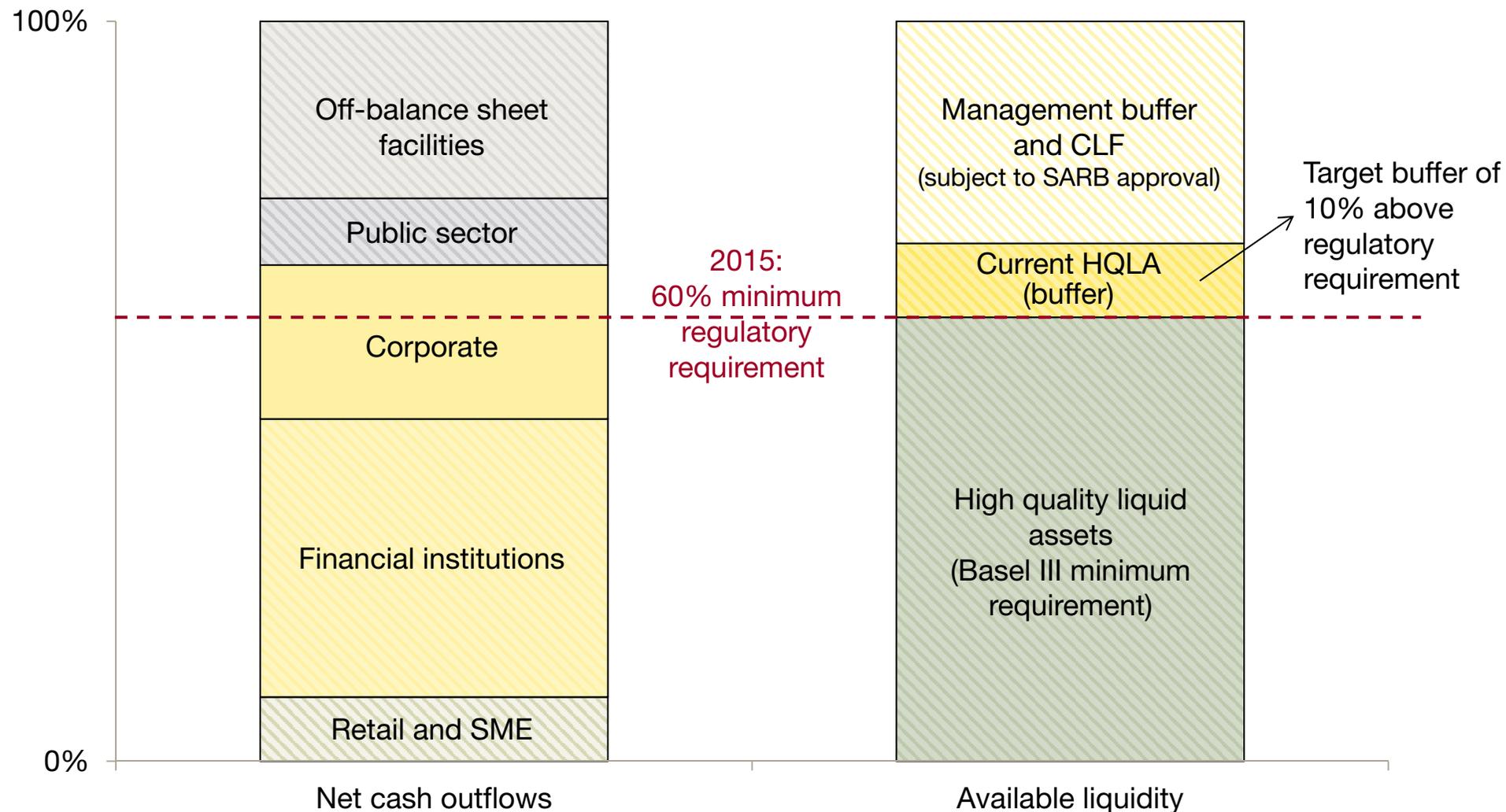
Basel III updates

- **Liquidity coverage ratio (LCR)**
 - SA adopted the LCR phased-in approach from 2015 to 2019
 - Expansion of eligible collateral, with appropriate haircuts
 - Level 2A (AA-.zaf or better) and Level 2B (BBB-.zaf or better)
 - SA has been approved as a jurisdiction eligible for a CLF given insufficient liquid assets
 - SARB has provided the industry with GN6/2013, GN8/2014 and CLF operational notice
 - SA has undergone the RCAP review
 - Amendments to Regulation 26 (Liquidity Risk), all recommendations incorporated
- **Net stable funding ratio (NSFR)**
 - SARB intends to adopt the NSFR in its final state
 - Poses structural challenges for SA given contractual savings regime and low savings rate
 - Requires further market development and financial sector response
 - National Treasury has convened an industry working group to expedite these developments

Already compliant with LCR and implementing strategies to further improve liquidity position



FRB liquidity coverage ratio (LCR)



HQLA = High-quality liquid assets.



IMF review: South Africa's financial system stability assessment

- Financial sector operates in a challenging economic environment
- Relatively high capital buffers as well as sound regulation and supervision have helped mitigate risks
- Stress tests confirm the capital resiliency of banks and insurance companies to severe shocks but illustrate a vulnerability to liquidity shortfalls
- Given significant downside risks to the economy, strong regulation and supervision are essential to ensure financial sector resilience
- Crisis management and resolution framework – work in progress
- Twin Peaks reform to the regulatory architecture provides an opportunity to strengthen areas needing improvement
- Authorities should promote a more competitive financial system to make it more efficient



Further strengthening the banking system

- SA is adopting the Twin Peaks model of financial sector regulation
 - Prudential Authority with the SARB
 - Financial Sector Conduct Authority
- Resolution framework is in development
 - South Africa aims to address the “too big to fail” perception in line with global standards
 - SARB and National Treasury draft frameworks and track record of adopting BIS and FSB minimum standards
 - Banks Amendment Bill (B17 2014) gives resolution powers to a curator
 - Affirmed that “the hierarchy of claims will always be respected in a bail-in situation and no equity holder or creditor will be worse off”*
- Following the FSAP review, draft policy deposit insurance framework for SA is expected this year

* *Implementing a twin peaks model of financial regulation in South Africa (published 1 Feb 2013)*
Expecting the principals to follow the “Key Attributes for Effective Resolution Regimes” proposed by the Financial Stability Board.



Summary

- Strong financial position
 - FirstRand Bank's long-term external ratings constrained by the sovereign
 - Sovereign rating under pressure
 - Proactively provided for credit cycle
 - Strong capital position
 - Integrated funding and liquidity management
- Earnings should remain resilient
 - Quality and diversification underpin earnings resilience
 - Bad debts likely to increase but in line with cycle and portfolio expectations

The bank's strong balance sheet and origination strategies executed over the past 3 years position it well for what is expected to be a tough domestic credit cycle

QUESTIONS?



FIRSTRAND BANK