FIRSTRAND

MEDIA RELEASE

FIRSTRAND'S NORMALISED EARNINGS UP STRONGLY AT 22% AND GROUP PAYS OUT SPECIAL DIVIDEND

FirstRand Limited (FirstRand) today reported results for the year to June 2011. Against a mixed macro background, FirstRand's diverse financial services portfolio produced a strong performance.

HIGHLIGHTS

- Normalised earnings on continuing operations (stripping out any contribution from Momentum and OUTsurance in both the current and comparative periods) improved **22% to R10.1 billion.**
- The Group's normalised return on equity ("ROE") also continued to trend upwards to **19%,** despite the excess capital resulting from the OUTsurance disposal during the year.
- To address this once-off excess the Group has declared a **special dividend of 70 cents per share.**
- The Group has also declared a final dividend of **81 cents per share, a 27% increase** on the previous year.

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

"We are extremely pleased with this performance which we believe reflects the quality and resilience of our operating franchises, FNB, RMB and WesBank. All of our businesses produced strong profit growth and returns, reflecting the benefits of their respective growth strategies, both in South Africa and Africa."

The Group increased its dividend to shareholders by 27% and the disposal of certain non-core assets during the year enabled the Group to pay a special dividend to its shareholders.

"These disposals were opportunistic and allowed us to unlock value which we believe should be returned to shareholders, particularly as the Group is very well capitalised and did not require the proceeds of the disposals for its current growth strategy," said Nxasana.

Earnings continued to be driven by significant decreases in retail bad debts which positively impacted both WesBank and FNB's performance. Overall non-interest revenue ("NIR") grew 7% as a result of ongoing customer acquisition and robust transactional volumes at FNB, particularly in electronic channels. WesBank generated strong fee and commission growth and RMB's knowledge-based fee income benefited from good deal flow throughout the year.

The Group's balance sheet showed overall growth in advances of 7% reflecting strong new business origination. The portfolios that showed particularly strong new business growth include FNB's Mass and Consumer segments which paid out R6.1 billion; RMB's structured lending book which paid out R29 billion; WesBank's retail and corporate new business totalled R57 billion for the year, and residential mortgages totalled R21 billion.

Overall group operating expenses increased only 9% reflecting good cost control initiatives across all of the businesses. This increase also included continued investment in growth opportunities locally and in Africa.

Nxasana believes that given its strategy and high quality franchises, the Group remains well positioned to grow.

"We continue to focus on delivering on our strategic intent to be the African financial services group of choice, creating long term franchise value and delivering superior and sustainable economic returns to our shareholders within acceptable levels of volatility," he said.

"Within the context of the Group's strategic framework, FNB, RMB and WesBank continue to make good progress on their specific strategies. Locally we are targeting profitable segments where we remain under represented. In Africa we target those markets that are expected to produce above average domestic growth and are strongly positioned to benefit from the trade and investment flows between Africa and Asia, particularly China and India. Our aim is to grow on the African continent with a highly disciplined approach to protecting shareholder returns."

However he cautioned that the operating environment was likely to remain difficult.

"We are operating within very subdued conditions globally which are also playing out in South Africa with high levels of uncertainty and relatively low levels of business confidence. The potential impact of these conditions cannot be underestimated given the size of the Group's operations in its domestic market, and the close correlation between the macroeconomic environment and banks' earnings.

"Although interest rates are expected to remain flat, growth in retail and corporate advances will remain low, except in WesBank where a positive lending environment is anticipated in the current year. Bad debts are not expected to provide any further significant benefit however non-interest revenue should remain healthy, particularly given FNB's focus on innovation and customer service delivery and the strength of RMB's investing, trading and advisory franchises."

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