FIRSTRAND

STRONG GROWTH IN EARNINGS AND RETURNS CONTINUES AT FIRSTRAND

Normalised earnings up 25% and ROE at 21.9%

Johannesburg, 5 March 2013 – FirstRand Limited (FirstRand) today reported results for the six months to December 2012 with its portfolio of leading financial services franchises producing a strong performance.

HIGHLIGHTS

- Normalised earnings improved 25% to R7.2 billion.
- The Group's normalised return on equity (ROE) and return on assets (ROA) continued to trend upwards to 21.9% and 1.81% respectively.
- The Group has also declared an interim dividend of 55 cents per share, a 25% increase on the previous year.

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

"All three of FirstRand's operating franchises, FNB, RMB and WesBank, have delivered a further six months of strong operational performances, and all three showed excellent topline growth. In the case of FNB this was the result of specific strategies to acquire customers, grow loans and deposits, and drive transactional volumes across all of its platforms, particularly electronic. WesBank delivered excellent new business growth in both its core vehicle asset finance book and unsecured lending, and RMB's strategic focus on client revenues delivered both good growth in profits and higher returns."

The Group's income statement benefited from an increase of 14% in net interest income (NII). This was driven by good growth year-on-year in new business in the retail portfolios of FNB and WesBank and well above market growth from RMB's core corporate lending book.

Total non-interest revenue (NIR) increased 24%, underpinned by growth in fee and commission income at FNB and WesBank. RMB's client activities, particularly financing, advisory and structuring also delivered good contributions.

The increase in bad debts from 80 bps to 91 bps, is in line with the Group's expectations particularly given the absolute book growth and the shift in mix to more unsecured lending. It also includes credit impairment overlays at FNB and RMB, which the Group considers prudent given its view that the current benign credit cycle has bottomed.

Non-performing loans (NPLs) decreased 3%, which is again in line with expectations and was particularly driven by the ongoing improvement in the large retail books of FNB such as HomeLoans and Card. NPLs in the unsecured books picked up in line with expectations.

All three of the franchises displayed good cost control, despite ongoing investment in growth strategies both within South Africa, the rest of Africa and India. Core operating expenses increased 11% and this, combined with the strong topline growth, resulted in positive operating jaws.

Nxasana believes that the Group is well positioned to deliver good organic growth going forward, despite the expected ongoing pressures in the macro environment.

"FirstRand's franchises remain intensely focused on growing the topline," he said. "FNB's strategy to acquire core transactional accounts will continue to drive NIR growth, as will RMB's increasing client activities. New business volumes in the retail lending books are expected to moderate in the second half, a trend that we are already seeing on a rolling six-month basis. The Group's decision to tighten credit appetite in the unsecured lending space, in both the mass and middle markets will contribute to this slowdown. However, corporate advances at RMB are expected to remain robust. Investment in stated growth opportunities will continue, and although this may result in some cost pressure, ongoing strong revenue growth should result in positive operating jaws."

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