FirstRand Limited

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Income tax reference number: 9150/201/71/4
JSE code: FSR ISIN: ZAE0000066304 (FSR)
NSX share code: FST

Audited results and cash dividend declaration for the year ended 30 June 2012

Introduction

This report covers the audited financial results of FirstRand Limited (FirstRand or the Group) from continuing and discontinued operations based on International Financial Reporting Standards (IFRS) for the year ended 30 June 2012, as well as the continuing normalised operations of the Group.

The Group consists of a portfolio of leading financial services franchises; these are First National Bank (FNB), the retail and commercial bank, Rand Merchant Bank (RMB), the investment bank, and WesBank, the instalment finance business.

The primary results and accompanying commentary are presented on a continuing normalised basis as the Group believes this most accurately reflects its economic performance. The continuing normalised operations specifically exclude the profit on unbundling of Momentum, the earnings contribution of Momentum, the profit on disposal of OUTsurance, as well as the earnings contribution of OUTsurance for the comparative periods. The normalised earnings have been derived from the audited IFRS financial results, which have been audited in compliance with Section 29(1) of the Companies Act.

A detailed description of the difference between normalised and IFRS results is provided on www.firstrand.co.za. Commentary is based on the continuing normalised results, unless indicated otherwise.

Alan Hedding, CA(SA), supervised the preparation of the consolidated financial results.

The annual integrated report for FirstRand Limited, which is summarised by this report, will be published on the Group's website, www.firstrand.co.za, on or about 1 November 212.

	Year ended 30 June		
	2012	2011	% change
Normalised earnings (R million)	12 730	10 117	26
Diluted normalised earnings per share (cents)	225.8	179.4	26
Normalised net asset value per share (cents)	1 142.4	1 044.0	9
Dividend per ordinary share (cents)	102.0	81.0	26
Normalised return on equity (%)	20.7	18.7	

Statement of headline earnings from continuing and discontinued operations - IFRS
for the year ended 30 June

R million	2012	2011	% change
Continuing operations			
Profit from continuing operations	14 369	14 244	1
Non-controlling interests	(898)	(1 164)	(23)
NCNR preference shares	(275)	(301)	(9)
Earnings attributable to ordinary equityholders	13 196	12 779	3
Adjusted for:	(554)	(3 341)	(83)
Loss/(gain) on disposal of investment securities and other investments of a capital nature	20	(12)	
Gain on disposal of available-for-sale assets	(154)	(341)	
Gain on disposal of associates	(473)	(2 792)	
Gain on disposal of subsidiaries	(266)	(571)	
Loss/(gain) on the disposal of property and equipment	49	(9)	
Fair value of investment properties	(12)	-	
Impairment of goodwill	115	96	
Impairment of assets in terms of IAS 36	7	37	
Gain from a bargain purchase	-	(9)	
Other	41	-	
Tax effects of adjustments	43	16	
Non-controlling interest adjustments	76	244	
Headline earnings from continuing operations	12 642	9 438	34
Discontinued operations			
Profit from discontinued operations	-	7 283	(100)
Non-controlling interests	-	3	(100)
Earnings attributable to ordinary equityholders	-	7 286	(100)
Adjusted for:	-	(6 868)	(100)
Profit on dividend in *specie*	-	(6 868)	
Headline earnings from discontinued operations	-	418	(100)
Headline earnings from continuing and discontinued operations	12 642	9 856	28

Reconciliation from headline earnings to normalised earnings from continuing and discontinued operations
for the year ended 30 June

R million	2012	2011*	% change
Headline earnings from IFRS continuing operations	12 642	9 438	34
Adjusted for:	88	859	(90)
IFRS 2 Share-based payment expense	77	(20)	(>100)
Treasury shares	251	418	(40)
- Consolidation of share trust	242	210	
- FirstRand shares held by policyholders	9	208	
Total return swap (TRS) adjustment	(240)	-	
Private equity subsidiary realisations	-	461	(100)
Normalised earnings from IFRS continuing operations	12 730	10 297	24
Headline earnings from discontinued operations	-	418	(100)
Adjusted for:	-	90	(100)
- FirstRand shares held by policyholders	-	90	
Normalised earnings from IFRS continuing and discontinued operations	12 730	10 805	18

* June 2011 figures include six months of OUTsurance income amounting to R180 million in earnings from continuing operations, which are excluded from normalised earnings - refer below for reconciliation.

Reconciliation of IFRS continuing operations to continuing normalised operations for the year ended 30 June

R million	2012	2011	% change
Earnings attributable to ordinary equityholders from IFRS continuing operations	13 196	12 779	3
OUTsurance equity-accounted income for the period	-	(180)	(100)
Profit on sale of OUTsurance	-	(2 710)	(100)
Profit on disposal of investments*	(610)	-	-
Attributable earnings from continuing normalised operations	12 586	9 889	27
Headline earnings from IFRS continuing operations (per above)	12 642	9 438	34
OUTsurance equity-accounted income	-	(180)	(100)
Headline earnings from continuing normalised operations	12 642	9 258	37
Normalised earnings from IFRS continuing operations (per above)	12 730	10 297	24
OUTsurance equity-accounted income	-	(180)	(100)
Normalised earnings from continuing normalised operations	12 730	10 117	26

* This includes the disposal of MMI Namibia, Tracker and Ronald Sewells.

Overview of results

Introduction

The legacy of the 2008 financial crisis remains one of significant macroeconomic uncertainty. During the current financial year the global policy makers were faced with a number of crises, including the European sovereign debt and banking sector crisis which, at times, threatened to break up the euro zone. Faced with its own fiscal challenges, the US sovereign rating was downgraded, preceded by heightened volatility in financial markets over the possibility that the US government might default on some of its debt obligations.

This uncertainty combined with high levels of government indebtedness, ongoing stress in the European banking system and households continuing to rebuild balance sheets weighed on economic activity in the major developed economies. This weakness spilled over into the major emerging economies and growth in countries such as China, India and Brazil slowed markedly during the latter part of the financial year.

The South African economy was not immune to the global developments and, although growth picked up in the latter part of 2011, it moderated again at the start of 2012. Slowing export growth and falling business confidence reflected muted global economic activity and supply-side constraints, such as labour action in the mining sector and limited electricity supply, also weighed on macroeconomic performance. This contributed to subdued private sector investment spending.

Consumer demand remained quite resilient throughout the financial year with household spending on durable goods particularly strong. This demand was underpinned by growth in real disposable income and a gradual increase in the uptake of credit by households, particularly unsecured credit. Continued low interest rates provided further support.

The fact that the sub-Saharan Africa region is less exposed to the global financial sector provided some buffer against the negative global economic developments. The region showed strong growth of 5.2% in 2011 and the trend continued in the first half of 2012, largely supported by high commodity prices, new resource exploration, increased export diversification and improved domestic macroeconomic conditions.

Overview of results

Despite these ongoing challenges FirstRand produced excellent results for the 12 months to 30 June 2012, achieving normalised earnings from continuing operations of R12 730 million, an increase of 26% on the previous period and producing a normalised return on equity (ROE) of 20.7% (2011: 18.7%). This reflects the strength and resilience of the Group's operating franchises which have demonstrated outperformance in many segments of the market.

The most significant driver of earnings was the very strong operational performances from FNB and WesBank, both of which 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.

The RMB franchise performed well especially given the tough trading environment for corporate and investment banking and the high base created in recent years, particularly the significant private equity realisations in the comparative period to June 2011.

The table below shows a breakdown of sources of normalised earnings:

Sources of normalised earnings for the year ended 30 June R million	2012	% composition	2011	% composition	% change
Total FNB	6 673	53	5 327	53	25
- FNB South Africa	6 157	49	4 787	47	29
- FNB Africa	516	4	540	6	(4)
RMB and GTS	3 646	29	3 842	38	(5)
WesBank	2 599	20	1 862	18	40
Corporate Centre and consolidation adjustments	(702)	(6)	(711)	(7)	(1)
FirstRand Limited (company)*	789	6	98	1	>100
NCNR preference dividend	(275)	(2)	(301)	(3)	(9)
Normalised earnings from continuing normalised operations	12 730	100	10 117	100	26

* Included in this amount is the consolidation adjustment of R818 million to bring the IFRS 2 costs from cash settled in the underlying subsidiaries to equity settled at the Group level. The significant increase in this amount from previous years is due to the 33% increase in the FirstRand share price year-on-year.

The Group's income statement benefited from an increase of 21% in net interest income before impairments (NII). This was driven by good growth in deposits at FNB and in advances at FNB and WesBank. Asset margins materially benefited from strong growth in unsecured lending products which offer better risk-adjusted pricing. Margins also continued to be positively impacted by ongoing repricing strategies in the large retail lending books such as vehicle and asset finance, and residential mortgages.

The 5% increase in non-interest revenue (NIR) was underpinned by strong growth of 14% at FNB and 27% at WesBank. RMB's client activities, particularly advisory and structuring and currency and commodity trading, also contributed. However, investment income was significantly down given the high base in the previous year. This base was created by both large private equity realisations and strong results from its international RMB Resources portfolio.

Whilst the Group's core operating costs grew 10% for the year, certain once-off items have resulted in total expenses increasing 14%. The first relates to accelerated depreciation on small value assets, which impacts both GTS and FNB (primarily SpeedPoint devices). In addition, operating expenses were impacted by higher costs associated with cooperation agreements, investment in expansion initiatives and incremental increases in IFRS 2 Share-based payment expenses directly linked to the Group's increased share price.
A reconciliation of operating expenses is provided in the table below.

	Year ended 30 June		%
R million	2012	2011	change
Operating expenses	27 212	23 840	14
Adjusted for:			
Share-based payments	(469)	(79)	>100
New subsidiaries	(82)	(85)	(4)
Expansion costs	(497)	(212)	>100
Cooperation agreements and joint ventures	(564)	(450)	25
Accelerated depreciation and Full Maintenance Rental	(409)	(118)	>100
Core costs	25 191	22 896	10

The increase in the bad debt charge from 93 bps to 108 bps was driven mainly by:

- the creation of certain portfolio provisions at the centre, reflecting the Group's view that the benign credit cycle has now bottomed; and

- a specific impairment for unrecovered amounts in FNB's merchant acquiring business.

Excluding the impact of the specific impairment for the merchant acquiring business, overall credit impairments increased from 93 bps to 94 bps. However, the impairments relating to the non-performing book decreased 25%, which is in line with expectations and reflects further improvement in NPLs in most of the large retail books, particularly FNB HomeLoans and FNB Card.

The Group's balance sheet continued to show good overall growth in advances. This was driven by robust new business volumes, particularly in the portfolios indicated below. This reflects the Group's strategy to grow its lending books in certain targeted segments.

- Unsecured lending in FNB's mass and consumer segments (excluding Card): R11.4 billion

- Unsecured lending at WesBank: R4.3 billion

- Vehicle and asset finance at WesBank: R54.3 billion

- RMB's structured lending book: R51.8 billion

Overview of operating franchises

FirstRand's vision is to be the African financial services group of choice, creating long-term franchise value and delivering superior and sustainable economic returns to shareholders within acceptable levels of volatility. The Group seeks to achieve this through two parallel growth strategies:

- become a predominant player in all of the financial services profit pools in South Africa, growing in existing markets and those where it is under-represented; and

- grow its franchise in the broader African continent, targeting those countries expected to show above average domestic growth and which are well positioned to benefit from the trade and investment flows between Africa, China and India.

These strategies are executed through its portfolio of operating franchises, within a framework set by the Group. Below is a brief overview of progress on these strategic objectives and the financial and operational performance of each franchise.

FNB

FNB represents FirstRand's activities in the retail and commercial segments in both South Africa and the broader African continent. It is growing its franchise strongly in both existing and new markets on the back of innovative products and delivery platforms, particularly focusing on electronic and digital channels. FNB produced an excellent performance for the year, increasing pre-tax profits 23% and producing an ROE of 35.0%.

FNB South Africa

	Year ended 30 June		
R million	2012	2011*	% change
Normalised earnings	6 157	4 787	29
Profit before tax	8 293	6 529	27
Total assets	229 329	220 527	4
Total liabilities	220 931	213 852	3
Credit loss ratio (%)	1.28	1.21	
ROE (%)	38.7	34.9	

* Prior year restated to exclude GTS.

FNB South Africa has benefited from a very deliberate strategy to grow and retain core transactional accounts. It has driven this through offering customers a compelling value proposition - innovative products and channels at an acceptable cost to the customer. This proposition has been supported by various reward programmes, such as eBucks, SLOW lounges and fuel, data and airtime rewards. Innovations such as the Banking App, cellphone banking and eWallet have also attracted new customers. This has resulted in a net increase of 1.3 million active accounts in the year under review. In addition, FNB's success in cross-selling to its customers also increased the average products per customer from 2.03 to 2.10. A positive outcome from this growth in customers is the commensurate increase in transactional volumes, particularly on the back of FNB's deliberate objective to drive customers onto its electronic platforms. This resulted in non-interest revenue growth for the year of 14%.

Robust net interest income growth of 19% was underpinned by solid advances growth of 7%, driven mainly by the Consumer, Commercial and Mass segments, margin expansion due to the growth in unsecured lending and the substantial decrease in non-performing loans in FNB HomeLoans.

Card advances grew 11% on the back of proactive customer acquisition. HomeLoans advances increased only 1% reflecting FNB's strategy to grow residential mortgages in the low risk categories. However, new business margins remained healthy. Affordable housing, particularly Smart Bonds, continued to show good growth.

Deposits also grew well (up 19%) driven mainly by the Commercial, Consumer and Wealth segments, in particular notice deposit products.

Excluding the specific impairment mentioned previously in the merchant acquiring business, bad debts showed a marginal decrease of 4%. Bad debts in the unsecured lending books increased, however, this is in line with expectations and is appropriately provided for.

Core cost growth was maintained at 9%, reflecting FNB's focus on ongoing efficiencies and streamlining platforms.

FNB Africa

	Year ended 30 June		
R million	2012	2011	% change
Normalised earnings	516	540	(4)
Profit before tax*	1 385	1 350	3
Total assets	39 267	35 439	11
Total liabilities	34 399	31 493	9
Credit loss ratio (%)	0.50	0.30	
ROE (%)	16.2	19.6	

* Excluding profit on disposal of MMI Namibia.

The results of FNB Africa comprise the established subsidiaries in Namibia, Botswana, Swaziland and Lesotho and the start-up operations in Mozambique, Zambia and Tanzania. Overall the business performed well, despite ongoing investment in the start-up operations.

The portfolio benefited from increased lending and good NIR growth. The ongoing investment in building the African footprint and expanding the branch network, particularly in the new territories, resulted in customer acquisition and growth in transactional volumes. During the year FNB introduced a number of products into the subsidiaries, such as cellphone banking and eWallet.

RMB

RMB represents the activities of the Group in the corporate and investment banking segments, in both South Africa and the broader African continent. During the year under review the RMB business model was further adjusted in anticipation of impending regulatory changes and the expected macro environment. These changes included:

- the formation of a Global Markets division, merging components of the Fixed Income, Currency and Commodities (FICC) and Equities businesses;

- the termination of outright proprietary trading activities; and

- more capital to be allocated to client and investing activities to enable growth in the corporate and investment banking (CIB) activities.

These changes will ensure that RMB is well positioned for growth and sustainable returns in what continues to be a difficult environment. RMB has become a more client-centric business with a very clear strategy anchored around a defined risk appetite.

RMB and GTS

	Year ended 30 June		
R million	2012	2011	% change
Normalised earnings	3 646	3 842	(5)
Profit before tax	4 926	5 370	(8)
Total assets	331 912	267 127	24
Total liabilities	324 177	260 853	24
ROE (%)	23.2	28.5	

Despite the high base created in the previous year and challenging investment and corporate banking markets in the year to June 2012, RMB and Global Transactional Services (GTS) combined pre-tax profits were only down 8% year-on-year to R4.9 billion, delivering an ROE of 23.2%.

In terms of client activities, despite muted M&A activity in the domestic market, large cross-border mandates contributed to growth in fee income. Financing margins remained under pressure, but despite this, revenues grew on the back of a 21% increase in the core loan book. Good growth in hedging and structuring revenues was driven by the currency, interest rate and credit structuring areas. The 91% growth in earnings from RMB's businesses deployed in the FNB African subsidiaries was driven by strong performances from Botswana, Namibia, Zambia and Mozambique. The structured trade business also profited from the renewed focus on Africa. This strong momentum in client activity underpinned the good growth in profits of the Investment Banking Division (up 5%) and FICC (up 31%). GTS's operating performance grew pre-tax profits 11% to R523 million, driven by growth in client transactional activities on the back of higher volumes.

Within the trading environment results were mixed, but benefited from good client-centric activity from the RMB Morgan Stanley joint venture. Investment activities also showed a mixed performance with Private Equity producing profits only 6% down despite the absence of a material realisation. However, the RMB Resources portfolio experienced a poor year.

WesBank

WesBank represents the Group's activities in instalment finance in the retail, commercial and corporate segments. WesBank's point-of-sale dominance through long-standing alliances with leading motor manufacturers and large dealer groups, has allowed it to fully capitalise on the strong replace-ment cycle that has played out for the past two years in the retail motor segment. In addition, WesBank has undertaken a number of specific strategies to create more diversification and reduce volatility.

WesBank

	Year ended 30 June		
R million	2012	2011	% change
Normalised earnings	2 599	1 862	40
Profit before tax*	3 650	2 548	43
Total assets	121 610	104 117	17
Total liabilities	117 110	101 171	16
Credit loss ratio (%)	0.99	1.33	
ROE (%)	33.9	26.3	

* Excluding profit on disposal of investments.

WesBank grew its normalised pre-tax profits 43% to R3 650 million and delivered an ROE of 33.9%. This strong performance was underpinned by appropriate origination strategies and rigid cost management in its core business combined with increasing penetration of new markets.

Net interest income was driven by excellent new business growth of 19%, particularly in motor (up 20%) and unsecured (up 17%). The improving interest margins resulted from long term repricing efforts, in addition to a shift in the mix of underlying advances to a greater proportion of retail secured and unsecured lending, which have better margins than the corporate book. Overall non-performing loans (NPLs) continued to decrease driven mainly by corporate.

Corporate new business grew 15% to R11.8 billion and Full Maintenance Rental (FMR) remains a strategic priority as it represents a complementary activity to the corporate and commercial product suite. Early indications are promising, with the total asset book currently approaching R800 million. The very strong growth of 27% in non-interest revenue was on the back of new business growth with some contribution from FMR revenues.

Core operating cost growth was maintained at 3%, reflecting static headcount and the non-recurrence of certain restructuring costs in the prior year. Overall growth reflects the variable costs attached to increased profit shares and the rising depreciation cost associated with FMR assets.

Strategic issues

Progress on growth strategies outside South Africa

The Group seeks to generate incremental growth outside of its domestic market. It executes on the ground through its operating franchises and enters each market differently depending on the opportunities presented.

FNB's current African footprint generates good profits and sustainable returns. Some of the larger franchises, such as Namibia and Botswana, are mature businesses with significant market shares. The priority countries where the Group sees opportunities for further growth in its operating footprint are Mozambique, Tanzania, Zambia, Nigeria and Ghana.

FirstRand continues to focus on its entry strategy in Nigeria. RMB has an active representative office and has received agreement in principle to its application for a merchant banking licence. The Group continues to look for opportunities to acquire a platform for retail and commercial activities in Nigeria.

Ghana also offers good opportunities and since the year end FirstRand has made an offer for Merchant Bank Ghana (MBG), whereby FirstRand will invest R746.2 million (GHS176.4 million) in exchange for a 75% shareholding in the bank. MBG is a medium-sized retail and commercial bank with 22 branches, and a well established client base and deposit franchise. It is ranked amongst the top ten banks in Ghana and the Group believes it will provide an excellent platform for FNB and RMB to roll out products and services in Ghana.

A Kenyan presence is important for building an east African corporate and investment banking hub, particularly given the strong trade flows with India. During the year FirstRand officially opened a representative office in Kenya from where RMB will market corporate products and services. As the only African bank with a licence to operate in India, it is ideally placed to act as a conduit for transactions between the east African region and India. RMB is already a significant participant in the region and has a strong pipeline of potential transactions in infrastructure and project finance, resource finance, debt financing, structured trade and commodity finance, and fixed income, currency and commodity activities.

With regard to its Indian operations, FirstRand's original strategy was to mine the trade and investment flows between India and the African continent. Since commencing operations in 2009 it has established a track record in corporate and investment banking activities from a branch in Mumbai that is staffed by a team sourced from RMB combined with local expertise.

FirstRand believes that the strength of this investment and corporate banking franchise now provides an appropriate platform to launch a more comprehensive range of banking products and services to both retail and institutional customers in India. As a result, during the year under review, FNB entered the Indian market through the opening of its first branch in Mumbai.

In line with the way the Group prefers to enter new markets, FNB's entry into the Indian market is a greenfields strategy. This will allow for incremental investment, with reliance to be placed on established, home-grown systems and processes.

The operations of FNB in India are branded FRB and will focus on introducing and growing the innovative products and channels that have underpinned FNB's strong growth in its domestic franchise over the past few years.

During the year FirstRand took the decision to retain its investment in MotoNovo Finance in the UK for the longer term as it is an existing investment, closely aligned to the core business of WesBank and expected to produce above average returns going forward, particularly given the value created through WesBank's ownership. The benefits from the investment made in people, systems, credit scoring and the creation of a much stronger market positioning are expected to be reaped in the future. In addition, as the operations are in a market outside the Group's overall geographic representation, there will be some countercyclical benefits, which could reduce earnings volatility.

Capital management

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 current philosophy, given the uncertain macro-economic and regulatory environment, is to operate at the higher end of its targeted capital levels to ensure balance sheet resilience. Current targeted levels and ratios are summarised in the table below.

	FirstRand		Regulatory
%	Actual	Target	minimum
Capital adequacy ratio	14.7	12.0 - 13.5	9.5*
Tier 1 ratio	13.2	11.0	7.0
Core Tier 1 ratio	12.3	9.5 - 11.0	5.25

* The regulatory minimum excludes the bank-specific (Pillar 2b) add-on and capital floor.

	FirstRand Bank (FRB)*		Regulatory
%	Actual	Target	minimum
Capital adequacy ratio	14.6	11.5 - 13.0	9.5**
Tier 1 ratio	12.6	10.5	7.0
Core Tier 1 ratio	11.8	9.0 - 10.5	5.25

* Reflects solo supervision, i.e. FirstRand Bank excluding foreign branches.

** The regulatory minimum excludes the bank-specific (Pillar 2b) add-on and capital floor.

The Group does not seek to hold excess capital for large acquisitions, however, as previously indicated to shareholders, it is holding a buffer for investments in selected growth opportunities in certain African jurisdictions. Given the current economic conditions in South Africa and the subdued credit appetite amongst consumers and corporates, the Group's operating franchises continue to generate good returns at a time when there is limited opportunity to grow risk weighted assets (RWA). The Group, therefore, continues to review the appropriate level of payout to shareholders on a sustainable basis.

With regard to the impact of Basel 2.5 and Basel III, the Group's level of Core Tier 1 capital is sufficient as it held buffers in anticipation of these changes. These buffers have now been allocated to the operating franchises as part of the capital allocation and performance management processes. Each franchise has been through a process of assessing if any action is required to optimise returns given these new allocations. The most significant impact, particularly associated with Basel 2.5, is at RMB, which has already made the necessary adjustments to its business model as outlined previously. Following Basel III, including business model adjustments, the Group believes it can maintain ROEs between 18% and 22% through the cycle.

Basel III seeks to enhance the quality of loss absorbing capital. To this end, emphasis is placed on Common Equity Tier 1 as the predominant form of capital, whilst Additional Tier 1 and Tier 2 will receive more limited recognition.

Types of capital and proposed Basel III requirements

Common Equity Tier 1*	7.0%	Minimum; can be higher
Additional Tier 1	1.5%	Limit; higher level not recognised for total capital requirements
Tier 2	2.0%	Limit; higher level not recognised for total capital requirements

* Does not include additional buffers required (e.g. countercyclical, D-SIB or bank-specific add-ons).

It is the Group's intention to make use of these regulatory limits to optimise its capital structure. Future capital issuance will be balanced against the utilisation of these regulatory limits and the expected rundown profile of the existing capital instruments. Banks will need to consider how to optimise this mix against the backdrop of more costly instruments and uncertain investor appetite given potential regulatory intervention at different trigger levels and capital market conditions. Should banks be unable to issue these capital instruments they may have to rely on more expensive Core Tier 1, which would negatively impact ROEs.

Prospects

The macro environment will remain challenging during the 2013 financial year. The global economy is likely to register sub-trend growth and will continue to face significant downside risk. This means economic activity in South Africa will remain under pressure.

GDP growth is currently expected to be 2.5% for the 2012/2013 financial year, and, although interest rates are expected to remain flat for the rest of the year, there is downside risk if economic growth slows further.

Lower levels of real wage increases will negatively impact consumer spending and growth in retail advances is likely to remain subdued, with mortgage lending expected to continue to lag nominal GDP growth. In addition, given the high levels of recent growth in unsecured and short-term advances in the system, this is also likely to moderate. Corporate lending is expected to remain muted as business confidence has not fully recovered. If, however, the proposed government and public sector infrastructure plans are implemented, this may provide some underpin to growth in advances.

Within the context of these challenges, FirstRand expects to continue to produce good organic growth. Achieving revenue growth remains a challenge, but the Group's franchises have compelling strategies to grow the topline. FNB's focus on acquiring core transactional accounts will continue to drive NIR growth, as will RMB's increasing client activities. Achieving a sustainable ROE and cost-to-income ratio will remain a balancing act between investment and cost management.

GDP growth in sub-Saharan Africa is expected to further strengthen and the Group will continue to build on its progress in developing the appropriate entry strategies and operating platforms in those countries identified as priorities for expansion.

Dividend strategy

The Group targets growth in dividend in line with growth in sustainable earnings, which can vary from year to year.

Basis of presentation

FirstRand prepares its consolidated financial results in accordance with:

- IFRS, including IAS 34 Interim Financial Reporting;

- the AC 500 standards issued by the Accounting Practices Board;

- JSE Listing Requirements; and

- the information as required by the Companies Act of South Africa.

The accounting policies applied are consistent with those applied in preparation of previous financial statements.

The Group believes normalised earnings more accurately reflect operational performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.

The IFRS financial statements have been audited by PricewaterhouseCoopers Inc and Deloitte & Touche from which the normalised earnings have been derived, on which an unmodified opinion has been expressed. This is available at the company's registered office. The audit was conducted in accordance with International Standards on Auditing. These summarised abridged financial statements have been derived from the Group financial statements and are consistent in all material respects with the Group financial statements. Any reference to future financial performance included in this announcement has not been reported on by the company's auditors.

Board changes

Mrs Mary Sina Bomela was appointed to the Board as a non-executive director with effect from 24 September 2011. Mrs Bomela joined the Board as a shareholder representative of Mineworkers Investment Company, replacing Mr Paul Nkuna who resigned from the Board on 31 July 2011, following his decision to retire in 2012.

On 26 April 2012 it was with great regret that the Board was advised of the passing of Mr MH (Thys) Visser following a motor car accident. Thys joined the FirstRand Limited Board in 2009. His widely acknowledged integrity, support and wise contribution to Board and committee deliberations will be greatly missed.

For and on behalf of the Board

LL Dippenaar
Chairman

SE Nxasana
Chief executive officer

Cash dividend declarations

Ordinary shares

The directors have declared annual gross cash dividends totalling 102.0 cents per ordinary share, out of income reserves for the year ended 30 June 2012 as follows:

Ordinary dividends

	Year ended 30 June	
Cents per share	2012	2011
Interim (declared 28 February 2012)	44.0	35.0
Final (declared 10 September 2012)	58.0	46.0
	102.0	81.0

The salient dates for the final dividend are as follows:

Last day of trade to receive a dividend: Friday, 5 October 2012

Shares commence trading ex-dividend: Monday, 8 October 2012

Record date: Friday, 12 October 2012

Payment date: Monday, 15 October 2012

Share certificates may not be dematerialised or rematerialised between 8 October 2012 and 12 October 2012, both days inclusive.

The final dividend of 58.0 cents per share carries an STC credit of 7.15566 cents per share. Shareholders that are exempt from Dividend Withholding Tax (DWT) will receive the full 58.0 cents per share. For shareholders that are subject to DWT, tax will be calculated at 15% (or such lower rate if a double taxation agreement applies for foreign shareholders), after taking account of the STC credit.

For South African resident shareholders that are subject to the DWT, the net final dividend after deducting the 15% tax will be 50.37335 cents per share.

The issued share capital at the declaration date is 5 637 941 689 ordinary shares and 45 000 000 variable rate, non-cumulative non-redeemable (NCNR) B preference shares.

FirstRand's income tax reference number is 9150/201/71/4.

Special dividend (this information is provided for comparative purposes only)

	Year ended 30 June	
Cents per share	2012	2011
Special (declared 12 September 2011)	-	70.00
	-	70.00

B preference shares

Dividends on the B preference shares were calculated at a rate of 68% of the prime lending rate as published by FirstRand Bank Limited to 27 February 2012 and thereafter at 75.56% of prime.

The following dividends were declared and paid:

Cents per share	B preference shares 2012	B preference shares 2011
Period		
31 August 2010 - 28 February 2011		313.6
1 March 2011 - 29 August 2011		305.2
30 August 2011 - 27 February 2012	305.2	
28 February 2012 - 27 August 2012	333.1	
	638.3	618.8

BW Unser

Company secretary

10 September 2012

Consolidated income statement - IFRS
for the year ended 30 June

R million	2012	2011	% change
Continuing operations			
Interest and similar income	41 335	38 187	8
Interest expense and similar charges	(19 453)	(20 818)	(7)
Net interest income before impairment of advances	21 882	17 369	26
Impairment of advances	(5 065)	(3 778)	34
Net interest income after impairment of advances	16 817	13 591	24
Non-interest income	29 494	29 565	-
Income from operations	46 311	43 156	7
Operating expenses	(28 422)	(24 584)	16
Net income from operations	17 889	18 572	(4)
Share of profit of associates and joint ventures after tax	1 120	531	>100
Income before tax	19 009	19 103	-
Indirect tax	(551)	(614)	(10)
Profit before direct tax	18 458	18 489	-
Direct tax	(4 089)	(4 245)	(4)
Profit from continuing operations	14 369	14 244	1
Discontinued operations			
Profit attributable to discontinued operations	-	415	(100)
Profit after tax on disposal/unbundling of discontinued operations	-	6 868	(100)
Profit for the year	14 369	21 527	(33)
Attributable to:			
NCNR preference shareholders	275	301	(9)
Ordinary equityholders	13 196	20 065	(34)
Equityholders of the Group	13 471	20 366	(34)
Non-controlling interests	898	1 161	(23)
Profit for the year	14 369	21 527	(33)
Earnings per share (cents)			
- Basic	241.7	372.7	(35)
- Diluted	236.8	365.3	(35)
Headline earnings per share (cents)			
- Basic	231.5	183.1	26
- Diluted	226.9	179.4	26
Earnings per share (cents) - IFRS continuing			
- Basic	241.7	236.6	2
- Diluted	236.8	231.9	2
Headline earnings per share (cents) - IFRS continuing			
- Basic	231.5	174.7	33
- Diluted	226.9	171.3	32
Earnings per share (cents) - discontinued			
- Basic	-	136.1	(100)
- Diluted	-	133.4	(100)
Headline earnings per share (cents) - discontinued			
- Basic	-	8.4	(100)
- Diluted	-	8.1	(100)

Consolidated statement of comprehensive income - IFRS
for the year ended 30 June

R million	2012	2011	% change
Profit for the year	14 369	21 527	(33)
Other comprehensive income			
Cash flow hedges	(420)	21	
Available-for-sale financial assets	560	(41)	
Exchange differences on translating foreign operations	599	(266)	
Share of other comprehensive income of associates after tax and non-controlling interests	(167)	35	
Other comprehensive income for the year before tax	572	(251)	(>100)
Income tax relating to components of other comprehensive income	(41)	(44)	(7)
Other comprehensive income for the year	531	(295)	
Total comprehensive income for the year	14 900	21 232	(30)
Total comprehensive income attributable to:			
Ordinary equityholders	13 706	19 837	(31)
NCNR preference shareholders	275	301	(9)
Equityholders of the Group	13 981	20 138	(31)
Non-controlling interests	919	1 094	(16)
Total comprehensive income for the year	14 900	21 232	(30)

Consolidated statement of financial position - IFRS
as at 30 June

R million	2012	2011*	2010*
ASSETS			
Cash and cash equivalents	38 363	34 240	27 067
Derivative financial instruments	52 913	37 206	39 764
Commodities	5 108	4 388	2 365
Accounts receivable	6 007	7 289	5 743
Policy loans	-	-	27
Tax asset	331	139	935
Advances	524 507	464 593	434 793
Investment securities and other investments	119 708	124 756	117 171
Investments in associates and joint ventures	6 869	6 029	6 901
Property and equipment	12 026	10 542	10 018
Intangible assets	1 743	1 691	2 104
Reinsurance assets	898	484	524
Post-employment benefit asset	7	2	-
Investment properties	215	203	138
Deferred tax asset	471	560	443
Non-current assets held for sale	599	5 805	197 247
Total assets	769 765	697 927	845 240
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	5 343	9 094	13 927
Derivative financial instruments	53 760	36 361	36 035
Creditors and accruals	9 086	9 497	7 518
Tax liability	386	288	157
Deposits	606 281	552 879	507 522
Provisions	592	517	759
Employee liabilities	6 933	5 937	5 088
Other liabilities	6 383	4 107	10 552
Policyholder liabilities under insurance contracts	1 517	1 047	1 868
Deferred income tax liability	1 679	2 223	2 132
Tier 2 liabilities	7 885	6 666	10 758
Liabilities directly associated with disposal groups held for sale	113	5 092	189 961
Total liabilities	699 958	633 708	786 277
Equity			
Ordinary shares	55	53	52
Share premium	5 216	4 945	1 491
Reserves	57 250	51 633	49 889
Capital and reserves attributable to ordinary equityholders	62 521	56 631	51 432
NCNR preference shares	4 519	4 519	4 519
Capital and reserves attributable to equityholders of the Group	67 040	61 150	55 951
Non-controlling interests	2 767	3 069	3 012
Total equity	69 807	64 219	58 963
Total equity and liabilities	769 765	697 927	845 240

* Refer to Reclassification of prior year numbers.

Consolidated statement of cash flows - IFRS
for the year ended 30 June

R million	2012	2011
Net cash flows from operating activities	16 635	16 923
Net cash (utilised)/generated from operations	(7 064)	2 524
Tax paid	(5 331)	(3 965)
Net cash inflow from operating activities	4 240	15 482
Net cash (outflow)/inflow from investing activities	(3 763)	1 777
Net cash inflow/(outflow) from financing activities	3 464	(10 052)
Net increase in cash and cash equivalents	3 941	7 207
Cash and cash equivalents at the beginning of the year	34 240	27 067
Cash and cash equivalents at the end of the year	38 181	34 274
Cash and cash equivalents acquired*	1	200
Cash and cash equivalents disposed of*	(31)	(83)
Effect of exchange rate changes on cash and cash equivalents	212	(151)
Cash and cash equivalents at the end of the year	38 363	34 240
Mandatory reserve balances included above**	13 677	12 173

* Cash and cash equivalents acquired and disposed of relate to cash balances held by subsidiaries acquired and disposed of during the year.
** Banks are required to deposit a minimum average balance, calculated monthly with the central bank, which is not available for use in the Group's day-to-day operations. The deposit bears no or low interest. Money at short notice constitutes amounts withdrawable in 32 days or less.

Consolidated statement of changes in equity - IFRS
for the year ended 30 June

	Ordinary share capital and ordinary equityholders' funds						Ordinary share capital and ordinary equityholders' funds							
R million	Share capital	Share premium	Share capital and share premium	General risk reserve	Cash flow hedge reserve	Share-based payment reserve	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Reserves attributable to ordinary equity-holders	Non-cumulative non-redeemable preference shares	Non-controlling interests	Total equity
Balance as at 1 July 2010	52	1 491	1 543	12	(466)	2 487	969	698	(617)	46 806	49 889	4 519	3 012	58 963
Issue of share capital	-	-	-	-	-	-	-	-	-	-	-	-	7	7
Movement in other reserves	-	-	-	-	-	341	-	-	(8)	48	381	-	(342)	39
Ordinary dividends	-	-	-	-	-	-	-	-	-	(4 179)	(4 179)	-	(583)	(4 762)
Preference dividends	-	-	-	-	-	-	-	-	-	-	-	(301)	-	(301)
Transfer from/(to) reserves	-	-	-	1	-	-	-	-	-	(1)	-	-	-	-
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	12	(34)	(22)	-	46	24
Consolidation of treasury shares	1	3 454	3 455	-	-	-	-	-	-	1 074	1 074	-	-	4 529
Total comprehensive income for the year	-	-	-	-	15	-	(80)	(206)	43	20 065	19 837	301	1 094	21 232
Dividend in specie: unbundling of Momentum	-	-	-	-	-	(89)	(664)	(18)	583	(15 159)	(15 347)	-	(165)	(15 512)
Balance as at 30 June 2011	53	4 945	4 998	13	(451)	2 739	225	474	13	48 620	51 633	4 519	3 069	64 219
Movement in other reserves	-	-	-	-	-	709	-	-	36	173	918	-	(438)	480
Ordinary dividends	-	-	-	-	-	-	-	-	-	(8 742)	(8 742)	-	(652)	(9 394)
Preference dividends	-	-	-	-	-	-	-	-	-	-	-	(275)	-	(275)
Transfer from/(to) reserves	-	-	-	44	-	-	-	-	-	(44)	-	-	-	-
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	-	(37)	(37)	-	(131)	(168)
Consolidation of treasury shares	2	271	273	-	-	-	-	-	-	102	102	-	-	375
Total comprehensive income for the year	-	-	-	-	(302)	-	401	578	(167)	13 196	13 706	275	919	14 900
Vesting of share-based payment reserve	-	-	-	-	-	(201)	-	-	-	(129)	(330)	-	-	(330)
Balance as at 30 June 2012	55	5 216	5 271	57	(753)	3 247	626	1 052	(118)	53 139	57 250	4 519	2 767	69 807

Reclassification of prior year numbers

During the financial year the following reclassifications were made to the income statement and statement of financial position:

30 June 2011 R million	Amount as previously reported	Amount as restated	Difference	Explanation
Income statement Non-interest income	31 882	29 565	2 317	Fee and commission expenses that are incremental or directly attributable to the generation of fee and commission income have been reclassified out of various operating expense lines into the fee and commission expense line. In addition, the presentation of fee and commission expenses has been updated by presenting it as part of non-interest income and not as part of operating expenses. This was to align with banking industry practice.
Operating expenses	(26 901)	(24 584)	(2 317)	As per above.
Share of profit from associates and joint ventures	868	531	337	The Group's share of profits from associates and joint ventures has been stated net of the related tax expense. The comparative information was restated in order to be comparable with the new presentation.
Direct tax	(4 582)	(4 245)	(337)	As per above.
Profit for the year	21 527	21 527	-	No effect on profit for the year.
Statement of financial position Creditors and accruals	9 930	9 497	433	During the current year a comprehensive review of liabilities disclosure was undertaken by the Group in order to ensure that the presentation is consistent with industry practice and to provide more detailed and useful information in the financial statements. A reclassification was required to bring the comparative numbers in line with the updated presentation.
Deposits	553 657	552 879	778	
Short trading positions	12 413	9 094	3 319	
Provisions	3 621	517	3 104	
Post-retirement liabilities	2 292	-	2 292	
Employee liabilities	-	5 937	(5 937)	
Other liabilities	-	4 107	(4 107)	
Tier 2 liabilities	-	6 666	(6 666)	
Long-term liabilities	6 690	-	6 690	
Policyholder liabilities under investment contracts	94	-	94	

30 June 2010 R million	Amount as previously reported	Amount as restated	Difference	Explanation
Statement of financial position Creditors and accruals	12 115	7 518	4 597	During the current year a comprehensive review of liabilities disclosure was undertaken by the Group in order to ensure that the presentation is consistent with industry practice and to provide more detailed and useful information in the financial statements. A reclassification was required to bring the comparative numbers in line with the updated presentation.
Deposits	512 469	507 522	4 947	
Short trading positions	16 735	13 927	2 808	
Provisions	3 359	759	2 600	
Post-retirement liabilities	2 162	-	2 162	
Employee liabilities	-	5 088	(5 088)	
Other liabilities	-	10 552	(10 552)	
Tier 2 liabilities	-	10 758	(10 758)	
Long-term liabilities	9 183	-	9 183	
Policyholder liabilities under investment contracts	101	-	101	

Administrative information
Directors: LL Dippenaar (Chairman), SE Nxasana (Chief executive officer), VW Bartlett, JJH Bester, MS Bomela, JP Burger (Financial director and chief operating officer), L Crouse, PM Goss, Dr NN Gwagwa, PK Harris, WR Jardine, EG Matenge-Sebesho, AT Nzimande, D Premnarayen (Indian), KB Schoeman, RK Store, BJ van der Ross, Dr JH van Greuning

Company secretary: BW Unser

Registered office: 4 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton 2196

Postal address: PO Box 650149, Benmore 2010, Telephone: +27 11 282 1808, Telefax: +27 11 282 8088

Transfer secretaries - South Africa: Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg 2001, PO Box 61051, Marshalltown 2107, Telephone: +27 11 370 5000, Telefax: +27 11 688 5221.

Transfer secretaries - Namibia: Transfer Secretaries (Pty) Ltd, 4 Robert Mugabe Avenue, Windhoek, PO Box 2401, Windhoek, Namibia, Telephone: +264 612 27647, Telefax: +264 612 48531.

JSE sponsor: Rand Merchant Bank (a division of FirstRand Bank Limited)

JSE independent sponsor: PricewaterhouseCoopers Corporate Finance (Pty) Ltd

Namibian sponsor: Simonis Storm Securities (Pty) Ltd