FIRSTRAND

circular

to shareholders

for the year ended

30 June 2007

contents

FIRSTRAND

1966/010753/06 Share code: FSR ISIN: ZAE 0000066304 ("FSR")

Certain companies within the FirstRand Group are Authorised Financial Services Providers

This circular is available on our website:

www.firstrand.co.za

email questions to: asktheCFO@firstrand.co.za

FIRSTRAND

Introduction

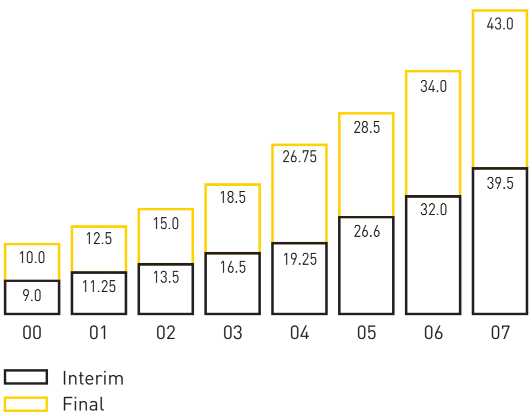
This report covers the audited financial results of FirstRand Limited ("FirstRand" or "the Group") and deals with the financial and operating performance of its main business units. The Group consists of a portfolio of leading financial services franchises; these are First National Bank ("FNB"), the retail and commercial bank, Rand Merchant Bank ("RMB"), the investment bank, WesBank, the instalment finance business, Momentum, the life insurance business and Discovery, the health and life business.

FirstRand operates these franchises through various legal entities. Comprehensive reports on the Banking and Insurance Groups, which are wholly owned, are included in this circular. The Discovery Group, which is a 57% subsidiary of FirstRand, is separately listed on the JSE and produces its own report to shareholders.

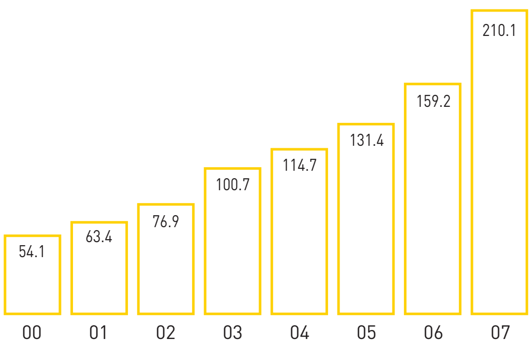
financial highlights

R million	2007	2006	% change
Headline earnings	**10 457**	8 115	29
Normalised earnings (unaudited)	**11 845**	8 958	32
Diluted headline earnings per share (cents)	**196.8**	152.6	29
Diluted normalised earnings per share (cents) (unaudited)	**210.1**	159.2	32
Ordinary dividend per share (cents)	**82.5**	66.0	25
Normalised return on equity (%) (unaudited)	**28**	25	
Assets under management or administration	**900 148**	794 693	13

Ordinary dividend per share
(cents)
CAGR: 23.3%



Diluted normalised earnings per share
(cents)
CAGR: 21.4%



key financial results and ratios

for the year ended 30 June

R million	2007	2006	% change
Earnings			
Normalised earnings (unaudited)	**11 845**	8 958	32
Headline earnings	**10 457**	8 115	29
Attributable earnings to ordinary shareholders	**11 511**	8 825	30
Normalised net asset value (unaudited)	**46 622**	37 803	23
Normalised return on equity (%) (unaudited)	**28**	25	
Normalised price to book (times) (unaudited)	**2.73**	2.53	
Normalised earnings per share (cents) (unaudited)			
– Basic	**210.2**	159.4	32
– Diluted	**210.1**	159.2	32
Earnings per share (cents)			
– Basic	**222.9**	171.6	30
– Diluted	**216.6**	166.0	30
Headline earnings per share (cents)			
– Basic	**202.5**	157.8	28
– Diluted	**196.8**	152.6	29
Ordinary dividend per share (cents)			
– Interim	**39.5**	32.0	23
– Final	**43.0**	34.0	26
	82.5	66.0	25
Non cumulative non redeemable preference dividend per share (cents) (declared)			
B Class (68% of FNB prime lending rate)	**840.67**	719.00	17
B1 Class (68% of FNB prime lending rate)	**840.67**	719.00	17

statement of headline earnings

for the year ended 30 June

R million	2007	2006	% change
Attributable earnings to ordinary shareholders	11 511	8 825	30
Adjusted for:	(1 054)	(710)	48
Profit on sale of equity accounted private equity associates	(397)	(219)	
Profit on sale of available-for-sale financial assets	(684)	(360)	
Impairment of property and equipment	–	1	
Profit on sale of shares in subsidiary and associate	(68)	(129)	
Net asset value in excess of purchase price of subsidiaries	–	(22)	
(Profit)/loss on sale of assets	(6)	19	
Impairment of intangible assets	48	–	
Impairment of goodwill	53	–	
Headline earnings	10 457	8 115	29
Adjusted for:	1 388	843	65
Profit on sale of equity accounted private equity associates	397	219	
Settlement with National Treasury	–	30	
Discovery BEE transaction	19	102	
IFRS 2: share based expenses	401	168	
Treasury shares	543	352	
– adjustment for effective shareholding in Discovery	(50)	(28)	
– consolidation of staff share schemes	372	383	
– FirstRand Limited shares held by policyholders	221	(3)	
Adjustment to listed property associates to net asset value	28	(28)	
Normalised earnings (unaudited)*	11 845	8 958	32
Segmental normalised earnings (unaudited)			
Banking Group	10 041	7 463	35
Momentum Group	1 716	1 514	13
Discovery Group	536	424	26
FirstRand Limited (company)	(100)	(169)	(41)
Dividend paid to non cumulative non redeemable preference shareholders	(348)	(274)	27
Normalised earnings for the Group (unaudited)	11 845	8 958	32
Segmental headline earnings			
Banking Group	9 355	7 049	33
Momentum Group	1 610	1 534	5
Discovery Group	556	350	59
FirstRand Limited (company)	(123)	(164)	(25)
Consolidation of share trusts	(372)	(383)	(3)
Dividend paid to non cumulative non redeemable preference shareholders	(348)	(274)	27
Consolidation of treasury shares: policyholders	(221)	3	>(100)
Headline earnings	10 457	8 115	29

**Refer to page 97 for description of normalised earnings.*

OPERATING ENVIRONMENT

The South African financial services environment remained robust despite interest rates increasing 250 basis points between June 2006 and June 2007, CPIX increasing steadily on the back of higher oil and food prices and a higher current account deficit. Consumer demand for credit showed some resilience to the rising interest rates. Higher levels of capital expenditure, the start of the government's extensive infrastructure development programme and increased corporate activity resulted in good growth in the corporate sector.

Locally, the equity markets remained strong with the JSE/ALSI 40 Index increasing 31% during the year and there was continued volatility in interest rates and currency markets. Internationally, there were good gains across most developed and emerging markets, while global credit spreads hit historic lows. Commodity markets remained strong.

FirstRand's diverse portfolio of businesses continued to benefit from these market conditions, particularly in the retail, corporate and investment banking segments, although the life assurance markets remained challenging.

FINANCIAL PERFORMANCE

For the year to 30 June 2007 the FirstRand Group of companies grew normalised earnings 32% and achieved a normalised return on equity of 28%.

FirstRand Banking Group contributed 35% growth in normalised earnings from R7.5 billion to R10.0 billion, and a ROE of 31%. Momentum Group increased normalised earnings 13% from R1.5 billion to R1.7 billion and a ROE of 25%. Discovery Group increased normalised earnings from R424 million to R536 million, representing a 26% increase year on year. A detailed financial and operating review of the separate business units can be found on pages 17 to 36 of this document.

The table below represents the relative contribution to normalised earnings from the banking and insurance groups.

	Year ended 30 June			
R million	**2007**	2006	% increase	% contribution
Banking Group	**10 041**	7 463	35	85
Momentum[1]	**1 716**	1 514	13	14
Discovery	**536**	424	26	5
FirstRand	**(100)**	(169)	(41)	(1)
Dividend paid to non cumulative non redeemable preference shareholders	**(348)**	(274)	27	(3)
Total (unaudited)	**11 845**	8 958	32	100

1 Momentum's earnings were impacted by the payment of R2.4 billion (including R500 million paid on 30 June 2006) of special dividends to FirstRand. After adjusting for this, normalised earnings would have increased 19%.

All of these performances (after adjusting for the Momentum special dividend) exceeded the Group's two main performance targets of earnings growth of 10% real and ROE of 10% above the weighted average cost of capital.

The performance of the Group's banking operations was underpinned by a particularly strong performance from the investment bank, RMB, which grew normalised earnings 82% to R3.9 billion. This was driven by good performances across the entire portfolio with particularly significant earnings growth from the Investment Banking, Equity Trading and Private Equity divisions.

RMB	Year ended 30 June		
R million	**2007**	2006	% increase
Normalised earnings (unaudited)	**3 910**	2 148	82
Total assets	**198 929**	164 651	21
ROE (unaudited) (%)	**43**	32	

The commercial and retail bank, FNB, achieved a significant increase in customer numbers, robust growth in deposits and advances, and strong volume growth, which all contributed to normalised earnings growth of 27% to R4.1 billion. This was achieved despite a 63% deterioration in the bad debts to advances ratio (predominantly in the retail portfolio).

FNB	Year ended 30 June		
R million	**2007**	2006	% increase
Normalised earnings (unaudited)	**4 140**	3 255	27
Total assets	**183 257**	156 986	17
Total liabilities	**176 069**	153 317	15
Bad debt ratio	**0.91**	0.56	
ROE (unaudited) (%)	**33**	32	

WesBank, the instalment finance business, continued to experience "negative gearing" in its local franchise with retail asset growth slowing and a significant increase in bad debts, although corporate sales increased, representing 28% of total new business compared to 25% in the previous year. These issues, which are to be expected at this point in the cycle, combined with increased start up costs and operating losses in the international operations, resulted in normalised earnings decreasing 13% to R918 million.

WesBank	Year ended 30 June		
R million	**2007**	2006	% increase
Normalised earnings (unaudited)	**918**	1 059	(13)
Total assets	**100 479**	78 445	28
Bad debt ratio	**1.39**	0.90	
ROE (unaudited) (%)	**18**	27	

The insurance businesses performed well. Momentum's insurance operations showed continued strong new business growth with margins improving compared to the first half of the year due to increased sales of higher margin products. Collaboration with FNB in the mass and middle market segments also produced good growth. Momentum continued with its strategy to diversify its business with further investments in new distribution channels, products and markets.

Momentum	Year ended 30 June		
R million	2007	2006	% increase
Momentum operations	1 485	1 226	21
Investment income on shareholders' assets	231	288	(20)
Normalised earnings (unaudited)	1 716	1 514	13
Embedded value	15 927	14 438	10
Return on EV (%)	28	31	
ROE (unaudited) (%)	25	24	

Discovery's performance was underpinned by a solid operational performance across its business. Discovery Health performed particularly well with a focus on efficiencies, and grew operating profits 12%. Discovery Life delivered a strong 29% increase in operating profit reflecting its strong market position in risk, with the value of in-force business increasing 35% to R5.8 billion.

Discovery's PruHealth initiative in the UK performed as expected with new business growing strongly, however, the performance of Destiny Health in the USA was disappointing. Whilst operational initiatives were successful, financial returns remained below expectations and the Board continues to monitor and evaluate the strategy going forward.

Discovery	Year ended 30 June		
R million	2007	2006	% increase
Normalised earnings (unaudited)	536	424	26
Embedded value	12 826	10 587	21
Return on EV (%)	23	15	
ROE (unaudited) (%)	22	22	

The relative contribution to the Group's earnings mix and growth rates from types of income (retail, investment and corporate banking and insurance) by business unit is shown in the table below:

	Year ended 30 June				
R million	2007	% contribution	2006	% contribution	% change
Retail banking					
FNB Retail	2 106		1 741		
WesBank	641		867		
FNB Africa	456		377		
	3 203	27	2 985	33	7
Corporate banking					
FNB Corporate	365		280		
FNB Commercial	1 669		1 234		
WesBank	277		192		
	2 311	20	1 706	19	35
Investment banking					
RMB	3 910	33	2 148	24	82
Insurance					
Momentum	1 716		1 514		
Discovery	536		424		
	2 252	19	1 938	22	16
Other					
FirstRand and preference dividends	(448)		(443)		
Banking Group Support	617		624		
	169	1	181	2	(7)
	11 845	100	8 958	100	32

STRATEGIC ISSUES

Changes in legislation

The National Credit Act ("NCA"), which replaces the Usury Act and seeks to protect consumers from over indebtedness, was enacted during March 2006 and the pricing provisions became effective 1 June 2007. Whilst the cost of implementation was mainly experienced in the current year, the NCA is expected to impact certain retail banking revenues going forward with FNB and WesBank the most affected.

Since implementation of the NCA, there has been a slight slow down in mortgage, credit card and vehicle finance new business. It is, however, too early to establish a trend, particularly as the implementation coincided with an interest rate increase.

Competition Commission

The Competition Commission Enquiry into Banking recently completed the final round of public hearings and will make recommendations in a detailed report to be released towards the end of 2007. The implementation of any of the Commission's recommendations will be over a period and as such it is unlikely that any financial impact will be felt in the following financial year.

CAPITAL POSITION

From 2000 to 2004 FirstRand generated very high ROEs whilst the demand for capital from the lending businesses was low, resulting in the Group generating significant surplus capital. In the first half of 2005 the Group considered various mechanisms to return this excess to shareholders. Part of the solution was to reduce the Group's dividend cover from 3x to 2.5x.

However, from 2005 to date, the lower interest rate and lower inflation environment translated into extremely favourable consumer credit markets. The Group subsequently invested capital into the high growth retail lending operations of the Banking Group, which has grown advances at a compound rate of 43% since June 2005.

Over time, as a result of this advances growth, core equity has reduced to 8.1%. Whilst this ratio is above the miminum target of 8%, the Group is actively seeking to increase this ratio, through actions such as securitisations and first loss risk transfers, as well as further evaluating its strategy to move from "originate and hold", to "originate and distribute".

Capital management strategy and actions

The Group aims to fulfil the requirements of shareholders and maintain an efficient capital structure with limited excesses, but which supports its short term growth requirements. It does not hold surplus capital for acquisitions and the need for raising additional capital is assessed on a transaction by transaction basis.

The Group's targeted return on invested shareholders' capital is 10% above the weighted average cost of capital. The Group constantly monitors whether this target is met by the business units, and if not, businesses are restructured or terminated.

The year under review was characterised by strong growth, particularly from the Banking Group, which was largely funded by strong capital generation. It is expected that both domestic growth and international expansion will continue in the next financial year, which will increase the demand for capital and the Group has taken certain actions to ensure this growth is funded in the most efficient manner. Post year end the Group concluded Fresco II, which was a partially funded synthetic securitisation of a portfolio of South African and international corporate credit exposures held on the balance sheet. This transaction relieved R1.4 billion of current regulatory capital under Basel I and R700 million under Basel II. The Group will also hold a buffer for international expansion initiatives but will only allocate capital to these if they meet or exceed the current hurdle rates.

Basel II, which is applicable from 1 January 2008, will have a neutral impact on the capital requirements of the Banking Group with the potential for a slight increase due to the current cycle. In addition, the new regulations will allow for more innovative Tier 1 and Tier 2 capital instruments, which the Group is planning to issue to strengthen further the capital base and to fund growth.

Given the increase in interest rates over the past 12 months, the Group expects retail lending to slow to more sustainable levels and this will reduce pressure on capital requirements. Whilst it is expected that corporate lending will increase, the use of the Group's balance sheet will be limited to those asset classes that provide an appropriate return, and will consider the strategies of "originate and distribute" against "originate and hold" in light of recent market developments.

In addition, Momentum continues to generate surplus capital. One of the benefits of being an integrated group is the flexibility to move capital between the businesses. During the year, the excess capital in Momentum of R1.9 billion was used to fund growth in the Banking Group and the Group anticipates that a further R700 million of capital will be available from Momentum in the next year.

Funding strategy and actions

The objective of the Group's funding strategy is to secure funding at an optimal cost from diversified and sustainable funding sources.

The low savings rate and the ongoing demand for credit in South Africa continue to force the Group to rely on the professional markets for funding, with the resultant impact on liquidity and margin. This is likely to be exacerbated further by funding requirements for international expansion.

During the year the Group focused on two strategic funding imperatives:

- Diversify funding sources; and
- Lengthen the duration of the funding book.

Diversification of funding sources (by market, product and currency), provides a well balanced portfolio of liabilities, which generates a stable flow of financing and provides protection in the event of market disruptions.

In order to diversify the funding base and to lengthen the funding profile, the Group embarked upon a Euro Medium Term Note Programme of $1.5 billion. During the period under review, the Group issued Euro 500 million Floating Rate Notes, with a five year duration at an effective coupon of 50 bps over Euribor. In addition, the Group securitised R15 billion of Homeloans and Autoloans, which also relieved capital.

Overall, the Group approved the following actions to diversify funding sources and fund organic growth:

- R50 billion securitisation programme (R25 billion synthetic securitisations, R25 billion physical securitisations);
- bi-lateral funding lines; and
- three corporate conduits (iNdwa, iNkotha, iVuzi) and a warehouse facility.

The changing credit market dynamics which have taken place since the year end have caused investors to reevaluate risk appetite which in turn has led to a broad re-pricing of risk. Against this background, going forward, the Group will monitor the demand and supply of structured credit products in the international markets and monitor its liquidity and funding on a regular basis.

DIVIDEND POLICY

The introduction of IFRS, which requires increased fair value accounting, will lead to greater earnings volatility going forward, particularly in the investment bank. The Group does not wish to expose the dividend to this volatility and therefore will focus on a sustainable growth rate in dividend. This means that the dividend cover may vary from year to year. In the current year the Group has increased the dividend by 25%.

PRESENTATION

Basis of presentation

FirstRand prepares its consolidated financial statements in accordance with IFRS and on a going concern basis using the historical cost basis, except for certain financial assets and liabilities where it adopts the fair value basis of accounting.

Normalised earnings

The Group believes normalised earnings more accurately reflects operational performance. Headline earnings are adjusted to take into account non operational and accounting anomalies. Details of the nature of these adjustments and reasons therefore can be found on page 97.

Reallocation of prior year numbers

A table reflecting the reallocation of prior year numbers and reasons therefore can be found on page 99.

PROSPECTS

The Group anticipates that the next financial year will be a more challenging operating environment. Since the year end, the macro environment both domestically and globally has become more uncertain. Globally credit risk was underpriced and there was too much leverage, resulting in a correction in the credit markets and generally there is now more risk in the system. Concerns regarding the quality of sub prime lending and leveraged asset backed securities has led to refinancing and liquidity risk. With interest rates and inflation increasing, consumer spending is expected to slow, and growth in retail credit will moderate. As levels of consumer indebtedness rise, bad debts could also increase further. The corporate sector, however, is expected to continue to show robust growth due to public sector investment combined with private fixed investment.

Against this background, the Group expects its banking businesses to show continued growth although the mix will change with stronger levels of activity from the corporate and commercial businesses. Investment banking will continue to benefit from increased infrastructure spend, corporate capacity building and BEE activity. Exceeding the exceptional performance in the current year from certain of the trading businesses will be a challenge, however, the Group believes that its skills, experience and risk management will provide a strong underpin to investment banking earnings.

Momentum should continue to grow new business volumes, particularly as collaboration with FNB gains further traction and new distribution channels come on line. Certain of the initiatives aimed at diversification of products and distribution should start making a positive contribution to earnings growth from next year.

The Group's strategy remains focused on building a diverse portfolio of leading financial services franchises in South Africa, but with an increasing focus on selected niche international opportunities, particularly in Africa, India and Brazil. In line with this strategy, RMB is currently building investment banking and private equity capacity in India, and WesBank has identified specific vehicle financing opportunities in Brazil. FNB is accelerating its strategy to become a significant player within the SADC region and is actively seeking opportunities to establish greenfields operations or acquire platforms from which it can leverage its products and services into the region.

The Group believes that the anticipated organic growth in its diversified portfolio of local franchises, combined with growing returns from the international initiatives over the medium term, will underpin the Group's ability to continue bar unforeseen events to achieve a 10% real return to shareholders.

SUBSEQUENT EVENTS

Since the year end, FirstRand announced that it had reached agreement with Discovery to seek shareholder approval for the unbundling of the Group's 57% shareholding in Discovery. The proposed unbundling will provide FirstRand shareholders with a direct shareholding in Discovery and is expected to improve the liquidity of the trading in Discovery shares on the JSE.

Following the decision in 2000 to allow Discovery to enter the risk market, shareholders increasingly questioned the merits of FirstRand having two insurance businesses competing in the same markets. The Group's strategy was that "two horses in the race" was producing significant growth, as both companies were growing at the expense of the competition and therefore not destroying shareholder value. This strategy was monitored on a regular basis by the Boards of FirstRand, Discovery and Momentum.

With Discovery now entering the investment market and Momentum's growing presence in the health sector, both will increasingly be competing head on in all product areas, and the Group has, therefore, agreed that it is appropriate to fully unbundle Discovery.

The table below illustrates the effect of excluding the results of Discovery for 2007 and 2006:

	Year ended 30 June	
R million (unaudited)	2007	2006
Normalised earnings as reported	11 845	8 958
Less: Discovery	(536)	(424)
	11 309	8 534
Diluted normalised earnings per share (cents) as reported	210.1	159.2
Pro forma diluted normalised earnings per share (cents)	200.6	151.7

BOARD CHANGES

Mr GT Ferreira has advised the Board of FirstRand Limited of his decision to step down as Chairman after the announcement of the Group's results in September 2008. A special nomination committee, comprised of certain non executive directors, was established to recommend a successor. The committee has recommended, and the Board has approved, that Mr Laurie Dippenaar should succeed Mr Ferreira as Chairman of FirstRand.

Mr Ferreira has also advised the Board of FirstRand Bank that he will resign as Chairman and a director in September 2008. A separate nomination committee was established to assess the succession process at the Bank and has also recommended that Mr Dippenaar be appointed as Chairman.

Both Boards believe that Mr Dippenaar is the most appropriate successor to Mr Ferreira given his long and successful track record with the Group and his deep understanding of the financial services industry.

GT Ferreira
Chairman

PK Harris
Chief Executive

ANNUAL REPORT

Comprehensive financial information relating to all Group entities will be distributed to shareholders in due course. The financial information denoted as "audited" in this document has been extracted in a summarised format from the annual financial statements for the year ended 30 June 2007.

DIVIDEND DECLARATIONS

Ordinary shares

The following ordinary cash dividends were declared in respect of the 2007 and 2006 financial years:

	Year ended 30 June	
Cents per share	**2007**	2006
Interim [declared 28 February 2007]	**39.5**	32.0
Final [declared 17 September 2007]*	**43.0**	34.0
	82.5	66.0

**The last day to trade in FirstRand shares on a cum-dividend basis in respect of the final dividend will be Friday, 12 October 2007 and the first day to trade ex-dividend will be Monday, 15 October 2007. The record date will be Friday, 19 October 2007 and the payment date Monday, 22 October 2007. No dematerialisation or rematerialisation of shares may be done during the period Monday, 15 October 2007 and Friday, 19 October 2007, both days inclusive.*

Preference shares

Dividends on the "B" preference shares are calculated at a rate of 68% of the prime lending rate of banks. The following dividends have been declared for payment:

	"B" Preference	"B1" Preference
Cents per share	**2007**	**2007**
Period 29 August 2006 – 26 February 2007	**409.7**	**409.7**
Period 27 February 2007 – 27 August 2007	**431.1**	**431.1**

AH Arnott
Company Secretary

17 September 2007

consolidated income statement

for the year ended 30 June

R million	2007	2006	% change
Interest and similar income	45 463	30 395	50
Interest expense and similar charges	(25 844)	(15 383)	68
Net interest income before impairment of advances	19 619	15 012	31
Impairment losses on loans and advances	(2 857)	(1 411)	>100
Net interest income after impairments of advances	16 762	13 601	23
Non interest income	51 040	39 930	28
– fees and commissions	16 797	14 088	19
– fair value income	6 086	4 349	40
– gains less losses from investment activities	25 537	21 005	22
– other non interest income	2 620	488	>100
Net insurance premium income	7 946	6 822	16
Insurance premium income	9 002	7 758	16
Premium ceded to reinsurers	(1 056)	(936)	13
Net claims and benefits paid	(6 844)	(6 174)	11
Gross claims and benefits paid on insurance contracts	(7 837)	(6 875)	14
Reinsurance recoveries	993	701	42
Increase in value of policyholder liabilities	(25 064)	(17 430)	44
Fair value adjustment to financial liabilities	(54)	(530)	(90)
Income from operations	43 786	36 219	21
Operating expenses	(27 088)	(22 481)	20
Net income from operations	16 698	13 738	22
Share of profit from associates and joint ventures	2 101	1 290	63
Profit before tax	18 799	15 028	25
Tax	(5 721)	(5 040)	14
Profit for the year	13 078	9 988	31
Attributable to minorities	1 219	889	37
Attributable to preference shareholders	348	274	27
Attributable to ordinary shareholders	11 511	8 825	30

consolidated balance sheet

as at 30 June

R million	2007	2006
ASSETS		
Cash and short term funds	46 952	46 684
Derivative financial instruments	33 244	37 934
– qualifying for hedge accounting	144	428
– held for trading	33 100	37 506
Advances	378 945	313 885
– loans and receivables	305 282	259 179
– held-to-maturity	535	698
– available-for-sale	728	538
– fair value through profit and loss	72 400	53 470
Investment securities and other investments	221 950	173 848
Financial securities held for trading	45 276	28 348
Investment securities	176 674	145 500
– held-to-maturity	1 041	998
– available-for-sale	17 647	22 947
– fair value through profit and loss	142 036	112 761
– fair value through profit and loss non recourse investments	15 950	8 794
Commodities	1 118	676
Accounts receivable	9 257	6 046
Investments in associates and joint ventures	11 809	5 069
Property and equipment	6 411	5 011
Deferred tax asset	1 306	1 043
Intangible assets and deferred acquisition costs	4 302	4 076
Investment properties	2 356	6 141
Policy loans on insurance contracts	166	118
Reinsurance assets	595	292
Tax asset	34	7
Assets arising from insurance contracts	3 114	1 766
Total assets	721 559	602 596
EQUITY AND LIABILITIES		
Liabilities		
Deposits	416 507	340 649
– deposits and current accounts	400 557	332 113
– fair value through profit and loss non recourse deposits	15 950	8 536
Short trading positions	36 870	25 967
Derivative financial instruments	24 505	22 370
– qualifying for hedge accounting	146	257
– held for trading	24 359	22 113
Creditors and accruals	13 887	16 645
Provisions	3 598	2 407
Tax liability	1 368	1 024
Post retirement benefit fund liability	1 882	1 635
Deferred tax liability	6 279	5 159
Long term liabilities	9 250	10 576
Reinsurance liabilities	20	24
Policyholder liabilities under insurance contracts	46 979	40 740
Policyholder liabilities under investment contracts	111 239	93 720
Liabilities arising to third parties	1 568	1 725
Deferred revenue liability	387	451
Total liabilities	674 339	563 092
Equity		
Capital and reserves attributable to ordinary shareholders		
Ordinary shares	51	51
Share premium	2 338	3 584
Non distributable reserves	5 028	3 522
Distributable reserves	31 612	24 854
	39 029	32 011
Non cumulative non redeemable preference shares	4 519	4 519
Capital and reserves attributable to ordinary equity holders	43 548	36 530
Minority interest	3 672	2 974
Total equity	47 220	39 504
Total equity and liabilities	721 559	602 596

consolidated cash flow statement

for the year ended 30 June

R million	2007	2006
Cash flows from operating activities		
Cash receipts from customers	67 979	53 303
Cash paid to customers, suppliers and employees	(48 214)	(27 670)
Dividends received	1 952	1 327
Dividends paid	(3 795)	(3 651)
Net cash flows from operating activities	17 922	23 309
Increase in income earning assets	(86 700)	(98 204)
Increase in deposits and other liabilities	82 063	81 030
Net cash flows from operating funds	(4 637)	(17 174)
Tax paid	(3 912)	(3 257)
Net cash inflow from operating activities	9 373	2 878
Cash flows from investment activities		
Purchase of property and equipment	(2 193)	(1 329)
Proceeds from sale of equipment	59	105
Purchase of investment properties	(175)	(46)
Disposal of investment properties	988	319
Proceeds on disposal of subsidiary	–	67
Acquisition of subsidiary	(5 143)	–
(Acquisition)/disposal of associates	(3 274)	638
Purchase of intangible assets	(149)	(36)
Net cash outflow from investment activities	(9 887)	(282)
Cash flows from financing activities		
(Repayment of)/proceeds from long term borrowings	(102)	5 469
Proceeds from share issue	–	1 526
Net cash (outflow)/inflow from financing activities	(102)	6 995
Net (decrease)/increase in cash and cash equivalents	(616)	9 591
Cash and cash equivalents at the beginning of the year	46 684	36 317
Cash and cash equivalents at the end of the year	46 068	45 908
Cash and cash equivalents sold	–	(52)
Cash and cash equivalents bought	884	828
Cash and cash equivalents at the end of the year	46 952	46 684

for the year ended 30 June

R million	Share capital and share premium	Distri-butable reserves	Non distri-butable reserves	**Total ordinary share-holders' funds**	Non cumulative non redeemable preference share capital and premium	Minority interest	**Total share-holders' funds**
Balance at 1 July 2005	**4 100**	**19 427**	**2 064**	**25 591**	**2 992**	**2 306**	**30 889**
Issue of share capital	–	–	–	–	1 531	19	**1 550**
Conversion of convertible redeemable preference shares	165	(165)	–	**–**	–	–	**–**
Share issue expense	–	–	–	**–**	(4)	(4)	**(8)**
Currency translation differences	–	–	225	**225**	–	27	**252**
Movement in revaluation reserves	–	–	225	**225**	–	41	**266**
Movement in other non distributable reserves	–	–	19	**19**	–	–	**19**
Earnings attributable to ordinary shareholders	–	8 825	–	**8 825**	274	889	**9 988**
Ordinary dividends	–	(3 114)	–	**(3 114)**	–	(263)	**(3 377)**
Preference dividends	–	–	–	**–**	(274)	–	**(274)**
Transfer (to)/from reserves	–	(184)	184	**–**	–	7	**7**
Effective change in shareholding of subsidiary	–	69	10	**79**	–	17	**96**
Movement in share based payment reserve	–	(4)	274	**270**	–	(65)	**205**
Consolidation of treasury shares	(630)	–	521	**(109)**	–	–	**(109)**
Balance at 30 June 2006	**3 635**	**24 854**	**3 522**	**32 011**	**4 519**	**2 974**	**39 504**
Balance at 1 July 2006 as previously stated	3 635	24 854	3 522	**32 011**	4 519	2 974	**39 504**
BEE share based payment reserve*	–	(1 655)	1 655	**–**	–	–	**–**
Balance at 1 July 2006 as restated	**3 635**	**23 199**	**5 177**	**32 011**	**4 519**	**2 974**	**39 504**
Issue of share capital	–	–	–	**–**	–	45	**45**
Conversion of convertible redeemable preference shares	(164)	164	–	**–**	–	–	–
Share issue expense	–	–	–	–	–	(1)	**(1)**
Currency translation differences	–	–	10	**10**	–	(7)	**3**
Movement in revaluation reserves	–	–	137	**137**	–	83	**220**
Movement in other non distributable reserves	–	3	(23)	**(20)**	–	10	**(10)**
Earnings attributable to ordinary shareholders	–	11 511	–	**11 511**	348	1 219	**13 078**
Ordinary dividends	–	(3 795)	–	**(3 795)**	–	(747)	**(4 542)**
Preference dividends	–	–	–	**–**	(348)	–	**(348)**
Transfer (to)/from reserves	–	(255)	255	**–**	–	51	**51**
Effective change in shareholding of subsidiary	–	355	(340)	**15**	–	26	**41**
Movement in share based payment reserve	–	–	237	**237**	–	19	**256**
Consolidation of treasury shares	(1 082)	430	(425)	**(1 077)**	–	–	**(1 077)**
Balance at 30 June 2007	**2 389**	**31 612**	**5 028**	**39 029**	**4 519**	**3 672**	**47 220**

*Refer to page 98 for this adjustment.

segmental income statement

for the year ended 30 June

R million	Banking Group 2007	Banking Group 2006	Momentum Group 2007	Momentum Group 2006	Discovery Group 2007	Discovery Group 2006
Net interest income	13 998	10 895	5 700	4 263	116	151
Impairment of advances	(2 857)	(1 411)	–	–	–	–
Net interest income after impairment of advances	11 141	9 484	5 700	4 263	116	151
Non interest income	20 778	15 637	27 786	21 583	3 277	2 883
Net insurance premium income	58	37	5 023	4 487	2 865	2 298
Net claims and benefits paid	–	–	(5 590)	(5 186)	(1 254)	(988)
(Increase)/decrease in value of policyholder liabilities	–	–	(25 535)	(17 846)	471	416
Fair value adjustment to financial liabilities	–	–	(54)	(530)	–	–
Income from operations	31 977	25 158	7 330	6 771	5 475	4 760
Operating expenses	(19 497)[1]	(15 506)[1]	(4 136)	(3 576)	(3 800)	(3 547)
Share of profit from associates and joint ventures	2 013	1 259	185	148	(97)	(117)
Profit before tax	14 493	10 911	3 379	3 343	1 578	1 096
Tax	(3 844)	(3 012)	(1 307)	(1 413)	(505)	(430)
Profit for the year	10 649	7 899	2 072	1 930	1 073	666
Attributable to:						
Minorities	823	639	(4)	21	400	229
Preference shareholders	232	253	–	–	–	–
Ordinary shareholders	9 594	7 007	2 076	1 909	673	437
Attributable earnings to ordinary shareholders	9 826	7 260	2 076	1 909	673	437
Headline earnings adjustments	(471)	(211)	(466)	(375)	(117)	(87)
Profit on sale of equity accounted private equity associates	(397)	(219)	–	–	–	–
Profit on disposal of available-for-sale assets	–	(11)	(567)	(261)	(117)	(88)
Impairment of property and equipment	–	–	–	–	–	1
Profit on sale of shares in subsidiary and associate	(68)	–	–	(92)	–	–
Net asset value in excess of purchase price of subsidiaries	–	–	–	(22)	–	–
(Profit)/loss on disposal of property and equipment	(6)	19	–	–	–	–
Impairment of intangible assets	–	–	48	–	–	–
Impairment of goodwill	–	–	53	–	–	–
Headline earnings	9 355	7 049	1 610	1 534	556	350
Normalised earnings adjustments	686	414	106	(20)	(20)	74
Profit on sale of equity accounted private equity associates	397	219	–	–	–	–
Settlement with National Treasury	–	–	–	30	–	–
Discovery BEE transaction	–	–	–	–	19	102
IFRS 2 Share based expense	289	147	78	26	11	–
Treasury shares	–	–	–	–	(50)	(28)
– adjustment for effective shareholding in Discovery	–	–	–	–	(50)	(28)
– consolidation of staff share schemes	–	–	–	–	–	–
– FirstRand shares held by policyholders	–	–	–	–	–	–
Transfer of RMB Properties to the Banking Group	–	48	–	(48)	–	–
Adjustment of listed associates to net asset value	–	–	28	(28)	–	–
Normalised earnings (unaudited)	10 041	7 463	1 716	1 514	536	424

Note

1 Operating expenditure includes indirect tax of R455 million (2006: R469 million).

FirstRand Group		Consolidation of treasury shares		Subtotal		Consolidation		Total	
2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
(238)	(117)	**7**	(180)	**19 583**	15 012	**36**	–	**19 619**	15 012
–	–	**–**	–	**(2 857)**	(1 411)	**–**	–	**(2 857)**	(1 411)
(238)	(117)	**7**	(180)	**16 726**	13 601	**36**	–	**16 762**	13 601
258	245	**(381)**	(200)	**51 718**	40 148	**(678)**	(218)	**51 040**	39 930
–	–	**–**	–	**7 946**	6 822	**–**	–	**7 946**	6 822
–	–	**–**	–	**(6 844)**	(6 174)	**–**	–	**(6 844)**	(6 174)
–	–	**–**	–	**(25 064)**	(17 430)	**–**	–	**(25 064)**	(17 430)
–	–	**–**	–	**(54)**	(530)	**–**	–	**(54)**	(530)
20	128	**(374)**	(380)	**44 428**	36 437	**(642)**	(218)	**43 786**	36 219
(78)	(70)	**(219)**	–	**(27 730)**	(22 699)	**642**	218	**(27 088)**	(22 481)
–	–	**–**	–	**2 101**	1 290	**–**	–	**2 101**	1 290
(58)	58	**(593)**	(380)	**18 799**	15 028	**–**	–	**18 799**	15 028
(65)	(185)	**–**	–	**(5 721)**	(5 040)	**–**	–	**(5 721)**	(5 040)
(123)	(127)	**(593)**	(380)	**13 078**	9 988	**–**	–	**13 078**	9 988
–	–	**–**	–	**1 219**	889	**–**	–	**1 219**	889
348	274	**–**	–	**580**	527	**(232)**	(253)	**348**	274
(471)	(401)	**(593)**	(380)	**11 279**	8 572	**232**	253	**11 511**	8 825
(471)	(401)	**(593)**	(380)	**11 511**	8 825	**–**	–	**11 511**	8 825
–	(37)	**–**	–	**(1 054)**	(710)	**–**	–	**(1 054)**	(710)
–	–	**–**	–	**(397)**	(219)	**–**	–	**(397)**	(219)
–	–	**–**	–	**(684)**	(360)	**–**	–	**(684)**	(360)
–	–	**–**	–	**–**	1	**–**	–	**–**	1
–	(37)	**–**	–	**(68)**	(129)	**–**	–	**(68)**	(129)
–	–	**–**	–	**–**	(22)	**–**	–	**–**	(22)
–	–	**–**	–	**(6)**	19	**–**	–	**(6)**	19
–	–	**–**	–	**48**	–	**–**	–	**48**	–
–	–	**–**	–	**53**	–	**–**	–	**53**	–
(471)	(438)	**(593)**	(380)	**10 457**	8 115	**–**	–	**10 457**	8 115
23	(5)	**593**	380	**1 388**	843	**–**	–	**1 388**	843
–	–	**–**	–	**397**	219	**–**	–	**397**	219
–	–	**–**	–	**–**	30	**–**	–	**–**	30
–	–	**–**	–	**19**	102	**–**	–	**19**	102
23	(5)	**–**	–	**401**	168	**–**	–	**401**	168
–	–	**593**	380	**543**	352	**–**	–	**543**	352
–	–	**–**	–	**(50)**	(28)	**–**	–	**(50)**	(28)
–	–	**372**	383	**372**	383	**–**	–	**372**	383
–	–	**221**	(3)	**221**	(3)	**–**	–	**221**	(3)
–	–	**–**	–	**–**	–	**–**	–	**–**	–
–	–	**–**	–	**28**	(28)	**–**	–	**28**	(28)
(448)	(443)	**–**	–	**11 845**	8 958	**–**	–	**11 845**	8 958

sources of profit

for the year ended 30 June

R million	2007	% composition	2006	% composition	% change
FNB	4 140	35	3 255	36	27
RMB	3 910	33	2 148	24	82
WesBank	918	8	1 059	12	(13)
FNB Africa	456	4	377	4	21
Momentum	1 485	12	1 226	14	21
Discovery	536	5	424	5	26
Group Support	848	7	912	10	(7)
Banking Group	617		624		
Momentum Group	231		288		
FirstRand	(100)	(1)	(169)	(2)	(41)
Dividend paid to non cumulative non redeemable preference shareholders	(348)	(3)	(274)	(3)	27
Normalised earnings (unaudited)	11 845	100	8 958	100	32

Note:

1 The definition of normalised earnings is provided on page 97.

FIRSTRAND Banking Group

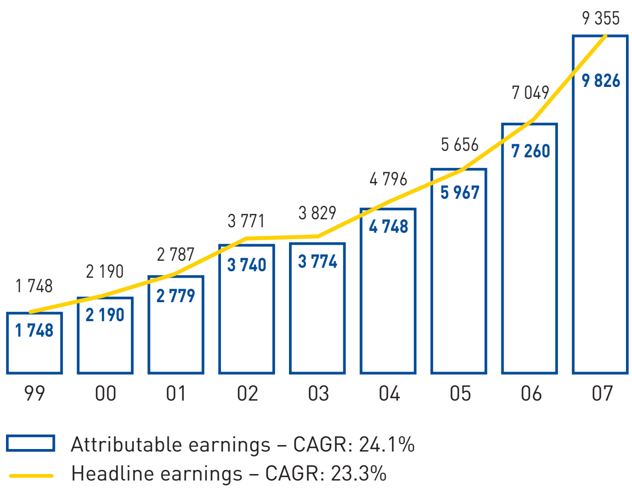
Introduction

This report covers the operational and financial results of the Banking Group ("FRBG") which represents the banking activities of FirstRand, and includes FNB, RMB, WesBank, FNB Africa and OUTsurance.

financial highlights

R million	2007	2006	% change
Attributable earnings to shareholders	**9 826**	7 260	35
Headline earnings	**9 355**	7 049	33
Normalised earnings (unaudited)	**10 041**	7 463	35
%			
Return on average ordinary shareholders' equity (based on headline earnings)	**29**	26	
Return on average ordinary shareholders' equity (based on normalised earnings) (unaudited)	**31**	28	

Earnings performance
(R million)



OVERVIEW OF RESULTS

The results of the Banking Group were achieved in a local and international operating environment characterised by:

- strong growth in consumer credit demand, particularly for asset backed finance, although growth moderated in the second half of the financial year;
- a rise in impairment charges due to the higher interest rate environment, higher levels of customer indebtedness and the introduction of the National Credit Act;
- buoyant equity markets, which benefited the Banking Group's equity and trading businesses;
- strong deal flow in corporate and structured finance, which benefited from continued BEE activity and various PPP initiatives and robust commercial property and leveraged finance opportunities;
- substantial growth in retail client numbers and transaction volumes with a concurrent positive effect on fee and commission income;
- favourable market conditions for the realisation of private equity investments, both local and international; and
- competitive pricing pressures especially on the asset side of the banking book.

Reconciliation of normalised earnings (unaudited)

	Year ended 30 June		
R million	2007	2006	% change
Earnings attributable to shareholders	9 826	7 260	35
Adjusted for:			
– Profit on sale of equity accounted private equity associates	(397)	(219)	
– Profit on sale of subsidiaries	(68)	–	
– Other	(6)	8	
Headline earnings	9 355	7 049	33
Adjusted for:			
– Profit on sale of equity accounted private equity associates	397	219	
– RMB Properties*	–	48	
– IFRS 2: Share based payment expense	289	147	
Normalised earnings	10 041	7 463	35
Preference dividends paid	(232)	(253)	(8)
Normalised earnings attributable to ordinary shareholders	9 809	7 210	36

RMB Properties was transferred from the Momentum Group to the Banking Group with effect from 1 July 2006 – refer to page 39 in the Momentum Group section below.

Return on equity – normalised (unaudited)

	Year ended 30 June		
R million	2007	2006	% change
Normalised earnings attributable to ordinary shareholders	9 809	7 210	36
Average ordinary shareholders' equity	31 941	26 143	22
Return on equity (%)	31	28	

Performance against targets

The Banking Group's results measured against internal performance targets are set out in the table below:

%	Performance target	Actual 2007
Return on equity[1]	23.4	**30.7**
Normalised earnings growth[2]	15.4	**34.5**
Cost to income ratio	52 – 54	**51.7**
Impairment charge as a percentage of average gross advances	0.7 – 0.9	**0.81**

Notes:

1 Calculated as normalised earnings attributable to ordinary shareholders as a percentage of average ordinary shareholders' equity. The Banking Group targets a return on average ordinary shareholders' equity figure of weighted average cost of capital + 10 percentage points.

2 The Banking Group targets a growth of average CPIX + 10 percentage points.

Business unit performance

Most of the major business units in the Banking Group produced excellent results as reflected in the profit before direct tax below:

	Year ended 30 June		
R million	2007	2006	% change
FNB	5 663	4 504	26
RMB	5 343	2 960	81
WesBank	1 370	1 465	(6)
FNB Africa	927	744	25

**More detailed information on the performance of the business units are set out on pages 26 to 36 below.*

FNB's strong growth was achieved as a result of:

- an increase of 13% in the number of customers;
- organic growth of 17% in gross advances (before set off) with growth of 21% in home loans, 30% in card advances, 45% in personal loans and 44% in commercial property finance loans;
- strong deposit growth of 13% (before set off) with the Commercial, Corporate and Consumer segments the main contributors;
- interest income growth of 27%, benefiting from the balance sheet growth in advances and deposits, a widening of margins on certain products and the increased endowment effect on liability balances; and
- non interest income growth of 20% as a result of the increase in client numbers and higher transaction volumes across all segments.

This performance was achieved despite higher bad debt levels, especially in Card, which was adversely affected by the rise in interest rates.

RMB achieved exceptional results, which were driven by:

- exceptional performances from all business units with the equity trading and offshore divisions producing growth in excess of 200%;
- the continued trend of profitable private equity disposals and very strong associate earnings;
- good corporate finance deal flow in an environment characterised by continued high levels of business confidence and continued BEE activity;
- significant contributions from the debt businesses especially in the property finance business;
- gains from the trading businesses which benefited from market volatility in both the local and international markets and an increase in client flows; and
- a growing contribution from the emerging market trading books which benefited from a tightening of global credit spreads.

WesBank's profits were affected by:

- the slowdown of growth in the motor sector during the latter half of the financial year, primarily due to higher levels of consumer debt;
- the positive effect of upward momentum in advances to the corporate sector;
- a 24% increase in consolidated gross advances (14% excluding the impact of securitisations during the year);
- a 21% increase in local non interest income due to high new business volumes, and good contributions from the insurance and fleet activities;
- the higher interest rate environment and increased consumer indebtedness, which resulted in significantly higher bad debt levels; and
- start up costs and operational losses in the international operations.

FNB Africa performed well, with a performance characterised by:

- good performances from FNB Namibia and FNB Botswana, which both benefited from growth initiatives implemented in the current and prior years, balance sheet growth and improved efficiencies;
- a 59% increase in the contribution from FNB Swaziland as a result of higher volumes and increased efficiencies;
- a maiden positive contribution from FNB Lesotho;
- higher transactional volumes across all operations, which drove an increase of 23% in non interest income; and
- a negative impact on bad debt levels from the higher interest rates.

Change in disclosure

In line with international practice, the Banking Group has grossed up advances and deposits subject to legal right of set off. Previously these amounts were set off. The impact of the change is set out in the table below:

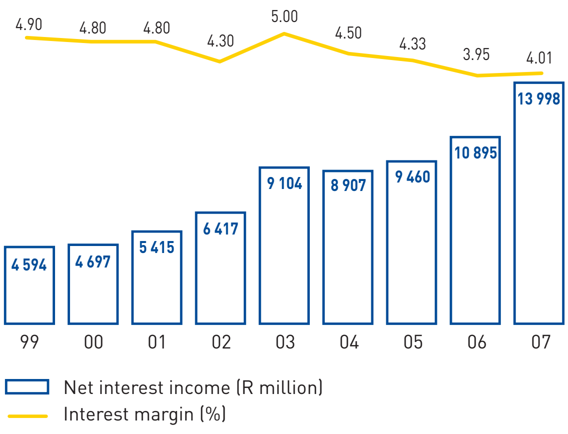
	Year ended 30 June		
R million	2007	2006	% change
Gross advances	388 035	319 971	21
Adjustment for set off	(17 969)	(22 809)	(21)
Gross advances – after set off	370 066	297 162	25
Deposits	419 965	342 331	23
Adjustment for set off	(17 969)	(22 809)	(21)
Deposits – after set off	401 996	319 522	26

FINANCIAL REVIEW

Net interest income ("NII") (before impairment of advances) – up 28%

Interest rates increased 2% during the year under review as the South African Reserve Bank announced rate increases in August, October and December 2006 as well as in June 2007. The average prime overdraft rate was 12.06% compared to 10.53% in the prior year.

Net interest income



**The margins for 2006 and 2007 have been adjusted for the change in set off*

Overall, margins on advances declined slightly, primarily from margin pressures on certain asset generators. Advances in Card were affected by the limitations imposed by the Usury Act and HomeLoans was affected by competitive pressure in the market. Margins on personal loans and overdrafts widened.

Deposit margins widened, particularly in shorter dated products.

As the advances book is growing at a faster rate than the deposit book, the Banking Group increased the level of funding raised from the professional market. This changed the funding mix, which in turn, increased the average cost of funding.

Interest margins showed an increase from 3.95% at 30 June 2006 to 4.01% as set out below:

	Year ended 30 June	
R million	2007	%
Margin on average advances – June 2006	10 895	3.95
Impacted by:		
Volume effect	2 877	–
Capital endowment effect	445	0.16
Deposit endowment effect	230	0.08
Hedges	(250)	(0.10)
Other	(199)	(0.08)
Margin on average advances – June 2007	13 998	4.01

A more detailed analysis of the Banking Group margins is set out on page 58 below.

Net interest income and interest margins were positively influenced by:

- the volume effect from the strong growth in advances and deposits and a higher capital base;
- the positive impact of the higher interest rates on the endowment effect on capital and deposits; and
- the widening of certain asset and liability margins as a result of higher interest rates.

Negative factors included:

- competitive pressures on pricing in certain asset generators such as WesBank and HomeLoans;
- the run off of the older fixed rate book, primarily in WesBank, although this was partially tempered by fixed rate advances written during the second half of the financial year;
- the run off and resultant lower contribution of the hedges on the endowment and funding portfolios; and
- the increasing cost of longer term and professional funding.

Advances – up 21% (19% excluding the impact of securitisations)

The Banking Group distinguishes between advances originated and managed on an accrual basis ("accrual advances") and those advances which are designated and managed on a fair value basis within RMB's businesses.

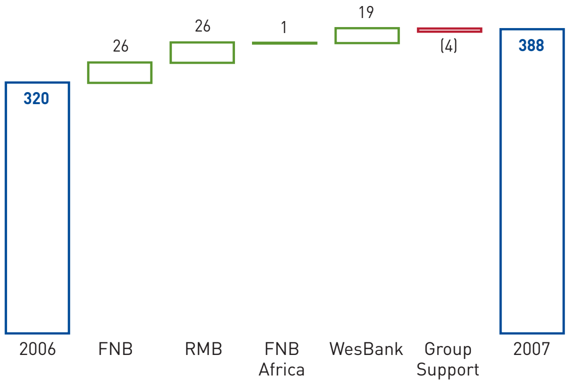
The Banking Group achieved growth of 18% in net accrual advances, from R263.3 billion to R310.7 billion.

An analysis of the Banking Group net advances is set out below:

	At 30 June		%
R billion	2007	2006	change
Accrual advances	310.7	263.3	18
Fair value advances*	72.8	53.5	36
	383.5	316.8	21

** Primarily RMB*

Gross advances
(R billion)



The overall growth slowed over the course of the year, reflecting the effects of the changing economic conditions in the second half of the financial year.

FNB achieved growth of 17% in gross advances (before set off) due to:

- 21% growth in HomeLoans, driven by sales growth and an increase in the value of properties. New business market share decreased from 20.7% to 15.8% as the Group's focus on return on equity increased, affecting pricing;
- Card Issuing grew advances 30% over the year, despite a slowdown in the second half, reflecting a decrease in consumer demand for credit as well as a tightening of credit scorecards;
- Personal loans benefited from a cooperation agreement with Edcon, growing 45%;
- advances in the Wealth segment grew 32% as a result of an increase in client numbers and value of the property market; and
- the Commercial segment's growth of 21% was due primarily to commercial property finance loans increasing 44% and agriculture loans 21%.

WesBank's advances grew 24% year on year (14% after the impact of securitisations during the year) due to:

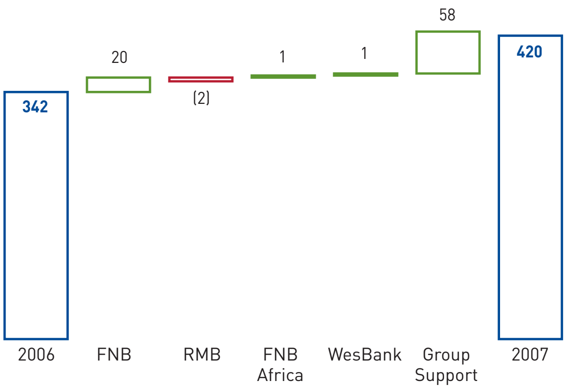
- affected by slowing retail motor advances growth as a result of the lower levels of customer affordability, higher interest rates and the downturn in the motor sector in general;
- the corporate sector, however, continued its strong growth as benefits from capital expenditure and infrastructure development increased; and
- the international operations' contribution to total advances growth was boosted by the acquisition of Carlyle Finance in the UK and an increase in excess of 100% from the Australian operation, albeit that the latter was off a low base.

The African subsidiaries increased advances 10%, generally hampered by lower growth in the underlying economies.

RMB reflected growth of 39% in advances due to increased lending and preference share activity on the back of increased

BEE and leverage buy out activity, an overall increase in trading as well as higher client flow levels.

Deposits
(R billion)



Deposits – up 23%

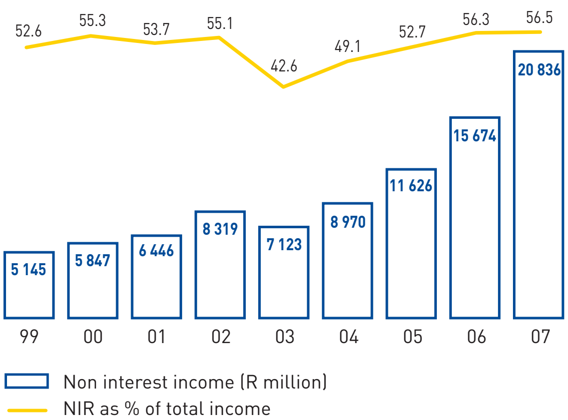
Growth in deposits was driven primarily by the need to fund the growth in advances. There is a continued focus by management to optimise the mix of the deposit book.

FNB's deposits increased 13% (before set off) with all segments contributing to this increase. Growth was largely in the shorter term products in the retail side of the book, with the increase in interest rates attracting investment capital and increases in transactional banking as well as savings and investment products. Growth of 19% in Commercial reflected the cash flush position of businesses.

Overall, Africa increased deposits 7% in line with normal balance sheet growth.

RMB deposits decreased marginally during the year.

Non interest income ("NIR")



Non interest income ("NIR") – up 33%

The various components of non interest income are discussed in more detail below:

Fee and commission income

There was strong growth in customer numbers and value of spend although growth slowed in the second half of the year.

FNB's operations benefited from an increase of 13% in customer numbers as well as overall higher transaction volumes:

- the Consumer segment showed a 5% growth in the active account base and continued strong consumer activity in Card and HomeLoans;
- the Mass segment increased transaction volumes 22% of which the largest contribution was from debit card transactions;
- the Corporate segment's growth was mainly as a result of increased electronic channel use; and
- the Commercial segment's growth was driven by an increase in transactional volumes as a result of increased electronic channel use and higher volumes and turnover in international banking.

WesBank's consolidated non interest income growth was 85%. Local growth was 21%, continuing to benefit from the previous levels of high new business volumes, sales of insurance products and a good contribution from the fleet business. The balance of the increase was from the international operations and non banking subsidiaries, which were acquired during the comparative period.

Knowledge based fee income increased in excess of 100%. The continued buoyant market for mergers and acquisitions and increased deal flow in structured finance transactions contributed to growth in knowledge based income in RMB.

Income from fair value assets

RMB's equities trading businesses performed particularly well, the proprietary trading activities the largest contributors to the growth. Drivers of growth were the favourable local and international market conditions and the successful application of locally developed trading strategies to global markets.

The trading businesses conducted by RMB benefited from volatility and direction in the local interest rate and currency markets as well as strong client flow. The commodities business took advantage of the strong commodity market to significantly increase profit.

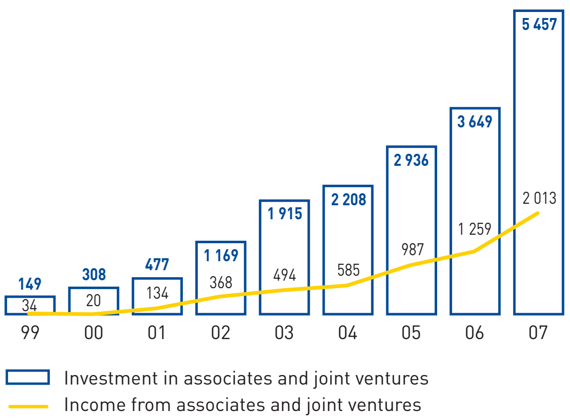
RMB's debt businesses increased growth as a result of the positive economic conditions. The Investment Banking division, which includes Project and Structured Finance, benefited from infrastructure deal flow locally and in Africa and growth in the property finance sector.

Investment income

Investment income includes realised gains and losses from the Banking Group's private equity portfolios managed by RMB.

The private equity businesses had an excellent year. In an environment conducive to realisations, good profits were realised from the sale of a number of assets. In spite of the realisations, unrealised profits in the portfolio grew to over R2 billion (2006: R1.1 billion) driven by new investments during the previous two years as well as continued BEE investment opportunities in the current year (R1 billion of investments were concluded during the current year). Consistent with prior years, this unrealised profit is not recognised in income until realised.

Analysis of income from associate and joint ventures
(R million)

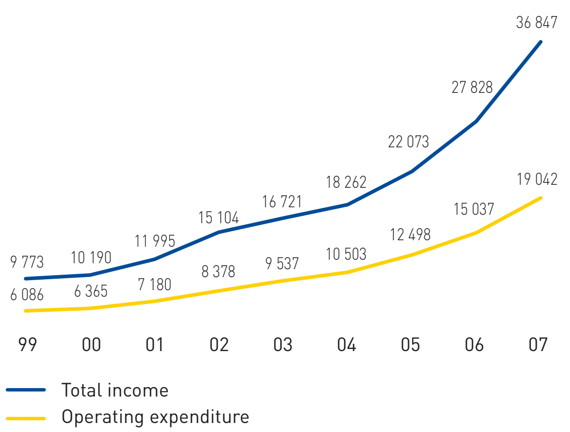


Equity accounted income – up 60%

The increase is as a result of:

- outstanding growth from the international associates which benefited from strong global resource and energy prices;
- very strong equity accounted earnings from private equity associate companies on the back of good underlying economic conditions; and
- a good performance from FirstRand Short Term Insurance which showed growth in personal and business clients despite a marginal increase in the claims ratio.

Operating "jaws"
(R million)



Operating expenses – up 27%

Although operating expenses increased 27% year on year, the Banking Group achieved positive operating "jaws" of 5.8% during the year primarily due to the strong top line income growth in RMB and FNB.

Base costs increased 18% year on year.

The absolute increase in operating expenses was negatively affected by:

- staff remuneration increasing 18%, due in part to the growth in staff numbers to support the new business growth across the Banking Group;
- variable costs directly related to income, including profit shares, joint ventures, incentives and loyalty programmes increasing 56% from R1 652 million to R2 579 million;
- other staff related costs increasing 68%, impacted by increases in post retirement liabilities as well as IFRS 2 costs;
- costs associated with brand building;
- costs directly related to the Banking Group's international expansion of R759 million (2006: R327 million);
- costs associated with new domestic initiatives increasing from R68 million to R327 million; and
- an increase of 58% in professional fees.

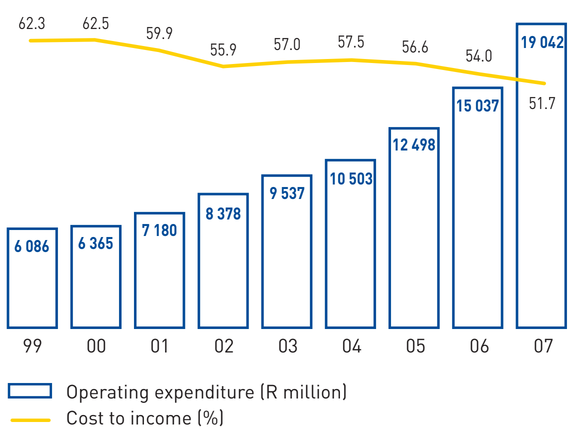
A detailed analysis of operating expenditure is set out on page 67.

Cost to income ratio

The cost to income ratio improved from 54.0% at 30 June 2006 to 51.7%.

The historic trend in the cost to income ratio is shown below:

Operating efficiency



Direct taxation

The direct tax charge as a percentage of income before direct tax decreased from 27.6% to 26.5%. The year on year decrease is primarily as a result of significant STC credits earned during the year.

CREDIT RISK MANAGEMENT

Non performing loans and credit impairments

Higher interest rates during the year under review accelerated the increase in bad debts after the normalisation of the credit markets and high levels of consumer indebtedness. Non performing loans ("NPLs") as a percentage of advances increased to 1.7% (2006: 1.3%) while the income statement impairment charge on average gross advances increased to 0.85% (2006: 0.50%) before taking into account income from credit protection strategies. After taking this into account, the income statement impairment on average gross advances was 0.81% (2006: 0.50%).

The expectation that interest rates will remain at the higher levels for the next financial year will contribute towards further increases in the impairment charge and NPLs. The corporate environment is expected to remain benign whilst the increased arrears in HomeLoans, WesBank and Credit Card support expectations for further increases in impairments. The Banking Group does, however, actively manage its credit portfolio in the light of changing macro economic conditions through a focus on credit provisioning practices, its origination strategies and the consideration of credit portfolio hedges, where appropriate.

The table below summarises key information on NPLs and impairments in the credit portfolio for the year under review on an IFRS basis:

	At 30 June		
	2007	2006	% change
Total advances net of interest in suspense ("ISP") (R million) (restated)[1]	**388 035**	319 971	21
NPLs (R million)	**6 490**	4 211	54
NPLs as a % of gross advances (%)	**1.67**	1.32	27
Specific and portfolio impairments reflected in the balance sheet (R million)	**4 550**	3 131	45
Impairment charge (R million)	**2 857**	1 411	>100
Impairment charge as a % of average gross advances (%)[2]	**0.81**	0.50	62
Total impairments as a % of NPLs (after ISP) (%)	**77.4**	86.0	(10)
Total impairments as a % of residual risk (%)	**165.5**	155.8	6

Notes:

1 *During the current financial year the Banking Group changed its application of set off rules in terms of the requirements of IAS 32 due to evolving local and international best practice. This resulted in the gross up of the Banking Group's balance sheet.*

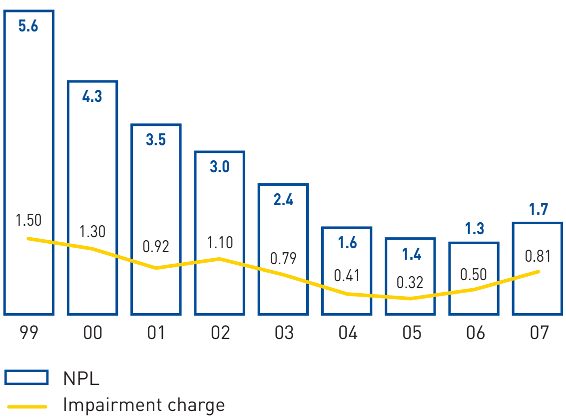
2 *Impairment charge after recovery on credit protection strategies. The impairment charge before these strategies amounted to R3 007 million and an impairment charge percentage of 0.85%.*

The R2.3 billion increase in non-performing loans can be ascribed to:

- the increase in rates since June 2006, which has led to increased credit default levels; and
- high levels of customer credit extension impacting affordability.

The graph below indicates the history of the Banking Group's credit losses reflected by the impairment charge percentage and non performing loans.

NPL % and impairment charge
(%)



Note:

Non performing loans are classified as such based on the definition of default used by the Banking Group. The non performing loans percentage includes the total value of non performing loans classified into this category in the current year, as well as those of previous years that are still being collected/worked out. The impairment charge percentage is the bad debt charge to the income statement as a percentage of total average advances based on the application of the Banking Group's internal provisioning policies and on the accounting basis applicable at the time (SA GAAP prior to 2006).

A further analysis of the credit quality of the advances book is set out on pages 59 to 64.

Credit quality overview

The FirstRand master rating scale, the FR ratings, range from FR 1 to FR 100, with FR 1 being the best rating with the lowest probability of default. The FR rating has been mapped to default probabilities as well as external rating agency international rating scales. The granular 100 point scale is summarised for internal purposes into 18 buckets and for reporting purposes into 9 performing buckets as described below.

The FR scale is summarised in the following table:

FR rating	Mid point PD	International scale mapping*
FR 1 – 12	0.04%	AAA, AA, A
FR 13 – 25	0.27%	BBB
FR 26 – 32	0.77%	BB+, BB
FR 33 – 37	1.34%	BB-
FR 38 – 48	2.15%	B+
FR 49 – 60	3.53%	B+
FR 61 – 83	6.74%	B
FR 84 – 91	15.02%	B-
Above FR 92		Below B-
FR 100	100%	D (defaulted)

** Indicative mapping to international rating scale of Fitch and S&P*

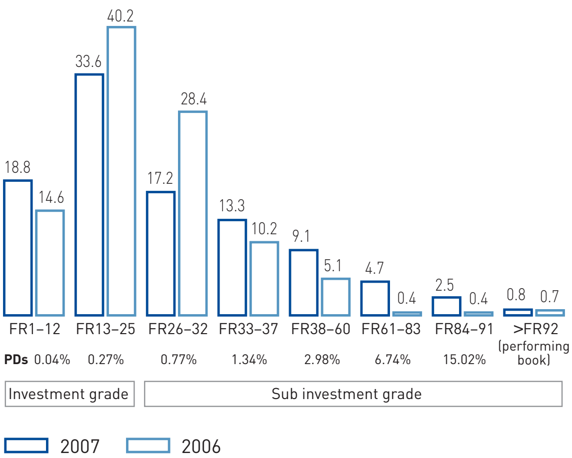
The credit quality of the wholesale credit book remained stable around FR 32. The exposure to investment grade counterparties amounted to 52% (2006: 54%). The weighted average rating for retail credit counterparties deteriorated slightly due to the cycle changes in the retail credit markets and the highter interest rate environment. The overall internal counterparty rating, ignoring collateral effects, was FR 45 at 30 June 2007 (FR 41 at June 2006). The rating is equivalent to a national scale credit rating of zaBB (zaBBB at 30 June 2006).

The graphs in the section below describe the main credit portfolios in terms of distribution across rating grades. These distributions provide an overview of the credit quality of the book.

Wholesale credit exposures

The following graph indicates the credit distribution based on the wholesale corporate counterparty's probability of default ("PD") and FR ratings for the portfolio (excluding the financial institution and sovereign exposures):

Wholesale credit portfolio (excluding banks and sovereigns)
Exposure distribution across rating buckets (%)

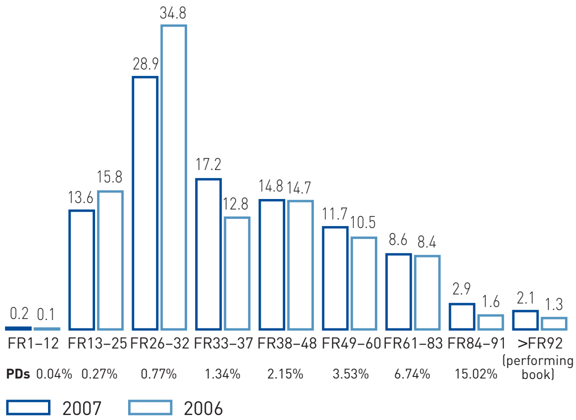


The loss given default ("LGD") for the wholesale credit portfolio is generally between 35% and 45%.

Retail and SME credit exposures

The following graph indicates the credit distribution based on the retail and SME counterparty's probability of default ("PD") and FR ratings for the portfolio:

Retail and SME credit portfolio
Exposure distribution across rating buckets (%)



** Comparatives have been updated using the latest rating mappings.*

The LGDs for these exposures are dependent on the level and type of security held. The LGD for residential mortgages typically ranges between 10% and 20% and for asset backed finance transactions (typically in WesBank) between 10% and 35%. For the unsecured exposures, the average LGD ranges between 40% and 80%.

Portfolio analysis – Expected loss

The expected loss ("EL") of the portfolio is a function of the exposure at default, probability of default (reflected in the credit distributions above) and the loss given default dimension which incorporates collateral. It is a forward looking measure of risk through the cycle. The forward looking long run average expected loss estimated at 30 June 2007 for the Banking Group's portfolio is estimated at 0.8% (June 2006: 0.7%). The longer term average through the cycle expected loss is below the current impairment charge and the expectation of impairments for the next financial year.

FirstRand Bank conducts macro economic sensitivity analyses to test the resilience of the credit portfolios to events such as interest rate shocks. The results of these sensitivity analyses provide a number of potential impairment scenarios that is considered in the internal credit mitigation and hedging programmes.

Securitisation structures

Securitisation is an excellent balance sheet management tool, used extensively by banks across the world. Securitisation enhances the bank's liquidity position through diversification of funding source, matching of the cash flow profile of assets and liabilities and a reduction of on balance sheet risk and capital requirements. Furthermore, it provides capability to manage concentrations of credit risk to a certain extent.

In 2002 FirstRand Bank completed its first synthetic auto loan securitisation, Procul, of R2 billion. This was followed by a traditional (true sale) securitisation of auto loans (Nitro 1) of R2 billion during the year ended June 2006. During the year under review, the Bank engaged in a number of new securitisation transactions, all traditional (true sale). These included the following:

Name of securitisation during 2007	Type of loans	Assets securitised R billion	Amount retained R million
Nitro 2	Auto loans	5	86
Nitro 3	Auto loans	5	100
iKhaya 1	Home loans	1.9	58

The FirstRand Bank securitisation structures were rated by external rating agencies, Fitch Ratings and Moody's. For all the securitisation structures implemented during the year under review, FirstRand Bank remains the servicer of the assets and the Bank retained subordinated loans in each transaction. The following table shows the original and current exposures of each of the securitisation transactions currently in place:

Name of securiti-sation	Year initiated	Assets securi-tised R million	Assets outstan-ding R million	Current balance of amount retained R million
Procul	2002	2 000	2 000	1 147.0
Nitro 1	2006	2 000	1 112	12.6
Nitro 2	2007	5 000	3 467	77.2
Nitro 3	2007	5 000	4 798	102.7
iKhaya 1	2007	1 900	1 492	56.7

The following table presents the conduit programmes facilitated by RMB:

Name of conduit	Type of loans	Date of trans-action	Prog-ramme size R billion	Current size R billion
iNdwa	Corporate term loans	2003	15	13.5
iNkotha	Call loans	2006	10	4.5
iVusi	Corporate term loans	2007	15	2.2

The securitisation structures and conduits have been performing in line with expectations during the year under review.

BASEL II

FirstRand Bank received in principle approval from the South African Reserve Bank ("SARB") to use the advanced internal ratings based approach for credit risk under Basel II. The final approval will only be granted after the finalisation of the new banking regulations. The Bank is currently working with the SARB to address any further refinements. The Bank also received internal model approval for market risk. The operational risk application for the advanced measurement approach will be submitted in 2008, with targeted implementation during 2009.

The capital impact of Basel II is expected to be largely neutral with a bias to a potential increase due to the changes in the credit cycle.

OPERATIONAL RESULTS BY BUSINESS UNITS

	Year ended 30 June		
R million	2007	2006	% change
FNB	**5 663**	4 504	26
FNB Mass and Support	**367**	568	(35)
Consumer segment	**2 337**	1 732	35
– HomeLoans	**840**	551	52
– Card (Issuing)	**156**	380	(59)
– Other Consumer	**1 341**	801	67
Wealth segment	**161**	101	59
Commercial segment	**2 275**	1 700	34
Corporate segment	**523**	403	30
RMB	**5 343**	2 960	81
WesBank	**1 370**	1 465	(6)
FNB Africa	**927**	744	25
FirstRand Short Term Insurance	**310**	251	24
Group Support	**880**	987	(11)
Income before direct tax	**14 493**	10 911	33

FNB

R million	2007	2006	% change
	Year ended 30 June		
Income before indirect tax	5 983	4 846	23
Indirect tax	(320)	(342)	(6)
Income before tax	5 663	4 504	26
Advances (post gross up)	180 281	153 876	17
Total deposits (post gross up)	168 280	148 734	13
Assets under management	26 489	18 270	45
Cost to income ratio (%)	59.9	63.2	
Non performing loans (%)	2.2	1.6	

R million	2007	2006	% change
FNB Mass and Support	367	568	(35)
Consumer segment	2 337	1 732	35
– HomeLoans	840	551	52
– Card (Issuing)	156	380	(59)
– Other Consumer	1 341	801	67
Wealth	161	101	59
Commercial	2 275	1 700	34
Corporate	523	403	30
Total FNB	5 663	4 504	26

CHANGES IN LEGISLATION

The provisions of the National Credit Act ("NCA") relating to fees and pricing came into effect in the current year from 1 June 2007. The implementation costs, primarily in terms of opportunity cost and management time spent, were predominantly felt in the current financial year. It is likely that the ongoing cost of compliance as well as the impact on revenue will continue in the future.

FNB reviewed its level of impairments to cater for both the effects of potential higher defaults and for longer recovery periods as a result of the NCA, combined with the impact of the recent rate increases, and increased impairments centrally. This charge is included in the results of FNB Mass and Support and is the primary driver for the 35% reduction in profitability.

FNB estimates that the total implementation costs of the NCA amounted to some R230 million. The annualised revenue loss continues to be estimated in the range of R300 million to R400 million. This impact will, however, not be experienced in any one financial year as it will be phased over a period as existing client agreements, which were drawn up in terms of the Usury Act, are converted to the requirements of the NCA.

COMPETITION COMMISSION

The Competition Commission Enquiry into Banking recently completed the final round of public hearings. The Commission is investigating possible transgressions of the Competition Act and will make recommendations for improvements for the industry in a detailed report to be released towards the end of 2007. The implementation of any of the Commission's recommendations will be over a period and as such it is unlikely that any financial impact will be felt in the next financial year.

CHANGES IN STRUCTURE AND ACCOUNTING TREATMENT

Certain operations, including Money Market and Direct Foreign Dealing were transferred from FNB to RMB. FNB retained the activities required to service its Large Corporate clients with transactional banking solutions. The historical results have accordingly been restated.

The FNB Wealth segment has taken management control of the international wealth offering (Ashburton), previously included under Momentum and FNB Corporate has taken transfer of the Custody business from RMB, both with effect from 1 July 2007. Ashburton's current year profitability amounted to some R40 million with Custody at R60 million.

Further, FNB has changed its accounting for set off of advances and deposits held by Corporate and Commercial clients under its cash management schemes. This change, which is in line with IFRS and has no profitability or regulatory impact, has the effect of grossing up deposits and advances by R18 billion (2006: R22.8 billion). The results and commentary in this report are based on the post gross up values and where required, the gross up impact is separately disclosed.

PERFORMANCE COMMENTARY

FNB has produced another set of excellent results with profit before tax increasing 26% from R4 504 million to R5 663 million.

Interest income grew 27% mainly due to the continued strong balance sheet growth in both advances (up 17%) and deposits (up 13%), supported by the widening of margins resulting from the interest rate increases and the increased endowment benefit on deposits.

Bad debts increased to 0.91% (2006: 0.56%) of average advances. This increase is in line with expectations, given the abnormally low arrears and non performing loans ("NPLs") in previous years, coupled with the impact of interest rate increases and the estimated impact of the NCA. This ratio also benefited from provision reversals relating to certain corporate exposures that were repaid.

Non interest income increased 20% driven by 13% growth in customer numbers and higher transactional volumes across all segments.

Operating expenses increased 17%. This was mainly driven by significant variable costs associated with increased volumes, costs related to growth of new businesses, ongoing investment in the brand (FIFA sponsorship), new products, improved services, infrastructure and processes. Costs related to the cooperation agreements by Card, HomeLoans and Personal Loans also contributed to this increase.

Deposits increased R20 billion or 13%. This growth has been substantially impacted by the change in policy in terms of IFRS requiring grossing up of client balances on the cash management schemes. These cash management balances generally fluctuate on a daily basis, thereby easily distorting the absolute growth. The business operations and margins are managed on a net (set off) basis. This treatment impacts the Corporate segment balances significantly with a marginal impact to the Commercial segment. Excluding the impact of gross up, deposits grew 19% (R24 billion) with the Commercial, Corporate and Consumer segments being the major contributors. This growth was largely driven by product innovation and sales of shorter term products as the interest rate increases made deposits more attractive. Further, Corporate and Commercial reported deposits reduced against prior year balances as a result of the exclusion of the Money Market deposits amounting to R9.6 billion and R6.5 billion respectively.

Advances increased R26 billion or 17%. Excluding the grossing up impact, the increase amounts to R30 billion or 23% with HomeLoans (R17 billion), Card, Wealth and Commercial the main contributors to this growth. Corporate's advances were reduced R8.8 billion, as a result of the exclusion of Money Market advances and now represent only working capital advances.

SEGMENT PERFORMANCE COMMENTARY

As stated previously, FNB's segment view is not a "pure" indication of FNB's penetration into each segment as revenue is based on assumptions of the segment categorisation of customers as well as internal service level arrangements. In line with the continuous refinement of its segmentation of customers, FNB will be disclosing Mass (Smart Solutions) separately from December 2007 and making refinement reallocations between segments on both customer revenue and internal service level arrangements.

FNB Mass and Support

Included in FNB Mass and Support is Smart Solutions, Public Sector Banking, Branch Banking, Brand and Support.

Mass (Smart Solutions)

Smart and Mzansi accounts
Microloans (SmartSpend)
ATMs (including Retail & Mini ATMs)
Cellphone banking and Pre paid products
Housing finance (SmartBond & Smart Housing Plan)
FNB Life

This segment focuses on individuals earning less than R81 000 per annum and is principally serviced by the FNB Smart branded products and services.

The segment performed well during the year, with profits increasing significantly and customer numbers growing from 2.9 million to 3.3 million. The main driver of this performance was the strong growth in non interest income which increased 27%. This increase in turn, was driven by 22% growth in income generating transactions, including debit card transactions which grew 63%. SmartSpend loans payout growth at 45% and 60% growth in prepaid airtime turnover also contributed positively to the performance.

Interest income increased 43% resulting from 16% growth in deposits to R7 billion and advances growth of 39% to R4 billion.

FNB's market share of Saswitch transactions increased to 29% (2006: 28%) despite the market share based on number of devices declining to 21% (2006: 22%). This is largely due to the process efficiencies implemented in the current year. The number of ATMs (including Mini ATMs) increased 9% to 4 561.

FNB is continuing with its strategy of increased customer product holding, with focus on lending and insurance products in this segment. The advances growth relates to the SmartSpend, Smart Housing Plan and SmartBond products. In addition, sales of Funeral Policies increased in excess of 100% and a new product, Smart Cover (a personal accident plan), was added in September 2006 with over 39 000 active plans in place at 30 June 2007.

By June 2007, Cellphone banking had nearly 379 000 registered customers representing 74% growth since June 2006. The use of this channel provides convenience and cost efficiencies and, together with InContact, is expected to contribute to continued good market share growth.

Operating costs increased 18% driven mainly by growth in variable costs relating to the increased customers and transactional volumes. InContact SMS volumes grew 36% to 400 million messages for the year.

FNB Life also performed well as a result of its strategy to add value and enhance insurance features to existing products. In-force policies increased 30% totalling 2.6 million at year end.

Public Sector Banking

This segment provides transactional and other products and services to the three spheres of government; namely national, provincial and local. Customers also include universities and public schools.

FNB's increased focus in this segment resulted in tenders being won or retained during the year despite increased competitor activity. There are still several big tenders outstanding at year end awaiting adjudication. FNB has successfully competed on innovative solutions and service rather than price. The strategy will continue to focus on forming partnerships with Government to improve service delivery.

Branch Banking

Branch Banking provides banking services to FNB customers through its 698 representation points distributed nationally with 25% (2006: 24%) positioned in designated Financial Sector Charter communities. Branch Banking continues to make progress with the upgrading of its branches to ensure improved and standardised customer experience.

The investment in the branch infrastructure continued during the year and included 66 branch upgrades. Altogether, 53% of FNB's branches now comply with the updated retail design standard.

The commission based sales team operating in the Bancassurance arena contributed to the strong sales growth within Branch Banking. This was further assisted by the success of the FNB Sales Centres, the "Bank on Wheels" and Community Banks.

	Year ended 30 June		%
	2007	2006	change
Representation points (Branches, agencies, Bank on Wheels, etc.)	**698**	690*	1
ATMs	**4 561**	4 185	9

** Updated to include Bank on Wheels*

Consumer Segment

Cheque & transmission products including overdrafts
Investments & equity products
Personal loans (including Student loans)
FNB Insurance Brokers (previously First Link)
eBucks
HomeLoans (including One Account)
Card (Issuing)

This segment focuses on providing banking and insurance solutions to customers with incomes ranging from R81 000 to R750 000 per annum and certain sub segments (youth and teens, students, graduates and seniors).

This segment delivered a very strong performance for the year with profits before tax increasing 35% from R1 732 million to R2 337 million. This was achieved despite a more challenging operating environment characterised by rising interest rates and increasing bad debts, and was underpinned by continued growth in both client and transactional volumes.

Interest income increased 26% as a result of the widening of margins, the positive endowment impact on deposits and strong growth in both deposits and advances.

Non interest income grew 19%, driven mainly by 7% growth in transactions per account, increased card transaction volumes resulting from the focus on card transactional and revolving clients, growth in transactional income in FNB HomeLoans and an increase in the active account base of 5%.

Advances for the year grew 22% to R114 billion (2006: R94 billion), however, growth slowed from the 31% reported for first half of the financial year, reflecting the reduced demand for retail credit. The bad debt charge increased 78% to 0.94% of gross average advances, resulting from an increase in both arrears and NPLs. NPLs as a percentage of gross advances increased to 2.34% from 1.37%.

Deposits increased 16% to R52 billion. This is attributable to the higher interest rate environment attracting investment capital and an increase in both the transactional banking, as well as savings and investment products. FNB's strategy to grow savings and investment accounts through innovative products such as the Million-a-Month-account ("MAMA") and Re-Start Fixed Deposit, and through reducing the entry levels to R100 for investment accounts, contributed to the growth. Margins increased mainly due to the move to short term deposits as well as the endowment benefit in the higher interest rate environment. FNB has been granted leave to appeal the MAMA judgement in the Supreme Court of Appeal.

Growth in operational expenses reduced to 11% (from 16% in the first six months). This was achieved through a strong focus on efficiencies despite continued investment in future growth initiatives such as the start up costs associated with the "white label" cooperation agreements (predominantly within Card (Issuing), Personal Loans and HomeLoans) and expenditure on additional operational capacity to cater for increased transactional volumes.

Personal Loans (including Student Loans) increased advances 45%, due mainly to new business growth of 55% and a positive impact from the Edcon cooperation agreement. This positive performance was partly offset by an increase in the bad debt charge which, in line with expectations, increased from 2.7% to 4.0% of gross average advances, and the margin squeeze experienced prior to the lifting of the Usury Act ceiling in March.

FNB Insurance Brokers (previously First Link), a short term insurance broker, performed well and continues to add a range of value added services to FNB's customers, particularly in the Premier and Wealth segments. Revenue and operating profit grew 12% and 25% respectively in an increasingly competitive and regulatory environment.

The eBucks rewards programme continued to perform well as a strategy to acquire and retain customers and has, since inception, awarded eBucks amounting to R885 million (over R200 million in the current year) to its members. In a recent survey by Razor Edge Business Intelligence, eBucks won the award for the "Most Valuable Retail Rewards Programmes".

FNB HomeLoans

FNB HomeLoans grew profit before tax 52% from R551 million to R840 million. This was driven by both volume growth in profitable new business increased margins due to rising interest rates and a deliberate focus on ROE. In addition, non interest revenue grew 68%, underpinned by good transactional volume growth, particularly from the One Account. Operating costs increased only 3%, as result of better operational leverage.

Gross advances increased 21% to R98 billion, driven largely by sales growth and increases in property values. New business market share decreased to 16% from 21% due to the focus on generating new business with an appropriate ROE. As expected, the higher interest rate environment had a negative impact on bad debts with credit impairment charges increasing 63% to 0.28% of gross average advances. This is directly related to the increases in arrears and NPLs, albeit off a low base. A focus on preserving the credit quality of new business, despite the rising interest rate environment, is expected to have a positive impact going forward.

Card (Issuing)

Card continued to show strong balance sheet growth for the year under review with advances growing 30% to R12 billion. Non interest income increased 19%, reflecting the increase in transactional volumes. Pretax profit however reduced significantly to R156 million compared to R380 million in the previous year.

This reduction in profitability was as a result of three issues. Firstly, bad debts increased 85% to 5.44% of gross average advances while NPLs increased to 7.99% of gross advances primarily as a result of the increased interest rate environment and exceptional asset growth in the prior year.

Significant effort was made by the collections department to maximise recoveries, improve customer paying patterns and rate limit interventions which have helped in maintaining the arrear levels. Card has also tightened credit granting criteria in the current year primarily as a result of increasing consumer over indebtedness and in anticipation of the NCA affordability test which was implemented from 1 June 2007. As a result FNB has lost market share measured in terms of advances, although transactional market share was maintained.

Secondly, Card was unable, until March 2007, to reprice in line with the interest rate increases due to the Usury Act ceiling, while the cost of funds increased. This resulted in interest margins being squeezed.

Thirdly, the launch of cooperation agreements with Clicks, Kulula and Vodacom has incurred setup and operational costs, which will only be recovered in the medium to long term.

Wealth Segment

RMB Private Bank
FNB Private Clients
FNB Trust Services
Senior Suites

The Wealth segment's profit before tax increased 59% to R161 million, driven mainly by the strong performance of RMB Private Bank, which grew profit before tax 38% to R167 million. In addition, FNB Trust Services (including Senior Suites) grew profits 41% to R41 million and the start up losses in FNB Private Clients decreased 4% to R47 million.

Assets under management increased 45% to R26 billion, largely due to net new business inflows, growth in the equity market and investment selection. The strong increase in total advances of 32% to R21 billion resulted from customer growth, largely in FNB Private Clients, and the increase in the value of properties. Deposit growth of 42% to R5 billion resulted from the inflows of funds in the portfolio management divisions. These contributed to interest income and non interest revenue increasing 41% and 32% respectively.

Operating expenditure increased 31% for the segment, largely due to the continued investment in FNB Private Clients, coupled with increased variable costs. FNB Private Clients has tripled its advances since June 2006 to R2.6 billion with assets under management more than doubling to R2.5 billion. This is expected to contribute to the segment's profitability in the medium to long term.

Commercial Segment

SMMEs, Business and Mid Corporate overdraft and transactional products
Investment products
Agricultural products
BEE finance
Commercial property finance
Debtor finance
FNB Leveraged finance
BEE funding, franchises, tourism and start ups

FNB Commercial is the provider of financial solutions including working capital solutions, structured finance, investment products, transactional banking, international banking and term loans to the Mid Corporate, Business, SMMEs and Agricultural sub segments.

The Commercial segment had a particularly strong year with interest income and non interest income increasing 28% and 17% respectively. Although total costs increased 13% the segment delivered an excellent 34% increase in profit before tax.

Deposits grew 19% due to strong consumer demand impacting retail sales, resulting in increased cash balances of commercial entities.

Advances increased 21% due primarily to Commercial Property Finance loans increasing 44% from a low base as FNB Commercial continued to add market share in a buoyant property market, and Agriculture term loans increasing 21% as a result of increased focus. Debtor Finance grew its book 29% as a result of a renewed product focus. Business advances increased 20% due to improved efficiency in the credit approval process.

Interest income increased as a result of strong deposit and advances growth as well as improved deposit margins, given the endowment impact due to the increase in interest rates.

The growth was impacted, to an extent, by an increased bad debt charge due to the current credit environment. The bad debt charge more than doubled in the current year, increasing from 0.27% to 0.60% of gross average advances. This increase, however, is off an abnormally low base in the prior year and will continue to normalise. Overall, the segment is still experiencing good credit quality and NPLs as a % of gross advances improved from 2.45% at June 2006 to 2.11% at June 2007, mainly as result of new client growth in the advances book.

The Commercial segment experienced strong transactional volumes growth in 2007. Non interest income increased 17%, driven by 14% growth in the active transacting Commercial account base. Furthermore, Electronic delivery channels and Speedpoint revenue increased 27% and 37% respectively. International Banking's non interest income showed a growth of 15% year on year mainly due to the increase in dealing revenue as a result of increased volumes and turnover, despite suppressed margins and reduced market volatility.

Increased costs were as a result of increased variable costs associated with the transaction volume growth and balance sheet growth coupled with the increased costs associated with the new initiatives such as Franchises, Start ups and Tourism.

Collaborations with other FirstRand Group business units continued successfully with WesBank advances in this segment growing 35%.

Corporate Transactional Banking Segment

Corporate current account services and associated working capital solutions
Speedpoint (Card acquiring)
Bulk cash
Electronic banking (FNB Online)
International banking
Private label cards

The Corporate segment provides transactional banking, working capital solutions and other services to large corporate, financial institution and state owned enterprises in terms of Schedule 2 of the PFMA Act.

Profit before tax grew 30% with interest income and non interest income growing 25% and 9% respectively. Operating expenditure growth was contained at 6%, attributed to a focus on operational efficiencies throughout the business and achieved despite significant investment in infrastructure. This investment included the convergence of "Internet Banking" and "Business Internet Solutions" onto a single platform in Online Banking, an increase in the number of Speedpoint devices (22%) and the opening of two new Cash centres.

NPLs as a % of advances improved to 0.87% from 1.66%. (excluding the gross up the ratio improved to 5.36% from 16.73%). NPLs decreased considerably in the current year largely due to the repayment of certain corporate exposures and provisions being released together with certain old exposures being written off. The absolute bad debt charge is still relatively low at R9 million.

Deposit volumes grew 2%. Excluding the grossing up impact the growth is 25%, which is largely indicative of the favourable economic environment benefiting the corporate sector. However, margins are continually under pressure and are being squeezed, notably in the Financial Institution sector, which is characterised by thinner margins and repricing of clients.

Advances reflect a reduction of 16% largely due to the volatility of gross up cash management balances. Excluding the impact of this, the growth amounted to 38% to R3.4 billion, largely due to increased working capital requirements in the corporate sector.

Non interest income growth was positively impacted by the increased usage of electronic channels by customers. Electronic banking and Speedpoint grew transactional volumes 26% and 31% respectively which resulted in non interest income growth of 14% and 38% respectively in those businesses. International banking business growth was curbed by reduced Rand volatility and a product mix change to open account trading. Volumes in the Cash business increased 35% mainly from increased client activity, increased footprint and new customers.

RMB

R million	Year ended 30 June 2007	2006	% change
Income before indirect tax	5 396	2 994	80
Indirect tax	(53)	(34)	56
Income before tax	5 343	2 960	81
Total assets	198 929	164 651	21
Cost to income ratio (%)	42.0	38.5	
Income before tax (before restructuring)	4 916	2 575	91
Transfer in BGT and RMB Properties	427	385	11
Income before tax (post restructuring)	5 343	2 960	81

PERFORMANCE

RMB took advantage of the strong corporate and investment banking conditions to deliver 81% year on year growth in pre tax earnings to 30 June 2007, with excellent performances delivered across RMB's entire portfolio of businesses.

Three business units, Equities Trading, Private Equity and Investment Banking, delivered profits in excess of R1.25 billion each, with the Equity Trading and Offshore divisions showing particularly strong growth.

Operational expenditure increased during the year and was mainly due to continued investment in people and RMB's operational platform and infrastructure.

Staff numbers increased approximately 25% in the year, primarily to support the significant growth in business unit activities. The strong growth in top line performance resulted in a commensurate increase in the variable revenue related component of the cost base.

CHANGE OF STRUCTURE

During the financial year RMB restructured some of its business activities. The Investment Banking division was formed after combining the major client focused activities of Project Finance, Corporate Finance and Structured Finance. RMB Properties was also transferred into the Investment Banking division. All the Debt Capital Market origination, structuring, trading and distribution activities of Treasury Trading (now FiCC) and Investment Banking teams were also combined to be jointly run by both divisions.

The hard and soft commodity trading activities were moved to Treasury Trading as were some Banking Group Treasury ("BGT") businesses, Rand Account Services, Custody and Forex Customer Dealing. This unit has now been renamed Fixed Income, Currency and Commodities Trading ("FiCC").

The results and comparatives are restated in the table below.

Divisional analysis of net profit

R million	Year ended 30 June 2007	2006	% change
Private Equity	1 352	825	64
Equity Trading	1 429	435	>100
Investment Banking	1 271	826	54
Fixed Income Currency and Commodities	754	597	26
Other	537	277	94
	5 343	2 960	81

PRIVATE EQUITY

The Private Equity division performed well during the year delivering 64% growth in net income before tax.

Realisations amounted to R812 million of which Alstom was the significant single contributor. In addition, very strong equity accounted earnings of R1 009 million was recorded as a result of good underlying growth in the portfolio, mainly driven by the buoyant economy and new investments over the last two years.

Over R1 billion of new investments were made in the current financial year as the market still provided opportunities for investment at attractive prices, particularly in the Black Economic Empowerment space. The unrealised profit in the Private Equity portfolio doubled to R2 billion.

EQUITY TRADING

The Equity Trading division was the largest contributor to RMB's growth delivering R1.43 billion of net profit before tax.

The most significant driver of this performance was the Proprietary Trading activities which capitalised on extremely favourable local and international conditions. The equity arbitrage (ILCA) team, in their second full year operating out of the UK, delivered excellent gains on a number of successful trading strategies.

The agency business benefited from strong volumes in local equity markets and the Morgan Stanley JV's contribution was above expectations in its first full year of operation.

INVESTMENT BANKING

Very strong local economic conditions contributed to the Investment Banking division's year on year profit growth of 54%, with all business areas contributing to the overall performance.

Corporate Finance benefited from excellent deal flow on the back of continued BEE activity and strong public to private deal activity. The buoyant commodity sector generated favourable resource finance opportunities, and notably, RMB won the Banker's Africa Deal of the Year Award for the Exxaro deal, which resulted in the formation of the largest BEE company in South Africa.

Property Finance produced very good growth in 2007 and the Preference Share team continued to capitalise on the strong demand for preference share funding. The Infrastructure team concluded a number of new deals both locally and in Africa, in addition to successfully partnering with government on the Gautrain, the largest ever public-private-partnership (PPP).

FIXED INCOME, CURRENCY AND COMMODITY TRADING (FiCC)

These trading businesses grew profits 26% as volatility and direction returned to the domestic interest rate and currency markets. Good client flow and active bond markets benefited the market makers.

The profits on client focused activities grew 40%, driven largely by the inflation and structuring businesses. The De Beers Pension Fund and Kumba (Exxaro) transactions were particularly notable in the year. The commodities business delivered in excess of 100% growth on the back of a very strong soft commodity market. The agency businesses benefited from increased client activities and strong equity markets.

OTHER

The offshore resources business comprises private equity and financing activities in the resources sector outside of South Africa, and the energy trading business of Nufcor. Nufcor produced excellent growth on the back of the extremely strong global energy prices whilst the resources team concluded a number of profitable realisations during the financial year.

WESBANK

R million	2007	2006	% change
	Year ended 30 June		
Income before indirect tax	**1 481**	1 559	(5)
Indirect tax	**(111)**	(94)	18
Income before tax	**1 370**	1 465	(6)
Advances WesBank Consolidated	**98 434**	79 604	24
Cost to income ratio (%) WesBank Consolidated	**53.4**	48.9	
Cost to income ratio (%) WesBank South Africa	**43.3**	46.1	
Non performing loans (%)	**1.7**	1.2	

FINANCIAL PERFORMANCE

WesBank's overall profitability was impacted by increased losses in its international operations, although the local operations maintained similar profit levels to the first six months of the year. Overall, income before tax declined 6% to R1.37 billion, with the core local finance operation increasing net income 5%.

The table below represents the relative contributions from local and international operations.

Divisional analysis of income before tax

R million	2007	2006	% change
	Year ended 30 June		
SA operations	**1 519**	1 451	5
International operations	**(149)**	14	(>100)
Total	**1 370**	1 465	(6)

SOUTH AFRICAN OPERATIONS

WesBank's local lending operations are sensitive to changes in the consumer credit cycle and therefore the performance is as expected at this point in the cycle. Local operations showed net income before tax of R1.519 billion, a year on year increase of 5%. This low growth level reflected the sharp increase in provisioning levels brought about by higher interest rates and the lower levels of consumer affordability. These factors reduced new business levels in the retail sector and resulted in bad debts increasing 74% year on year.

Total new business written was R50.8 billion, an increase of 1%. Retail sales from the Motor division comprised 67% of this new business and showed a small year on year decline in production levels for the reasons stated above. Corporate new business comprised 28% of total production and the growth in corporate sales reflects the upward momentum in the sector, as capital expenditure and infrastructure development increases. The balance of the new business relates to the personal loan business, which also showed slower growth levels due to the affordability constraints in the consumer sector. Gross advances consequently grew R18.8 billion to R98.4 billion, an increase of 24% on the prior period.

Competitive forces on pricing, combined with the increased cost of longer term funding of the fixed rate advances book, continued to impact margins, resulting in a 6 basis point decline in the South African operations during the period.

The charge for bad debts, as a percentage of advances, was 1.39% compared to 0.89% in the comparative period. This is a direct result of higher levels of customer indebtedness and the 2.5% increase in the prime rate experienced from June 2006 to June 2007. Portfolio impairments also increased as a result of impairments created for the impact of the National Credit Act. Non performing loans increased to 1.7% from 1.2% of advances. Arrear levels have recently shown some improvement due to intensified collections activities and as a result of the tightening of the credit scorecard at various intervals over the course of the last 16 months. Repossessions have also started to reduce off recent highs.

Within the lending business, non interest income grew 21% year on year. This strong growth was driven by insurance revenues and WesBank's Fleet business. Non interest expenses grew 13% year on year. Cost to income and cost to asset ratios in the business improved from 46% and 2.5% to 43% and 2.3% respectively, highlighting the improved efficiency levels in the operation. Finalisation of the migration onto the new debtors' system and related improvements should ensure further efficiency benefits going forward.

Over a number of years, WesBank has developed a number of non lending businesses that are complementary to its core business, providing related services and products to retail and corporate customers. The key operations include Direct Axis (the entity responsible for marketing to the WesBank and other personal loans books), WorldMark (the business selling a wide variety of car care and related products to consumers), Norman Bissett & Associates (the third party external collections operation) and Mobile Data (the vehicle tracking operation recently merged into the consolidated Tracker business).

INTERNATIONAL OPERATIONS

WesBank's international operations include Motor One Finance (the retail finance operation in Australia), WorldMark (the car care product business in Australia) and Carlyle Finance (the retail and business finance operation in the UK). These operations remain in an investment phase and, as a result, operating losses totalled R149 million for the period under review. These losses are expected to reduce in the coming financial year.

New business in the international operations totalled R3.7 billion and comprised R1.6 billion in Australia and

R2.1 billion in the UK. This compares to R0.7 billion in the prior year, which reflected only production from the Australian operation. Advances totalled R6.2 billion, and comprised R2.5 billion in Australia and R3.7 billion in the UK. Motor One Finance is a greenfields operation and is in the process of building scale, whereas Carlyle Finance is an existing finance operation, which requires some operational restructuring and investment to return the business to an appropriate level of profitability. Conditions in both markets remain challenging, however, profitability is forecast within a two year time frame.

FNB AFRICA

R million	Year ended 30 June 2007	2006	% change
Income before indirect tax	**945**	761	24
Indirect tax	**(18)**	(17)	6
Income before tax	**927**	744	25
Attributable earnings	**693**	551	26
Advances	**13 492**	12 216	10
Deposits	**17 409**	16 299	7
Cost to income ratio (%)	**43.8**	45.2	
Non performing loans (%)	**2.9**	2.9	

Geographic contribution – income before tax

R million	Year ended 30 June 2007	2006	% change
FNB Botswana (Pula million)	*367*	*298*	*23*
FNB Botswana (R million)	**428**	348	23
FNB Namibia (R million)	**435**	359	21
FNB Swaziland (R million)	**62**	39	59
FNB Lesotho (R million)	**2**	(2)	>100
Total (R million)	**927**	744	25

PERFORMANCE

FNB Africa Consolidated

Net income before tax increased 24% year on year to R927 million on the back of strong transactional volume growth, improved efficiencies across the portfolio and modest balance sheet growth.

Net interest income increased 25% due to widening margins in a higher interest rate environment and an increase in gross advances of 10% to R13 492 million and deposits of 7% to R17 409 million. Overall, the portfolio's ratio of non performing loans to average gross advances was still acceptable at 3%. Appropriate capital management frameworks were implemented in all subsidiaries and this resulted in an improvement on return on equity from 28% to 33%.

Operating expenses grew 20% due to the launching of new products, such as cell phone banking, opening of new branches and the resultant increase in key staff. This investment in infrastructure and resources was offset by positive growth in non interest income of 23%. With income growing faster than expenditure the cost to income ratio continued to improve from 45% to 44%.

FNB Botswana

Net income before tax increased 23% to P367 million for the year driven by a strong increase in non interest revenue of 24% as a result of increased transactional volumes, new product launches and the opening of new branches during the year. The cost to income ratio remained flat at an industry low of 34% with return on equity improving slightly to 44%.

Total assets increased 15% year on year. This growth rate in total assets was primarily driven by advances growth of 12%.

FNB Namibia

FNB Namibia maintained its dominant market share in most product categories with an overall market share in excess of 30%.

Net income before tax increased 21% to N$435 million as a result of robust transactional volumes, widening margins, on-going efficiencies and new revenue sources flowing from the Swabou brand. As a result of this, the cost to income ratio reduced from 51% to 49%. Net advances increased 10% for the year to N$8 726 million and deposits increased 7% to N$8 482 million. Initiatives aimed at improving the composition of the balance sheet resulted in return on equity improving from 21% to 24%.

FNB Swaziland

Net income before tax increased 59% year on year to E62 million. This positive result can be attributed to improved efficiencies flowing from the previous year's restructure and the focus on new business, resulting in increased transactional volumes. As a result, the cost to income ratio improved from 61% to 50%. Net advances increased 10% to E752 million and deposits increased 14% to E962 million. Swaziland's balance sheet optimisation resulted in an increase in return on equity from 21% to 34%.

FNB Lesotho

FNB Lesotho performed well above expectation with a net profit before tax of M2 million for the year compared to a loss of M2 million in the prior year. Lesotho has reached a sustainable level of profitability, well ahead of its original business plan.

International initiatives

In line with FirstRand's stated intent to be a strong regional player in Southern Africa, expansion opportunities in various southern African countries continue to be actively pursued. Since the year end FNB has acquired 80% of Banco de Desenvolvimento e Comércio (BDC) in Mozambique, which will be rebranded FNB Moçambique. The Bank has a staff complement of 70 and operates four branches in Maputo. FNB will focus on aligning Mozambique with existing FNB processes, introduce new products and bolster management resources.

FNB views Mozambique as a growth economy and is well positioned with this acquisition to take advantage of the future economic growth in this country.

Other African territories, mainly Angola, Nigeria and Zambia, and other emerging markets such as Brazil and India have also been identified as potential countries for expansion. Resources have been deployed to some of these countries to develop entry strategies.

Approvals for representative offices in Dubai and Shanghai were granted by the necessary regulatory authorities. In Dubai the group is particularly interested in pursuing opportunities in trade finance, treasury, commodity and project finance and the office will act as a relationship channel for all the Group's businesses looking to operate in the Middle East, Indian sub continent and North Africa. The Shanghai office will focus predominantly on trade finance and general correspondent banking activities.

FIRSTRAND SHORT TERM INSURANCE HOLDINGS ("FRSTIH")

	Year ended 30 June		
R million	2007	2006	% change
Banking Group attributable income before tax	310	251	24

FRSTIH, a joint venture with Momentum, houses the Banking Group's short term insurance interests, including OUTsurance and Momentum Short-Term Insurance ("Momentum STI").

PERFORMANCE

FRSTIH registered a good performance for the past financial year with both OUTsurance and Momentum STI showing strong growth in turnover. Premium income increased 26.4% to R3 billion. Attributable profits grew at a slower pace due to start up losses incurred in Momentum STI.

OUTsurance

	Year ended 30 June		
R million	2007	2006	% change
Gross premiums	2 959	2 341	26
Operating profit	587	451	30
Profit after tax	495	384	29
Expense/cost to income ratio (%)	15.0	16.4	(9)
Claims and OUTbonus ratio (%)	58.8	58.3	1

The FirstRand Banking Group, through FirstRand Bank Holdings, owns 47% of OUTsurance, South Africa's leading direct short term insurance company.

PERFORMANCE

The increase in operating profit of 30% was driven by growth in premium income together with a lower management expense ratio. Premium growth was principally due to growth in client numbers, as premium increases were contained in line with inflation.

Expenses, as a percentage of net premium revenue, decreased from 18% to 16%. Improved productivity and lower acquisition costs were the main contributing factors.

The claims ratio of 58.8% (including OUTbonus costs) was 0.5 percentage points higher than the previous year. The slight increase was mainly due to weather related claims. During 2006/2007, normal wet weather conditions prevailed, compared to the unusually clement conditions in the prior period.

During the same period the short term insurance industry as a whole registered significantly higher claims ratios, as the underwriting cycle turned downwards. Against this background, OUTsurance maintained its profit margin, confirming the competitiveness of its low-cost direct business model and scientific rating approach.

Profits after tax for the year increased 29% with the slightly lower increase compared to operating profits due to lower investment income on capital. Careful capital management resulted in a capital base proportionally smaller than the comparative period. This led to slightly reduced investment income, although the rate earned on these cash like investments increased due to higher prevailing interest rates.

momentum

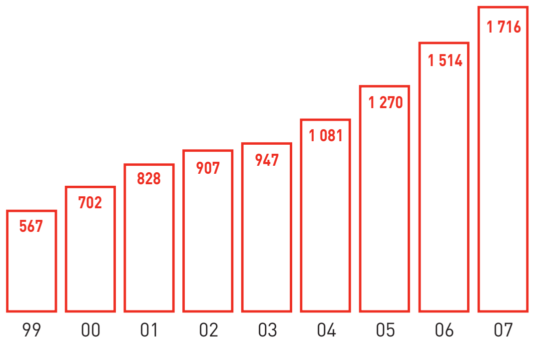
Introduction

The Momentum Group comprises the operations of Momentum Group Limited and its subsidiaries, including Momentum Medical Scheme Administrators (MMSA), RMB Asset Management (RMBAM) and RMB Unit Trusts (RMBUT), RMB Asset Management International (RMBAMI), Ashburton Investment Managers (Ashburton), 85% of Advantage Asset Managers (Advantage), 70% of Lekana Employee Benefit Solutions (Lekana) and 50% of Momentum Short-Term Insurance (MSTI).

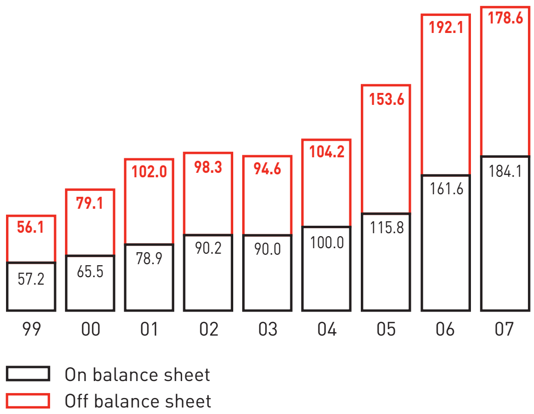
financial highlights

R million	2007	2006	% change
Normalised earnings (unaudited)	1 716	1 514	13
Return on equity based on normalised earnings (%) (unaudited)	25	24	
Return on embedded value (%) (unaudited)	28	31	
Momentum insurance new business (unaudited)	23 100	19 571	18
Value of new business (unaudited)	518	434	19

Normalised earnings (unaudited)
(R million)
CAGR: 14.8%



Assets under management or administration (unaudited)
(R billion)
CAGR: 15.7%



OVERVIEW OF RESULTS

The Momentum Group results for the year ended 30 June 2007 were characterised by the following:

- strong new business growth in insurance operations;
- excellent results from FNB insurance;
- improved new business margin in the second half of the financial year;
- lower proportion of performance fee income, and increased outflows from asset management operations; and
- ongoing investment in product, channel and market diversification strategies.

Summarised results

	Year ended 30 June		
R million	2007	2006	% change
Normalised earnings[1] (unaudited)	1 716	1 514	13
– Group operating profit	1 485	1 226	21
– Momentum insurance	1 000	859	16
– FNB insurance	145	55	>100
– Asset management	340	312	9
– Investment income on shareholders' assets	231	288	(20)
Group headline earnings	1 610	1 534	5
Earnings attributable to ordinary shareholders	2 076	1 909	9
Return on equity (%)	25.3	24.1	
New business volumes	60 628	59 397	2
– Momentum insurance	23 100	19 571	18
– FNB insurance	364	221	65
– Asset management	37 164	39 605	(6)
New business embedded value	518	434	19
New business margins[2] (%)	2.1	2.2	
Embedded value	15 927	14 438	10
Return on embedded value[3] (%)	28	31	
Ordinary shareholders' net worth	8 244	8 134	1
CAR cover (times)	2.3	2.8 (pro forma)	

1 Represents Group headline earnings adjusted for the impact of non operational items and accounting anomalies. The details relating to these items are set out in the earnings table on page 39.

2 Calculated as new business embedded value as % of present value of future premiums.

3 Represents the embedded value profit as % of opening embedded value.

BUSINESS UNIT PERFORMANCE

The Group increased normalised earnings 13% to R1 716 million. After adjusting for the impact of the R2.4 billion in special dividends paid to FirstRand (including the R500 million paid on 30 June 2006), normalised earnings increased 19%. The Group operating profit increased 21% to R1 485 million, mainly due to the continued strong growth in equity markets and the excellent results produced by FNB insurance.

The embedded value of Momentum increased from R14.4 billion at 30 June 2006, to R15.9 billion, with positive growth from equity markets being offset somewhat by the special dividends paid to FirstRand. The return on embedded value totalled 28% (2006: 31%) as buoyant equity markets, supported by a solid operational performance, impacted positively on the embedded value.

The strong growth in equity markets experienced during the first six months of the year continued in the second half, with the JSE ALSI 40 Index increasing 31% for the year. The positive impact of the buoyant equity markets on asset based fees was partly offset by the continued investment in growth and diversification initiatives.

Gross new business volumes in Momentum's insurance operations reflected a pleasing increase of 18% to R23.1 billion. Retail recurring premium new business increased 17%, driven by solid growth in both risk and savings products. New recurring premium business from employee benefits reflected a significant turnaround from the 9% growth shown in the first half of the financial year, ending the year 60% up. Lump sum inflows in the Momentum insurance operations showed growth of 18% mainly as a result of continued focus on specialist investment brokers, and the positive impact of equity market growth on investor sentiment. The embedded value of new business increased 19% to R518 million, due to the strong new business growth reflected above, whilst the average new business margin improved from 1.9% in the first six months to 2.2% for the second half of the year, resulting in a margin of 2.1% for the full year.

FNB insurance made a large contribution to the growth in operating profit, recurring new business volumes and new business embedded value. Operating profits from this business increased by more than 100% to R145 million, whilst new annualised recurring premium income increased 65% to R364 million.

The asset management operations increased operating profit by 9% to R340 million. The earnings from RMBAM increased 11% to R292 million, whilst Ashburton's operating profit decreased 4%. The operating profits of RMBAM for both 2007 and 2006 include certain once off items, which, if excluded from both years, resulted in operating profit increasing only marginally. The lower relative investment performance of RMBAM contributed to a reduction in performance fees, which also impacted on profit growth. Net cash outflows increased mainly as a result of the disinvestment of Public Investment Corporation (PIC) assets in December 2006. The investment growth on total assets under management counterbalanced these outflows resulting in total assets managed by RMBAM decreasing marginally to R195 billion.

The investment income earned on shareholders' funds declined mainly as a result of the special dividend distributions to FirstRand during the year. The capital appreciation on shareholder assets is excluded from headline earnings, which results in less volatility in headline earnings.

DETAILED COMMENTARY ON RESULTS

The following table reflects the main components of Group earnings:

Reconciliation of earnings

	Year ended 30 June		
R million	2007	2006	% change
Earnings attributable to ordinary shareholders	**2 076**	1 909	9
Adjusted for:			
Profit on sale of associates	–	(92)	100
Profit on sale of available-for-sale assets[1]	(567)	(261)	>(100)
Impairment of goodwill	53	–	–
Impairment of intangible assets	48	–	–
Net asset value in excess of purchase price of subsidiaries	–	(22)	100
Headline earnings	**1 610**	1 534	5
Adjusted for:			
Settlement with National Treasury	–	30	(100)
Adjustment of listed property associates to net asset value[2]	28	(28)	>100
IFRS 2 share based payment charge	78	26	>100
Transfer of RMB Properties to the Banking Group[3]	–	(48)	100
Normalised earnings (unaudited)	**1 716**	1 514	13

1 The change in the mandate relating to shareholders' assets necessitated the disposal of the equities held in the shareholders' portfolio.

2 Momentum's investments in the associate listed property funds, Emira and Freestone, which were reflected at net asset value in the 2006 accounts, are now reflected at fair value, as these assets back linked policyholder liabilities in terms of IAS 39.

3 The comparative normalised earnings were adjusted for the transfer of RMB Properties to the Banking Group, refer page 18.

The main contributors to the normalised earnings are set out in the following table:

Earnings source

	Year ended 30 June		
R million	2007	2006	% change
Insurance operations	**1 145**	914	25
Momentum insurance[1,2]	**1 000**	859	16
FNB insurance	**145**	55	>100
Asset management operations	**340**	312	9
RMB Asset Management[1]	**292**	262	11
Ashburton	**48**	50	(4)
Group operating profit	**1 485**	1 226	21
Investment income on shareholders' assets[2]	**231**	288	(20)
After capital reduction	**231**	212	9
Capital reduction	–	76	(100)
Normalised earnings (unaudited)	**1 716**	1 514	13

1 The operating profit of RMBAMI of R20 million (2006: R12 million), which was previously included in "Momentum insurance", is now included in "RMB Asset Management", following the transfer of this business. In addition, the comparative operating profit excludes the R48 million earned by RMB Properties in 2006, following the transfer of RMB Properties to the Banking Group.

2 The equity accounted losses of R14 million (2006: R8 million) from MSTI, which were previously included in "Investment income on shareholders' assets" are now included in "Momentum insurance".

Insurance operations

The operating profit generated by Momentum insurance increased 16% to R1 billion. The positive impact of equity market gains on asset based fees was dampened somewhat by the investment in growth and diversification initiatives, which comprised the following:

- R23 million investment in the tied agency force in order to diversify Momentum's distribution capacity. The cost of this initiative results in increased new business strain on recurring premium business;
- the middle market initiative with FNB generated a loss of R19 million for the year, mainly as a result of increased new business strain;
- Momentum's share of the loss incurred by MSTI totalled R14 million, with new business and claims ratios remaining within the targeted range set by management; and
- Momentum Africa, which represents Momentum's expansion of its healthcare interests into Africa, generated a loss of R20 million for the year.

The following table summarises the new business generated by the Momentum insurance operations:

Insurance operations – new business

R million	2007	2006	% change
	Year ended 30 June		
Recurring premiums			
– Momentum insurance	1 556	1 241	25
– Retail	1 166	997	17
– Employee benefits	390	244	60
Recurring premiums			
– FNB insurance	364	221	65
Lump sums	21 544	18 330	18
Total new business inflows	**23 464**	19 792	19
Annualised new business inflows[1]	**4 074**	3 295	24

1 *Represents new recurring premium inflows plus 10% of lump sum inflows.*

The growth in new retail recurring premium business of 17% to R1 166 million is particularly pleasing considering the competitiveness of this market. This growth was driven mainly by an increase of 20% in sales of recurring savings products. The excellent growth in FNB insurance new business resulted from increased sales of funeral policies and embedded credit life products.

Sales of Momentum's lump sum investment products increased by a pleasing 18% to R21.5 billion, mainly as a result of:

- Momentum's continued focus on building partnerships with specialist investment brokers; and
- the positive impact of buoyant equity markets on investor confidence.

New employee benefits recurring premium business reflected a significant turnaround from the 9% growth shown in the first half of the financial year, ending the year 60% higher due to the benefits of leveraging off the Momentum distribution footprint, as well as through product innovation.

During the current year the business units operating in the employee benefits market were realigned under one common strategy. The primary purpose of this realignment is to position Momentum as a leading provider of solutions to retirement funds, medical schemes and corporate entities. These businesses operate in an environment undergoing significant structural change, particularly with the advent of Government's social security and retirement reform proposals. The new structure seeks to strategically position each business as "best of breed" in terms of product offering, whilst striving to eliminate duplication and optimise efficiencies.

The healthcare administrators are now managed as a single business (MMSA) which also provides back office support for the health business in Africa. The total number of members under administration in South Africa was 493 000 at 30 June 2007. The number of members in the Momentum Health open scheme increased by 14% to 161 100 members at 30 June 2007.

The significant growth in new business from FNB insurance resulted in an increase in operating profit from R55 million to R145 million.

Asset management operations

The asset management operations generated an increase in operating profit of 9% to R340 million.

RMBAM increased operating profit 11% to R292 million. The operating profits for both 2007 and 2006 include certain once off items, which if excluded from both years resulted in operating profit increasing only marginally. The positive impact of strong equity markets was offset to some extent by a reduction in performance fees resulting from the lower relative investment performance and the negative impact of net cash outflows. Despite the decision by the PIC to disinvest a significant portion of their assets from various asset managers, following the restructuring of the way in which they manage their portfolio, total assets managed by RMBAM decreased only marginally to R195 billion. It is important to note that the withdrawal of PIC assets is not expected to have a material impact on fee revenue, assuming that RMBAM achieve the performance benchmarks on the remaining PIC specialist mandates.

RMBAM and Momentum have moved towards a closer strategic alignment in the Wealth market during the year under review. The aim is to deliver improved investment returns, leveraging Momentum's retail distribution and marketing footprint, eliminating duplication, improving efficiencies and to access new asset classes.

RMBAMI (previously RMB Multi-Managers), situated in London, was successfully incorporated into RMBAM during the course of the year, resulting in a streamlined product for both SA and international clients, and is part of the drive to globalise the asset management business.

The negative impact of the weaker US dollar on dollar based revenue, relative to the pound sterling expenses, coupled with increased fund outflows, resulted in a 4% decline in operating profit at Ashburton. Effective 1 July 2007, Momentum's interest in Ashburton, which was recently increased from 87% to 100%, was sold to the FirstRand Banking Group, in order to better align the strategic positioning of Ashburton with the private banking operations of the FirstRand Banking Group.

Investment income on shareholders' assets

The investment income earned on shareholders' assets decreased 20% to R231 million. This reduction is mainly due to the R2.4 billion in special dividends declared to FirstRand during the year (including the R500 million dividend paid on 30 June 2006). The disposal of African Life (Aflife) halfway through the prior year also impacted negatively on investment income as the earnings yield on the Aflife investment was higher than the yield on the cash proceeds. The change to the investment mandate mentioned under the "capital" section of this circular resulted in a positive impact on the level of investment income, albeit only for the second half of the financial year.

MARKETING AND ADMINISTRATION EXPENSES

After adjusting for the acquisition of ALH in 2006, the Africa and agency growth initiatives mentioned above, the impairment of intangibles charge and the IFRS 2 charge, expenses in the existing operations increased 8% compared with the prior period. The following table provides an analysis of these expenses:

Marketing and administration expenses

	Year ended 30 June		
R million	2007	2006	% change
Total marketing and administration expenses	**2 760**	2 371	16
New acquisition – ALH – effective 1 Feb 06	(162)	(55)	>(100)
New initiatives[1]	(99)	(32)	>(100)
Impairment of intangibles and goodwill	(101)	–	–
IFRS 2 share based payments	(78)	(26)	>(100)
Sage once off expenses	–	(106)	100
Existing operations	**2 320**	2 152	8
Insurance operations	1 858	1 713	8
Asset management operations	462	439	5

1 Represents the expenses of the agency initiative and Momentum Africa (Health).

RESULTS OF THE EMBEDDED VALUE CALCULATION

The embedded value of Momentum increased by R1.5 billion from R14.4 billion at 30 June 2006 to R15.9 billion at 30 June 2007. The growth in the embedded value was dampened by the special dividends paid to FirstRand during the year. The embedded value profit for the year represents a return of 28% on the opening embedded value at 30 June 2006. The analysis of the main components of the embedded value is reflected in the following table:

Embedded value

	At 30 June		
R million	2007	2006	% change
Ordinary shareholders' net worth[1]	8 244	8 134	1
Net value of in-force insurance business	7 683	6 304	22
Present value of future profits	8 458	6 974	21
Cost of capital at risk	(775)	(670)	16
Embedded value attributable to ordinary shareholders	**15 927**	14 438	10

1 The growth in ordinary shareholders' net worth was impacted negatively by the special dividends paid.

The contributors to the annualised return on embedded value of 28% are:

- Value of new business 4%
- Expected return on value of in-force insurance business 6%
- Investment return on shareholders' net worth 11%
- Investment variance 5%
- Experience variances and assumption changes 2%

The following table reflects a breakdown of the embedded value profit:

Embedded value profit

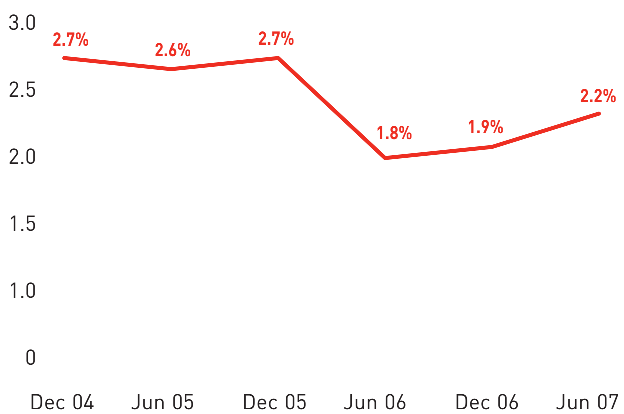
R million	2007
Changes in ordinary shareholders' net assets	2 673
Earnings attributable to ordinary shareholders	2 076
Unrealised capital appreciation and other items	597
Change in net value of in-force insurance business	1 484
Change in cost of capital at risk	(105)
Embedded value profit	**4 052**

The embedded value of new business increased 19% to R518 million. This satisfactory increase is due to increased volumes across most product lines, as well as strong sales of higher margin products, particularly the FNB insurance products.

The new business margin was boosted in the second six months by improvements in the margins and volumes of wealth business, FNB insurance, and employee benefits business. There was a pleasing improvement in the new business margin from 1.9% during the first half of the year to 2.2% in the second half, resulting in a margin of 2.1% for the full year, marginally lower than the prior year margin.

The trend in six monthly new business margins since December 2004 can be seen in the following graph:

New business margin
(%)



MOMENTUM GROUP ASSETS UNDER MANAGEMENT OR ADMINISTRATION

The Momentum Group managed or administered total assets of R362.7 billion at 30 June 2007 compared with R353.7 billion at 30 June 2006. Segregated third party funds under management were negatively impacted by the PIC disinvestment. The following table provides an analysis of the assets managed and administered:

Assets under management or administration

	At 30 June		
R billion	2007	2006	% change
On balance sheet assets	**184.1**	161.6	14
Segregated third party funds	**124.6**	147.7	(16)
Unit trust funds managed	**36.9**	30.9	19
Assets under management	**345.6**	340.2	2
Linked product assets under administration[1]	**17.1**	13.5	27
Total assets under management or administration	**362.7**	353.7	3

1 Excludes business written by the Momentum Group's linked investment service provider on the life company's balance sheet, as these assets are reflected under on-balance sheet assets above. Total linked product assets under administration amounted to R40.9 billion (2006: R29.6 billion).

Net flow of funds

Net inflows from insurance operations decreased from R2.0 billion to R1.7 billion, mainly as a result of increased withdrawals. The institutional policy outflows of R1.2 billion relate to the expected maturity of a few large policies.

The PIC disinvestment was the largest contributor to the net outflow of funds of R42.5 billion in the asset management operations.

FirstRand Capital

CAPITAL POSITION

FirstRand Limited does not only operate within the current regulatory framework, but it also subscribes to worldwide accepted principles and measurement techniques to (1) facilitate the assessment of capital adequacy on a group wide basis; and (2) to eliminate situations such as double or multiple gearing which can result in an overstatement of Group capital and which can have a material adverse effect on the regulated Bank.

FirstRand Limited has developed measurement techniques to:

- Eliminate situations of double or multiple gearing, i.e. where the same capital is used simultaneously as a buffer against risk in two or more legal entities.
- Eliminate situations where the parent issues debt and downstreams the proceeds in the form of equity, which can result in excessive leverage.
- Provide for the effects of double, multiple or excessive gearing through unregulated intermediate holding companies which have participations in dependants or affiliates engaged in financial activities.
- Address the risk being accepted by unregulated entities within a financial conglomerate that are carrying out activities similar to the activities of entities regulated for solvency purposes.
- Address the issue of participations in regulated dependants and to ensure the treatment of minority and majority interests is prudentially sound.

From 2000 to 2004 FirstRand generated very high ROEs whilst the demand for capital from the lending businesses was low, resulting in the Group generating significant surplus capital. In the first half of 2005 the Group considered various mechanisms to return this excess to shareholders and at the same time the Group reduced its dividend cover from 3x to 2.5x.

However, from 2005 to date the lower interest rate and lower inflation environment translated into extremely favourable consumer credit markets. The Group subsequently invested capital into the high growth retail lending operations of the Bank, which has grown advances at a compound rate of 43% since June 2005.

Over time, as a result of this advances growth, core equity for the Group has reduced to 8.1% and whilst this ratio is above the minimum target of 8%, the Group is actively seeking to increase this ratio through actions such as securitisation, first loss risk transfers and further evaluate its strategy to move from "originate and hold", to "originate and distribute".

CAPITAL MANAGEMENT STRATEGY AND ACTIONS

The Group aims to fulfil the requirements of shareholders and maintain an efficient capital structure with limited excesses, but which supports its short term growth requirements. It does not hold surplus capital for acquisitions and the need for raising additional capital is assessed on a transaction by transaction basis.

The Group's targeted return on invested shareholders' capital is 10% above the weighted average cost of capital. The Group constantly monitors whether this target is met by the business units, and if not, businesses are changed or terminated.

The year under review was characterised by strong growth, particularly from the Banking Group, which was funded by strong capital generation. It is expected that both domestic growth and international expansion will continue in the next financial year, which will increase the demand for capital and the Banking Group has taken certain actions to ensure this growth is funded in the most efficient manner. The Banking Group concluded Fresco II in August 2007, which was a partially funded synthetic securitisation of a portfolio of South African and international corporate credit exposures held on the balance sheet. This transaction relieved R1.4 billion of current regulatory capital under Basel I and R700 million under Basel II. The Banking Group will also hold a buffer for international expansion initiatives but will only allocate capital to these if they meet or exceed the current hurdle rates.

Basel II, which is applicable from 1 January 2008, will have a neutral impact on the capital requirements of the Banking Group. In addition, the new regulations will allow for more innovative Tier 1 and Tier 2 capital instruments, which the Banking Group is planning to issue to further strengthen the capital base and to fund growth.

Given the increase in interest rates over the past 12 months, the Banking Group expects retail lending to slow to more sustainable levels and this will reduce pressure on capital requirements. Whilst it is expected that corporate lending will increase, the use of the Banking Group's balance sheet will be limited to those asset classes that provide an appropriate return, and will continue to focus on an "originate and distribute" against an "originate and hold" strategy in light of recent market developments.

In addition, Momentum continues to generate surplus capital. One of the benefits of being an integrated group is the flexibility to move capital between the businesses. During the year the excess capital in Momentum of R1.9 billion was used to fund growth in the Bank and the Group anticipates that a further R700 million of capital will be available from Momentum.

Key ratios of the Group entities are set out below:

	At 30 June	
	2007	2006
Capital adequacy		
Capital adequacy ratio: Banking Group (Regulatory requirement: 10%)	**13.6**	12.8
CAR cover: Momentum Group (Regulatory requirement: 1.0x)	**2.3**	2.8
CAR cover: Discovery Group (Regulatory requirement: 1.0x)	**10.7**	16.6
Capital leverage ratio		
Core equity (%)	**77.2**	72.2
Non cumulative non redeemable preference shares (%)	**7.5**	8.6
Debt instruments (%)	**15.3**	19.2
	100.0	100.0

FIRSTRAND BANKING GROUP

Capital supply and demand

Management aims to produce solid returns to the Banking Group's shareholders while maintaining sound capital ratios and a strong credit rating – all against the backdrop of an efficient capital structure with limited excesses. As a result, the Banking Group provides management with the necessary tools to manage this total capital ratio in order to uphold its sound capitalisation and credit ratings.

The most optimal level of capital is achieved after taking into account business units' organic growth requirements – provided financial targets are met – as well as expectations of investors, considerations of rating agencies, targeted capital ratios and future business plans.

Capital is generated primarily by means of earnings. The focus of the Banking Group remains on core capital, or normalised net asset value, which it believes is the core of measuring strength, performance and capital requirements. Total capital in the broader sense is further enhanced with the issuance of mezzanine debt capital such as preference shares and subordinated debt. Capital required from a growth point of view is reviewed and any excess above this level is returned to shareholders.

The current and projected capital positions of FirstRand Bank Limited and the Banking Group are monitored on an ongoing basis. A forecast of the future capital position is updated periodically, while the Banking Group continues to develop these over a longer period.

The year under review

Credit growth in the country remains strong, as evidenced by the robust growth in most categories of risk weighted assets – see graph on page 47. The sound capital position reported at the end of June 2006 has enabled the Bank to continue its participation in the economic activities of the country.

Strong earnings growth has solidified the Banking Group's Tier 1 and Total capital adequacy ratios. Coupled with a highly optimal capital structure, it has reduced the level of activity of the Banking Group in the financial markets during the period under review. While the number of transactions is lower, the absolute size of these initiatives is of a much larger nature.

Additionally, this optimal capital structure has afforded the Banking Group the opportunity to increase its internal focus on areas such as performance measurement – refer to the section on economic profit below – portfolio optimisation and other balance sheet initiatives. Given the new Basel II environment, this focus will shift to opportunities in the external market, such as the issuance of hybrid instruments that will be recognised as Tier 1 capital as well as other innovative instruments and optimisation initiatives.

The Bank periodically securitises instalment debtors and home loans primarily to enhance the Bank's liquidity position, diversify its sources of funding across the maturity spectrum and optimise the composition of its balance sheet. For the period under review, the Bank securitised instalment debtors of R10 billion (2006: R2 billion) and home loans of R1.9 billion (2006: R nil). Refer to the section on page 24 for more information on the Bank's securitisation programme.

Subsequent to year end, the Bank synthetically securitised up to R20 billion worth of corporate loans (Fresco II), providing R1.4 billion of capital relief. The impact of the securitisation is demonstrated on the capital adequacy ratios of FirstRand Bank and the Banking Group in the next section.

CAPITAL ADEQUACY RATIOS

The registered banks in the Banking Group must comply with the SARB regulations and those of their home regulators. At FirstRand, capital adequacy is measured via three risk based ratios; core Tier 1 capital, Tier 1 capital, and Total capital.

While Tier 1 capital is a function of core capital and non redeemable non cumulative preference shares, Total capital also includes other items such as subordinated debt and an eligible portion of the total general allowance for credit losses. All of these capital measures are stated as a percentage of risk weighted assets. Risk weighted assets are measured primarily on perceived credit risk and include certain off balance sheet exposures, such as loan commitments and letters of credit.

The Banks Act requires the Banking Group to maintain a minimum level of capital based on the Banking Group's risk weighted assets and off balance sheet exposures. These minimum requirements are a Tier 1 capital ratio of 7.5% and a Total capital ratio of 10%. FirstRand Banking Group and FirstRand Bank have always held Tier 1 capital and Total capital well in excess of these required ratios.

The table below shows the capital adequacy position of the Bank and Banking Group as disclosed, as well as the ratio following the Fresco II securitisation (post year end) – details below.

FirstRand Banking Group

	Total capital adequacy	Tier 1 capital
Disclosed capital adequacy (%)	13.6	10.7
Fresco II saving*	0.4	0.4
Actual capital adequacy post year end	14.0	11.1

**Note this saving of R1.4 billion reduces to approximately R700 million under Basel II.*

FirstRand Bank Limited

	Total capital adequacy	Tier 1 capital
Disclosed capital adequacy (%)	11.4	8.3
Fresco II saving*	0.5	0.5
Actual capital adequacy after Fresco II	11.9	8.8

**Note this saving of R1.4 billion reduces to approximately R700 million under Basel II.*

The capital adequacy ratio for the Banking Group has improved over the last year and is now well above the target ratio of 12.0%.

The table below highlights the targeted and actual capital levels for the year ended 30 June 2007:

	Total capital adequacy		Tier 1 capital		Tier 1 capital – core	
%	Target	Actual	Target	Actual	Target	Actual
FRBG	> 12.0	13.6	> 9.25	10.7	> 7.25	9.8
FRB	> 11.5	11.4	> 8.75	8.3	> 6.75	7.2

The current total capital adequacy and Tier 1 ratios for the Bank are above the minimum target levels if the Fresco II securitisation is taken into account. Additionally, the current targets reflect a Basel II environment. During the course of the new financial year the Bank will issue hybrid instruments in terms of the new regulations, which should increase the Tier 1 and total capital adequacy ratios above the target levels.

The consolidated capital adequacy position of the Banking Group is set out below:

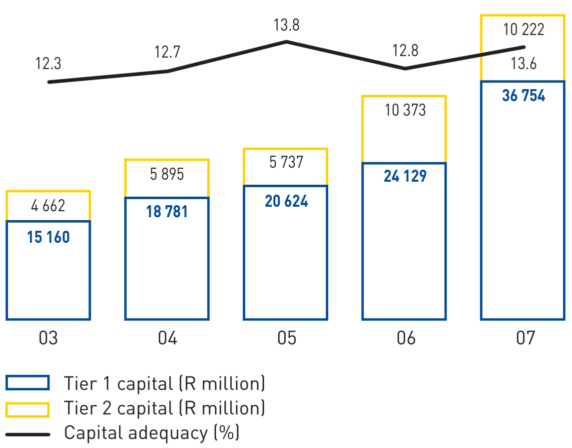
	At 30 June	
	2007	2006
Total capital adequacy (%)	**13.6**	12.8
Tier 1 (%)	**10.7**	9.0
Tier 1 – core capital (%)	**9.8**	7.8
Risk weighted assets (R million)	**344 368**	269 272

The capital adequacy position of FirstRand Bank Limited can further be analysed as follows:

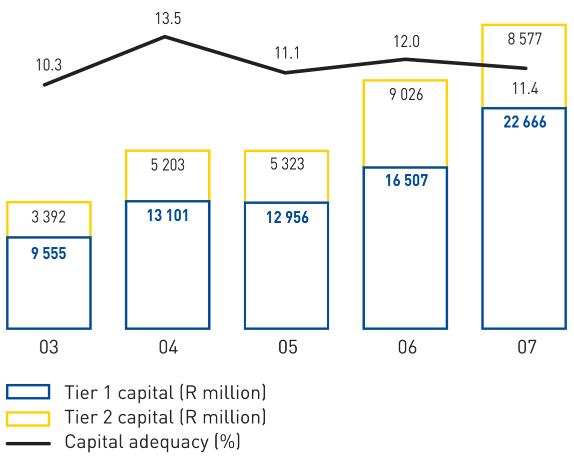
	At 30 June	
	2007	2006
Total capital adequacy (%)	**11.4**	12.0
Tier 1 (%)	**8.3**	7.7
Tier 1 – core capital (%)	**7.2**	6.3
Risk weighted assets (R million)	**274 558**	213 557

The graphs below indicate the regulatory capital position of the Banking Group and FirstRand Bank Limited over the last five years:

FirstRand Banking Group

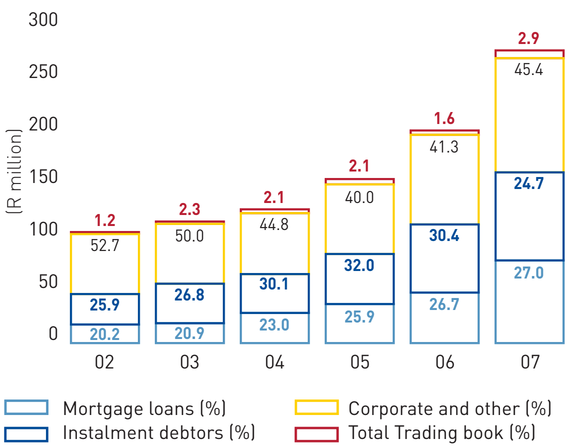


FirstRand Bank Limited



The next graph shows that the significant growth in risk weighted assets for FirstRand Bank Limited was driven primarily by home loans and corporate advances. The composition of instalment debtors is down significantly following the securitisation of assets within this category – refer to the note on securitisation.

Total risk weighted assets



CAPITAL MANAGEMENT FRAMEWORK

At FirstRand Bank, the capital management framework governs this capital management process.

The purpose of the Bank's capital management framework is to create objectives, policies and principles relating to the capital management process of book capital, regulatory capital and economic capital. It ensures that management defines, measures and invests all forms of capital in an integrated and well structured way, and that the Bank maintains sufficient capital consistent with the Bank's risk profile.

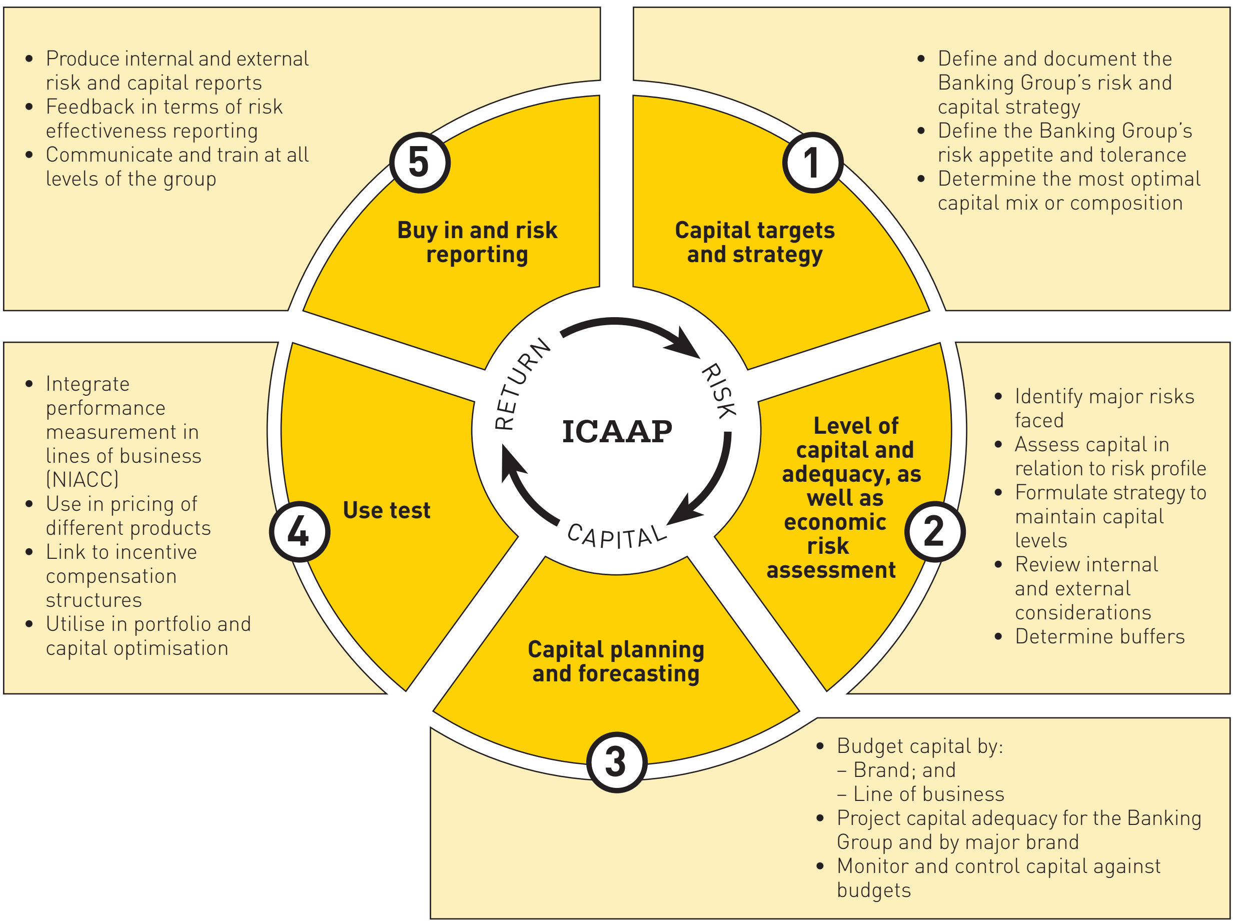
As a result, the framework assesses the overall capital adequacy commensurate with the Bank's risk profile, along with a strategy for maintaining the capital levels. This is done through the proactive management of (1) the level of capital; (2) the investment of capital; and (3) the allocation of capital.

The team also manages and monitors the Banking Group's capital from three perspectives: (1) regulatory capital; (2) economic capital; and (3) shareholders' capital. While the onus is on each of the Banking Group's subsidiaries to ensure that the respective capital adequacy ratios are calculated and maintained in compliance with local regulations, the capital management team provides central oversight and consolidated capital management across these different entities.

(1) Level of capital

The targeted level of capital for the Banking Group is governed by the Internal Capital Adequacy Assessment Process ("ICAAP"). The Banking Group's ICAAP document has been reviewed and approved by the Capital Management Committee and Main Risk Committee. This document is updated annually.

ICAAP is part of the new Basel II Capital Accord Pillar 2 requirements. In Pillar 2, risks are identified and risk management assessed from a wider perspective, to supplement the capital requirements calculated within the scope of Pillar 1. The process is best demonstrated in the next diagram.



The Banking Group is capitalised at the higher of economic and regulatory capital (inclusive of an appropriate buffer). This is done at both Group level and in each of the operating entities within the Banking Group.

Economic capital is defined as the capital which the Banking Group must hold, commensurate with its risk profile under severe stress conditions, to give comfort to third party stakeholders (shareholders, counterparties and depositors, rating agencies and regulators) that it will be able to discharge its obligations to third parties in accordance with an indicated degree of certainty even under stress conditions, and would continue to operate as a going concern entity. A "bottom up" statistical economic capital calculation is done at a 99.9% confidence interval.

(2) Investment of capital

Share capital and reserves are managed as part of the net interest rate risk profile of the Bank by adjusting the profile of liquid assets or through transactions in derivative instruments. For other subsidiaries capital is generally placed in the funding pool.

(3) Allocation of capital

Capital is allocated to business units at the higher of:

- Regulatory capital (plus buffer); and
- Economic capital.

The Banking Group's ICAAP framework assists in the attribution of capital to business units in proportion to the risks inherent in their respective businesses, which also drives the optimisation of returns in terms of risk and reward. It allows for direct comparable performance measurements through Net income after capital charge ("NIACC") and Return on Equity ("ROE").

The framework also serves to consistently measure and align economic capital with the underlying risks associated with the activities of each business unit. The capital attribution methodologies involve a number of assumptions and estimates that are revised periodically. Any changes to these factors directly impact other measures such as business units' return on average equity, and economic profit or NIACC.

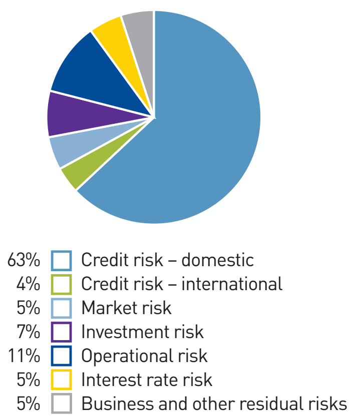
The economic capital allocation methodology is broadly based on the advanced approach followed under Basel II. The economic capital allocation is widely used in the Banking Group. It is a key input into deal pricing, risk management, the measurement of business performance on a risk adjusted basis, and strategic decisions regarding the capitalisation of FirstRand Bank and the Banking Group.

The risk adjusted capital is calculated for both Bank and non bank entities and takes into account the following risk types (Pillar 1 and Pillar 2 of Basel II accord):

- credit risk;
- traded market risk;
- equity investment risk;
- interest rate risk in the banking book;
- operational risk; and
- business and other residual risks.

The following graph indicates the economic capital analysis per risk type for 2007:

Risk type split – including business risk – 2007



RETURN ON EQUITY AND ECONOMIC PROFIT

Return on Equity ("ROE")

The return on equity for the Banking Group is 31%, compared to the prior year of 28%.

Analysis of shareholders' equity and reserves

Total shareholders' equity and reserves per the Banking Group balance sheet totalled R39.2 billion as at 30 June 2007 (R30.9 billion in 2006). The average ordinary shareholders' equity and reserves for the year amounted to R31.9 billion (2006: R26.1 billion).

Segmental ROE

For purposes of segmental ROE reporting, ordinary shareholders' funds have been attributed to business units based on economic capital utilisation, inclusive of an appropriate buffer. Economic capital utilisation is calculated for both regulated and unregulated businesses and incorporates an assessment of the capital required for the risk incurred by the business, as per the methodology described elsewhere in the section on capital management.

The tables below provide a summary of the ROE numbers for the main business units based on unaudited normalised earnings attributable to ordinary shareholders:

Year ended 30 June 2007

R million (unaudited)	Normalised earnings	ROE %
FNB	**4 303**	**33**
RMB	**4 029**	**43**
WesBank	**988**	**18**
FNB Africa	**456**	**33**
Group Support	**33**	
Total	**9 809**	**31**

Year ended 30 June 2006

R million (unaudited)	Normalised earnings	ROE %
FNB	3 415	32
RMB	2 253	32
WesBank	1 120	27
FNB Africa	377	28
Group Support	45	
Total	7 210	28

Normalised earnings include the net income on capital earned by the respective divisions.

Group Support includes the income and expenses on capital transactions as well as the income from associates, e.g. Outsurance.

Allocating equity involves the use of assumptions, interpretations and techniques that are regularly reviewed and updated as deemed necessary. The allocation of risk capital is based on certain assumptions, interpretations and techniques that quantify economic risks as described in the "allocation of capital" section. Banks that disclose information on similar allocations and related return measures may use different assumptions, interpretations and techniques.

Economic profit, or Net income after capital charge ("NIACC")

Many banks use a risk reward methodology to actively manage their portfolios of investments or activities, and for performance evaluation. At FirstRand, NIACC – a derivative from economic profit – is a performance measure that has been in place since July 2005.

The incorporation of an opportunity cost of equity capital into the Banking Group's performance measurement system potentially can offer great benefits in terms of improved risk management, greater efficiency in the use of capital, and quicker and more informed decision making on the part of managers. It also aligns the interests of management with those of shareholders.

Economic profit and risk adjusted performance measurement principles have been embedded in the management culture of the organisation through economic profit contribution measurement. Economic profit is a function of the unaudited normalised earnings and capital utilised in the businesses.

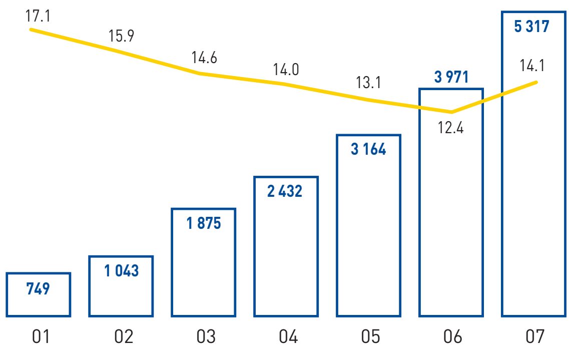
Economic profit = normalised earnings – (cost of equity x average ordinary shareholders' equity and reserves)

R million	At 30 June 2007	2006
Normalised earnings (unaudited)	**10 041**	7 463
Preference dividends	**(232)**	(253)
Normalised earnings attributable to ordinary shareholders (unaudited)	**9 809**	7 210
Charge for capital*	**(4 492)**	(3 239)
Net economic profit	**5 317**	3 971
Average ordinary shareholders' equity	**31 939**	26 143
Return on average ordinary shareholders' equity (%)	**30.7**	27.6

** The capital charge is based on an average cost of equity of 14.1% (2006: 12.4%).*

The graph below indicates the growth in economic profit and the internally estimated cost of equity of the Banking Group:

Net economic profit*
CAGR: 39%



*Economic profit for 2001 to 2004 based on pre-IFRS basis

CREDIT RATINGS

FirstRand subsidiaries continue to enjoy strong counterparty credit ratings in South Africa. The current strong credit rating is supported by the solid capital position, the diverse portfolio of activities within the Group, prudent risk management and an enterprise wide focus on value creation.

	Fitch Ratings	Standard and Poor's	Moody's Investor Services
FirstRand Bank Holdings			
Foreign currency	–	–	
– Long term	BBB+	–	
– Short term	F2	–	
– Outlook	Stable	–	
National	–	–	
– Long term	AA (zaf)	–	
– Short term	F1+ (zaf)	–	
– Outlook	Stable	–	
Individual	B/C	–	
Support	5	–	
Counterparty credit	–	BBB/A-2/Positive	
FirstRand Bank Limited			
Foreign currency	–	–	–
– Long term	A-	BBB+	Baa1
– Short term	F2	A-2	P-2
– Outlook	Stable	Stable	–
Local currency	–	–	–
– Long term	A-	BBB+	A1
– Short term	–	A-2	P-1
– Outlook	Stable	Positive	–
National	–	–	–
– Long term	AA+(zaf)	–	Aa1.za
– Short term	F1+(zaf)	–	P-1.za
– Outlook	Stable	–	–
Individual	B/C	–	–
Support	2	–	–
Counterparty credit	–	BBB+/A-2/Positive	–
Bank financial strength	–	–	C
Outlook	–	–	Stable
Momentum Group Limited			
National long-term rating	AA(zaf)		
– Outlook	Stable		
National insurer financial strength	AA+(zaf)		
– Outlook	Stable		
Sovereign ratings			
Foreign currency	–	–	
– Long term	BBB+	BBB+	Baa1
– Short term	F2	A-2	–
– Outlook	Positive	Stable	–
Local currency	–	–	–
– Long term	A	A+	A2
– Short term	–	A-1	–
– Outlook	Positive	Stable	–
Outlook	–	–	Positive

REGULATORY CAPITAL

FirstRand Bank Limited

R million	At 30 June 2007	2006
Regulatory capital		
Tier 1	**22 666**	16 507
Share capital	**4**	4
Share premium	**6 161**	3 372
Non redeemable non cumulative preference shares	**3 000**	3 000
Reserves	**14 123**	10 713
Less: Impairments	**(622)**	(582)
Tier 2	**8 577**	9 026
Subordinated debt instruments	**7 183**	6 867
Qualifying provisions	**2 295**	2 159
Less: Impairments	**(901)**	–
Total regulatory capital	**31 243**	25 533
Capital adequacy ratios (%)		
Tier 1	**8.3**	7.7
Tier 2	**3.1**	4.3
Total	**11.4**	12.0

Calculation of risk weighted assets of FirstRand Bank Limited

R million	2007	2006	Risk weighting	Risk weighted assets 2007	Risk weighted assets 2006
Banking book	**980 560**	670 474		**266 538**	210 175
Cash, own bank and capital government advances	**105 961**	123 525	0%	**–**	–
Central Securities Depository Participation	**530 213**	268 011	0%	**–**	–
Public sector body advances and letters of credit	**1 794**	575	5-10%	**179**	42
Other bank advances and letters of credit	**25 561**	24 021	20%	**5 112**	4 804
Mortgage advances, remittances in transit and performance related guarantees	**111 568**	98 026	50%	**55 784**	49 013
Other advances and lending related guarantees	**197 231**	149 006	100%	**197 231**	149 006
Counterparty risk exposure	**8 232**	7 310	100%	**8 232**	7 310
Trading book	**8 020**	3 382		**8 020**	3 382
Position risk	**6 280**	2 336	100%	**6 280**	2 336
Counterparty risk exposure	**1 740**	955	100%	**1 740**	955
Large exposures	**–**	91	100%	**–**	91
	988 580	673 856		**274 558**	213 557

The consolidated capital adequacy position of the Banking Group is set out below:

	Year ended 30 June			
	2007		2006	
R million	Risk weighted assets	Capital adequacy %	Risk weighted assets	Capital adequacy %
FirstRand Bank Limited	**274 558**	**11.4**	213 557	12.0
FNB (Botswana) Limited	**4 077**	**15.1**	3 747	15.1
FNB (Namibia) Limited	**6 564**	**20.9**	6 046	20.9
FNB (Swaziland) Limited	**807**	**15.9**	735	14.0
FNB (Lesotho) Limited	**54**	**13.7**	26	45.2
FirstRand (Ireland) PLC	**23 206**	**16.1**	22 259	14.7
RMB Australia Holdings Limited	**6 599**	**11.7**	4 055	12.6
RMB Mauritius Limited	**–**	**–**	59	182.2
Total FirstRand Banking Group (regulated bank entities)	**315 865**	**12.0**	250 484	12.5
FirstRand Banking Group (regulated and non bank entities)	**344 368**	**13.6**	269 272	12.8

All the banking operations are subject to a 10% minimum capital requirement, except for FNB (Botswana) Limited, where the minimum capital requirement is 15%.

RMB Mauritius was voluntarily liquidated and the banking licence handed back at the end of the previous financial year.

MOMENTUM

CAPITAL

Investment mandate for the shareholders' portfolio

During the 2007 financial year, Momentum revisited the investment mandate of the shareholders' portfolio as well as the appropriate economic capital level for Momentum. The shareholders' portfolio holds those assets that are not required to meet obligations towards policyholders. Momentum's board confirmed the principle that capital serves to support the life insurance business. The investment of those assets that represent Momentum's capital is therefore not viewed as a risk taking opportunity in its own right. The intention is that no equity risk, credit risk or foreign exchange risks should be introduced via the investment mandate for the shareholders' portfolio so that Momentum's required level of economic capital is minimised.

The Board decided that Momentum would support its regulatory Capital Adequacy Requirement ("CAR") with cash assets, but that the balance of the shareholders' assets will be invested in a combination of strategic investments and interest bearing assets. This represents a change from the previous investment mandate where the discretionary shareholders' assets (i.e. not backing CAR) were invested in strategic investments and domestic equity.

Capital position

The revised investment mandate reduced Momentum's inherent risk profile, and the targeted economic capitalisation level was therefore reduced to between 1.7 – 1.9 times CAR (compared to a targeted range of 1.8 – 2.2 times CAR previously). The reduced risk profile and the commensurate reduction in the targeted economic capitalisation level allowed Momentum to return excess capital to shareholders. A final dividend of R1.1 billion (comprising a normalised dividend of R0.4 billion and a special dividend of R0.7 billion) is expected to be declared in October 2007, resulting in a reduction in the CAR cover ratio from 2.3 times to 1.9 times, which is in line with the targeted capitalisation level.

During the current year the High Court approved the transfer of the Sage Life business to Momentum in terms of section 37 of the Long Term Insurance Act 1998, effective 1 July 2006. As a result, the comparative statutory surplus and CAR are provided on a pro forma comparable basis in the following table:

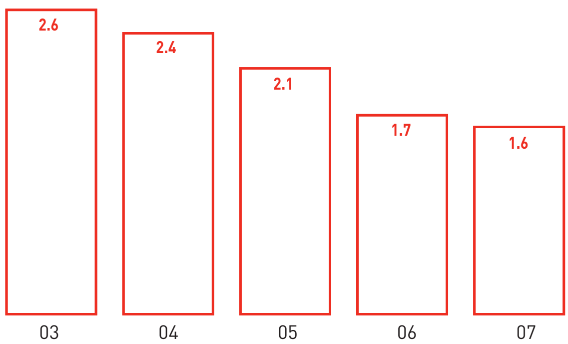
Statutory surplus and CAR

R million	2007	2006 pro forma	2006 as originally reported
Statutory excess of assets over liabilities[1]	**5 794**	6 345	6 041
CAR	**2 467**	2 239	1 978
CAR cover ratio (times)	**2.3**	2.8	3.1

1 The statutory surplus has reduced due to the special dividends paid to FirstRand during the year.

The graph below shows the capital efficiency improvements over the past five years by expressing CAR as a percentage of Momentum's policyholder liabilities.

Capital efficiency movements
(%)



The reduction was mainly due to a more capital efficient liability mix, as well as the positive impact of good investment performance.

Composition of regulatory capital

The Financial Services Board ("FSB") has not formally limited the extent to which South African life insurance companies can gear their balance sheets. In line with FirstRand's guidance, Momentum believes that it is appropriate to operate on a debt to total regulatory capital ratio of below 30%. The table below analyses the sources of total qualifying regulatory capital utilised by Momentum as at 30 June 2007:

Regulatory capital (R million)	At 30 June 2007	%
Tier 1	**4 758**	82%
– Core Tier 1 (i.e. equity capital)	**4 258**	73%
– Non redeemable preference shares	**500**	9%
Subordinated qualifying bond[1]	**1 036**	18%
Qualifying statutory capital	**5 794**	100%

1 This gearing level is within the limit of 30%.

Momentum's credit rating

As part of the ongoing management of Momentum's capital position, the annual review of Momentum's credit rating was conducted by Fitch Ratings ("Fitch"). Fitch confirmed Momentum's credit rating on 8 December 2006 as follows:

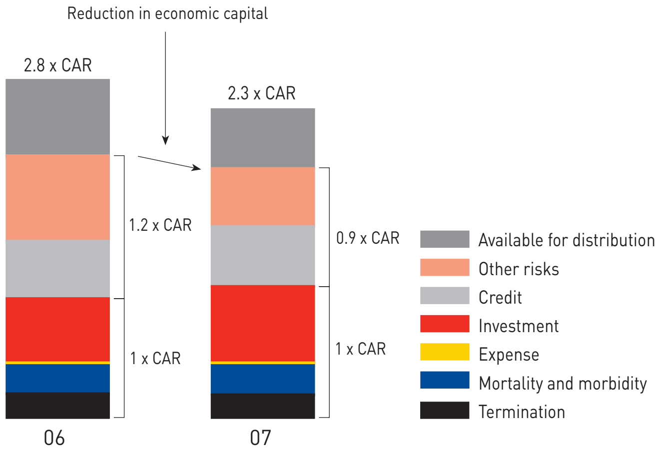
"...affirmed Momentum Group Limited's National Insurer Financial Strength (IFS) rating at 'AA+(zaf)' and National Long-term rating at 'AA(zaf)'. The rating Outlook is Stable."

Fitch previously indicated that the reduction of Momentum's targeted capitalisation level to 1.7 – 1.9 times CAR would not impact Momentum's credit rating and commented as follows:

"...Fitch expects the company to take measures over time to reduce its available capital from current levels to within its revised target range of 1.7 – 1.9 times. Momentum has recently reduced its targeted capitalisation level to reflect the more conservative investment mandate that has been adopted for the shareholders' funds..."

Composition of economic capital

The graph below shows the contribution of the different risk classes to Momentum's total economic capital requirement over the past two years:



Return on equity

The active management of Momentum's capital plays an important role to achieve the targeted return on capital set by the FirstRand Group. ROE for the year ended 30 June 2007 amounted to 25.3% (based on normalised earnings), compared with 24.1% in the year to 30 June 2006. The reduction of capital by way of the payment of special dividends during 2007 contributed to this increase.

FIRSTRAND
Banking Group

appendix 1

FirstRand Banking Group
Abridged financials
for the year ended 30 June 2007

income statement

for the year ended 30 June

R million	Notes	2007	2006
Interest and similar income		39 397	25 982
Interest expenses and similar charges		(25 399)	(15 087)
Net interest income before impairment of advances	1	13 998	10 895
Impairment of advances	2	(2 857)	(1 411)
Net interest income after impairment of advances		11 141	9 484
Non interest income	3	20 836	15 674
Income from operations		31 977	25 158
Operating expenses	4	(19 042)	(15 037)
Net income from operations		12 935	10 121
Share of profit from associates and joint ventures	5	2 013	1 259
Income before tax		14 948	11 380
Indirect tax		(455)	(469)
Profit before tax		14 493	10 911
Direct tax		(3 844)	(3 012)
Profit for the year		10 649	7 899
Attributable to:			
Minorities		823	639
Shareholders		9 826	7 260
Preference shareholders		232	253
Ordinary shareholders		9 594	7 007

consolidated balance sheet

as at 30 June

R million	Notes	2007	2006
ASSETS			
Cash and short term funds		28 796	27 710
Derivative financial instruments		20 840	35 381
– qualifying for hedge accounting		144	428
– held for trading		20 696	34 953
Advances	6	383 485	316 840
– loans and receivables		309 461	262 134
– held-to-maturity		535	713
– available-for-sale		728	523
– fair value through profit and loss		72 761	53 470
Investment securities and other investments		90 081	70 728
Financial securities held for trading		45 317	30 015
Investment securities		44 764	40 713
– held-to-maturity		5	92
– available-for-sale		13 754	18 912
– fair value through profit and loss		15 055	12 915
– fair value through profit and loss non recourse investments		15 950	8 794
Commodities		1 118	676
Loans to Insurance Group		4 016	1 274
Accounts receivable		6 866	3 486
Investment in associates and joint ventures		5 457	3 649
Property and equipment		5 428	4 329
Deferred tax asset		537	360
Intangible assets		843	764
Total assets		547 467	465 197
EQUITY AND LIABILITIES			
Liabilities			
Deposits		419 965	342 331
– deposit and current accounts		404 015	333 537
– fair value through profit and loss non recourse deposits		15 950	8 794
Short trading positions		36 870	28 264
Derivative financial instruments		18 135	32 972
– qualifying for hedge accounting		30	162
– held for trading		18 105	32 810
Creditors and accruals		9 064	10 101
Provisions		3 211	1 985
Tax liability		1 123	554
Post retirement benefit fund liability		1 842	1 597
Deferred tax liability		3 268	2 724
Policyholder liabilities under insurance contracts		412	325
Long term liabilities		7 174	7 804
Loans from Insurance Group		5 522	4 307
Total liabilities		506 586	432 964
Equity			
Capital and reserves attributable to equity holders			
Ordinary shares		106	106
Share premium		3 802	1 632
Non distributable reserves		3 302	2 738
Distributable reserves		28 916	23 279
		36 126	27 755
Non cumulative non redeemable preference shares		3 100	3 100
Capital and reserves attributable to equity holders		39 226	30 855
Minority interest		1 655	1 378
Total equity	7	40 881	32 233
Total equity and liabilities		547 467	465 197

A detailed segment report is set out in note 8.

NOTE 1: NET INTEREST INCOME AND MARGIN ANALYSIS

R million	2007	2006	% change
FNB			
Consumer segment	4 254	3 383	26
Other Consumer	1 772	1 338	32
HomeLoans	1 640	1 346	22
Card Issuing	842	699	20
Wealth segment	472	336	40
Commercial segment	2 709	2 109	28
Corporate segment	405	323	25
FNB Mass and Support	532	425	25
RMB	360	–	100
WesBank	3 343	2 854	17
FNB Africa	1 101	880	25
Group Support	822	585	41
Net interest income	13 998	10 895	28

MARGIN ANALYSIS

R million	2007 Average balance*	2007 Margin %	2006 Average balance*	2006 Margin %
South Africa				
Advances				
Asset backed mortgages	114 107	2.06	85 356	2.27
Instalment sales	72 599	3.47	59 233	3.53
Card debtors	11 437	6.45	8 338	7.03
Overdraft & managed account debtors	12 634	5.46	10 614	5.10
Personal loans	11 575	7.86	8 536	7.12
Other banking advances	17 898	2.08	15 984	2.31
Total advances	240 250	3.16	188 061	3.26
Deposits				
Current & savings accounts	42 537	5.95	35 592	5.10
Money market accounts	19 767	1.45	13 263	1.49
Call accounts	28 347	1.43	26 408	1.23
Notice deposits	29 601	1.13	24 045	0.90
Fixed deposits	14 585	0.87	13 348	0.74
Managed account creditors	18 835	1.73	13 229	1.45
Total deposits	153 672	2.61	125 885	2.26
FNB Africa				
Advances	13 147	3.65	11 315	3.73
Deposits	18 119	2.47	11 768	2.29

**Average balances are the daily weighted average for the 12 months ended 30 June.*

NOTE 2: ANALYSIS OF MOVEMENT IN IMPAIRMENT OF ADVANCES

2.1 Analysis of impairment

	2007			
R million	**Total impairment**	Specific impair–ment	Portfolio impairment	Income statement
Opening balance	**3 131**	2 010	1 121	
Exchange rate difference	**6**	3	3	
Amounts written off	**(1 747)**	(1 740)	(7)	
Unwinding of discounted present value on non performing loans	**(106)**	(106)	–	
Reclassifications	**–**	(111)	111	
Net new impairments created	**3 231**	2 693	538	(3 231)
– impairments created	**3 883**	3 002	881	(3 883)
– impairments released	**(652)**	(309)	(343)	652
Recoveries of bad debts	**–**	–	–	374
Acquisitions	**35**	–	35	–
Closing balance	**4 550**	2 749	1 801	(2 857)

	2006			
R million	Total impairment	Specific impairment	Portfolio impairment	Income statement
Opening balance	2 587	1 666	921	
Exchange rate difference	(8)	(7)	(1)	
Amounts written off	(1 115)	(1 033)	(82)	
Unwinding of discounted present value on non performing loans	(77)	(77)	–	
Net new impairments created	1 729	1 447	282	(1 729)
– impairments created	3 225	2 504	721	(3 225)
– impairments released	(1 496)	(1 057)	(439)	1 496
Recoveries of bad debts	–	–	–	312
Acquisitions	15	14	1	–
Profit on realisation of security	–	–	–	6
Closing balance	3 131	2 010	1 121	(1 411)

2.2. Credit risk and impairments

FNB

R million	Other Consumer[1]		HomeLoans		Card		Wealth	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Advances and NPLs								
Gross advances net of ISP[2]	**3 833**	2 727	**98 356**	81 604	**11 935**	9 192	**21 006**	15 971
NPL	**148**	88	**1 573**	691	**954**	504	**275**	188
NPL (%)	**3.9**	3.2	**1.6**	0.8	**8.0**	5.5	**1.3**	1.2
Securitised assets	**–**	–	**1 492**	–	**–**	–	**–**	–
Income statement impairments								
– Portfolio impairment	**29**	9	**61**	26	**23**	58	**12**	3
– Specific impairment	**114**	70	**195**	131	**552**	253	**24**	17
Total impairment charge	**143**	79	**256**	157	**575**	311	**36**	20
Portfolio impairment charge (%)	**0.88**	0.38	**0.07**	0.04	**0.22**	0.73	**0.06**	0.02
Specific impairment charge (%)	**3.48**	2.99	**0.21**	0.19	**5.22**	3.17	**0.13**	0.12
Total impairment charge (%)	**4.36**	3.37	**0.28**	0.23	**5.44**	3.90	**0.19**	0.14
Balance sheet impairments								
– Portfolio impairment	**57**	27	**268**	113	**184**	168	**42**	29
– Specific impairment	**108**	72	**339**	282	**614**	331	**30**	33
Total impairments	**165**	99	**607**	395	**798**	499	**72**	62
Nature of lending	Mostly unsecured		Secured		Unsecured		Mostly secured	

FirstRand Bank	2007			
Risk measures (%)	Retail overdrafts	Home Loans	Credit Cards	Wealth
– Indicative expected loss as % of EAD	3.0	0.30	3.0 – 4.0	0.3
– Indicative through the cycle PD	5.0	2.0 – 2.5	3.0 – 4.0	2.0 – 2.5
– Long run average LGD range	60 – 70	10 – 20	50 – 60	<10

1 Includes overdrafts and personal loan products.
2 Includes securitised assets.

NPL = non performing loans
ISP = Interest in suspense

FNB continued

R million	Commercial		Corporate (Wholesale)		FNB Mass and Support[2]		FNB Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Advances and NPLs								
Gross advances net of ISP[1]	**20 469**	16 920	**21 105**	25 006	**3 577**	2 456	**180 281**	153 876
NPL	**432**	415	**184**	415	**394**	212	**3 960**	2 513
NPL (%)	**2.1**	2.5	**0.9**	1.7	**11.0**	8.6	**2.2**	1.6
Securitised assets	**–**	–	**–**	–	**–**	–	**1 492**	–
Income statement impairments								
– Portfolio impairment	**42**	–	**13**	–	**199**	8	**379**	104
– Specific impairment	**71**	41	**(3)**	9	**185**	102	**1 138**	623
Total impairment charge	**113**	41	**10**	9	**384**	110	**1 517**	727
Portfolio impairment charge (%)	**0.22**	–	**0.05**	–	**6.60**	0.40	**0.23**	0.08
Specific impairment charge (%)	**0.38**	0.27	**(0.01)**	0.05	**6.13**	5.13	**0.68**	0.48
Total impairment charge (%)	**0.60**	0.27	**0.04**	0.05	**12.73**	5.53	**0.91**	0.56
Balance sheet impairments								
– Portfolio impairment	**134**	108	**95**	28	**222**	21	**1 002**	494
– Specific impairment	**191**	187	**130**	275	**289**	163	**1 701**	1 343
Total impairments	**325**	295	**225**	303	**511**	184	**2 703**	1 837
Nature of lending	Mostly secured		Mostly unsecured		Mostly secured			

FirstRand Bank	2007		
Risk measures (%)	Commercial	Corporate (Wholesale)	Smart Loans
– Indicative expected loss as % of EAD	1.4	0.4	4.5
– Indicative through the cycle PD	3.7	1.0	9.0
– Long run average LGD range	25 – 45	35 – 45	40 – 50

1 Includes securitised assets.
2 Includes Smart products and other FNB exposures. NCA provisions are included here.

WESBANK

R million	WesBank asset backed finance domestic and international				WesBank loans		WesBank total	
	Retail		Corporate					
	2007	2006	2007	2006	2007	2006	2007	2006
Advances and NPLs								
Gross advances net of ISP[1]	**66 524**	55 881	**27 862**	20 562	**4 048**	3 161	**98 434**	79 604
NPL	**1 338**	825	**257**	103	**56**	17	**1 651**	945
NPL (%)	**2.0**	1.5	**0.9**	0.5	**1.4**	0.5	**1.7**	1.2
Securitised assets	**9 377**	1 727	**–**	–	**–**	–	**9 377**	1 727
Income statement impairments								
– Portfolio impairment	**20**	79	**–**	30	**37**	7	**57**	116
– Specific impairment	**939**	384	**83**	65	**160**	73	**1 182**	522
Total impairment charge	**959**	463	**83**	95	**197**	80	**1 239**	638
Portfolio impairment charge (%)	**0.03**	0.16	**–**	0.15	**1.03**	0.26	**0.06**	0.16
Specific impairment charge (%)	**1.54**	0.79	**0.34**	0.33	**4.44**	2.79	**1.33**	0.74
Total impairment charge (%)	**1.57**	0.95	**0.34**	0.48	**5.47**	3.05	**1.39**	0.90
Balance sheet impairments								
– Portfolio impairment	**356**	337	**30**	30	**52**	15	**438**	382
– Specific impairment	**436**	262	**149**	26	**49**	16	**634**	304
Total impairments	**792**	599	**179**	56	**101**	31	**1 072**	686
Nature of lending	Secured		Secured		Unsecured			

FirstRand Bank	2007		
Risk measures (%)	WesBank Retail asset finance	WesBank Corporate asset finance	WesBank loans
– Indicative expected loss as % of EAD	1.0	0.5	4.0
– Indicative through the cycle PD	3.7	3.0	6.0
– Long run average LGD range	25 – 35	10 – 20	70 – 80

1 *Includes securitised assets.*

RMB, FNB AFRICA AND GROUP SUPPORT

R million	RMB[1]		FNB Africa		Group Support	
	2007	2006	**2007**	2006	**2007**	June 2006
Advances and NPLs						
Gross advances net of ISP	**92 733**	66 952	**13 492**	12 216	**3 095**	7 323
NPL	**450**	529	**394**	356	**35**	(132)
NPL (%)	**0.5**	0.8	**2.9**	2.9	**1.1**	(1.8)
Securitised assets	**–**	–	**–**	–	**–**	–
Income statement impairments						
– Portfolio impairment	**6**	–	**22**	(3)	**74**	62
– Specific impairment	**78**	–	**75**	59	**(154)**	(72)
Total impairment charge	**84**	–	**97**	56	**(80)**	(10)
Portfolio impairment charge (%)	**0.01**	–	**0.17**	(0.03)	**1.42**	3.70
Specific impairment charge (%)	**0.10**	–	**0.58**	0.52	**(2.96)**	(4.30)
Total impairment charge (%)	**0.11**	–	**0.75**	0.49	**(1.54)**	(0.60)
Balance sheet impairments						
– Portfolio impairment	**86**	113	**139**	124	**136**	8
– Specific impairment	**60**	51	**150**	141	**204**	171
Total impairments	**146**	164	**289**	265	**340**	179
Nature of lending	Mostly secured		Secured and unsecured		Mostly unsecured	

FirstRand Bank	**2007**
Risk measures (%)	RMB (Wholesale)
– Indicative expected loss as % of EAD	**0.4**
– Indicative through the cycle PD	**1.0**
– Long run average LGD range	**35 – 45**

1 Includes corporate term lending and structured transactions.

TOTAL FRBG

R million	2007	2006
Advances and NPLs		
Gross advances net of ISP[1]	388 035	319 971
NPL	6 490	4 211
NPL (%)	1.7	1.3
Securitised assets	10 869	1 727
Income statement impairments		
– Portfolio impairment	538	279
– Specific impairment	2 319	1 132
Total impairment charge	2 857	1 411
Portfolio impairment charge (%)	0.15	0.10
Specific impairment charge (%)	0.66	0.40
Total impairment charge (%)	0.81	0.50
Total impairment charge before recognition of insurance claim (%)	0.85	0.50
Balance sheet impairments		
– Portfolio impairment	1 801	1 121
– Specific impairment	2 749	2 010
Total impairments	4 550	3 131

1 *Includes securitised assets.*

Notes:

1 *The impairment charge percentages above are based on average advances for the years ended 30 June 2007 and 2006.*

2 *The risk measures present the long run average probability of default ("PD"), loss given default ("LGD") and expected loss ("EL") and not the point –in-time or cycle specific forecast. Whilst the expected loss measurement, which is used for risk management purposes, is broadly comparable to the accounting bad debt measure, it should be noted that in these tables, the EL is expressed as a percentage of the exposure at default, whilst the bad debt percentage is relative to the drawn exposures. The exposure at default ("EAD") measurement is impacted significantly in portfolios with large unutilised facilities and commitments such as the credit card and corporate portfolios.*

3 *The risk measures for RMB and FNB Corporate Transactional Bank provides a wholesale lending average as these portfolios are managed as an aggregated credit portfolio.*

4 *All amounts in R million.*

5 *The HomeLoans historical data sets were updated with the information used for the Basel II process. The impairment charge for HomeLoans reflects the updated recovery experience, yet is still conservative in the light of current market conditions.*

6 *During the current financial year the Banking Group changed its application of set off rules in terms of the requirements of IAS 32 and due to evolving local and international best practice. This resulted in the gross up of the Banking Group balance sheet.*

7 *During the current year the basis to classify non performing loans in WesBank changed. Should this change have been effected in the prior year, the NPL number of WesBank at 30 June 2006 would have been R1 236 million as opposed to R945 million.*

NOTE 3: NON INTEREST INCOME

R million	Notes	Year ended 30 June 2007	2006	% change
Fee and commission income	3.1	**11 725**	9 558	23
Fair value income	3.2	**5 969**	3 733	60
Investment income	3.3	**1 304**	1 142	14
Other income		**1 838**	1 241	48
Total non interest income		**20 836**	15 674	33

	2007					
R million	FNB	RMB	WesBank	Africa	Centre	Total
Non interest income	10 302	7 551	2 397	753	(167)	20 836
– Fee and commission income	9 013	1 325	909	498	(20)	11 725
– Fair value income	462	4 771	151	131	454	5 969
– Investment income	74	1 141	367	9	(287)	1 304
– Other income	753	314	970	115	(314)	1 838

3.1 Fee and commission income

R million	Year ended 30 June 2007	2006	% change
Bank commissions and fee income	**9 099**	7 787	17
Card commissions	**1 244**	892	40
Cash deposit fees	**958**	811	18
Commitment fees	**567**	500	13
Acceptances, guarantees and indemnities	**146**	141	4
Commissions on bills, drafts and cheques	**385**	394	(2)
Bank charges	**3 520**	3 712	(5)
Other banking fee income	**2 279**	1 337	71
Knowledge based fees	**987**	491	101
Management fees	**884**	517	71
Insurance income	**432**	598	(28)
Other non bank commissions	**323**	165	96
Total fee and commission income	**11 725**	9 558	23

3.2 Fair value income

R million	Forex	Debt	Equity	June 2007	June 2006	% change
Annuity	**995**	**1 311**	**288**	**2 594**	2 113	23
Originated/structuring	**–**	**1 091**	**223**	**1 314**	951	38
Secondary market	**–**	**65**	**–**	**65**	213	(69)
Client flow	**995**	**155**	**65**	**1 215**	949	28
Risk income	**–**	**586**	**2 239**	**2 825**	1 007	>100
Equities	**–**	**–**	**2 096**	**2 096**	606	>100
Commodities	**–**	**–**	**143**	**143**	61	>100
Interest rates	**–**	**516**	**–**	**516**	232	>100
Forex	**–**	**70**	**–**	**70**	108	(35)
Non effective hedges	**–**	**–**	**–**	**–**	314	(100)
Other	**–**	**550**	**–**	**550**	299	84
Total	**995**	**2 447**	**2 527**	**5 969**	3 733	60

3.3 Investment activities

R million	2007	2006	% change
	Year ended 30 June		
Income from private equity activities	**1 974**	1 521	30
– Profit on realisation of private equity investments	**812**	503	61
– Profit on realisation of other investment banking assets	**75**	68	10
– Dividends received	**78**	212	(63)
– Private equity associates (ongoing)	**750**	570	32
– Private equity associates (realisations)	**259**	168	54
Income from operational investment activities	**1 004**	521	93
– WesBank associates	**97**	89	9
– FirstRand International associates	**497**	173	>100
– FirstRand Short Term Insurance	**310**	251	24
– Other operational associates	**100**	8	>100
Income from investments	**339**	359	(6)
– Profit on disposal of available-for-sale assets	**–**	15	(100)
– Profit on assets held against employee liabilities	**339**	344	(1)
Total investment income	**3 317**	2 401	38
Less: Income from associates	**(2 013)**	(1 259)	60
Total	**1 304**	1 142	14

NOTE 4: OPERATING EXPENSES

R million	2007	2006	% change
	Year ended 30 June		
Staff expenditure	**10 308**	8 114	27
– Direct staff expenditure	**7 940**	6 703	18
– Other staff related expenditure	**2 368**	1 411	68
Depreciation	**805**	769	5
Amortisation of other intangible assets	**103**	52	98
Advertising and marketing	**866**	707	22
Insurance	**261**	196	33
Lease charges	**732**	693	6
Professional fees	**677**	429	58
HomeLoans third party origination costs	**49**	24	>100
Audit fees	**89**	68	31
Computer expenses	**681**	505	35
Conveyance of cash	**176**	152	16
Maintenance	**582**	486	20
Telecommunications	**445**	377	18
eBucks rewards	**203**	190	7
WesBank Joint Venture	**171**	207	(17)
Other expenditure	**2 894**	2 068	40
Total	**19 042**	15 037	27

The table below provides a further analysis of the growth in operating expenses, highlighting material year on year increases.

R million	2007	2006	% change
	Year ended 30 June		
Base cost of ongoing operations	**15 179**	12 843	18
International expansion	**759**	327	>100
IFRS 2: Share based expenses	**289**	147	97
Performance fees, joint ventures, profit shares and loyalty programmes	**2 579**	1 652	56
New initiatives	**236**	68	>100
Total	**19 042**	15 037	27

NOTE 5: ANALYSIS OF INCOME FROM ASSOCIATES AND JOINT VENTURES

R million	At 30 June 2007	2006	% change
Private equity associates	1 009	738	37
– Private equity associates (ongoing)	750	570	32
– Private equity associates (realisations)	259	168	54
WesBank associates	97	89	9
– Toyota Finance Services	67	48	40
– Zeda Car Leasing	–	29	(100)
– Other	30	12	>100
FirstRand International associates and joint ventures	497	173	>100
FirstRand Short Term Insurance	310	251	24
Other	100	8	>100
Total	**2 013**	1 259	60

NOTE 6: GROSS ADVANCES

R million	At 30 June 2007	2006	% change
Total advances	388 646	320 542	21
Less: contractual interest suspended	(611)	(571)	7
Gross advances*	388 035	319 971	21
Less: impairments	(4 550)	(3 131)	45
Net advances	**383 485**	316 840	21
Advances sector analysis			
Agriculture	8 056	7 397	9
Banks and financial services	48 901	40 229	22
Building and property development	13 608	8 581	59
Government, Land Bank and Public Authorities	20 064	8 120	>100
Individuals	229 958	171 387	34
Manufacturing and commerce	40 413	49 031	(18)
Mining	4 789	6 018	(20)
Transport and communication	8 915	12 118	(26)
Other services	13 942	17 661	(21)
Total advances	**388 646**	320 542	21

**Included in gross advances are fair value advances of R72.8 billion (2006: R53.5 billion). Fair value adjustments included in trading income amounted to R152 million (loss) for 2007 (2006: R86 million (loss)) on performing book assets. Fair value adjustment with respect to defaulted assets amounted to R24 million profit (2006: Rnil). Cumulative fair value adjustments (on performing and non performing book) amounted to R691 million as at 30 June 2007 (R563 million as at 30 June 2006).*

NOTE 6: ADVANCES

R million	At 30 June 2007	2006	% change
Product split			
Overdrafts and managed accounts	51 502	47 500	8
– FNB Personal Bank	1 519	1 152	32
– Smart loans	248	163	52
– Wealth	519	458	13
– FNB Commercial	10 687	8 282	29
– FNB Corporate	20 804	24 606	(15)
– RMB	12 439	10 007	24
– African subsidiaries	2 486	2 368	5
– Other	2 800	464	>100
Loans to other financial institutions	6 279	6 548	(4)
Card loans	13 194	10 120	30
Instalment finance	57 071	45 314	26
Lease payments receivables	29 441	25 602	15
Property Finance	135 725	111 431	22
– HomeLoans	127 856	104 674	22
– Commercial Properties	7 869	6 757	16
Personal loans	14 929	11 575	29
– FNB Personal Bank	2 294	1 575	46
– Smart loans	1 597	1 175	36
– WesBank loans	4 012	3 192	26
– FNB Commercial	5 164	4 172	24
– African subsidiaries	1 569	1 233	27
– Other	293	228	29
Preference share advances	3 673	2 043	80
Other	56 918	48 106	18
Sub total	368 732	308 239	20
Assets under agreement to resell	19 914	12 303	62
Total advances	388 646	320 542	21
Geographical split			
SA banking operations	339 306	287 881	18
International banking operations	17 305	11 089	56
African banking operations	13 526	12 246	11
SA non banking operations	18 509	9 326	98
Total advances	388 646	320 542	21
Rand and non Rand denominated advances			
All non Rand denominated advances in US dollars	6 375	1 529	>100
Exchange rate applied	7.07	7.13	
Non Rand denominated advances	45 071	10 903	>100
Rand denominated advances	343 575	309 639	11
Total advances	388 646	320 542	21

NOTE 6: NON-PERFORMING LOANS

	At 30 June		
R million	2007	2006	% change
Non performing loans*	6 490	4 211	54
Add: Present value adjustment	346	308	12
Net credit exposure	6 836	4 519	51
Less: Security and recoverable amount	(3 476)	(1 938)	79
Less: Contractual interest suspended	(611)	(571)	7
Residual risk	2 749	2 010	37
Specific impairments	2 749	2 010	37
Portfolio impairments	1 801	1 121	61
Total impairments	4 550	3 131	45

	%	%	% change
Non performing loans as a percentage of gross advances	1.7	1.3	31
Specific impairments as a percentage of non performing loans (after interest in suspense)	47	55	(15)
Total impairments as a percentage of non performing loans	77	86	(10)
Total impairments as a percentage of residual risk	166	156	6
Specific impairments as a percentage of gross advances	0.7	0.6	17
Portfolio impairments as a percentage of gross advances	0.5	0.4	25
Total impairments as a percentage of gross advances	1.2	1.0	20
R million			
Income statement charge			
Specific impairments	2 319	1 132	>100
Portfolio impairments	538	279	93
	2 857	1 411	>100

**An amount of R278 million of fair value assets is included in the non performing loans for 2007 (2006: R451 million). Cumulative fair value credit adjustments of R91 million have been made against fair value NPLs as at 30 June 2007 (2006: R115 million), of which R24 million (profit) has been included in the 2007 income statement (2006: Rnil).*

NOTE 6: NON PERFORMING LOANS – FAIR VALUE ADVANCES

R million	At 30 June 2007	2006	% change
Accrual advances	6 212	3 760	65
Fair value advances	278	451	(38)
Non performing loans	6 490	4 211	54
Accrual advances are included in non performing loans at notional value plus accrued interest Fair value advances are included in non performing loans at their ruling market value. No portfolio or specific impairments are raised against fair value advances, other than as is implicitly required through fair value adjustments. The table below sets out the effect of these market adjustments:			
Fair value of non performing loans before credit adjustments	369	566	(35)
Less: Cumulative credit adjustments	(91)	(115)	(21)
	278	451	(38)
Less: Interest in suspense	(26)	(58)	(55)
Net non performing fair value loans	252	393	(36)
Cumulative credit adjustments			
– on performing book	600	448	34
– on non performing book	91	115	(21)
	691	563	23

NOTE 7: STATEMENT OF CHANGES IN EQUITY for the year ended 30 June

R million	Share capital and share premium	General risk reserve	Cash flow hedge reserve
Restated balance as at 30 June 2005	4 838	949	345
Currency translation differences	–	–	–
Earnings attributable to shareholders	–	–	–
Ordinary dividend – 25 July 2005	–	–	–
Preference dividend – 31 August 2005	–	–	–
Ordinary dividend – 24 October 2005	–	–	–
Interim ordinary dividend – 23 March 2006	–	–	–
Preference dividend – 31 March 2006	–	–	–
Preference dividend – 1 May 2006	–	–	–
Ordinary dividend – 31 May 2006	–	–	–
Dividends attributable to outside shareholders	–	–	–
Transfer to General Risk Reserve (impaired capital reserve)	–	187	–
Available-for-sale loss transferred to the income statement	–	–	–
Revaluation of cash flow hedges	–	–	(172)
Reserves arising on acquisition of subsidiaries	–	–	–
Movement in other non distributable reserves	–	–	–
Movement in share based payments reserve	–	–	–
Cumulative redeemable shares redeemed	–	–	–
Disposal of subsidiaries	–	–	–
Share buy back	–	–	–
Balance as at 30 June 2006	4 838	1 136	173
Currency translation differences	–	–	–
Non distributable reserves of associates	–	–	–
Earnings attributable to shareholders	–	–	–
Ordinary dividend – 23 October 2006	–	–	–
Ordinary dividend – 26 March 2007	–	–	–
Preference dividend – 28 August 2006	–	–	–
Preference dividend – 26 February 2007	–	–	–
Dividends attributable to outside shareholders	–	–	–
Transfer to General Risk Reserve (impaired capital reserve)	–	215	–
Revaluation of available-for-sale assets	–	–	–
Available-for-sale loss transferred to the income statement	–	–	–
Revaluation of cash flow hedges	–	–	(42)
Reserves arising on acquisition of subsidiaries	–	–	–
Revaluation of property	–	–	–
Movement in other non distributable reserves	–	–	–
Movement in other distributable reserves	–	–	–
Movement in share based payments reserve	–	–	–
Issue of ordinary shares	2 170	–	–
Disposal of subsidiaries	–	–	–
Cumulative redeemable shares redeemed	–	–	–
Share buy back in associate	–	–	–
Balance as at 30 June 2007	**7 008**	**1 351**	**131**

Share based payment reserve	Available-for-sale reserve	Currency translation reserve	Other non distributable reserves	Distributable reserves	**Capital and reserves attributable to equity holders**	Preference shares issued to FirstRand companies	Minority interest	**Total equity**
140	143	407	418	20 062	**27 302**	1 045	973	29 320
–	–	176	–	–	**176**	–	22	**198**
–	–	–	–	7 260	**7 260**	–	639	**7 899**
–	–	–	–	(500)	**(500)**	–	–	**(500)**
–	–	–	–	(114)	**(114)**	–	–	**(114)**
–	–	–	–	(1 325)	**(1 325)**	–	–	**(1 325)**
–	–	–	–	(1 690)	**(1 690)**	–	–	**(1 690)**
–	–	–	–	(107)	**(107)**	–	–	**(107)**
–	–	–	–	(32)	**(32)**	–	–	**(32)**
–	–	–	–	(85)	**(85)**	–	–	**(85)**
–	–	–	–	–	**–**	–	(263)	**(263)**
–	–	–	–	(187)	**–**	–	–	**–**
–	(10)	–	–	–	**(10)**	–	–	**(10)**
–	–	–	–	–	**(172)**	–	–	**(172)**
–	–	–	2	–	**2**	–	–	**2**
–	–	–	(4)	(1)	**(5)**	–	7	**2**
148	–	–	–	–	**148**	–	–	**148**
–	–	–	–	–	**–**	(1 045)	–	**(1 045)**
–	–	–	9	(1)	**8**	–	–	**8**
–	–	–	–	(1)	**(1)**	–	–	**(1)**
288	133	583	425	23 279	**30 855**	–	1 378	32 233
–	–	14	–	–	**14**	–	(8)	**6**
–	–	–	39	–	**39**	–	3	**42**
–	–	–	–	9 826	**9 826**	–	823	**10 649**
–	–	–	–	(1 494)	**(1 494)**	–	–	**(1 494)**
–	–	–	–	(2 190)	**(2 190)**	–	–	**(2 190)**
–	–	–	–	(109)	**(109)**	–	–	**(109)**
–	–	–	–	(123)	**(123)**	–	–	**(123)**
–	–	–	–	–	**–**	–	(653)	**(653)**
–	–	–	–	(215)	**–**	–	(3)	**(3)**
–	241	–	–	–	**241**	–	–	**241**
–	(48)	–	–	–	**(48)**	–	(2)	**(50)**
–	–	–	–	–	**(42)**	–	–	**(42)**
–	–	–	(2)	–	**(2)**	–	–	**(2)**
–	–	–	–	–	**–**	–	60	**60**
–	–	–	–	–	**–**	–	10	**10**
–	–	–	–	3	**3**	–	–	**3**
147	–	–	–	–	**147**	–	1	**148**
–	–	–	–	–	**2 170**	–	–	**2 170**
–	–	–	–	–	**–**	–	51	**51**
–	–	–	–	–	**–**	–	(5)	**(5)**
–	–	–	–	(61)	**(61)**	–	–	**(61)**
435	**326**	**597**	**462**	**28 916**	**39 226**	**–**	**1 655**	**40 881**

PRIMARY SEGMENTS (BUSINESS)

2007
Segment information

R million	Other Consumer	Home-Loans	Card Issuing	Consumer Segment	Wealth	Commercial
	Consumer Segment				FNB	
Net interest income before impairment of advances	1 772	1 640	842	**4 254**	472	2 709
Impairment of advances	(143)	(256)	(575)	**(974)**	(36)	(113)
Net interest income after impairment of advances (segment revenue)	1 629	1 384	267	**3 280**	436	2 596
Non interest income	2 069	225	1 171	**3 465**	350	2 607
Net income from operations	3 698	1 609	1 438	**6 745**	786	5 203
Operating expenses	(2 305)	(720)	(1 260)	**(4 285)**	(613)	(2 914)
Income from operations	1 393	889	178	**2 460**	173	2 289
Share of income from associates and joint ventures	25	–	–	**25**	–	–
FirstRand Short Term Insurance	–	–	–	**–**	–	–
Other	25	–	–	**25**	–	–
Income before tax	1 418	889	178	**2 485**	173	2 289
Indirect tax	(77)	(49)	(22)	**(148)**	(12)	(14)
Income before direct tax	1 341	840	156	**2 337**	161	2 275
Direct tax	(357)	(224)	(42)	**(623)**	(43)	(606)
Profit for the year	984	616	114	**1 714**	118	1 669
Attributable to:						
Equity holders of Banking Group	984	616	114	**1 714**	118	1 669
Minority interests	–	–	–	**–**	–	–
	984	616	114	**1 714**	118	1 669
Equity holders of Banking Group	984	616	114	**1 714**	118	1 669
Profit on sale of investments	–	–	–	**–**	–	–
Profit/(loss) on sale of property and equipment	–	–	–	**–**	–	–
Plus: Impairments incurred	–	–	–	**–**	–	–
Loss on sale of available-for-sale assets	–	–	–	**–**	–	–
Profit on sale of private equity associate realisations	–	–	–	**–**	–	–
Headline earnings	984	616	114	**1 714**	118	1 669
Profit on sale of private equity associate realisations	–	–	–	**–**	–	–
Impact of IFRS 2	–	–	–	**–**	–	–
Normalised earnings (unaudited)	984	616	114	**1 714**	118	1 669
Cost to income (%)	59.6	38.6	62.6	**55.3**	74.6	54.8
Diversity ratio (%)	53.5	12.1	58.2	**44.7**	42.6	49.0
Bad debt charge as a percentage of average advances (%)	4.36	0.28	5.44	**0.94**	0.19	0.60
NPLs as a percentage of advances (%)	3.9	1.6	8.0	**2.3**	1.3	2.1
Income statement includes						
Depreciation	(133)	(14)	(7)	**(154)**	(19)	(7)
Amortisation	(4)	–	–	**(4)**	(3)	–
Impairment charges	–	(2)	–	**(2)**	–	–
Other non cash provisions	–	–	–	**–**	–	–
Balance sheet includes						
Advances (after ISP – before impairments)	3 833	98 356	11 935	**114 124**	21 006	20 469
– Normal advances	3 833	96 864	11 935	**112 632**	21 006	20 469
Advances net of LROS#	3 833	96 864	11 935	**112 632**	21 006	20 175
LROS adjustment	–	–	–	**–**	–	294
– Securitised advances	–	1 492	–	**1 492**	–	–
Non performing loans	148	1 573	954	**2 675**	275	432
Investment in associates and joint ventures	39	–	–	**39**	–	–
Total deposits (incl non recourse deposits)	50 737	12	1 303	**52 052**	4 653	55 919
Deposits net of LROS#	50 737	12	1 303	**52 052**	4 653	55 625
LROS adjustment	–	–	–	**–**	–	294
Total assets	4 245	97 918	11 205	**113 368**	21 047	20 214
Total liabilities	52 961	1 328	1 525	**55 814**	4 955	58 533
Capital expenditure	174	10	8	**192**	34	17

Certain interdivisional charges are included in the segment report in line with management accounting.
*** FNB reviewed its level of portfolio impairments to cater both for the effects of potential higher defaults and longer recovery periods as a result of the NCA combined with the impact of the recent rate increases.*
 # LROS stands for legal right of set off.
** All consolidation adjustments have been recorded in the Group Support.*
1 The segmental analysis is based on the management accounts for the respective segments.
2 Tax has been allocated on a pro rata basis.

Corporate	FNB Mass and Support**	Total FNB	RMB	FNB Africa	Wes-Bank	Group Support*	Sub total	Divisions disclosed elsewhere	Total
405	532	8 372	360	1 101	3 343	822	13 998	–	13 998
(10)	(384)	(1 517)	(84)	(97)	(1 239)	80	(2 857)	–	(2 857)
395	148	6 855	276	1 004	2 104	902	11 141	–	11 141
1 161	2 719	10 302	7 551	753	2 397	43	21 046	(210)	20 836
1 556	2 867	17 157	7 827	1 757	4 501	945	32 187	(210)	31 977
(1 025)	(2 377)	(11 214)	(3 963)	(813)	(3 117)	65	(19 042)	–	(19 042)
531	490	5 943	3 864	944	1 384	1 010	13 145	(210)	12 935
–	15	40	1 532	1	97	343	2 013	–	2 013
–	–	–	–	–	–	310	310	–	310
–	15	40	1 532	1	97	33	1 703	–	1 703
531	505	5 983	5 396	945	1 481	1 353	15 158	(210)	14 948
(8)	(138)	(320)	(53)	(18)	(111)	47	(455)	–	(455)
523	367	5 663	5 343	927	1 370	1 400	14 703	(210)	14 493
(139)	(98)	(1 509)	(1 424)	(234)	(365)	(373)	(3 905)	61	(3 844)
384	269	4 154	3 919	693	1 005	1 027	10 798	(149)	10 649
384	269	4 154	3 899	460	992	470	9 975	(149)	9 826
–	–	–	20	233	13	557	823	–	823
384	269	4 154	3 919	693	1 005	1 027	10 798	(149)	10 649
384	269	4 154	3 899	460	992	470	9 975	(149)	9 826
(23)	–	(23)	–	–	(135)	90	(68)	–	(68)
4	5	9	11	–	–	(26)	(6)	–	(6)
–	–	–	–	–	61	(61)	–	–	–
–	–	–	–	(4)	–	4	–	–	–
–	–	–	(397)	–	–	–	(397)	–	(397)
365	274	4 140	3 513	456	918	477	9 504	(149)	9 355
–	–	–	397	–	–	–	397	–	397
–	–	–	–	–	–	289	289	–	289
365	274	4 140	3 910	456	918	766	10 190	(149)	10 041
65.5	72.8	59.9	42.0	43.8	53.4	(5.4)	51.4	–	51.7
74.1	83.3	55.0	80.0	40.6	41.1	3.6	56.8	100.0	56.5
0.04	12.73	0.91	0.11	0.75	1.39	(1.54)	0.81	–	0.81
0.9	11.0	2.2	0.5	2.9	1.7	1.1	1.7	–	1.7
(85)	(340)	(605)	(65)	(23)	(91)	(21)	(805)	–	(805)
–	–	(7)	(34)	(15)	(45)	(2)	(103)	–	(103)
9	(17)	(10)	–	(97)	(61)	156	(12)	–	(12)
–	–	–	–	–	(113)	2 726	2 613	–	2 613
21 105	3 577	180 281	92 733	13 492	98 434	3 095	388 035	–	388 035
21 105	3 577	178 789	92 733	13 492	89 057	3 095	377 166	–	377 166
3 430	3 577	160 820	92 733	13 492	89 057	3 095	359 197	–	359 197
17 675	–	17 969	–	–	–	–	17 969	–	17 969
–	–	1 492	–	–	9 377	–	10 869	–	10 869
184	394	3 960	450	394	1 651	35	6 490	–	6 490
–	48	87	3 926	3	615	826	5 457	–	5 457
48 177	7 479	168 280	69 433	17 409	982	163 861	419 965	–	419 965
30 502	7 479	150 311	69 433	17 409	982	163 861	401 996	–	401 996
17 675	–	17 969	–	–	–	–	17 969	–	17 969
19 764	8 864	183 257	198 929	21 483	100 479	43 319	547 467	–	547 467
47 233	9 534	176 069	153 887	19 328	8 298	149 004	506 586	–	506 586
109	647	999	48	52	96	615	1 810	–	1 810

PRIMARY SEGMENTS (BUSINESS)

2006

Segment information

R million	Other Consumer (Consumer Segment)	Home-Loans (Consumer Segment)	Card Issuing (Consumer Segment)	Consumer Segment	Wealth (FNB)	Commercial (FNB)
Net interest income before impairment of advances	1 338	1 346	699	**3 383**	336	2 109
Impairment of advances	(79)	(157)	(311)	**(547)**	(20)	(41)
Net interest income after impairment of advances (segment revenue)	1 259	1 189	388	**2 836**	316	2 068
Non interest income	1 797	134	982	**2 913**	266	2 228
Net income from operations	3 056	1 323	1 370	**5 749**	582	4 296
Operating expenses	(2 177)	(699)	(972)	**(3 848)**	(467)	(2 577)
Income from operations	879	624	398	**1 901**	115	1 719
Share of income from associates and joint ventures	–	–	–	**–**	–	–
FirstRand Short Term Insurance	–	–	–	**–**	–	–
Other	–	–	–	**–**	–	–
Income before tax	879	624	398	**1 901**	115	1 719
Indirect tax	(78)	(73)	(18)	**(169)**	(14)	(19)
Income before direct tax	801	551	380	**1 732**	101	1 700
Direct tax	(220)	(151)	(104)	**(475)**	(28)	(466)
Profit for the year	581	400	276	**1 257**	73	1 234
Attributable to:						
Equity holders of Banking Group	581	400	276	**1 257**	73	1 234
Minority interests	–	–	–	**–**	–	–
	581	400	276	**1 257**	73	1 234
Equity holders of Banking Group	581	400	276	**1 257**	73	1 234
Profit on sale of investments	(11)	–	–	**(11)**	–	–
Profit/(loss) on sale of property and equipment	3	–	–	**3**	–	–
Plus: Goodwill – impairment	–	–	–	**–**	–	–
(Profit)/loss on sale of available-for-sale assets	–	–	–	**–**	–	–
Profit on sale of private equity associate realisations	–	–	–	**–**	–	–
Headline earnings	573	400	276	**1 249**	73	1 234
Profit on sale of private equity associate realisations	–	–	–	**–**	–	–
Transfer of division from Momentum Group	–	–	–	**–**	–	–
Impact of IFRS 2	–	–	–	**–**	–	–
Normalised earnings (unaudited)	573	400	276	**1 249**	73	1 234
Cost to income (%)	69.4	47.2	57.8	**61.1**	77.6	59.4
Diversity ratio (%)	57.3	9.1	58.4	**46.3**	44.2	51.4
Bad debt charge as a percentage of average advances (%)	3.37	0.23	3.90	**0.68**	0.14	0.27
NPLs as a percentage of advances (%)	3.2	0.8	5.5	**1.4**	1.2	2.5
Income statement includes						
Depreciation	(142)	(5)	(5)	**(152)**	(11)	(11)
Amortisation	(2)	–	–	**(2)**	–	–
Impairment charges	–	–	–	**–**	–	–
Other non cash provisions	–	–	–	**–**	–	–
Balance sheet includes						
Advances (after ISP – before impairments)	2 727	81 604	9 192	**93 523**	15 971	16 920
– Normal advances	2 727	81 604	9 192	**93 523**	15 971	16 920
Advances net of LROS#	2 727	81 604	9 192	**93 523**	15 971	16 636
LROS adjustment	–	–	–	**–**	–	284
– Securitised advances	–	–	–	**–**	–	–
Non performing loans	88	691	504	**1 283**	188	415
Investment in associates and joint ventures	33	–	–	**33**	–	–
Total deposits (inc non recourse deposits)	43 853	12	1 221	**45 086**	3 275	47 011
Deposits net of LROS#	43 853	12	1 221	**45 086**	3 275	46 727
LROS adjustment	–	–	–	**–**	–	284
Total assets	3 172	81 406	8 737	**93 315**	15 893	16 644
Total liabilities	40 357	9 023	2 464	**51 844**	674	45 195
Capital expenditure	130	20	8	**158**	30	4

Certain interdivisional charges are included in the segment report in line with management accounting.
 # LROS stands for the legal right of set off.
** All consolidation adjustments have been recorded in the Group Support.*
1 The segmental analysis is based on the management accounts for the respective segments.
2 Tax has been allocated on a pro rata basis.

Corporate	FNB Mass and Support**	Total FNB	RMB	FNB Africa	Wes-Bank	Group Support*	Sub total	Divisions disclosed elsewhere	Total
323	425	6 576	–	880	2 854	585	10 895	–	10 895
(9)	(110)	(727)	–	(56)	(638)	10	(1 411)	–	(1 411)
314	315	5 849	–	824	2 216	595	9 484	–	9 484
1 068	2 102	8 577	4 010	612	1 296	1 459	15 954	(280)	15 674
1 382	2 417	14 426	4 010	1 436	3 512	2 054	25 438	(280)	25 158
(967)	(1 731)	(9 590)	(1 871)	(675)	(2 101)	(901)	(15 138)	101	(15 037)
415	686	4 836	2 139	761	1 411	1 153	10 300	(179)	10 121
–	10	10	855	–	148	246	1 259	–	1 259
–	–	–	–	–	–	251	251	–	251
–	10	10	855	–	148	(5)	1 008	–	1 008
415	696	4 846	2 994	761	1 559	1 399	11 559	(179)	11 380
(12)	(128)	(342)	(34)	(17)	(94)	18	(469)	–	(469)
403	568	4 504	2 960	744	1 465	1 417	11 090	(179)	10 911
(111)	(156)	(1 236)	(812)	(193)	(406)	(384)	(3 031)	19	(3 012)
292	412	3 268	2 148	551	1 059	1 033	8 059	(160)	7 899
292	412	3 268	2 148	378	1 059	567	7 420	(160)	7 260
–	–	–	–	173	–	466	639	–	639
292	412	3 268	2 148	551	1 059	1 033	8 059	(160)	7 899
292	412	3 268	2 148	378	1 059	567	7 420	(160)	7 260
–	–	(11)	–	(1)	–	12	–	–	–
1	7	11	–	–	–	8	19	–	19
–	–	–	–	–	–	–	–	–	–
(13)	–	(13)	–	–	–	2	(11)	–	(11)
–	–	–	(219)	–	–	–	(219)	–	(219)
280	419	3 255	1 929	377	1 059	589	7 209	(160)	7 049
–	–	–	219	–	–	–	219	–	219
–	–	–	–	–	–	48	48	–	48
–	–	–	–	–	–	147	147	–	147
280	419	3 255	2 148	377	1 059	784	7 623	(160)	7 463
69.5	68.2	63.2	38.5	45.2	48.9	39.4	53.9	36.1	54.0
76.8	82.9	56.6	82.4	41.0	30.2	63.7	56.8	100.0	56.3
0.05	5.53	0.56	–	0.49	0.90	(0.60)	0.50	–	0.50
1.7	8.6	1.6	0.8	2.9	1.2	(1.8)	1.3	–	1.3
(77)	(314)	(565)	(45)	(29)	(68)	(64)	(771)	2	(769)
4	–	2	–	(7)	–	(47)	(52)	–	(52)
–	–	–	2	–	–	(58)	(56)	–	(56)
–	–	–	–	–	–	1 986	1 986	–	1 986
25 006	2 456	153 876	66 952	12 216	79 604	7 323	319 971	–	319 971
25 006	2 456	153 876	66 952	12 216	77 877	7 323	318 244	–	318 244
2 481	2 456	131 067	66 952	12 216	77 877	7 323	295 435	–	295 435
22 525	–	22 809	–	–	–	–	22 809	–	22 809
–	–	–	–	–	1 727	–	1 727	–	1 727
415	212	2 513	529	356	945	(132)	4 211	–	4 211
–	–	33	2 420	3	152	1 000	3 608	41	3 649
47 032	6 330	148 734	71 772	16 299	69	105 457	342 331	–	342 331
24 507	6 330	125 925	71 772	16 299	69	105 457	319 522	–	319 522
22 525	–	22 809	–	–	–	–	22 809	–	22 809
24 999	6 135	156 986	164 651	19 200	78 445	45 587	464 869	328	465 197
46 248	9 356	153 317	142 671	17 167	5 586	114 071	432 812	152	432 964
131	546	869	(48)	52	(73)	361	1 161	–	1 161

momentum

appendix 2

Momentum Group

Abridged financials

for the year ended **30 June 2007**

consolidated income statement

for the year ended 30 June

R million	2007	2006	% change
Income from operations	**2 627**	2 286	15
Share of profit of associates	**(19)**	54	>(100)
Income before tax	**2 608**	2 340	11
Tax[1]	**(536)**	(410)	(31)
Profit after tax	**2 072**	1 930	7
Earnings attributable to minorities	**4**	(21)	>100
Earnings attributable to ordinary shareholders	**2 076**	1 909	9

1 *Tax excludes all policyholder tax and includes only direct tax on shareholders.*

consolidated balance sheet
as at 30 June

R million	2007	2006
ASSETS		
Financial assets		
Cash and short term funds	4 088	3 421
Money market investments	17 680	16 882
Loans and receivables (including insurance receivables)	1 892	2 672
Disposal group held for sale	407	333
Government and public authority stocks	22 116	17 636
– held-to-maturity	38	–
– available-for-sale	158	313
– at elected fair value through profit and loss	21 920	17 323
Debentures and other loans	11 984	11 305
– available-for-sale	510	649
– at elected fair value through profit and loss	11 474	10 656
Equity investments	95 037	80 075
– held-to-maturity	998	907
– available-for-sale	921	1 773
– at elected fair value through profit and loss	93 118	77 395
Derivative financial instruments	17 385	17 195
Non financial assets		
Current income tax asset	16	7
Policy loans on insurance contracts	166	118
Reinsurance assets	544	260
Deferred tax asset	684	638
Investments in associates	6 146	1 323
Intangible assets	2 746	2 620
Goodwill	294	579
Investment properties	2 356	6 190
Property and equipment	547	378
Total assets	184 088	161 632
EQUITY AND LIABILITIES		
LIABILITIES		
Financial liabilities		
Accounts payable (including insurance payables)	3 141	5 738
Liabilities arising to third parties as a result of consolidating unit trusts	1 568	1 725
Derivative financial instruments	8 549	8 687
Other financial liabilities	4 283	1 917
Policyholder liabilities under investment contracts	110 768	93 105
Non financial liabilities		
Disposal group held for sale	109	157
Interest bearing borrowings	270	289
Provisions	172	249
Current income tax liabilities	210	358
Deferred tax liability	2 213	1 911
Employee benefits liabilities	204	157
Deferred revenue liability	255	248
Policyholder liabilities under insurance contracts	45 875	39 965
Total liabilities	177 617	154 506
EQUITY		
Share capital and share premium	1 541	1 541
Non distributable reserves	595	710
Retained earnings	4 316	4 842
Shareholders' funds	6 452	7 093
Minority interest	19	33
Total equity	6 471	7 126
Total equity and liabilities	184 088	161 632

for the year ended 30 June

NEW BUSINESS INFLOWS

R million	2007	2006	% change
Recurring premiums	1 920	1 468	31
Momentum insurance – retail	1 166	997	17
Individual risk	449	398	13
Individual savings	717	599	20
Momentum insurance – employee benefits	390	244	60
Momentum insurance – short term[1]	–	6	(100)
FNB insurance – retail	364	221	65
Lump sums	58 708	57 935	1
Insurance operations	21 544	18 330	18
Wealth	13 781	10 509	31
Employee benefits[2]	7 709	7 451	3
Institutional policies	54	370	(85)
Asset management	37 164	39 605	(6)
Unit trusts – local	13 993	14 371	(3)
Unit trusts – international	1 718	2 404	(29)
Asset management – on balance sheet[2]	7 688	5 448	41
Asset management – off balance sheet	13 765	17 382	(21)
Total new business inflows	60 628	59 403	2
Momentum insurance	23 100	19 571	18
Short term insurance	–	6	(100)
FNB insurance	364	221	65
Asset management	37 164	39 605	(6)
Annualised new business inflows[3]	7 790	7 262	7
Momentum insurance	3 710	3 074	21
Short term insurance	–	6	(100)
FNB insurance	364	221	65
Asset management	3 716	3 961	(6)

1 The short term insurance premiums in 2006 were written by Sage Specialised Insurance, which has not generated any additional new business in 2007.

2 The lump sum inflows relating to Advantage, which were previously included in "Asset management – on balance sheet" are now included in "Insurance operations – employee benefits" due to the realignment of the Group businesses.

3 Represents new recurring premium inflows plus 10% of lump sum inflows.

NET FLOW OF FUNDS

	Funds received from clients (A) Year ended 30 June			Payments to clients (B) Year ended 30 June			Net flow of funds (A – B) Year ended 30 June		
R million	2007	2006	% change	2007	2006	% change	2007	2006	% change
Insurance operations	**29 635**	25 056	18	**27 950**	23 075	21	**1 685**	1 981	(15)
Wealth and retail	**19 963**	15 725	27	**14 639**	11 089	32	**5 324**	4 636	15
Employee benefits	**9 618**	8 961	7	**12 079**	9 643	25	**(2 461)**	(682)	>(100)
Institutional policies	**54**	370	(85)	**1 232**	2 343	(47)	**(1 178)**	(1 973)	40
Asset management	**37 164**	39 605	(6)	**79 621**	39 517	>100	**(42 457)**	88	>(100)
Unit trusts – local	**13 993**	14 371	(3)	**12 514**	12 398	1	**1 479**	1 973	(25)
Unit trusts – international	**1 718**	2 404	(29)	**2 379**	1 493	59	**(661)**	911	>(100)
Asset management – on balance sheet	**7 688**	5 448	41	**9 956**	2 587	>100	**(2 268)**	2 861	>(100)
Asset management – off balance sheet	**13 765**	17 382	(21)	**54 772**	23 039	>100	**(41 007)**	(5 657)	>(100)
Total	**66 799**	64 661	3	**107 571**	62 592	72	**(40 772)**	2 069	>(100)

DIRECTORS' VALUATION OF STRATEGIC SUBSIDIARY INVESTMENTS

	Directors' value at 30 June		%	Valuation	
R million	2007	2006	change	method	PE ratio
RMB Asset Management[1]	**2 797**	2 407	16	A	9
Ashburton[2]	**772**	554	39	B	
Advantage (85%)	**273**	268	2	A	7
Lekana (70%)[3]	**73**	116	(37)	B	
Momentum Medical Scheme Administrators	**456**	392	16	B	
Momentum Africa	**35**	–	100	C	
Directors' valuation of strategic subsidiary investments	**4 406**	3 737	18		

1 *The comparative valuation excludes RMB Properties, which was transferred to the FirstRand Banking Group at its net asset value of R176 million with an effective date of 1 July 2006.*

2 *Includes the impact of the increase in the shareholding from 87% to 100%.*

3 *The decline in the valuation of Lekana is due to the reduction in earnings during the year.*

Valuation methods:

A – Price/earnings multiple using normalised forward earnings

B – Discounted cash flow valuation

C – Net asset value plus loans provided as start-up capital

EMBEDDED VALUE OF MOMENTUM GROUP LIMITED AS AT 30 JUNE 2007

The embedded value and the value of new insurance business of Momentum Group Limited ("Momentum") as at 30 June 2007 are set out in this section.

Definition of embedded value

An embedded value is an estimate of the value of a company, excluding any value attributable to future new business, and consists of:

- the ordinary shareholders' net worth
- plus the present value of future profits from in-force insurance business
- less the cost of capital at risk.

The ordinary shareholders' net worth is the excess of assets over liabilities on the statutory valuation method but where deductions for inadmissible assets and impairments are added back and where directors' values are used for unlisted subsidiaries.

The present value of future profits is the present value of the projected stream of future after tax profits in respect of insurance business in force at the calculation date, discounted at the risk discount rate.

The cost of capital at risk reflects the extent to which the expected long term after tax investment return on the assets backing the statutory capital adequacy requirement is less than the return required by shareholders, as reflected in the risk discount rate.

The value of in-force insurance business equals the present value of future profits less the cost of capital at risk.

Embedded value results

	30 June	
R million	2007	2006
Ordinary shareholders' net worth[1]	8 244	8 134
Value of in-force insurance business	7 683	6 304
Present value of future profits[2]	8 458	6 974
Cost of capital at risk	(775)	(670)
Embedded value attributable to ordinary shareholders	15 927	14 438
% change	10%	22%
% return on embedded value[3]	28%	31%

1 Ordinary shareholders' net worth excludes the value attributable to preference shareholders.

2 The present value of future profits of R8 458 million as at 30 June 2007 includes an amount of R242 million in respect of linked business written off balance sheet (2006: R97 million).

3 Return on embedded value is the increase in embedded value, excluding the impact of dividends paid to ordinary shareholders of R2 563 million (2006: R1 116 million), expressed as a percentage of the embedded value at the start of the reporting period.

Sage Life Limited

The business of Sage Life Limited was transferred to Momentum in terms of section 37 of the Long Term Insurance Act, 1998, with effect from 1 July 2006. Prior to the transfer, Sage's ordinary shareholders' net worth, present value of future profits, cost of capital at risk and embedded value sensitivities have been included in the respective figures for Momentum at 30 June 2006. The section 37 transfer therefore did not impact on the presentation of the embedded value numbers.

Value of new business

The value of new business is a measure of the value added to Momentum as a result of writing new business. The value of new business is calculated as the present value (at point of sale) of the projected stream of future after tax profits generated by new insurance business sold during the 12 months, discounted at the risk discount rate. The value of new business is net of acquisition expenses and is also appropriately reduced by the cost of capital at risk for new business.

Value of new business

	30 June	
R million	2007	2006
Value of new business (before cost of capital at risk)	580	474
– Wealth and retail[1,2]	389	383
– Employee benefits	57	64
– FNB collaboration	134	27
Cost of capital at risk	(62)	(40)
Value of new business	518	434
Present value of premiums[3]	25 157	19 780
Margin	2.1%	2.2%

1 The Wealth and retail value of new business of R389 million includes an amount of R2 million in respect of new local linked business not written on Momentum's life insurance balance sheet (2006: R2 million).

2 Included in the Wealth and retail value of new business is an amount of R17 million in respect of new international linked business not written on Momentum's life insurance balance sheet. International linked business was not previously included in the definition of new business.

3 The present value of premiums is defined as new single premiums plus the present value of expected future premiums on new recurring premium business, discounted at the risk discount rate.

Value of new business as a percentage of present value of premiums

R million	Value of new business	Present value of premiums	Margin %
Value of new business (before cost of capital at risk)	580	25 157	2.3
• Wealth and retail	389	20 881	1.9
• Employee benefits	57	3 257	1.8
• FNB collaboration	134	1 019	13.2
Cost of capital at risk	(62)	–	(0.2)
Value for the year ended 30 June 2007	**518**	**25 157**	**2.1**
Value for the year ended 30 June 2006	434	19 780	2.2

Value of new business as a percentage of notional premiums

R million	Value of new business	Notional premiums[1]	Margin %
Value of new business (before cost of capital at risk)	580	3 454	16.8
• Wealth and retail	389	2 618	14.9
• Employee benefits	57	472	12.1
• FNB collaboration	134	364	36.8
Cost of capital at risk	(62)	–	(1.8)
Value for the year ended 30 June 2007	**518**	**3 454**	**15.0**
Value for the year ended 30 June 2006	434	2 608	16.6

1 Notional premiums are defined as annualised new recurring premiums plus 10% of single premiums.

Reconciliation of new business inflows

The following table provides a reconciliation of the total new business as reported in the review of Momentum's results to the new business inflows used in the calculation of the value of new business.

Reconciliation of new business inflows

R million	Annualised recurring premiums	Lump sum inflows
Total new business inflows as reported	**1 920**	58 708
• Wealth and retail[1]	1 166	13 835
• Employee benefits	390	7 709
• FNB collaboration	364	–
• Asset management	–	37 164
***Less:* Inflows not included in value of new business**	**–**	(44 304)
Wealth and retail:		
• Policy alterations and other retail items	–	(97)
• Linked products	–	(160)
Employee benefits:		
• Lekana and short term investments	–	(6 883)
Asset Management:		
• Unit trusts – local	–	(13 993)
• Unit trusts – international	–	(1 718)
• Asset management – on balance sheet	–	(7 688)
• Asset management – off balance sheet	–	(13 765)
***Add:* Term extensions on maturing policies[2]**	**9**	850
New business inflows included in value of new business	**1 929**	15 254
New business inflows included in value of new business consist of:		
• Wealth and retail	1 175	14 428
• Employee benefits	390	826
• FNB collaboration	364	–

1 Single premium inflows relating to institutional policies of R54 million are included in the Wealth and retail new business inflows.

2 Only client initiated term extensions (R9 million annualised recurring premiums and R850 million single premiums) were included in the value of new business calculation. Automatic term extensions (R2 114 million single premiums) were excluded from the calculation.

Composition of ordinary shareholders' net worth

R million	At 30 June 2007	2006
Strategic subsidiary investments	**4 406**	3 913
• RMB Asset Management (including unit trust subsidiaries)	**2 797**	2 407
• RMB Properties[1]	**–**	176
• Ashburton[2]	**772**	554
• Advantage (85%)	**273**	268
• Lekana (70%)	**73**	116
• Momentum Medical Scheme Administrators and Momentum Africa	**491**	392
Shareholders' portfolio investments	**5 538**	5 836
• Equities[3]	**–**	1 113
• Fixed interest instruments	**630**	822
• Preference shares	**905**	650
• Properties	**139**	147
• Share trust and subsidiary loans	**1 148**	1 137
• Cash and other	**2 716**	1 967
***Less:* Unsecured subordinated debt**	**(1 090)**	(1 055)
• Fair value of debt	**(976)**	(973)
• Accrued interest and interest rate swap	**(114)**	(82)
Shareholders' assets at directors' values	**8 854**	8 694
Adjustment to move from published to statutory valuation method for calculating liabilities	**(124)**	(12)
Shareholders' net worth for embedded value purposes	**8 730**	8 682
Attributable to preference shareholders[4]	**(486)**	(548)
Ordinary shareholders' net worth	**8 244**	8 134

1 RMB Properties was transferred to the Banking Group at its net asset value of R176 million, effective from 1 July 2006.

2 Ashburton is included in the shareholders' net worth at the directors' value of R772 million as at 30 June 2007. Subsequent to year end, Ashburton will be transferred to the Banking Group at its net asset value of R298 million, effective from 1 July 2007.

3 The equity holdings were sold following a change in the mandate for the shareholders' portfolio investments.

4 The value of R486 million (30 June 2006: R548 million) attributable to preference shareholders reflects the market value of the preference share issue of R500 million.

Reconciliation of ordinary shareholders' net worth to statutory surplus

R million	At 30 June 2007	2006
Ordinary shareholders' net worth	**8 244**	8 134
Impairment of subsidiaries' values for statutory purposes	**(3 877)**	(3 571)
Other impairments and inadmissible assets	**(35)**	(43)
Add back fair value of preference shares allowed as statutory capital	**486**	548
Add back fair value of subordinated debt allowed as statutory capital	**976**	973
Statutory surplus	**5 794**	6 041

Reconciliation of ordinary shareholders' net worth to total shareholders' funds

R million	At 30 June 2007	2006
Ordinary shareholders' net worth	**8 244**	8 134
Difference between statutory and published valuation methods	**124**	12
• Difference in investment contract liabilities	**(1 729)**	(1 595)
• Difference in insurance contract liabilities	**707**	615
• Deferred acquisition costs and deferred revenue liabilities	**1 196**	998
• Deferred tax on the items above	**(50)**	(6)
Sage value of in-force insurance business	**–**	680
Intangible asset relating to Sage (net of deferred tax)	**733**	–
Impairment in respect of Ashburton[1]	**(474)**	–
Value of preference shares issued	**486**	548
Total shareholders' funds	**9 113**	9 374

1 Ashburton will be transferred to the Banking Group at its net asset value of R298 million, effective 1 July 2007. The impairment of R474 million is the difference between the directors' value of R772 million and the transfer value of R298 million.

Analysis of embedded value profits

Embedded value profits represent the change in embedded value, adjusted for any capital raised and ordinary dividends paid. The components of the embedded value profits attributable to ordinary shareholders for the year ended 30 June 2007 are set out in the following table.

Analysis of embedded value profits

R million	Ordinary shareholders' net worth	Present value of future profits	Cost of capital at risk	Embedded value
Embedded value at 30 June 2006	**8 134**	**6 974**	**(670)**	**14 438**
Embedded value profit	**2 673**	**1 484**	**(105)**	**4 052**
Factors related to operations:	**892**	**815**	**(80)**	**1 627**
• Value of new business[1]	(548)	1 128	(62)	518
• Expected return[2]	–	862	(83)	779
• Expected profit transfer to net worth[3]	1 237	(1 237)	–	–
• Expected release from cost of capital[4]	–	–	120	120
• Operating experience variances[5]	279	(91)	(55)	133
• Experience assumption changes[6]	(76)	153	–	77
Factors related to market conditions:	**1 781**	**669**	**(25)**	**2 425**
• Investment return on ordinary shareholders' net worth[7]	1 675	–	–	1 675
• Investment variance[8]	84	624	(34)	674
• Economic assumption changes[9]	22	45	9	76
***Less:* Dividends paid to ordinary shareholders**	**(2 563)**	**–**	**–**	**(2 563)**
Embedded value attributable to ordinary shareholders at 30 June 2007	**8 244**	**8 458**	**(775)**	**15 927**

The embedded value profit attributable to ordinary shareholders of R4 052 million represents a return of 28% on the embedded value of R14 438 million at 30 June 2006, compared to a return on embedded value of 31% for the previous year.

Notes:

1. The negative contribution to the shareholders' net worth represents the new business strain on the statutory valuation method, which allows for the elimination of negative liabilities on whole life contracts.
2. The expected return is determined by applying the risk discount rate applicable at 30 June 2006 to the value of in-force insurance business at the start of the reporting period, and adding the expected return on new business, which is determined by applying the current risk discount rate to the value of new business from the point of sale to 30 June 2007.
3. The expected profit transfer from the value of in-force insurance business to the shareholders' net worth is calculated on the statutory valuation method.
4. The expected release from cost of capital at risk represents the difference between the expected after tax investment return on the assets backing the capital adequacy requirements, and the risk discount rate over the year.
5. The operating experience variances represent the impact of differences between the actual experience and the assumptions used in the embedded value calculations. The operating experience variances of R133 million include the following:
   - R87 million from Momentum's individual life business, which includes R137 million from favourable mortality and morbidity experience and negative R72 million from unfavourable experience in respect of early terminations, premium cessations, policy alterations and premium increases as well as R22 million in respect of financial structures;
   - R22 million in respect of working capital portfolio profits;
   - R118 million in respect of the FNB collaboration;
   - R8 million from group business;
   - negative R84 million in respect of maintenance expenses;
   - R41 million in respect of Secondary Tax on Companies expected but not paid;
   - negative R55 million in respect of experience variances on the cost of capital at risk; and
   - negative R4 million in respect of other items.
6. The impact of the experience assumption changes of positive R77 million consists of the following:
   - R18 million in respect of mortality and morbidity;
   - R130 million in respect of the projection period for linked business;
   - negative R75 million relating to early termination rates;
   - negative R159 million in respect of maintenance expenses;
   - negative R67 million in respect of tax;
   - R25 million in respect of group business;
   - R103 million from early termination rates and mortality rates in respect of the FNB collaboration;
   - R47 million in respect of international linked business, which was not previously included in the value of in-force insurance business; and
   - modelling changes of positive R55 million.

7. Investment returns on ordinary shareholders' net worth of R1 675 million comprise the following:

	Year ended 30 June	
R million	2007	2006
Investment income (including dividends from strategic subsidiaries)	587	363
Capital appreciation (including strategic subsidiaries' retained earnings)	1 065	1 242
Preference share dividends paid and the change in fair value of the preference shares issued	23	(65)
Investment return on ordinary shareholders' net worth	**1 675**	1 540

The investment return can also be presented as follows:

	Year ended 30 June	
R million	2007	2006
Investment income (excluding dividends from strategic subsidiaries)	241	276
Capital appreciation (excluding revaluation of strategic subsidiaries)	417	486
Revaluation of strategic subsidiaries	642	504
Strategic subsidiaries' earnings	352	339
Preference share dividends paid and the change in fair value of the preference shares issued	23	(65)
Investment return on ordinary shareholders' net worth	**1 675**	1 540

8. The investment variance of R674 million represents the impact of the higher than assumed investment returns on current and future insurance profits.

9. The economic assumption changes include the effect of the change in the assumed rate of investment return, the risk discount rate and the expense inflation rate.

Assumptions

The embedded value calculations comply with the Actuarial Society of South Africa's Professional Guidance Note PGN107. The same best estimate assumptions were used for the embedded value calculations and the statutory valuation of Momentum. The main assumptions used in the embedded value calculations are described below:

Economic assumptions

	Year ended 30 June	
%	2007	2006
Risk discount rate	11.0	11.5
Investment returns (before tax)	9.5	10.0
Implied differential	1.5	1.5
Expense inflation rate	6.5	7.0
Implied real return	3.0	3.0

The investment return assumption of 9.5% per annum (30 June 2006: 10.0% per annum) was derived from the yields on South African government bonds at 30 June 2007 taking into account the expected outstanding term of the in-force policy book. A notional long term asset distribution was used to calculate a weighted expected investment return by adding the following premiums/(discounts) to the risk free yield of 8.4% per annum (2006: 8.9% per annum).

	Year ended 30 June	
% premium/(discount)	2007	2006
Equities	2.0	2.0
Properties	1.0	1.0
Government stocks	–	–
Other fixed interest stocks	0.5	0.5
Cash	(2.0)	(2.0)

The future expense inflation assumption of 6.5% per annum (2006: 7.0% per annum) was based on an assumed long term differential of 3.0% (2006: 3.0%) relative to the assumed future investment return assumption of 9.5% per annum (2006: 10.0% per annum).

The risk discount rate was set equal to the risk free yield of 8.4% per annum plus 2.6% (2006: 8.9% per annum plus 2.6%).

In the calculation of the cost of capital at risk, it was assumed that the capital adequacy requirements will be backed by surplus assets consisting of 55% cash or near cash and 45% variable rate preference shares, to benefit from the effective after tax yield that can be obtained on variable rate preference shares.

Mortality, morbidity and early termination rates

The assumptions regarding future mortality, morbidity and early termination rates are based on the results of recent internal experience investigations. The mortality assumptions make provision for an expected deterioration in mortality as a result of AIDS, as well as expected improvements in mortality at older ages in respect of annuities in payment.

Expenses

The maintenance expense assumptions are based on the budgeted maintenance expenses for the financial year to 30 June 2008, are differentiated by main product group, and are sufficient to support the existing business on a going-concern basis.

Premium indexation arrangements

The embedded value of in-force insurance business includes the expected value of future premium increases resulting from premium indexation arrangements on in-force insurance business, by using an expected take up rate based on the results of recent experience investigations. The value of new business includes the expected value of future premium increases resulting from premium indexation arrangements on the new business written during the 12 months ended 30 June 2007.

Directors' valuations of asset management subsidiaries

The directors' values of RMBAM and Advantage include the value of expected profits from business written on Momentum's balance sheet as well as the value of profits derived from managing assets in respect of Momentum's insurance business.

A price:earnings ratio approach was used to derive the directors' values of the asset management operations and a discounted cash flow approach was used for the other subsidiaries, taking recent transaction prices into account where relevant.

Reserving bases

It was assumed that the current bases of calculating the policyholder liabilities would continue unchanged in future.

Surrender and paid up bases

It was assumed that the current surrender and paid up bases and practices would be maintained in future.

Tax

Allowance was made for future income tax based on the four fund tax dispensation, and for capital gains tax at face value in the policyholders' portfolios. No allowance was made for capital gains tax on the shareholders' strategic subsidiary investments, as these are not held with the intention of ultimate disposal.

The cost of capital at risk was based on projected after tax returns on the assets backing the capital adequacy requirements.

Allowance was made for Secondary Tax on Companies ("STC") on future dividends ultimately payable to shareholders at a rate of 5.6% (2006: 5.6%) of net expected future profits. The STC assumption is based on the expected future cash dividends according to the dividend policy of Momentum, taking into account expected future STC credits arising from dividends received. The STC assumption corresponds with a rate of 10% on dividends paid (2006: 12.5%), and reflects a reduction in assumed STC credits following the change in the shareholders' investment mandate away from equities to cash and near cash assets.

Sensitivities

This section illustrates the effect of different assumptions on the value of in-force insurance business and the value of new business.

For each sensitivity illustrated, all other assumptions have been left unchanged, except for the sensitivity to a 1% reduction in investment returns, where it was assumed that the inflation rate and the risk discount rate would also reduce by 1%.

No allowance was made for compensating management actions, except for a reduction in bonuses consistent with the reduction in investment returns. In the case of group risk benefits, it was assumed that the deterioration in mortality experience would be countered by a corresponding increase in premiums after a delay of one year.

The risk discount rate appropriate to an investor depends on the investor's own requirements, tax position and perception of the risks associated with the realisation of the future insurance profits of Momentum. The sensitivities to changes in the risk discount rate are included in the tables below.

Value of in-force insurance business sensitivities as at 30 June 2007

R million	Present value of future profits	Cost of capital at risk	Value of in-force insurance business	Change from base (%)
Base value	8 458	(775)	7 683	
Risk discount rate increases from 11.0% to 12.0%	8 051	(877)	7 174	(6.6)
Risk discount rate decreases from 11.0% to 10.0%	8 908	(661)	8 247	7.3
Renewal expenses increase by 10%	8 195	(775)	7 420	(3.4)
Expense inflation increases from 6.5% to 7.5%	8 328	(775)	7 553	(1.7)
Policy discontinuance rates increase by 10%	8 233	(730)	7 503	(2.3)
Mortality and morbidity experience deteriorate by 10%	7 370	(775)	6 595	(14.2)
Premium growth take up reduces by 10%	8 306	(775)	7 531	(2.0)
Investment returns reduce from 9.5% to 8.5%	8 505	(809)	7 696	0.2
Equity values decrease by 10%[1]	7 998	(775)	7 223	(6.0)

1 In addition to the impact on the value of in-force insurance business shown in the table above, an assumed decrease in equity values of 10% will reduce the value of the shareholders' strategic subsidiary investments by R441 million (a reduction of 5.3% in the shareholders' net worth). The combined impact of a 10% reduction in equity values on the value of in-force insurance business and shareholders' net worth is a 5.7% reduction in embedded value. In the case of all other sensitivities, the values of the assets representing the shareholders' net worth are unaffected.

Value of new business sensitivities as at 30 June 2007

R million	Gross value of new business	Cost of capital at risk	Value of new business	Change from base (%)
Base value	580	(62)	518	
Risk discount rate increases from 11.0% to 12.0%	525	(69)	456	(12.0)
Risk discount rate decreases from 11.0% to 10.0%	639	(53)	586	13.1
Renewal expenses increase by 10%	542	(62)	480	(7.3)
Expense inflation increases from 6.5% to 7.5%	564	(62)	502	(3.1)
Policy discontinuance rates increase by 10%	518	(58)	460	(11.2)
Mortality and morbidity experience deteriorate by 10%	389	(62)	327	(36.9)
Premium growth take up reduces by 10%	561	(62)	499	(3.7)
Investment returns reduce from 9.5% to 8.5%	584	(73)	511	(1.4)
New business acquisition expenses increase by 10%	541	(62)	479	(7.5)
New business volumes decrease by 20%	379	(49)	330	(36.3)

Review by the independent actuaries

Deloitte & Touche has reviewed the methodology and the assumptions underlying the calculation of the embedded value and the value of new business. They are satisfied that, based on the information supplied to them by Momentum, the methodology and assumptions are appropriate for the purpose of the embedded value disclosure, that these have been determined in accordance with generally accepted actuarial principles and in accordance with guidance note PGN107 of the Actuarial Society of South Africa, that the approach has been applied consistently across the different business units and that the methodology and assumptions have been applied consistently over the year.

Notes

appendix 3

FirstRand Group
Supplementary information

capital mangement information (unaudited)

for the year ended 30 June

R million	2007	2006	% change
Return on equity			
Average normalised net asset value	**42 213**	35 108	20
Normalised earnings	**11 845**	8 958	32
Normalised return on equity (%)	**28.1**	25.1	
Banking Group (%)	**28.7**	27.8	
Momentum Group (%)	**25.3**	24.1	
Discovery Group (%)	**22.4**	22.0	
Price to book			
Market capitalisation (number of shares in issue* 30 June closing share price)	**127 367**	95 217	34
Normalised net asset value (refer below)	**46 622**	37 803	23
Normalised price to book (times)	**2.73**	2.53	
Capital adequacy			
Capital adequacy ratio: Banking Group (Regulatory requirement: 10%)	**13.6**	12.8	
CAR cover: Momentum Group (Regulatory requirement: 1.0 x)	**2.3**	2.8	
CAR cover: Discovery Group (Regulatory requirement: 1.0 x)	**10.7**	16.6	
Capital leverage ratio			
Core equity (%)	**77.2**	72.2	
Non cumulative non redeemable preference shares (%)	**7.5**	8.6	
Debt instruments (%)	**15.3**	19.2	
	100.0	100.0	

R million	2007	2006	% change
Sources and application of capital			
Sources of consolidated capital at FirstRand			
Ordinary shareholders' equity and reserves			
Ordinary shareholders' equity and reserves	**43 548**	36 530	19
Less: Non cumulative non redeemable preference shares	**(4 519)**	(4 519)	–
Ordinary shareholders' equity	**39 029**	32 011	22
Plus: **Treasury shares**	**6 149**	4 348	41
Plus: **Excess cost of investment of net asset value at date of merger (Section 84 of Companies Act) High Court approval**	**1 444**	1 444	–
Normalised ordinary shareholders' equity (normalised net asset value)	**46 622**	37 803	23
Non cumulative non redeemable preference shares	**4 519**	4 519	–
Debt capital instruments	**9 250**	10 576	(13)
Total capital sourced	**60 391**	52 898	14
Banking Group	**47 104**	38 659	22
Ordinary shareholders equity	**36 126**	27 755	30
Ordinary shareholders equity other subsidiaries	**704**	–	>100
Non cumulative non redeemable preference shares	**3 100**	3 100	–
Debt capital instruments	**7 174**	7 804	(8)
Momentum Group	**7 671**	9 319	(18)
Ordinary shareholders equity	**5 952**	6 593	(10)
Non cumulative non redeemable preference shares	**500**	500	–
Debt capital instruments	**1 219**	2 226	(45)
Discovery Group	**3 362**	2 666	26
BEE staff share scheme	**2 254**	2 254	–
	5 616	4 920	14
Ordinary shareholders equity	**3 840**	3 455	11
Non cumulative non redeemable preference shares	**919**	919	–
Debt capital instruments	**857**	546	57
Total capital applied	**60 391**	52 898	14

R million	Year ended 30 June 2007	2006	% change
Banking Group[1]	547 467	465 197	18
Momentum Group[1]	184 088	161 632	14
Discovery Group[1]	8 500	6 777	25
FirstRand company and consolidation[2]	(18 496)	(31 010)	(40)
Total on balance sheet assets	721 559	602 596	20
Off balance sheet assets managed or administered on behalf of clients	178 589	192 097	(7)
Total assets under management or administration	900 148	794 693	13

Notes:

1 *Assets are disclosed before elimination of intergroup balances. Refer note 2.*

2 *All consolidation entries have been included.*

number of shares information

for the year ended 30 June

R million	2007	2006
Shares in issue		
Opening balance 1 July	**5 634 120 503**	5 613 566 954
Movements		
Outperformance conversion October 2006/2005	**831 066**	1 465 514
Outperformance conversion April 2007/2006	**764 107**	19 088 035
Number of shares in issue	**5 635 715 676**	5 634 120 503
Less: Treasury shares	**(464 663 200)**	(449 689 562)
Staff schemes	**(267 754 209)**	(242 605 846)
BEE staff trusts	**(171 401 072)**	(179 401 072)
Shares held by policyholders	**(25 507 919)**	(27 682 644)
Number of shares in issue (after treasury shares)	**5 171 052 476**	5 184 430 941
Weighted average number of shares		
Actual number of shares in issue as at 1 July	**5 634 120 503**	5 613 566 954
Adjustment:		
Outperformance conversion weighting	**745 071**	5 549 512
Weighted average number of shares before treasury shares	**5 634 865 574**	5 619 116 466
Less: Treasury shares	**(470 934 539)**	(476 431 135)
Staff schemes	**(282 667 735)**	(269 347 419)
BEE staff trusts	**(171 401 072)**	(179 401 072)
Shares held by policyholders	**(16 865 732)**	(27 682 644)
Weighted average number of shares in issue	**5 163 931 035**	5 142 685 331
Dilution impact:		
Outperformance	**3 857 700**	6 807 375
Staff schemes	**108 490 250**	111 997 137
BEE staff trusts	**38 552 823**	56 119 306
Diluted weighted average number of shares in issue	**5 314 831 808**	5 317 609 149
Number of shares for normalised earnings per share calculation		
Actual weighted average and diluted weighted average number of shares for calculation of normalised earnings and diluted earnings per share		
Shares in issue at 1 July	**5 634 120 503**	5 613 566 954
Adjustment:		
Outperformance conversion weighting	**745 071**	5 549 512
Weighted average number of shares in issue for normalised earnings calculation	**5 634 865 574**	5 619 116 466
Dilution impact:		
– Outperformance	**3 857 700**	6 807 375
Diluted weighted average number of shares in issue for diluted normalised earnings calculation	**5 638 723 274**	5 625 923 841

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

These unaudited adjustments are consistent with those reported at 30 June 2006, except for share based payments and listed property associates.

Private equity realisations

In terms of IFRS, and specifically IAS 28 – "Investment in Associates", investors in private equity or venture capital associate companies may elect to either equity account or fair value associate investments. As part of its conversion to IFRS, FirstRand elected to continue to equity account for its private equity associate investments.

On 4 May 2006, the Accounting Practices Committee ("APC") of the South African Institute of Chartered Accountants ("SAICA") published Issue 8 of Circular 7/2002 – "Headline Earnings". In terms of the Circular, profits or losses on the realisation of all equity accounted private equity or venture capital investments are to be excluded from the calculation of headline earnings. FirstRand will continue to disclose normalised earnings and normalised earnings per share information, which includes the profits or losses on disposal of private equity investments. FirstRand will continue with its policy of using normalised earnings as the basis for determination of dividend payments. FirstRand regards private equity to be a core component of its investment banking business.

Agreement with National Treasury

The total impact on Momentum and Sage of the agreement with National Treasury that was reached on 12 December 2005 amounts to R196 million after tax. The impact on Momentum is R108 million. The balance of R88 million is a charge against preacquisition earnings of Sage. As a provision of R78 million after tax already existed at 30 June 2005, the full balance of the Momentum charge of R30 million after tax has been taken against prior year earnings.

Discovery BEE transaction

In December 2005, Discovery issued 38.7 million shares in terms of its BEE transaction. The special purpose vehicles and trusts to which these shares have been issued have been consolidated by Discovery, eliminating the shares issued as treasury shares.

The normalised adjustment:

- adds back the IFRS 2 charge; and
- adds back the treasury shares to equity.

Treasury shares: Effective shareholding in Discovery Holdings Limited

Discovery consolidates in its results treasury shares relating to its BEE transaction, which effectively increases FirstRand's share in Discovery from 57.1% to 62.3%. This adjustment is to reflect the actual shareholding in Discovery at 57.1%

Share based payments and treasury shares: Consolidation of staff share schemes

IFRS 2 – Share based payments – requires that all share based payment transactions for goods or services received must be expensed with effect from financial periods commencing on or after 1 January 2005. FirstRand hedges itself against the price risk of the FirstRand share price in the various staff shares schemes. The staff schemes purchase FirstRand shares in the open market to ensure that the company is not exposed to the increase in the FirstRand share price. Consequently, the cost to FirstRand is the funding cost of the purchases of FirstRand's shares by the staff share trust. These trusts are consolidated and FirstRand shares held by the staff share scheme are treated as treasury shares. For purposes of calculating the normalised earnings, the consolidation entries are reversed and the Group shares held by the staff share scheme are treated as issued to parties external to the Group.

The normalised adjustments:

- adds back the IFRS 2 charge; and
- adds back the treasury shares to equity.

Treasury shares: FirstRand shares held by policyholders

FirstRand shares held by Momentum Group and Discovery Life are invested for the risk and reward of its policyholders, not its shareholders, and consequently the Group's shareholders are not exposed to the fair value changes on these shares. In terms of IAS 32, FirstRand Limited and Discovery Holdings Limited shares held by Momentum Group and Discovery Life on behalf of policyholders are deemed to be treasury shares for accounting purposes. The corresponding movement in the policyholder liabilities is, however, not eliminated, resulting in a mismatch in the overall equity and income statement of the Group.

Increases in the fair value of Group shares and dividends declared on these shares increase the liability to policyholders. The increase in the liability to policyholders is accounted for in the income statement. The increase in assets held to match the liability position is eliminated. For purposes of calculating the normalised earnings, the adjustments described above are reversed and the Group shares held on behalf of policyholders are treated as issued to parties external to the Group.

Adjustment of listed property associates

Momentum's investments in its listed property associates (Emira and Freestone) are adjusted from fair value to net asset value in the Group consolidated financial statements. The policyholder liability is mainly based on the fair value of the units held, resulting in a mismatch between policyholder assets and liabilities that is reflected as a non operational item outside of normalised earnings.

Financial impact of black economic empowerment ("BEE")

Background

IFRS 2 – Share based payments requires that all share based payment transactions for goods or services received must be expensed with effect from financial periods commencing on or after 1 January 2005. During the past 18 months there has been ongoing debate on whether BEE equity linked transactions result in the receipt of "goods" or "services", and therefore should be expensed in terms of IFRS 2. The International Financial Reporting Interpretations Committee issued an interpretation IFRIC 8 – the Scope of IFRS 2 ("IFRIC 8") during January 2006. IFRIC 8 clarifies that IFRS 2 applies to all share based payment transactions where the consideration received or to be received, either through identifiable or unidentifiable goods or services, is less than the fair value of the equity instruments issued or granted. IFRIC 8 is applicable for financial periods commencing on or after 1 May 2006, on a fully retrospective basis, using the transitional provisions of IFRS 2 read with IFRS 1.

Financial impact on the FirstRand Group

FirstRand has accounted for the non staff component of the Group's BEE transaction, with effect from the financial year commencing 1 July 2006, in accordance with the requirements of IFRIC 8.

As a result, the full financial impact in terms of IFRS 2 of the non staff component of the BEE transaction, amounting to R1.655 billion, has been accounted for as an opening reserve transfer on 1 July 2006, and will have no further income statement effect.

Headline earnings

FirstRand has applied Headline Earnings Circular 7/2002 in preparing these financial statements. In applying this circular cognisance has been taken of existing market practice. With effect from the 2008 financial year, FirstRand will adopt Headline Earnings Circular, Circular 8/2007.

The following line items on the face of the income statement and balance sheet have been reallocated for more accurate disclosure purposes.

	Amount as previously stated	Amount as restated	Difference	Explanation
Income statement				
Non interest income				
– fees and commissions	12 009	14 088	(2 079)	Fee and commission expense reallocated to operating expenses.
– gains less losses from investment securities	19 225	21 005	(1 780)	Reallocation of rental income and fair value income on investment properties to investment securities from non interest income.
– other non interest income	2 268	488	1 780	Refer to gains less losses from investment securities.
Operating expenses	20 402	22 481	2 079	Refers to fees and commissions.
Balance sheet				
Cash and short term funds	30 323	46 684	16 361	Reallocation of money market investment to cash and short term funds. No longer separate line on the face of balance sheet for money market investments.
Money market investments	16 361	–	(16 361)	Refer to cash and short term funds.
Creditors and accruals	16 848	16 645	203	Deferred revenue liability of Discovery moved to separate line on face of balance sheet.
Deferred revenue liability	248	451	(203)	Refer to creditors and accruals.
Advances				
– loans and receivables	236 370	259 179	22 809	Grossing up of advances in line with international practice relating to set off in terms of IAS 32.
Deposits				
– deposit and current accounts	309 304	332 113	(22 809)	Grossing up of deposits in line with international practice relating to set off in terms of IAS 32.

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JSE LIMITED ("JSE")

Ordinary shares	Share code	ISIN code
– FirstRand Limited	FSR	ZAE 000066304

Non-cumulative non-redeemable preference shares

– "B"	FSRP	ZAE 000060141
– "B1"	FSPP	ZAE 000070900

Namibian Securities Exchange ("NSE")

Ordinary shares	Share code	ISIN code
FirstRand Limited	FSR	ZAE 000066304
FNB Namibia Holdings Limited	FNB	NA 0003475176

Botswana Securities Exchange of South Africa ("JSE")

Ordinary shares	Share code	ISIN code
FNB Botswana Holdings Limited	FNBB	BW 000000066

Bond Exchange of South Africa ("BESA")

Subordinated debt

Issuer	Code	ISIN code
FirstRand Bank Limited	FRB05	ZAG 000031337
FirstRand Bank Limited	FRB03	ZAG 000026774
FirstRand Bank Limited	FRB02	ZAG 000021593
FirstRand Bank Limited	FRB01	ZAG 000021585
Momentum Group Limited	MGL01	ZAG 000029935

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