FIRSTRAND

Reg No 1966/010753/06 Share code: FSR ISIN code: ZAE 000014973 ("FSR")

Unaudited interim results announcement for the six months ended 31 December 2001

INTRODUCTION

This announcement relates to the consolidated results of FirstRand Limited ("FirstRand") and its wholly-owned subsidiaries, FirstRand Bank Holdings Limited and Momentum Group Limited. Separate reports relating to these subsidiaries are included in this circular and should be read in conjunction with this report.

FINANCIAL HIGHLIGHTS

- Core operational headline earnings ↑ **20%**
- Headline earnings including exceptional translation gain ↑ **59%**
- Interim dividend per share ↑ **20%**
- Total assets **R463 billion**

This circular is available on our website at: www.firstrand.co.za
E-mail questions to: asktheCFO@firstrand.co.za

SUMMARISED INCOME STATEMENT

for the six months ended

R million	31 December 2001 (Unaudited)	31 December 2000 (Unaudited)	% change	Year ended 30 June 2001 (Audited)
Banking Group	**2 185**	1 279	71	2 795
Core operations	**1 535**	1 279	20	2 795
Exceptional foreign currency translation gain	**650**	–	–	–
Insurance Group	**501**	423	18	943
FirstRand Limited	**(7)**	(17)	59	(41)
Headline earnings	**2 679**	1 685	59	3 697
Less: Exceptional foreign currency translation gain	**(650)**	–	–	–
Core operational headline earnings	**2 029**	1 685	20	3 697
Headline earnings reconciliation				
Attributable earnings				
Banking Group	**2 182**	1 275	71	2 787
Insurance Group	**480**	413	16	831
Goodwill amortised – intergroup	**3**	3	–	5
	2 665	1 691	58	3 623
FirstRand Limited	**(7)**	(26)	73	(41)
Earnings attributable to ordinary shareholders	**2 658**	1 665	60	3 582
Add: Goodwill amortised	**19**	20	(5)	37
Add: Loss on disposal of fixed assets	**2**	–	–	–
Add: Effect of Insurance Group transitional tax on prior years	**–**	–	–	31
Add: Exceptional items – Insurance Group associated company	**–**	–	–	47
Headline earnings	**2 679**	1 685	59	3 697
Dividends (R million)	**735**	613	20	1 293
Return on average equity (including exceptional translation gain)	**30,7**	24,1		25,4
Return on average equity (excluding exceptional translation gain)	**24,5**	24,1		25,4
Number of shares in issue (million)	**5 445**	5 445	–	5 445
Core operational headline earnings per share (cents)	**37,2**	30,9	20	67,9
Headline earnings per share (cents)	**49,2**	30,9	59	67,9
Earnings per share (cents)	**48,8**	30,5	60	65,8
Dividend per share (cents)				
Interim	**13,50**	11,25	20	11,25
Final	**n/a**	n/a	–	12,50
Total	**13,50**	11,25	20	23,75

BALANCE SHEET

as at

R million	31 December 2001 (Unaudited)	31 December 2000 (Unaudited)	30 June 2001 (Audited)
ASSETS			
Banking operations	**195 286**	154 303	164 678
Cash and short-term funds	**14 371**	7 771	9 788
Short-term negotiable securities	**5 926**	16 560	6 105
Liquid assets and trading securities	**31 566**	11 552	26 399
Securities purchased under agreements to resell	**–**	38	–
Advances	**141 232**	115 900	119 674
Other investments	**2 191**	2 482	2 712
Insurance operations	**79 355**	64 249	70 519
Funds on deposit	**8 031**	7 009	6 169
Government and public authority stocks	**9 095**	6 465	8 739
Debentures and other loans	**8 384**	6 622	8 724
Policy loans	**746**	655	517
Equity investments	**50 106**	40 350	43 331
Property investments	**2 993**	3 148	3 039
Current assets	**9 123**	6 398	5 650
Loans	**1 108**	1 108	1 108
Investments in associated companies	**1 150**	722	945
Derivative assets	**53 235**	12 230	17 682
Deferred taxation	**265**	370	254
Intangible assets	**1 350**	536	544
Property and equipment	**3 992**	3 588	3 497
Total assets	**344 864**	243 504	264 877
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits and current accounts	**162 831**	129 375	137 584
Current liabilities	**19 333**	13 818	11 299
Taxation	**284**	174	376
Derivative liabilities	**59 398**	15 358	23 920
Deferred taxation	**1 657**	1 671	1 698
Debentures and long-term liabilities	**4 247**	3 679	4 133
Life insurance funds	**75 679**	62 615	67 943
Total liabilities	**323 429**	226 690	246 953
Outside shareholders' interests	**1 276**	1 015	950
Shareholders' funds			
Share capital and share premium	**9 595**	9 595	9 595
Reserves	**10 564**	6 204	7 379
Total liabilities and shareholders' equity	**344 864**	243 504	264 877
Contingencies and commitments	**24 417**	12 270	17 928

SUMMARISED CASH FLOW STATEMENT

for the six months ended

R million	31 December 2001 (Unaudited)	31 December 2000 (Unaudited)	Year ended 30 June 2001 (Audited)
Cash flows from operating activities			
Cash generated by operations	**8 235**	5 658	13 641
Working capital changes	**4 561**	3 233	4 610
Cash inflow from operations	**12 796**	8 891	18 251
Normal tax paid	**(974)**	(607)	(955)
Dividends paid	**(681)**	(545)	(1 157)
Net cash inflow from operating activities	**11 141**	7 739	16 139
Net cash outflow from investment activities	**(4 939)**	(8 899)	(15 666)
Net cash inflow/(outflow) from financing activities	**243**	(299)	(827)
Net increase/(decrease) in cash and cash equivalents	**6 445**	(1 459)	(354)
Cash and cash equivalents at beginning of period	**15 957**	16 239	16 239
Cash and cash equivalents acquired	**–**	–	72
Cash and cash equivalents at end of period	**22 402**	14 780	15 957

STATEMENT OF CHANGES IN EQUITY

R million	Retained earnings	Non-distributable reserves	Convertible debentures	Preference shares	Share capital and share premium	Total shareholders' funds
Balance as at 1 July 2001	6 942	437	–	1 109	8 486	16 974
Net gains or losses, including translation gains, not recognised in the income statement	–	1 208	–	–	–	1 208
Earnings attributable to shareholders	2 658	–	–	–	–	2 658
Dividends paid	(681)	–	–	–	–	(681)
Balance as at 31 December 2001	8 919	1 645	–	1 109	8 486	20 159
Balance as at 31 December 2000						
– As previously stated	5 622	582	350	1 109	8 486	16 149
– Reclassification of convertible debentures	–	–	(350)	–	–	(350)
Restated balance as at 31 December 2000	**5 622**	**582**	**–**	**1 109**	**8 486**	**15 799**

ASSETS UNDER MANAGEMENT

as at

R million	31 December 2001 (Unaudited)	31 December 2000 (Unaudited)	30 June 2001 (Audited)
Holding company	**1 112**	1 111	1 112
Banking Group	**253 221**	172 275	184 944
Insurance Group	**209 151**	159 474	180 842
On-balance sheet	**90 531**	70 118	78 821
Off-balance sheet assets managed and administered on behalf of clients	**118 620**	89 356	102 021
Total assets	**463 484**	332 860	366 898

SOURCES OF PROFIT

for the six months ended

R million	31 December 2001 Rm	31 December 2001 %	31 December 2000 Rm	31 December 2000 %
Retail banking	**457**	22,5	354	21,1
Instalment finance	**234**	11,5	245	14,5
Merchant banking	**219**	10,8	211	12,5
Corporate banking	**196**	9,7	157	9,3
Capital centre – Banking Group	**172**	8,5	77	4,6
Individual insurance business	**161**	7,9	140	8,3
Asset management	**134**	6,6	111	6,6
African subsidiaries	**112**	5,5	62	3,7
Investment income on Insurance Group shareholders' portfolio	**97**	4,8	79	4,7
Mortgage lending	**77**	3,8	123	7,3
Employee benefits	**59**	2,9	61	3,6
Health insurance	**55**	2,7	32	1,9
Private banking – offshore	**35**	1,7	31	1,8
Short-term insurance	**35**	1,7	34	2,0
Private banking – domestic	**14**	0,7	10	0,6
FirstRand Limited	**(7)**	(0,3)	(17)	(1,0)
Internet banking (eBucks.com)	**(21)**	(1,0)	(25)	(1,5)
Core operational headline earnings	**2 029**	100,0	1 685	100,0
Exceptional foreign currency translation gain	**650**	–	–	–
Headline earnings	**2 679**	–	1 685	–

COMMENTARY

FINANCIAL RESULTS

During the period under review we witnessed two unprecedented events. The first was the attack on the World Trade Centre on 11 September 2001. This attack and its subsequent repercussions have substantially increased the risks inherent in the environment in which both local and international financial services groups operate. The second was the precipitous fall in the Rand against the world's major currencies, which is likely to have ongoing consequences for the South African economy for some time to come. The result of these two events was volatility in markets, increased uncertainty and a decrease in investor confidence. In spite of this, our diversified earnings base enables us to announce pleasing results for the six-month period to 31 December 2001.

Operating environment

Demand for credit extension during the six months was modest. Market volatility offered good opportunities for trading profits, but these were partially offset by the underperformance of the bank's international lending portfolios.

Interest rates were reasonably steady, but have been increased by 100 basis points since 31 December in response to the weakening currency. The JSE Securities Exchange All Share Index rallied towards the end of the year, but the positive impact on earnings will only be reflected in the second half of the financial year.

Momentum's life insurance activities provide opportunities for customers to invest in offshore funds. The Reserve Bank's limitations on these activities have resulted in a lack of capacity to meet the demand for these products. This is reflected in lower than anticipated individual life new business sales.

The group's health operations continued in its efforts to reach consensus with the Registrar of Medical Schemes regarding the funding of the statutory capital requirements of the Discovery Health Medical Scheme. Notwithstanding this, there was an increase in the volumes of new business written. The uncertainty regarding funding methods introduced an element of uncertainty into the Discovery Holdings share price.

Translation gains

In accordance with Generally Accepted Accounting Practice (GAAP), the group recognises in the income statement translation gains and losses on currency movements to the extent that the underlying operations are defined as integral to those of the South African-based businesses. Translation gains and losses relating to independent foreign entities are transferred directly to non-distributable reserves. Total translation gains amounted to R1 977 million (December 2000: R120 million) of which R714 million (December 2000: R71 million) is included in the income statement. Of the translation gains included in the income statement, R64 million is attributable to the interest rate differential between the South African Rand and the group's main foreign operating currencies. The balance of R650 million is regarded as exceptional, and is reflected separately in headline earnings.

Earnings and dividends

Core operational headline earnings, excluding the exceptional translation gain of R650 million referred to above, increased by a solid 20,4% to R2 029 million (37,2 cps) compared with R1 685 million (30,9 cps) in the corresponding period of the previous year.

Total headline earnings of R2 679 million (49,2 cps), including the exceptional translation gain of R650 million, represents an increase of 59% over the prior period.

An interim dividend of R735 million (13,5 cps) has been declared representing a 20% increase on the interim dividend of the previous year. Dividend cover has been retained at 2,8 times and is calculated excluding the exceptional translation gain referred to above. The dividend will be sourced 45% from the Insurance Group (2000: 33%) and 55% (2000: 67%) from the Banking Group.

Return on equity has been affected by the translation gains. Excluding the exceptional translation gain, the annualised return on average equity was 24,5% (2000: 24,1%). If the gain is included the return is 30,7%. For the purpose of calculating the return on equity, the preference shares relating to the OutPerformance Scheme are ignored as there is no dilutory effect at 31 December 2001.

Total assets under management at 31 December 2001 totalled R463 billion and were up 39% over the calendar year. The increase was largely due to the impact of the depreciation of the Rand on the translation of foreign assets and derivatives into local currency.

REVIEW OF OPERATIONS

Most divisions of the group's diverse operating base performed well during the six months under review.

Progress in the Banking and Insurance groups is dealt with in some detail in the reports of these two subsidiaries.

At a group level we are pleased with the progress being made on all fronts in building our business. Research shows that service being experienced by our customers in the Retail Bank is reaching new highs. Client acquisition figures are encouraging. We are also pleased with the modest but steady progress being made to ensure that, through the development of joint strategies between business units, customers are being exposed to all the group's products and services.

The Banking Group's capital adequacy ratios have benefited from the decline in the value of the Rand because of the quantum of group capital held in hard currencies. The rand weakness has, however, impacted negatively on the domestic capital adequacy ratio of the bank. We continue to seek ways of optimising the use of our capital.

During the period, we concluded another black empowerment deal. With effect from 1 January 2002, 40% of Futuregrowth, our specialist asset management company, was sold to Wipcapital. A further 16,5% can be acquired by Wipcapital subject to certain conditions.

The group has adopted a cautious approach to micro-lending. As a result of this approach the total micro-lending book is a modest R206 million. The majority of the exposure is administered by way of corporate payroll deductions.

We were particularly pleased when three of the group companies namely RMB, Discovery and Momentum, were included in the top five of the Financial Mail and Deloitte & Touche Human Capital Corporation survey of "Best Companies to Work for in South Africa."

BOARD APPOINTMENTS

At the Annual General Meeting held on 26 November 2001, Messrs Cyril Ramaphosa and Frederik van Zyl Slabbert were appointed to the board of FirstRand Limited. The experience and expertise of the new appointees will enable them to play an active role in guiding group strategy.

CORPORATE GOVERNANCE

The group has always prided itself in promoting the highest standards of Corporate Governance. The developments of King II are being reviewed with interest to ensure that all group companies comply with the recommendations and that we are seen to be leaders in this field.

ACCOUNTING POLICIES

The accounting policies of the group comply in all material respects with South African GAAP and the Companies Act of 1973. These accounting policies are consistent with those applied during the year to 30 June 2001.

PROSPECTS

All of the group's operations are functioning well. The necessary building blocks are in place and our strategies are bearing fruit. We have excellent people dedicated to providing customers with world-class products and services across the full spectrum of their financial needs. We are confident that the improvement in our key operating ratios will be reflected in the second half of the financial year.

Our diverse earnings base allows us to be confident about our ability to continue to deliver good results.

DIVIDEND

Notice is hereby given that an interim dividend of 13,5 cents per ordinary share has been declared on 27 February 2002 in respect of the half year ended 31 December 2001. The last day to trade in these shares on a cum dividend basis, will be 20 March 2002 and the first day to trade ex dividend will be 22 March 2002. The record date will be 28 March 2002, and the payment date is 2 April 2002. Please note that no dematerialisation or rematerialisation can be done in the period 14 March 2002 to 28 March 2002, both days inclusive.

On behalf of the directors

G T Ferreira
Chairman

L L Dippenaar
Chief Executive

Transfer secretaries
Computershare Services Limited
2nd Floor, Edura House
41 Fox Street
Johannesburg, 2001

Registered office
17th Floor, 1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton, 2149

Postal address
PO Box 786273, Sandton, 2146

Secretary
P F de Beer (FCIS)

This circular is available on our website at: **www.firstrand.co.za**
E-mail questions to: **asktheCFO@firstrand.co.za**

FIRSTRAND

Banking Group

Unaudited interim results announcement for the six months ended 31 December 2001

INTRODUCTION

This announcement reflects the operating results and financial position of the banking interests of the FirstRand Limited Group of Companies and should be read in conjunction with the report on FirstRand Limited. The FirstRand Banking Group (the Banking Group) is 100% held by FirstRand Limited. The consolidated figures in this report include the operations of First National Bank (FNB), FNB Retail Bank, FNB Corporate, FNB HomeLoans, WesBank, Rand Merchant Bank (RMB), FNB Namibia, FNB Botswana and FNB Swaziland, as well as FirstRand International, FirstLink, OUTsurance, Origin, eBucks.com and the Ansbacher Group.

FINANCIAL HIGHLIGHTS

- Core operational headline earnings ↑ **20%**
- Headline earnings ↑ **71%**
- Efficiency ratio **57,2%**
- Operational return on capital **22,9%**

This circular is available on our website at: www.firstrand.co.za
E-mail questions to: askthebankCFO@firstrand.co.za

INCOME STATEMENT

for the six months ended

R million	December 2001 (Unaudited)	December 2000 (Unaudited)	% change	Year ended 30 June 2001 (Audited)
Interest income	**8 138**	7 176	13,4	15 185
Interest expenditure	**(4 960)**	(4 446)	11,6	(9 770)
Net interest income before impairment of advances	**3 178**	2 730	16,4	5 415
Charge for bad and doubtful debts	**(680)**	(564)	20,6	(1 143)
Net interest income after impairment of advances	**2 498**	2 166	15,3	4 272
Non-interest income	**3 188**	2 864	11,3	6 157
Translation gains	**64**	53	20,8	207
Net income from operations	**5 750**	5 083	13,1	10 636
Operating expenditure	**(3 699)**	(3 328)	11,1	(7 090)
Income from operations	**2 051**	1 755	16,9	3 546
Share of earnings of associated companies	**42**	15	>100,0	134
Income before taxation	**2 093**	1 770	18,2	3 680
Taxation	**(478)**	(406)	17,7	(762)
Income after taxation	**1 615**	1 364	18,4	2 918
Earnings attributable to outside shareholders	**(83)**	(89)	(6,7)	(131)
Operational earnings attributable to ordinary shareholders	**1 532**	1 275	20,2	2 787
Exceptional translation gains	**650**	–	>100,0	–
Earnings attributable to ordinary shareholders	**2 182**	1 275	71,1	2 787

BALANCE SHEET

as at

R million	December 2001 (Unaudited)	December 2000 (Unaudited)	% change	30 June 2001 (Audited)
ASSETS				
Cash and short-term funds	**14 371**	7 771	84,9	9 788
Short-term negotiable securities	**5 936**	16 608	(64,3)	6 114
Liquid assets and trading securities	**31 566**	11 552	>100,0	26 399
Derivative instruments	**48 810**	10 763	>100,0	14 209
Advances	**141 217**	115 885	21,9	119 659
Debtors	**4 754**	3 082	54,3	2 361
Other investments	**2 191**	2 482	(11,7)	2 712
Investment in associated companies	**643**	297	>100,0	477
Property and equipment	**3 370**	3 238	4,1	2 911
Deferred taxation	**258**	370	(30,3)	247
Goodwill	**196**	615	(68,1)	161
Total assets	**253 312**	172 663	46,7	185 038
LIABILITIES AND SHAREHOLDERS' FUNDS				
Liabilities				
Deposits and current accounts	**162 831**	129 414	25,8	137 584
Derivative instruments	**54 229**	14 029	>100,0	20 220
Creditors and accruals	**15 573**	11 875	31,1	9 318
Current taxation	**4**	38	(89,5)	30
Deferred taxation	**1 657**	1 609	3,0	1 696
Long-term liabilities	**3 201**	3 311	(3,3)	3 304
Total liabilities	**237 495**	160 276	48,2	172 152
Outside shareholders' interest	**695**	821	(15,3)	565
Shareholders' funds				
Ordinary share capital	**106**	106	–	106
Share premium	**1 332**	1 332	–	1 332
Non-distributable reserves	**2 001**	1 226	63,2	1 093
Distributable reserves	**11 683**	8 902	31,2	9 790
Total shareholders' funds	**15 122**	11 566	30,7	12 321
Total liabilities and shareholders' funds	**253 312**	172 663	46,7	185 038
Contingencies and commitments	**24 417**	12 270	99,0	17 928

FIRSTRAND BANKING GROUP

OPERATIONAL ENVIRONMENT

The period under review was dominated by the events of 11 September 2001, the subsequent slowdown of the economy in the United States and increased defaults in the US corporate market. The rand lost 45% of its value against the US dollar, resulting in an uncertain domestic business environment, increased volatility in the trading environment and a large increase in the rand value of dollar-denominated assets and liabilities. The stable local interest rate environment has, however, resulted in a continued improvement in the credit quality of the core client base of the Banking Group. Advances, particularly in asset finance categories, have shown double-digit growth.

OPERATIONAL REVIEW

The Banking Group once again produced strong results. Core operational earnings, which exclude exceptional translation gains, increased by 20,2% from R1 275 to R1 532. Core operational headline earnings per share increased by 20,0% to R1 535 million (December 2000: R1 279 million), and earnings attributable to shareholders, including exceptional translation gains, by 71,1% from R1 275 million to R2 182 million.

R million	December 2001	December 2000	% change	June 2001
Operational earnings attributable to shareholders	**1 532**	1 275	20,2	2 787
Goodwill	**3**	4	(25,0)	8
Core operational headline earnings	**1 535**	1 279	20,0	2 795
Exceptional translation gains	**650**	–	>100,0	–
Headline earnings	**2 185**	1 279	70,8	2 795

Exceptional translation gains

The Banking Group recognises translation gains and losses on currency movements in the income statement to the extent that the underlying operations are defined as integral to those of the South African based business. Translation gains and losses relating to independent operations are transferred directly to reserves. Nevertheless, the rapid deterioration of the rand during the latter part of the 2001 calendar year gave rise to unrealised income statement profits of R714 million (December 2000: R53 million).

The impact of the deterioration of the rand on the South African economy, corporate and consumer confidence and credit quality as well as the local regulatory environment is uncertain, as is the sustainability of the current rand/dollar exchange rate. In view of this uncertainty, the Banking Group has accounted for translation gains in its operational results in the income statement at a rand/dollar exchange rate which takes account of only the interest rate differential between the two currencies. Consequently the remaining translation gain of R650 million has been designated exceptional in nature and is excluded from the calculation of operational headline earnings.

Translation gains

R million	December 2001	December 2000	% change	June 2001
Non-distributable reserve	**944**	41	>100,0	135
Income statement	**64**	53	20,8	207
Exceptional translation gain	**650**	–	>100,0	–
Total currency gains	**1 658**	94	>100,0	342

Interest earned

The prime interest rate reflected limited changes for the entire reporting period, following the 1% reduction in June 2001 and 0,5% reduction in September 2001. Although the Banking Group was positioned for a downward interest rate trend at the end of the previous financial year, the increase of 1% in January 2002 was anticipated, and the book was appropriately positioned. Net interest income, which increased by 16,4%, was positively influenced by:

- the volume impact on margins arising from the growth in both assets and liabilities;
- the higher translation rate relating to non-rand-denominated interest income following the fall in the rand;
- more active management of the investment of the Banking Group's capital base; and
- a further increase in the Banking Group's average capital base following the higher retention of earnings in the previous financial year.

These positive factors outweighed the negatives, which included:

- the slightly lower average interest rate received on the capital base;
- a tightening in margins; and
- a considerably reduced mismatch profit.

Interest margins

The interest margin as a percentage of gross average advances remained consistent with the previous year at 4,7%, in spite of continued pressure on margins throughout the period. Margins on liabilities came under pressure relative to the prior year. This is largely as a result of the lower interest rate environment. However, the negative impact of the interest rate decrease on liability business was compensated for by a slight strengthening on the asset margin, and the interest earned on additional capital.

Advances

Advances grew by 18,0% in the six months from 30 June 2001, and by 21,9% relative to December 2000.

R million	December 2001	2000	% change	June 2001
SA banking operations	**120 925**	99 899	21,0	105 622
African banking operations	**5 938**	4 771	24,5	5 102
International banking operations	**15 022**	11 905	26,2	10 466
Other operations	**3 073**	2 509	22,5	1 770
	144 958	119 084	21,7	122 960
Less: Provisions	**(3 741)**	(3 199)	16,9	(3 301)
Net advances	**141 217**	115 885	21,9	119 659

The Banking Group continued to grow its international advances portfolio, and the African subsidiaries also recorded a strong increase in advances. Both portfolios have, however, been positively impacted by the decline in the rand against other international currencies, which exaggerates their growth. The South African advances book also contains an element of non-rand-denominated lending, which has been similarly affected. The tables below reflect a more realistic picture of asset growth per currency and by product type.

R million	December 2001	2000	% change	June 2001
Non-rand-denominated advances (US$)	**2 558**	2 329	9,8	2 403
at exchange rate	**12,05**	7,30	65,1	8,06
Non-rand-denominated advances (R)	**30 824**	17 002	81,3	19 368
Rand-denominated advances	**114 134**	102 082	11,8	103 592
	144 958	119 084	21,7	122 960

R million	December 2001	2000	% change	June 2001
Overdrafts and managed accounts	**34 457**	31 954	7,8	33 742
Card loans	**3 424**	3 002	14,1	3 096
Instalment finance	**20 542**	17 188	19,5	18 722
Lease payments receivable	**9 244**	7 647	20,9	9 251
Home loans	**27 719**	23 661	17,2	24 612
Other advances (including non-rand denominated advances)	**49 572**	35 632	39,1	33 537
	144 958	119 084	21,7	122 960

FNB HomeLoans, Origin and WesBank continued their successful pursuit of asset growth, which resulted in significant growth in their advances. FNB HomeLoans and Origin, with a combined market share of only 10,4% (June 2001: 10,1%), still have significant scope for growth.

WesBank is a market leader in asset-based finance. Its broad network of alliances with a significant number of the major vehicle manufacturers and suppliers provides a strong platform for future growth.

Bad debt charge

Non-performing loans

The stable interest rate environment continued to contribute towards maintaining the sound credit profile of the Banking Group. In particular WesBank, FNB HomeLoans and FNB Retail Bank have continued to show improvements in the quality of their respective credit profiles.

Exposure to the US corporate markets has, however, shown a deterioration in credit quality. Nevertheless, the increase in the absolute value of non-performing loans has been restricted to only 2,9%.

R million	December 2001	2000	% change	June 2001
Non-performing loans	**4 540**	4 413	2,9	4 423
Less: Recoverable amount	**(491)**	(303)	62,0	(476)
Net credit exposure	**4 049**	4 110	(1,5)	3 947
Less: Security	**(1 114)**	(1 381)	(19,3)	(1 158)
Interest suspended	**(804)**	(968)	(16,9)	(834)
Residual risk	**2 131**	1 761	21,0	1 955
Specific provision	**2 131**	1 761	21,0	1 955
General provision	**1 610**	1 438	12,0	1 346
Total provisions	**3 741**	3 199	16,9	3 301
Gross advances	**145 762**	120 052	21,4	123 794
Less: Interest suspended	**(804)**	(968)	(16,9)	(834)
	144 958	119 084	21,7	122 960
Less: Provisions	**(3 741)**	(3 199)	16,9	(3 301)
Net advances	**141 217**	115 885	21,9	119 659

As a percentage of advances, non-performing loans continue to decline, falling to 3,1% from 3,6% at June 2001.

The Banking Group entered the micro-lending market in 1999, and at 31 December 2001 the book had grown to R206 million. Growth has been restricted by an extremely cautious approach to credit and loan origination limited to FNB delivery channels. The majority of the exposure is administered by way of corporate payroll deductions.

Provisioning levels

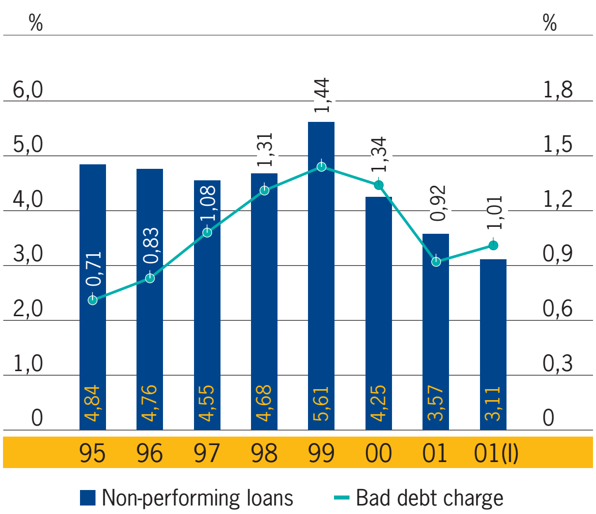
%	December 2001	December 2000	June 2001
Non-performing loans as a % of gross advances	**3,1**	3,7	3,6
Specific provision as a % of non-performing loans	**46,9**	39,9	44,2
Specific provision as a % of gross advances	**1,5**	1,5	1,6
General provision as a % of gross advances	**1,1**	1,2	1,1
Total provisions as a % of gross advances	**2,6**	2,7	2,7
Total provisions as a % of residual risk	**175,6**	181,7	168,8

The total provision reflected in the balance sheet represents a conservative 2,6% of advances (June 2001: 2,7%). This decrease is in line with the decrease in non-performing loans as a percentage of advances.

Income statement charge

The income statement charge for bad and doubtful debts reflects an increase of 20,6% relative to the prior period. This performance is a result of higher than expected defaults experienced in the Banking Group's exposures to the US corporate market. These exposures include counterparties such as Enron, K-Mart and Global Crossing. The increase in the bad debt charge resulted in the Banking Group reflecting a slight deterioration in the bad debt charge as a percentage of average advances to 1,01% (June 2001: 0,92%). Excluding the bad debt losses on US corporate exposures, the charge to the income statement would have been 0,80%, which is in line with our targeted loss ratios.

% of advances



Non-interest income

R million	December 2001	December 2000	% change	June 2001
Transactional income	**2 148**	1 968	9,1	4 064
Trading income	**588**	423	39,0	1 301
Investment income	**352**	253	39,1	624
Other income	**206**	288	(28,5)	509
Total non-interest income*	**3 294**	2 932	12,3	6 498

**Includes income from associated companies.*

Transactional income

R million	December 2001	December 2000	% change	June 2001
Fee and commission income	**2 081**	1 867	11,5	3 891
Other transactional income	**67**	101	(33,7)	173
Transactional income	**2 148**	1 968	9,1	4 064

Fee and commission income has grown by 11,5% as a result of pricing initiatives and slow but steady growth in client numbers and transaction volumes. The impact of the Retail Bank's outward focus is starting to bear fruit, and solid growth in fee and commission income is expected to continue for the remainder of the financial year.

Trading income

In contrast to the comparative period, high volatilities in the currency and interest rate markets created unusually high transactional volume and provided trading opportunities to the Banking Group's Treasury Trading teams.

R million	December 2001	December 2000	% change	June 2001
Exchange earnings	**267**	194	37,6	456
Treasury operations	**142**	87	63,2	413
Other trading income	**115**	89	29,2	225
Operational trading income	**524**	370	41,6	1 094
Translation gains	**64**	53	20,8	207
Trading income	**588**	423	39,0	1 301

Exchange earnings

R million	December 2001	2000	% change	June 2001
Domestic-based currency trading	**202**	158	27,8	372
Foreign-based currency trading	**65**	36	80,6	84
Exchange earnings	**267**	194	37,6	456

Derivatives

The banking group currently discloses derivative exposures to clients on a gross basis. Consequently, off-setting exposures to a single counterparty which have different maturity dates would be reflected on both the asset and liability side of the balance sheet. This practice, whilst conservative, is not consistently applied across the South African banking sector.

The biggest impact of this reporting methodology is reflected in the revaluation of the derivatives portfolio following the severe weakening of the rand. This revaluation process whereby the Banking Group recognises, amongst other things, currency translation gains and losses as and when they occur, arises from the generally accepted mark-to-market process whereby each trade or instrument in the portfolio is re-valued to its current market price. In the period under review the increase or decrease in value of derivative instruments whose value is contingent on currency prices, will have been markedly greater than in a period of relative price stability. The added effect of having reported on a gross basis, is an additional R18,092 billion on the size of the balance sheet. This will progressively reduce as derivative contracts expire and new contracts are re-valued closer to their historical take-on values.

Investment income

R million	December 2001	2000	% change	June 2001
Realisation of investment banking assets	**168**	15	>100,0	63
Income from associated companies	**42**	15	>100,0	134
Dividends received	**135**	192	(29,7)	356
Profit on sale of plant and equipment	**7**	31	(77,4)	71
Investment income	**352**	253	39,1	624

Investment income includes gains and losses from the Banking Group's Private Equity businesses in addition to traditional investment activities. Investment income has benefited from Private Equity realisations in the first six months of the year. Although difficult to predict, realisations of this magnitude are not expected to recur in the second half of the year.

Other income

Other income, which includes property rentals and insurance brokerage, has been negatively impacted by a loss of income resulting from the continued disposal of investment properties and other non-core businesses.

Non-interest expenditure

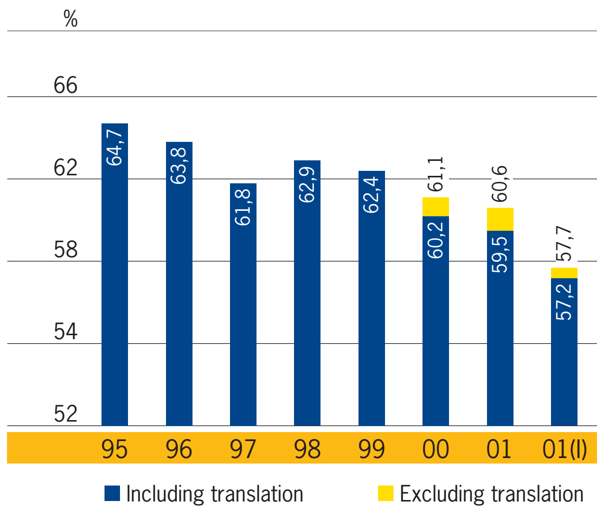
Non-interest expenditure increased by 11,1%. The core operational expenditure increased by only 8,5% from R3 163 million to R3 432 million as set out in the table below, which is a satisfactory result.

R million	December 2001	2000	% change	June 2001
Operational expenditure	**3 432**	3 163	8,5	6 673
Retrenchment costs	**–**	137	>(100,0)	137
eBucks.com start-up costs	**46**	24	91,7	85
Goodwill	**3**	4	(25,0)	77
Currency conversion	**218**	–	>100,0	118
	3 699	3 328	11,1	7 090

The restructuring costs of R137 million incurred in November 2000 did not recur in the current period. Start-up costs relating to eBucks.com of R46 million (December 2000: R24 million) were expensed in full in the current financial period.

The international operations of the Banking Group restricted growth in expenditure to 5% in their reporting currencies. However, the considerable weakening of the rand during the current financial period resulted in a 54% increase in rand terms. The R218 million represents the increase in the international Banking Group's costs attributable to the depreciation in the rand. The rand depreciation had a similar effect on interest and non-interest income.

Non-interest income



Efficiency ratio

The efficiency ratio has continued to improve during the period under review. Continued strict management of costs together with the growth in income contributed to the improvement in the ratio from 59,5% for the year ended 30 June 2001 to 57,2% (excluding exceptional translation gains).

Pension fund contribution holiday

The Banking Group has benefited from a pension fund contribution holiday. By agreement with the unions, the pension fund surplus of R598 million at December 2001 in the defined benefit scheme is being utilised by FNB to supplement an existing post-retirement medical benefit fund for employees and pensioners.

The total actuarial liability in respect of these medical benefits is calculated as R1 217 million, compared with the fund value of R691 million at December 2001; a shortfall of R526 million which will be funded by the surplus in the pension fund. Contributions to the post-retirement medical benefit fund totalled R93 million for the period.

The liability arising from changes to the pension fund legislation regarding claims from members that have left the scheme has not yet been established.

Cluster results

R million	December 2001	December 2000	% change	June 2001
Retail Banking	**592**	459	29,0	924
Instalment Finance	**303**	318	(4,7)	631
Merchant Banking	**284**	274	3,6	700
Corporate Banking	**254**	204	24,5	437
African Subsidiaries	**252**	196	28,6	390
Mortgage Lending	**100**	159	(37,1)	272
Private Banking – offshore	**46**	40	15,0	80
Short-term Insurance	**46**	44	4,5	44
Private Banking – domestic	**18**	13	38,5	(25)
Internet Banking (eBucks.com)	**(21)**	(32)	34,4	(62)
Capital Centre	**219**	95	>100,0	289
Income before taxation	**2 093**	1 770	18,2	3 680

Retail Banking

The excellent increase in profitability was achieved as a result of continued growth in core business, cost benefits from improved operational efficiency and credit management. The process improvement initiatives, introduced in recent years, are continuing to deliver benefits.

Non-interest revenue showed real growth due to the focus on appropriate pricing and limiting revenue leakage. Against this, the decline in the repo rate led to a squeeze on liability margins.

The Retail Bank experienced marginal growth in advances and solid growth in liability balances.

Instalment Finance

The period under review was a challenging one for the instalment finance industry, characterised in particular by considerable pressure on interest margins. WesBank's clear focus on its target markets and partnerships with motor manufacturers, dealers and corporate clients resulted in strong asset growth and records in new business written.

WesBank has assumed the role of product house for the Banking Group's instalment loan activities and has made significant investments in this seed business, resulting in substantial growth in the book but also bringing with it the associated start-up costs. The quality of the WesBank book remains extremely good with consistent declines in the level of arrears and non-performing loans. WesBank is confident that it will achieve good profit growth in the second half of the year.

Merchant Banking

The first half of the financial year is traditionally a quiet period for RMB. Treasury Trading performed well with volatile currency and interest rate markets providing opportunities for the trading desks. Special Projects had a difficult six months, with the US corporate markets experiencing higher defaults than expected. This division will benefit from strong deal flow and annuity business which should drive profits in the second half of the year. Corporate Finance produced satisfactory results, despite the fact that merger and acquisition activity has slowed down in line with general market conditions. The Private Equity division delivered excellent results on the back of strong realisations during the period. The Offshore division is well positioned for future growth.

Corporate Banking

FNB Corporate delivered good results from the strong platform created in the prior period, with an increase in profits of 24,5%. Organic growth in both assets and liabilities contributed to the increase in the interest income line, in spite of pressure on liability margins. Active management of doubtful advances has reduced bad debt losses. Growth in non-interest income was driven by increased foreign exchange volumes, margins and deal sizes, as well as growth in market share.

African Subsidiaries

The African subsidiaries continue to deliver excellent performances, although exaggerated by the strength of the pula against the rand in the case of FNB Botswana.

FNB Botswana grew profits by 22% from P46 million to P57 million (in rands, by 37% from R89 million to R122 million). The continued broadening of product offerings in Botswana helped increase non-interest income by 29% in pula terms. An increase in total assets of 19,3% to P2 407 million helped drive an increase in net interest income, while bad debts have been contained below budget. The cost of introducing new systems and products has, however, negatively impacted on costs which increased by 19% relative to the prior year.

Although FNB Namibia has been successful in growing advances, continued pressure on margins has resulted in a decline in net interest income relative to the same period last year. The strong growth in non-interest income was driven by good increases in exchange earnings. Cost increases where contained to 5%. Nevertheless, the pressure on margins restricted growth in profit after tax to 11,2% relative to the comparative period.

FNB Swaziland once again showed strong growth, increasing net profit after tax by 46% to R7 million.

Mortgage Lending

As predicted at year-end, acquisition costs of new business relating to the continued emphasis on growth of market share, impacted on FNB HomeLoans profitability for the period. FNB HomeTraders, which successfully sold off the bulk of the cluster's properties in possession in the prior period, also made a substantially smaller contribution to the profits of the cluster. As a result of the strong focus on asset growth, FNB HomeLoans increased market share to 10,4% (June 2001: 10,1%). In spite of the drive to grow assets, focus on credit quality remains imperative. Non-performing loans have dropped to 1,7% (June 2001: 2,4%) of advances, and the bad debt charge has decreased by 29%.

Private Banking – offshore

Ansbacher's operating profit (in GBP sterling) was 7% behind the comparable result for last year. Interest margins have been squeezed given the far greater than expected reductions in global interest rates. Client activity in the Americas slowed sharply post 11 September 2001. Strong performances from Ansbacher's European-based businesses have, however, compensated for the lower profits from the Caribbean-based operations.

New business initiatives, designed to generate higher levels of fee income, are progressing well. Establishment costs of these new initiatives have been absorbed in the six month results, with positive contributions expected to materialise over the next year to eighteen months. Earnings on free capital were also materially affected by the lower interest rate environment. In rand terms, the cluster's overall performance was some 15% above that for the comparable period last year. The positive consequences of the considerable efforts to redevelop Ansbacher's business model, improve its information systems and optimise its use of capital are expected to be reflected in improved operating performance over the forthcoming year.

Private Banking – local

Ansbacher (South Africa) combined its back office operations with those of Origin in January 2002. This will assist both operations in broadening their premium product offerings, while retaining the ability to differentiate their client delivery models through the retention of the separate brands and client gateways. Origin extended its selective transactional banking functionality, which can form part of the Origin Single Credit Facility or be used as a self standing banking service. Origin has also introduced financial planning and advice capability through the Origin Investment Services division. Origin has shown strong asset growth during the period.

eBucks.com

eBucks continued the growth in its client database, reaching 308 000 by the end of December with more than R60 million eBucks in circulation. MTN callAwards and FNB Airmiles clients were successfully migrated onto the system and have become active users. The internet banking facility now boasts in excess of 58 000 active clients.

Capital Centre

This represents the return on the capital of the Banking Group. The positive impact of translation gains, the increased capital base, the more active management of the investment strategy of the capital base and the non-recurrence of provisions raised in the comparative period resulted in a strong increase in income for this division.

International operations

Earnings from international activities totalled R491 million before taxation (December 2000: R458 million). These earnings are included in the results of the relevant clusters.

Net income before taxation

R million	December 2001	December 2000	% change	June 2001
FNB Botswana	**122**	89	37,1	180
FNB Namibia	**109**	98	11,2	195
FNB Swaziland	**10**	7	42,9	15
African Subsidiaries	**241**	194	24,2	390
FirstRand International	**217**	261	(16,9)	359
Other	**33**	3	>100,0	44
	491	458	7,2	793

The Banking Group's international activities include:

- retail banking in southern Africa under the First National Bank brand;
- private banking and wealth management under the Ansbacher brand in the United Kingdom, Europe and the Caribbean;
- vanilla and structured financing and investment through RMB International;
- investment banking to resource-based businesses through RMB Resources offices in the United Kingdom, Australia and the United States;
- corporate finance in Australia under RMB Corporate Finance;
- private equity investments in Australia and the United Kingdom; and
- development of trading markets, particularly in the energy sector, in New Zealand, Australia and Singapore.

The decrease in income before tax of FirstRand International results largely from the reduced endowment effect on capital following the steep decrease in dollar-based interest rates. The higher than expected defaults on the US Corporate portfolio negatively impacted on the results of FirstRand International.

CAPITAL ADEQUACY

The increase in the capital adequacy ratio to a minimum of 10% (from 8%) was implemented on 1 October 2001 by the South African Reserve Bank (SARB). This completed the first phase of the significant changes in the regulatory capital requirements of banks proposed by the SARB.

The Banking Group continues to actively manage its capital structure to optimise shareholder returns, while ensuring compliance with the new requirements. The increased requirement does influence the ability of the bank to maintain its superior return on capital.

The Banking Group's combined domestic and international capital ratios have strengthened from 11,4% to 11,6%. International capital ratios, which average in excess of 20%, have increased as a proportion of total capital. Domestic capital ratios have reduced as a result of the extraordinary growth in assets, which stem from the rand's weakness. To the extent that this growth is temporary in nature, these ratios are expected to return to historic norms.

The current capital ratios within the Banking Group are:

	December		June
R million	**2001**	2000	2001
Tier 1	**8,4**	8,1	8,2
Tier 2	**3,2**	3,3	3,2
	11,6	11,4	11,4

The Banking Group has implemented economic profit measurement and accordingly allocates capital to align managerial behaviour more closely with the interests of shareholders.

PROSPECTS

Focusing on revenue growth and service has already begun to deliver top-line growth in income. Although there has been an increase in credit defaults during the period, this does not reflect an increase in the risk appetite of the Banking Group. Prudent risk management remains a cornerstone of the business philosophy of the Banking Group.

Changes in the taxation and regulatory environments continue to be major issues for the Banking Group. The impact of lower average interest rates, lower credit demand, increased domestic and international competition and the volatility of the rand introduce an element of uncertainty in the Banking Group's operating environment. However, management and the board are confident that sound growth in core operational income and assets can be maintained for the remainder of the financial year.

We are confident that we can maintain our performance relative to our peers.

On behalf of the directors

G T Ferreira
Chairman

P K Harris
Chief Executive Officer

FirstRand Bank Holdings Limited
(Registration No 1971/009695/06)
Share code: FSR ISN code: ZAE000014973
Registered office
6th Floor, 1 First Place, Bank City, Johannesburg, 2001

MOMENTUM

Unaudited interim results announcement for the six months ended 31 December 2001

INTRODUCTION

This announcement relates to the life insurance, health insurance and asset management interests of the FirstRand Limited Group of companies ("the FirstRand Group") and should be read in conjunction with the report on FirstRand Limited elsewhere in this announcement. The consolidated figures in this report include the operations of Momentum Life, Momentum Wealth, Momentum Advisory Service, Momentum Employee Benefits, FirstRand Asset Management and the Discovery group of companies, collectively referred to as the Momentum Group.

FINANCIAL HIGHLIGHTS

- Headline earnings ↑ **18%**
- Net positive flow of funds of **R2,3 billion**
- Assets under management and administration **R209,4 billion**

This circular is available on our website at: www.momentum.co.za
E-mail questions to: asktheCFO@momentum.co.za

INCOME STATEMENT

for the six months ended

R million	31 December 2001 (Unaudited)	31 December 2000 (Unaudited)	% change	Year ended 30 June 2001 (Audited)
Group operating profit after tax	**404**	344	17,4	772
Net premium income	**10 337**	8 190		17 636
Individual business and employee benefits	**8 676**	7 102		15 105
Health insurance	**1 661**	1 088		2 531
Investment income	**2 831**	2 117		4 776
Policyholder benefits	**(9 198)**	(6 962)		(14 359)
Marketing and administration expenses	**(1 279)**	(977)		(2 024)
Individual business and employee benefits	**(437)**	(383)		(773)
Health insurance	**(609)**	(386)		(864)
Asset management	**(233)**	(208)		(387)
Commissions	**(415)**	(292)		(693)
Taxation	**(340)**	(169)		(396)
Realised and unrealised investment surpluses (*)	**6 240**	2 426		5 132
Earnings attributable to outside shareholders	**(36)**	(17)		(86)
Transfer to life fund	**(7 736)**	(3 972)		(9 214)
Investment income on the shareholders' portfolio	**97**	79	22,8	171
Interest, dividends and net rentals	**110**	92		199
Taxation on investment income	**(13)**	(13)		(28)
Group headline earnings	**501**	423	18,4	943
Headline earnings reconciliation				
Earnings attributable to shareholders	**480**	413	16,2	831
Add: Goodwill amortised	**19**	10		34
Add: Loss on sale of assets	**2**	–		–
Add: Exceptional items relating to African Life	**–**	–		47
Add: Effect of transitional tax on prior years	**–**	–		31
Group headline earnings	**501**	423	18,4	943

**Group earnings do not include unrealised investment surpluses on shareholders' assets*

BALANCE SHEET

as at

R million	31 December 2001 (Unaudited)	31 December 2000 (Unaudited)	30 June 2001 (Audited)
ASSETS			
Investment assets	**84 459**	66 654	74 902
Funds on deposit	**8 074**	7 164	6 221
Government and public authority stocks	**9 095**	6 465	8 739
Debentures and other loans	**8 384**	6 829	8 978
Policy loans	**746**	655	517
Equity investments	**50 236**	40 501	43 467
Investment in associated company	**506**	425	468
Derivative assets	**4 425**	1 467	3 473
Property investments	**2 993**	3 148	3 039
Current assets	**4 435**	3 560	3 324
Intangible assets	**1 251**	453	482
Fixed assets	**625**	559	588
Total assets	**90 770**	71 226	79 296
LIABILITIES AND SHAREHOLDERS' FUNDS			
Current liabilities	**2 605**	2 045	1 880
Taxation	**279**	136	345
Derivative liabilities	**5 169**	1 329	3 700
Deferred taxation	**–**	62	2
Long-term liabilities	**2 492**	1 222	1 402
Life insurance fund	**75 798**	62 740	68 062
Total liabilities	**86 343**	67 534	75 391
Outside shareholders' interest	**541**	373	369
Share capital and reserves	**3 886**	3 319	3 536
Total liabilities and shareholders' funds	**90 770**	71 226	79 296
Total assets under management and administration	**209 390**	160 582	181 316

MOMENTUM GROUP

REVIEW OF GROUP RESULTS

The results of the Momentum Group (the group) to 31 December 2001 were satisfactory given the challenging conditions experienced by some of the group businesses during the six-month period. These conditions are discussed in more detail below.

Group headline earnings increased by 18%, comprising an increase of 17% in group operating profit after taxation, and an increase of 23% in the investment income on shareholders' assets.

Group operating results

The following table reflects the main components of the increase in group operating profit after tax for the period:

Earnings source	Six months ended 31 December 2001 Rm	2000 Rm	% change	Year ended 30 June 2001 Rm
Insurance operations	**220**	201	9,5	427
Individual business	**161**	140	15,0	308
Employee benefits	**59**	61	(3,3)	119
Asset management operations	**134**	111	20,7	230
Health insurance operations	**55**	32	71,9	115
eBucks.com	**(5)**	–	–	–
Group operating profit	**404**	344	17,4	772

Individual business

The individual business of the group, comprising the results of Momentum Life, Momentum Wealth and Momentum Advisory Service, generated a satisfactory increase in operating profits after tax of 15% to R161 million for the six months. This was achieved despite the extremely difficult market conditions experienced during the past six months, which included the impact of the volatility of markets resulting from the September 11 attack on the United States of America.

Individual life new business volumes came under severe pressure, with single premiums declining by 30% and new recurring premium business (excluding Discovery Life) declining by 5% compared with the prior period. The restrictions placed by the SA Reserve Bank on the offshore investment of client funds has been the most significant contributing factor to the lower new business volumes.

The effect of the restrictions on offshore asset investments on new individual life recurring premium investments was partially offset by significantly improved life cover product sales.

During the six-month period under review, Momentum Advisory Service secured the mandate to manage R5 billion of the pension fund assets of companies in the Anglo American Group on a multi-manager basis. In total, Momentum Advisory Service now manages assets in excess of R11 billion.

Employee benefits

The operating results of Momentum Employee Benefits reflected a decline of 3% to R59 million. These results were affected negatively by lower underwriting profits resulting from unfavourable risk claims experience. The pricing of these products is currently being reviewed to ensure that future profitability is maintained, and focus is being placed on proactively pricing for the impact of AIDS.

Asset management

The FirstRand Asset Management Group, comprising RMB Asset Management (RMBAM), RMB Investment Services, Futuregrowth, RMB Properties and 87% of the Jersey General Group (JGG), increased profits after tax by 21% to R134 million for the six months. Despite the volatility in investment markets, the asset management operations benefited from the positive effect of the rand devaluation on offshore earnings. In addition, the earnings from RMB Properties improved due to increased development profits and improved property returns.

Assets under management totalled R166 billion at 31 December 2001 (30 June 2001: R156 billion), R108 billion (30 June 2001: R97 billion) being off balance sheet funds, and the balance being group assets managed. RMBAM's investment performance has continued to be satisfactory across its range of managed portfolios. Net cash outflows to segregated third party clients totalled R4,2 billion for the period under review, excluding the R5 billion inflow from the pension funds of companies in the Anglo American Group mentioned above. This outflow of funds was mainly due to the movement of assets as a result of the trend towards individual member choice in defined contribution retirement funds. Total local unit trust funds of R9,5 billion are now managed by the group.

With effect from 1 January 2002, a transaction was concluded whereby an initial 40% of Futuregrowth, the group's specialist fund manager, was sold to Wipcapital, the financial services arm of Wiphold. Wipcapital has an option to increase this holding to 56,5% after two years. A further 20% of Futuregrowth has been set aside for employee participation. This transaction creates South Africa's largest empowerment fund manager.

The offshore earnings of the asset management operations benefited from the positive effect of the weaker rand. These operations, comprising JGG and FirstRand International Asset Management, contributed 27% of the total after-tax profit of the asset management operations.

Health insurance

Discovery, the 63%-owned subsidiary of Momentum Group, continued to produce outstanding results. Momentum Group's attributable portion of this profit totalled R55 million, an increase of 72% over the comparative period. These results include the results of Discovery's two new ventures, namely the US venture, Destiny Health, and Discovery Life.

New business volumes at Discovery Health increased by 18% over the comparative period, resulting in the total number of lives covered being in excess of one million at 31 December 2001.

Discovery Life continues to capture a significant share of the risk cover market, with total annualised new business premium income of R110 million generated during the six months to 31 December 2001.

New business volumes at Destiny Health have reflected a pleasing increase during the six months, with total annualised new premium income of R119 million being generated.

The Momentum Group's investment in Discovery was negatively impacted by the fact that management of Discovery and the Registrar of Medical Schemes were unable to reach agreement on the interpretation of solvency requirements relating to medical schemes. Discovery has now tabled a revised solution which satisfies the requirements of the Medical Schemes Act, while protecting members' interests. This solution, which requires rule changes to the Discovery Health Medical Scheme, has been discussed with the Registrar and awaits his approval.

The embedded value of Discovery totalled R3 740 million at 31 December 2001 (30 June 2001: R3 156 million). Discovery's embedded value of new business (at point of sale) for the six months totalled R176 million, compared with R214 million for the comparative period.

Investment income on shareholders' assets

The investment income on shareholders' assets reflected a pleasing increase of 23%, mainly due to the continued disposal of underperforming assets, which have been replaced by assets producing improved yields.

The actuarial value of shareholders' net assets at 31 December 2001 comprise the following:

Actuarial value of shareholders' net assets	31 December 2001 Rm	30 June 2001 Rm
Strategic subsidiary investments[1]:		
– Discovery Health (63%)	**1 975**	2 691
– FirstRand Asset Management	**2 054**	1 845
– Momentum Wealth	**87**	96
– Momentum Advisory Service	**41**	36
Shareholders' portfolio investments[1]:		
– African Life (33%) (30 June 2001: 32%)	**534**	525
– Fixed interest instruments	**521**	370
– Equities	**100**	139
– Properties	**208**	201
– Share trust and subsidiary loans	**830**	818
– Cash and other	**381**	658
– Allowance for dividend	**(328)**	(430)
Total actuarial value of shareholders' net assets	**6 403**	6 949

1 Strategic subsidiary investments are reflected at directors' valuation in the actuarial value of shareholders' net assets. The income from strategic subsidiary investments is included in group operating profit, whilst the income on the shareholders' portfolio investments is reflected separately in headline earnings.

The total shareholders' net assets, after allowance for dividends payable, decreased by 8% from R6 949 million at 30 June 2001 to R6 403 million at 31 December 2001. The main reason for this was the 27% decline in the share price of Discovery Holdings since 30 June 2001.

The shareholders' net assets at 30 June 2001 have been restated downward by R200 million following the decision by the board to pay an additional R200 million dividend to FirstRand, with the FirstRand Banking Group reducing its dividend by the same amount. This has assisted the FirstRand Banking Group to increase its capital adequacy ratio, following the Reserve Bank announcement increasing the minimum capital adequacy ratio from 8% to 10%.

CAPITAL ADEQUACY

The excess of assets over liabilities of Momentum Group was R6 403 million at 31 December 2001, after allowing for dividends declared. The capital adequacy requirements (CAR) of R2 528 million (30 June 2001: R3 024 million) were covered 2,5 times (30 June 2001: 2,3 times) by this excess.The reduction of R496 million or 16% in CAR resulted from steps taken to improve capital efficiencies on individual life product lines.

RESULTS OF THE EMBEDDED VALUE CALCULATION

The embedded value of the Momentum Group, representing the sum of the actuarial value of shareholders' net assets and the present value of the expected future profits arising from the existing in-force insurance business, totalled R10 020 million at 31 December 2001 (30 June 2001: R10 106 million). The embedded value calculation includes the Momentum Group's 63% share of the market value of Discovery Holdings, as well as unlisted subsidiary companies at directors' valuation, as part of the actuarial value of shareholders' net assets. The analysis of the main components of the group embedded value is reflected in the following table:

Embedded value	31 December 2001 Rm	30 June 2001 Rm
Actuarial value of shareholders' net assets	**6 403**	6 949
Net value of in-force insurance business	**3 617**	3 157
Value of in-force insurance business	**3 869**	3 459
Opportunity cost of capital adequacy requirements	**(252)**	(302)
Embedded value	**10 020**	10 106

The embedded value of the six months' new business, at point of sale, amounted to R120 million, compared with R136 million for the prior period. This reduction is almost entirely related to the decline in new business volumes, as discussed elsewhere in this results announcement. The value of new business written during the six months represented 17% of notional new business premiums, compared with a margin of 21% during the comparable period.

The embedded value profit for the six months to 31 December 2001 totalled R240 million, which represents an annualised return of 4,8% on the opening embedded value. This return was negatively affected by the decline in the Discovery share price during the six-month period. Discovery constituted approximately 31% of the actuarial value of shareholders' net assets of Momentum Group at 31 December 2001. The following table provides an analysis of the embedded value profit for the six months into its main components:

Embedded value profit	Rm
Value of new business	**120**
Expected profit on existing business	**240**
Investment return on shareholders' net assets	**(449)**
Change in economic assumptions	**(20)**
Investment variations	**247**
Experience variations	**102**
Embedded value profit	**240**

The following table provides an analysis of the main economic assumptions used in calculating the embedded value at 31 December 2001:

Economic assumptions	31 December 2001 %	30 June 2001 %
Risk discount rate	**15,0**	14,5
Investment returns (before tax)	**13,0**	12,5
Expense inflation rate	**9,0**	8,5

The adjustments to these assumptions from 30 June 2001 to 31 December 2001 reflect the increase in long-term interest rates over the period. The overall impact of these changes in economic assumptions on the embedded value was not material compared with the 30 June 2001 figure.

GROUP ASSETS UNDER MANAGEMENT AND ADMINISTRATION

The Momentum Group managed or administered total assets of R209,4 billion at 31 December 2001 compared with R181,3 billion at 30 June 2001, an increase of 16% over the six-month period. This increase is broadly in line with the growth in investment markets during the six months, including the positive effect of the Rand's devaluation on foreign currency assets. The following table provides an analysis of the assets managed or administered by group companies:

Assets under management and administration	31 December 2001 Rbn	30 June 2001 Rbn	% change
On-balance sheet assets	**90,8**	79,3	14,5
Assets managed on behalf of third parties	**91,4**	80,1	14,1
Unit trust funds managed	**20,7**	16,7	24,0
Assets under management	**202,9**	176,1	15,2
Linked product assets under administration[1]	**6,5**	5,2	25,0
Total assets under management and administration	**209,4**	181,3	15,5

1 Excludes business written by the Momentum Group's Linked Product Packager 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 R13,5 billion (30 June 2001: R11,7 billion).

Funds received from clients

New business inflows for the six months to 31 December 2001 totalled R18,7 billion, an increase of 19% over the comparative period. Whilst individual life, employee benefits and linked product new business came under pressure, health insurance, corporate policy premiums and unit trust sales showed strong growth. The offshore and traded endowment products in the unit trust area were especially popular. A breakdown of the new business inflows, which includes 100% of the Discovery figures, is provided in the table below:

New business	Six months ended 31 December 2001 Rm	2000 Rm	% change	Year ended 30 June 2001 Rm
Annualised recurring premiums	**1 514**	1 188	27,4	2 812
Individual life[1]	**391**	318	23,0	659
Employee benefits[1]	**61**	64	(4,7)	82
Health insurance[2]	**1 062**	806	31,8	2 071
Lump sum inflows	**9 745**	8 421	15,7	18 695
Individual life premium income	**1 467**	2 103	(30,2)	3 944
Corporate policy premium income	**1 090**	313	>100,0	1 006
Employee benefits premium income	**1 451**	1 688	(14,0)	2 727
Linked product sales[3]	**1 110**	1 652	(32,8)	2 963
Unit trust sales – local	**3 107**	1 787	73,9	5 305
Unit trust sales – offshore	**1 520**	878	73,1	2 750
Segregated third party inflows[4]	**7 418**	6 136	20,9	7 233
Total new business inflows	**18 677**	15 745	18,6	28 740

1 Includes the new annualised premiums relating to the sales of Discovery Life products of R103 million (2000: R15 million) under individual life business and R7 million (2000: R nil) under employee benefits business.

2 Includes the new annualised premiums relating to the sales of Destiny Health products of R119 million (2000: R6 million).

3 Includes sales of products on the life insurance balance sheet amounting to R472 million (2000: R771 million).

4 Includes the once-off inflow of assets from the pension funds of companies in the Anglo American Group of R5 billion.

All transfers between on and off-balance sheet funds have been excluded from the above.

Taking into account the inflows from existing business as well as the new business inflows detailed above, the total funds received from clients amounted to R21 billion for the six months, an increase of 18% compared with the prior period. The following table provides an analysis of these inflows:

Funds received from clients	Six months ended 31 December 2001 Rm	2000 Rm	% change	Year ended 30 June 2001 Rm
Individual life premium income	**4 138**	3 924	5,5	7 978
Single premiums[1]	**1 467**	2 103	(30,2)	3 944
Corporate policy premiums	**1 090**	313	>100,0	1 006
Recurring premiums	**1 581**	1 508	4,8	3 028
Employee benefits premium income	**2 059**	2 311	(10,9)	3 991
Single premiums	**1 451**	1 688	(14,0)	2 727
Recurring premiums	**608**	623	(2,4)	1 264
Health insurance net inflows	**1 661**	1 088	52,7	2 531
Gross inflows	**3 480**	2 334	49,1	5 455
Less: Medical scheme and money market contributions	**(1 669)**	(1 131)	(47,6)	(2 676)
Less: Reinsurance premiums	**(150)**	(115)	(30,4)	(248)
Linked product sales	**1 110**	1 652	(32,8)	2 963
Unit trust sales	**4 627**	2 665	73,6	8 055
– Local	**3 107**	1 788	73,8	5 305
– Offshore	**1 520**	877	73,1	2 750
Segregated third party inflows	**7 418**	6 136	20,9	7 233
Total funds received from clients	**21 013**	17 776	18,2	32 751

1 Single premiums exclude funds retained through the extension of the original policy term, amounting to R210 million (2000: R249 million).

Payments to clients

Total payments to clients for the six months of R18,7 billion represents an increase of 57% compared with the prior period. The local unit trust funds experienced a significant increase in repurchases, mainly from linked product companies. Offshore unit trust repurchases were negatively affected by the impact of translating these repurchases into rands at a much weaker average sterling/rand exchange rate during the period under review. Increased segregated fund withdrawals reflect the trend towards more specialised mandates and individual member choice.

The total outflows to clients are analysed in the following table:

Payments to clients	Six months ended 31 December 2001 Rm	2000 Rm	% change	Year ended 30 June 2001 Rm
Individual life	**2 717**	2 551	6,5	5 037
Corporate policies	**413**	205	>100,0	273
Employee benefits	**2 027**	2 771	(26,8)	4 708
Health insurance	**986**	641	53,8	1 473
Linked products	**1 266**	1 531	(17,3)	3 061
Unit trusts – local	**3 421**	735	>100,0	4 593
– offshore	**1 254**	873	43,6	2 452
Segregated third party funds	**6 604**	2 638	>100,0	6 469
Total payments to clients	**18 688**	11 945	56,5	28 066

Net flow of funds

The net flow of funds from clients of R2,3 billion for the six months was 60% lower than the comparative period. The lower single premium levels in the individual life and linked product areas had a negative impact on net cash flows in these areas, whilst the stabilisation of scheme withdrawals in the employee benefits area had a positive effect on net cash flows. Increased repurchases in local unit trust funds resulted in a net negative cash flow in this area.

The following table identifies the components of this net inflow of funds, which takes account of the total inflows set out above and the outflows to clients for the six months:

Net flow of funds	Six months ended 31 December 2001 Rm	2000 Rm	% change	Year ended 30 June 2001 Rm
Individual life	**331**	1 060	(68,8)	1 935
Corporate policies	**677**	108	>100,0	733
Employee benefits	**32**	(460)	>100,0	(717)
Health insurance	**675**	447	51,0	1 058
Linked products	**(156)**	121	>(100,0)	(98)
Unit trusts – local	**(314)**	1 053	>(100,0)	712
– offshore	**266**	4	>100,0	298
Segregated third party funds	**814**	3 498	(76,7)	764
Total net flow of funds	**2 325**	5 831	(60,1)	4 685

PROSPECTS

The ongoing demand from clients for offshore products together with Momentum's limited capacity to meet these needs will continue to place pressure on new business volumes. We will continue to roll out new products to counter this negative impact, which will include focusing on the relative value inherent in locally-based investment portfolios. Ongoing efficiency improvements in the individual life operations should result in further expense savings from the next financial year. Our recent expansion into offshore asset management operations will assist in positioning the group to take advantage of opportunities that exist in international markets.

The lack of growth in the local economy, the dependency of group profits on the performance of investment markets, and the limitations placed by the SA Reserve Bank on the offshore investment of client funds, make it difficult to predict earnings growth with any degree of certainty. However, we are confident that the diverse nature of group earnings will enable us to maintain real profit growth.

L L Dippenaar
Chairman

H P Meyer
Managing Director

27 February 2002

Momentum Group Limited
Reg No 1904/002186/06

Postal address
PO Box 7400, Centurion, 0046